

# Finance and Audit Committee



## SPECIAL MEETING AGENDA

**Date:** 2/6/2019  
**Time:** 6:30 p.m.  
**City Hall – “Downtown” Conference Room, 1st Fl**  
**701 Laurel St., Menlo Park, CA 94025**

**A. Call To Order**

**B. Roll Call**

**C. Public Comment**

Under “Public Comment,” the public may address the Committee on any subject not listed on the agenda. Each speaker may address the Committee once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Committee cannot act on items not listed on the agenda and, therefore, the Committee cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

**D. Regular Business**

D1. Approve the September 10, 2018, Finance and Audit Committee special meeting minutes ([Attachment](#))

D2. Review and approve recommendations to the City Council regarding the Finance and Audit Committee charter ([Attachment](#))

D3. Discuss the comprehensive annual financial report ([Attachment](#))

D4. Review of the Finance and Audit Committee rolling agenda item listing

**E. Director’s Report**

**F. Adjournment**

At every Regular Meeting of the Committee, in addition to the Public Comment period where the public shall have the right to address the Committee on any matters of public interest not listed on the agenda, members of the public have the right to directly address the Committee on any item listed on the agenda at a time designated by the Chair, either before or during the Committee’s consideration of the item.

At every Special Meeting of the Committee, members of the public have the right to directly address the Committee on any item listed on the agenda at a time designated by the Chair, either before or during consideration of the item.

Any writing that is distributed to a majority of the Committee by any person in connection with an agenda item is a public

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## SPECIAL MEETING MINUTES - DRAFT

**Date:** 9/10/2018

**Time:** 9:00 a.m.

**City Hall – “Sharon Heights” Conference Room, 2nd Fl  
701 Laurel St., Menlo Park, CA 94025**

**A.** Chair Shepherd called the meeting to order at 9:04 a.m.

**B. Roll Call**

**Present:** Ohtaki (Departed 10:30 a.m.), Royse, Shepherd, Tronson,

**Absent:** Mueller

**Staff:** Nick Pegueros, Administrative Services Director  
Dan Jacobson, Finance and Budget Manager  
Brandon Cortez, Management Analyst I

**C. Public Comment**

- There was no public comment for this meeting.

**D. Regular Business**

D4. Subcommittee report and recommendation on capital budgeting and reporting

Item D4 was pulled out of order by Chair Shepherd

Subcommittee member Tronson gave a handout of recommendations to improve the City's capital budgeting and reporting.

There was no action on this item.

D3. Update on the Civil Grand Jury report on pension costs

Item D3 was pulled out of order by Chair Shepherd

Staff briefed the committee on the City's responses to the Civil Grand Jury's finding.

There was no action on this item.

D1. Approve the July 31, 2018, Finance and Audit Committee special meeting minutes

**ACTION:** Motion and second (Royse/Tronson) to approve the minutes for the July 31, 2018 special meeting passed, 3-0-2 (Mueller and Ohtaki absent).

D2. Review the Finance and Audit Committee work plan

**ACTION:** Motion and second (Tronson/Royse) to recommend that the City Council approve the

Finance and Audit Committee work plan, 3-0-2 (Mueller and Ohtaki absent).

**E. Director's Report**

There was no report.

**F. Adjournment**

Chair Shepherd adjourned the meeting at 10:58 a.m.



## ADMINISTRATIVE SERVICES

Council Meeting: October 9, 2007  
Staff Report #: 07-169

Agenda Item #: F-1

**REGULAR BUSINESS:** Approval of Revised Recommendations for the Establishment of a Finance/Audit Committee and Appointment of Two City Council Members to Serve on the Committee.

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### RECOMMENDATION

Staff recommends that the City Council approve the recommendations contained in this report pertaining to the establishment of a finance/audit committee.

### BACKGROUND

The drive towards the establishment of a Finance Committee began with the identification and refinement of City Council goals early in 2007. One of the goals, initially labeled "Budget Decision Making", was to "develop and implement strategies and practices that provide for a balanced and sustainable budget in which ongoing revenues are sufficient to cover ongoing expenses, a full accountability of and efficient use of City resources to meet the needs of the community, and clear and timely financial reporting to the community." A memorandum by Council Member Cline and Vice Mayor Cohen suggested that an audit/finance committee would advance this goal, with the added benefit of promoting open government processes. It was generally agreed that, while internal processes should provide for the City's balanced and sustainable budget, the goal of accountability to the community could be furthered by the establishment of such a committee.

On March 27<sup>th</sup>, staff reported on best practices regarding finance committees in the governmental accounting environment, largely based on the Government Finance Officers Association (GFOA) guidelines for Audit Committees. In providing data and examples regarding the use of finance committees in other cities, a clear distinction was recognized between a municipal *finance* committee as opposed to an *audit* committee which, under GFOA guidelines, is typically comprised of government officials only. Finance committees provide for a much broader array of purpose, membership and scope amongst cities. While an audit committee has the benefits of providing an independent perspective on the annual verification of the City's fiscal transactions, it does little to promote fiscal transparency and community participation.

To emphasize the desire for better public comprehension of the City's financial picture, Council discussed the use of a community-based committee focused on the process of

financial reporting that would enhance public understanding and transparency in the City's fiscal communications. At the July 31st Council meeting, discussion centered on the focus, size, and characteristics of both an Audit Subcommittee and a larger Finance Committee, the latter to be comprised of the Council Members who are on the Audit Subcommittee in addition to some number of community members.

In that discussion it became apparent that an audit subcommittee would have difficulty maintaining a confidential relationship with the City's external auditors if meetings were opened to the public, which is required of standing committees for compliance with the Brown Act. Council assigned members Boyle and Cline as a interim subcommittee, to meet with the City Attorney and Finance Director to resolve this apparent conflict and to provide further direction on the scope, size, terms and appointment process for a community-based Finance Committee.

## ANALYSIS

The GFOA's recommended practice on Audit Committees indicates that an important benefit of such a committee is that it helps to preserve and enhance the objectivity and independence of the financial statement audit by furnishing a forum in which the independent auditors can discuss internal controls and other audit-related matters. Such communication lends credibility to the entity's financial systems and the resulting financial statements and reports. Initially, a suggestion that two Council Members serve as an Audit Subcommittee was embraced as a means to allow confidential communications with the City's audit firm. However, the City Attorney noted that any standing committee, even one comprised solely of a minority number of Council Members, is subject to the public meeting requirements of the Brown Act.

When the interim subcommittee met with the City Manager, City Attorney and the Finance Director to discuss this issue, staff further noted that audit committees in other communities generally provide an open forum for the auditors to present their work and answer questions. If a Council Member wishes to be further informed or discuss confidential matters with the auditors, they are free to schedule such a meeting at any time. Such meetings would not be prohibited as would be the case with a standing audit subcommittee of the Council. In fact, Council Members who are members of the finance/audit committee would presumably be able to make optimum use of this interaction with the external auditors in the context of their dual roles as ultimate custodians of the public assets (Council Members) and assessors of the City's financial reporting practices (committee members). As a result of this deliberation, it was agreed that a better recommendation for the establishment of a finance/audit committee would be to maintain the presence of two council members on the committee *without* designating a specific audit subcommittee.

Once it was decided that a single finance/audit committee was a more appropriate recommendation, staff worked with the interim subcommittee to determine the optimal recommendation for the focus, size, membership characteristics, terms and selection process for the new committee. The final recommendations are summarized in Attachment A.

### **Focus and Primary Responsibilities**

Council members Boyle and Cline provided suggestions on the focus and primary responsibilities of the finance/audit committee. Previously, the Council discussed a wide variety of matters that could be appropriately addressed by a finance committee. However, the review of periodic reporting processes and the concise, understandable presentation of community financial progress reports were again identified as the driving needs behind the formation of the committee, and are included as the principal recommended focus in Attachment A. The inclusion of two Council members on the committee allows the review of the annual external audit to also be appropriately placed as a focus of the finance/audit committee.

While it will be important for the committee to understand the City's financial, budgeting and forecasting process, it would not be the committee's role to make recommendations regarding these items. Rather, the focus of the committee would be to promote the public's understanding of the City's financial status by assisting City staff in defining the format and timing of financial updates to Council and to the broader community. The committee would ensure that such updates and reports:

- Convey financial information in an easily understood manner;
- Present information in an attractive and easy-to-follow format and be written in a concise and clear style;
- Highlight and explain items of particular importance or interest to the community;
- Identify trends useful in the interpretation of the financial data; and
- Presenting information in a balanced and objective manner.

The actual reporting out to the community will be through a defined process consistent with the City's internal operations and management of resources.

### **Size and Membership Characteristics**

A clear understanding of the focus of a newly established committee was helpful in determining the size and membership characteristics of the new committee. The ongoing emphasis on community understanding of the City's financial matters suggests that the community members be chosen from committee applicants who are interested in serving in such a capacity, and have a basic understanding of financial matters. Although fiscal practices and policies in a municipal setting may vary from commercial or private fiscal processes, a willingness to interpret and convert information into useful and understandable formats was cited as the most important attribute for committee members.

Staff's previous review of California cities determined that finance committees typically consist of three to seven Members. In staff's discussions with the interim council subcommittee, the option of three or five community members was discussed in the

context of the committee's specific focus. Because the committee will constitute a interactive body providing input into the development of clear, concise solutions for reporting on complex subject matters, a smaller working group was indicated. A total of five committee members was determined to be optimal not only due to the practical nature of this committee's role, but for ease in the planning and administration of the committee's public meetings, discussed further in the "Impact on City Resources" section of this report.

### **Terms**

The terms for the two council members serving on the finance/audit committee was discussed at some length by the full Council on July 31<sup>st</sup>. Since Council Member appointments to various regional and other bodies are generally on an annual basis, this process was deemed appropriate for Council member appointment to the finance/audit committee as well. However, the desire for committee members to acquire some degree of familiarity with the City's financial processes and policies suggests that a longer term (more than one year) would be beneficial. Ultimately it was decided to recommend that the regular annual process be used for Council Member appointments to the committee, with the understanding that the Council may choose to reappoint the Council Members to the finance/audit committee in order to benefit from their experience.

A term of two years for community members is recommended on Attachment A. Continuity can be obtained by having staggered terms, such that there are always some members familiar with the City's financial processes serving on the committee. This would dictate that at least one of the community members appointed for the committee's first year of organization serve a three-year term. A recommendation for longer terms was also considered to provide continuity from experienced members. Again, experience would be a factor in the committee appointment process, so the two year terms were deemed to be an appropriate recommendation.

### **Appointment Process**

The interim subcommittee has suggested an appointment process similar to that applied to other City committees and commissions. Staff will develop an application specific to the finance/audit committee once the full Council has approved the committee's focus and structure.

### **Next Steps**

Staff recommends that the City Council appoint two Council Members to serve on the new finance/audit committee. Staff will develop a suggested application form for the community membership consistent with the focus of the committee as outlined in this report. A schedule for accepting applications and a Council selection process for the community membership of the committee should also be considered by the full Council.

## **IMPACT ON CITY RESOURCES**

It has been noted at previous meetings that the establishment and ongoing support of a finance/audit committee has the potential to require substantial staff time to provide

training on the City's budget process, prepare necessary background information, attend meetings, conduct research and analysis, and develop alternative monitoring and reporting programs. Additional staff resources were made available for analytical support within the Finance area in the 2007-08 Operating Budget, and a Financial Analyst has been recruited and is currently on board.

As a Brown Act body, the committee will also require administrative staff support from the City Clerk's Office in the application process, scheduling, distribution of agendas, and meeting notification process. Staff will also need to provide for recording summary minutes of the meetings. No additional resources were provided for the administrative support component of a new committee.

Although quarterly meetings are anticipated, there may be a need to meet more frequently in the first year of formation. Due to the administrative requirements involved, careful consideration should be given to the number of meetings planned. Once a finance/audit committee is fully established, it may be suggested that by-laws or other rules of procedure – not inconsistent with the provisions of the Brown Act or applicable City policies – be submitted to the City Council for approval. Such procedures might include a selection of officers, such as a Chairperson and Secretary. These officers may provide some of the administrative support required to conduct the meetings as a Brown Act body.

## **POLICY ISSUES**

The City Council has utilized various commissions and committees in an advisory role as deemed beneficial in carrying out its duties. Each advisory body has a primary role of advising the City Council on policy matters or reviewing specific issues and carrying out assignments within their areas of responsibility as directed by the Council. The formation of a finance/audit committee is consistent with existing policy.

## **ENVIRONMENTAL REVIEW**

Environmental review is not required.

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Carol Augustine, Finance Director  
Report Author

**PUBLIC NOTICE:** Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

## **ATTACHMENTS**

A. Recommendation : Focus and Structure of Finance/Audit Committee



## **Attachment A**

### **Recommendation: Focus and Structure of Finance/Audit Committee October 9, 2007**

#### **Focus of the Committee**

- Support the development of a plan to deliver timely, clear and comprehensive reporting of the City's fiscal status to the community at large
- Assist in establishment of a process for periodic financial reporting to Council and the public
- Annually review status of financial audit and annual financial report with the City's external auditors; review resolution of prior year audit findings
- Review of auditor selection process and scope, as needed

#### **Committee Structure**

- Advisory to the City Council
- Two Council Members appointed annually
- Three community members appointed for two-year terms (staggered) through an application process

#### **Member Characteristics:**

- Members should have some financial knowledge (sufficient understanding of or interest in organizational finance, management, and financial statements)
- Members should have the ability to communicate financial results and concepts to the public in a manner which facilitates a general understanding of issues

#### **Meeting Structure**

- All meetings called, noticed, held and conducted in accordance with the provisions of the Brown Act
- Quarterly meetings, or as agreed upon by the Committee



## **APPLICATION TO SERVE ON THE CITY OF MENLO PARK'S FINANCE/AUDIT COMMITTEE**

### **Charge:**

The primary responsibility of the Finance/Audit Committee is to facilitate public confidence in and understanding of the City's financial reports.

### **Specific Duties:**

- Support the development of a plan to deliver timely, clear and comprehensive reporting of the City's fiscal status to the community at large
- Assist in establishment of a process for periodic financial reporting to Council and the public
- Annually review status of financial audit and annual financial report with the City's external auditors; review resolution of prior year audit findings
- Review of auditor selection process and scope, as needed
- Annual review of the City's investment portfolio

### **Time Commitment:**

It is expected that the Committee will be in place by the end of the calendar year 2007. The Committee will likely meet three to four times a year. Initially, the Committee will likely meet more frequently, as the logistics of the committee are finalized and the members become familiar with the City's financial processes through a series of primers provided by Finance staff.

### **Desired Characteristics of Committee Members:**

- Commitment to participate fully and constructively
- Ability to interpret financial data and identify key information of interest to the public
- Ability to assist in the articulation of complex ideas in a simplified, non-technical manner
- Experience with use of charts, graphics or other report-enhancing tools
- Aptitude for presenting information in a balanced and objective manner
- Relevant experience and expertise; e.g. finance (including especially audit and/or government accounting experience), education, and communications

### **Composition and Selection:**

The Committee will consist of five members: two City Council Members and three community members who will be selected by the Council at large from the applications submitted on or before 5:30 pm on November 27, 2007. To provide for staggered two-year terms, the Council will first appoint one member to a three-year term, and two members to two-year terms. In the future, all members will be appointed for two year terms.

**Note:** All meetings of the City's Finance/Audit committee will be open to the public. They will be called, noticed and conducted in accordance with the provisions of the Brown Act.

To: Honorable Council Members

From: Finance & Audit Committee

Date: January 31, 2019

Re: Finance and Audit (FAC) Committee Activities Update

The purpose of this report is to seek council's review, support, direction and recommendations.

The committee's role is to facilitate public understanding of the city's financial reporting processes and to assist staff in the delivery of timely, clear and reliable financial information to the public.

This memo addresses the following topics.

- Committee structure,
- Committee meeting schedule,
- Financial statement review,
- Investment guideline review,
- Capital expenditure reporting protocol and communication,
- Information technology recommendations,
- Outsourcing service delivery and disposition of unneeded assets,
- Pension costs
- Budget presentation
- Purchasing policies, and
- Consultant/contractor policies

#### **Committee Structure**

There are five committee members, two from council and three public. The council members are assigned to many committees and commissions which has resulted in a spotty attendance record to FAC leading at times to absence of quorum and cancellation of FAC meetings. We suggest that more public members be appointed to the committee which would have the benefits of making it easier to obtain a quorum and provide more citizen input into our recommendations.

#### **Committee Meeting Schedule**

Staff has suggested that FAC hold regular meetings the third Wednesday of February, May, August and November, in the evening, to facilitate greater attendance. We concur and further suggest that alternative dates be included to allow for flexibility to accommodate member's travel schedules. Special meetings will be scheduled to enable us to complete assigned tasks.

### **Financial Statement Review**

- In our meeting to discuss the June 30, 2017 financial statements the auditors reported that they had issued a clean audit opinion and that there were no internal control weaknesses to report.
- There were two weaknesses reported for the year ended June 30, 2016 that had since been corrected. We have not yet reviewed the June 30, 2018 financial statements.

### **Investment Guideline Review**

- We reviewed the city's investment guidelines, which follow state regulations, and therefore, did not have any changes to suggest.
- We did, however, have the following observations for your consideration.
  - We suggested that the city consider using more than one investment advisor to help facilitate maximum investment earnings without sacrificing safety of principle.
  - We also suggested considering public input as to industries in which funds should NOT be invested, i.e. firearms manufacturers, Ammunition, marijuana growers, I.C.E. data providers, (these are not recommendations, only examples).

### **Capital Expenditure Reporting Protocol and Communication**

- Please refer to the six-page memo dated September 10, 2018 and staff's response dated October 2, 2018 marked CAPX 1-7.
  - We believe that all the information requested in the September memo should have been required by council before deciding to proceed with any CIP project.
  - The suggestion that each project page would require eight to sixteen hours annually to update appears excessive and needs explanation.
  - Completion of the suggested format for communication and access through a web-site, like those used by other public entities, would help establish a reporting protocol and communication with citizens.

### **Information Technology Recommendations**

- For four years the committee members have been advised that the financial IT system requires updating and that efforts are underway.
- We strongly urged that this update be expedited so that financial information can be processed efficiently, and data can be extracted to help enable informed evidence-based decision making.

- We recommend that this type infrastructure is critical to the operation of the City and is of no less importance than physical infrastructure projects

#### **Sale of The Water Department Assets**

- In a special meeting in the context of considering sources of funding the proposed, new \$50,000,000 library we suggested consideration of the sale of water department assets to an entity who could provide those services more cost-effectively. The water department consists of assets about \$30,000,000 and is considering main replacement in the next several years costing \$35,000,000. Cal Water provides service to a majority of Meno Park residents, why compete with them?
- This recommendation is not to be construed as approval of the budget for the proposed new library

#### **Pensions**

- We have major concerns about pensions. The unfunded pension liability as computed by regulations as established by CalPERS greatly understates the liability.
- We understand that the council cannot make changes but suggest that you coordinate your efforts with other governmental entities.
- We also suggest that the actuarial consultant compute the liability using discount factors of 0%, 2%, 3%, 4% and 5% so that the Council can better determine required funding to meet pension obligations.
- The same calculation should be made for the liability for retiree health care costs.

#### **Budget Presentation**

- We have reviewed the prior year's budgets.
- We are concerned that the information presented looks more like a sales/marketing package, rather than presenting detailed financial information for the Council to consider in establishing a budget.

#### **Purchasing Policies**

- The 2016 audit report was critical of staff not following established purchasing procedures.
- Our review of these procedures concluded that they needed revision. We were advised that a consultant has been hired to "modernize" them. We have not yet heard any updates.

**Consultant/Contractor Policies**

In an effort to better monitor and provide transparency, we strongly recommend that the contracts, dates, subject and sums each consultant is awarded in maintained up-to-date and is posted on the City's web-site

Respectfully submitted for FAC,



Ronald Shepherd

## **Memo**

Date: September 10, 2018

To: City Council

From: Finance and Audit Committee, City of Menlo Park

Subject: Capital Improvement Projects Financial and Status Reporting Recommendations

### **Purpose**

The Finance & Audit Committee - consistent with its charter to facilitate public understanding of the City's financial reporting processes and to assist Staff in the delivery of timely, clear, and reliable financial information to the public - recommends improvements to Menlo Park's financial-impacting reports.

The F&A Committee recommends that Council approve a number of measures designed to aid Council's capital improvement plan ("the Plan" or "Capital Improvement Plan") which includes a series of projects ("Project" or "CIP") to facilitate decision making and to better allow the public to provide input into those decisions. While some measures may require more staff time on the front end, we believe they will reduce staff's time on the back-end. The increased transparency will also enable the City Council and the public to provide oversight of the City's Plan and will lead to increased trust in our local government.

### **Policy Issues**

The City Council is required to adopt a balanced budget, approve all enabling resolutions and appropriate funds before July 1 of each calendar year. Staff then annually prepares a two-year budget document ("Budget Document" or "the Budget") with a section for the Plan.

The City of Menlo Park's budget principles include the goal of "continuing to refine the Budget to enhance the public's access to the City's financial information while also providing for proper internal controls over the City's resources."

### **Annual Budget Process**

The annual budget process starts in January of each year with the Council holding a goal setting meeting resulting in a detailed plan of high level categories, specific projects, project resources, the lead department, project priorities and status ("Workplan" or "WP"), setting the Staff priorities for the coming year. The Projects in the Workplan are subsequently revisited by Council for approval authorizing the Staff to work on the approved Projects. The approved CIPs and Workplan items may overlap, run over multiple years, and include sub-level components. During the fiscal year, additional new and/or modified Workplan items and/or CIPs may be presented to Council for approval, which in turn may affect the already approved WP and/or CIPs. The WP & Plan are updated each quarter to reflect any changes or additions.

### The Annual Budget Document

The Budget is a complex document that includes detailed financial information. The Budget has several sections including the Plan. The Budget, due to its purpose and complexity, is not necessarily prepared for use and understanding by the average resident.

### The Capital Improvement Plan. The Plan includes:

- **Capital Improvement Project Summary.** The Summary provides a top-level view of certain data related to each Project.
- **Plan Category.** The Projects are grouped into categories (“Category”) such as City Buildings & Systems and Traffic & Transportation. The Category section of the Plan is intended to provide a detailed description and information about each CIP relevant to that category (“Capital Project Page” or “Page”).
- **Capital Project Pages.** Each Page includes a brief description of the Project, and spaces allocated to information about funding source, the project carry over, new funding request, 5 year funding needed, and total funding and future funding required. Not all the Pages include all the relevant information.

### **Recommendations**

The F&A recommends that Council approve the below measures designed to aid Council’s decision making process regarding the Plan and the Projects within it (including updated Plan and Projects), and increase public engagement with this process.

Although these measures are presented in relation to the Capital Improvement Plan process, some of the same are applicable to other City processes.

Our specific recommendations include:

1. **CIP Prioritization Criteria:** Refine the specific prioritization criteria for each new Project, to include metrics and weights to ensure consistency among the decisions. Each year’s Budget should include the prioritization details of new Projects.
2. **Capital Improvement Plan:** Issue the Capital Improvement Plan separate from the Annual Budget Document and re-issue it every quarter with updated information, as needed. This separation makes it easier to digest without having to search and review the entire Budget.
  - Future CIP. To have a running list of Future CIPs. The “future” CIPs represent projects that staff and public deem important to complete in the future. There may also be additional projects, such as ones pertaining to deferred infrastructure maintenance, that are not on the “future CIP” list – but should be.



3. **Capital Improvement Project Summary:** The Capital Improvement Project Summary to include these additional fields:
- Unique Project Number: A unique number that allows for easier tracking of all projects. Such a number may comprise “YYYY-Sequential\_Number-Lead\_Dept”. The YYYY indicates the year a project is introduced, Sequential Number refers to the number of a project in a given year in order of introduction, and the Lead Department references the City department that is responsible for the project. Example: “2016-05-PW”
  - Estimated Total Project Cost: This is the total cost a project is estimated to incur and which the Council can justifiably rely on in order to make decisions.
  - Project Status: This serves as an indicator of a project’s progress. The status can comprise:
    - Either “New” from this calendar year or “Continuing” from a past year.
    - Either “Completed” (completed but not yet signed off on) or “Signed-Off” (completed and signed-off), “Not Started” (for various reasons), and any other appropriate and meaningful designation.
4. **CIP Project Pages:** To report each Project on a separate Page in the Plan which conforms to a set template to include:
- Project Name
  - Picture
  - Description
  - Justification
  - Funding source schedule (funding sources broken down by each year starting from the first year it is introduced and advancing through its estimated completion date)
  - Expenditure source schedule (expenditure through project phases, such as design and construction, broken down by each year starting from the first year it is introduced and advancing through its estimated completion date)
  - Project Snapshot to include:
    - Lead department in charge.
    - Project Start Date, to be preceded by either “New” or “Revised”
    - Planned project completion date, to be preceded by either “New” or “Revised”
    - Percent of total Capital Improvement Budget for the current budget year, and each subsequent year, until the planned project completion date.
    - A sum of the percentage of all projects (total) per year, to ensure that the total does not exceeds 100% (as a confirmation)
    - Visual presentation of each specific project cost/timeline in light of the greater picture (e.g., % of funds it is using per year, % of expenditure it is using per year)
  - Alignment to major plans & Commission Review
    - City Council Workplan, General Plan (and any other significant plans)

- Relevant Commission Review

5. **Visual Reports:** To further enable easy digestion of reports, it is important that financial data is presented to the public in relevant graphical formats (e.g., corporate annual reports) that convey all the needed information stated above in easy to understand snapshots. Examples have been previously provided and discussed with the Staff.

## Reviewed Documents

To prepare this recommendation the following documents were reviewed:

- **2/6/2018** Staff Report 18-031-CC Approval of the 2018-19 Budget Principles, City Council Procedures Manual and the 2018 City Council Workplan
- **3/19/18** City Manager's Office Memorandum to Commission Members regarding City Council Work Plan Transmittal and Capital Improvement Program (CIP) process update
- **5/29/18** -- City Manager's Budget Workshop slide presentation
- **6/5/18** -- Staff Report 18-123-CC: Public hearing on proposed fiscal year 2018-19 budget and Capital Improvement Plan.
- **6/19/18** Fiscal Year 2018-19 Budget Slide Presentation
- **6/19/18** Staff Report 18-140-CC: Approve four resolutions, including one to adopt the FY 2018-19 budget and Capital Improvement Plan
- City of Menlo Park Proposed Budget Fiscal Year 2018-19
- City of Palo Alto's Capital Improvement Budget 2018-19

## Attachments

CIP Project Summary (with more details)

Project Pages examples

## Capital Improvement Project



Project Number: \_\_\_\_\_  
 Managing Department: Public Works  
 New Project Start Date: \_\_\_\_\_  
 Planned Project Completion: \_\_\_\_\_  
 Project's Estimated Total Cost: \$11-46M  
 Capital Budget for FY2018: \_\_\_\_\_  
 Project's Percent of FY2018 Capital Budget: \_\_\_\_\_%

## Downtown Parking Garage (DRAFT)

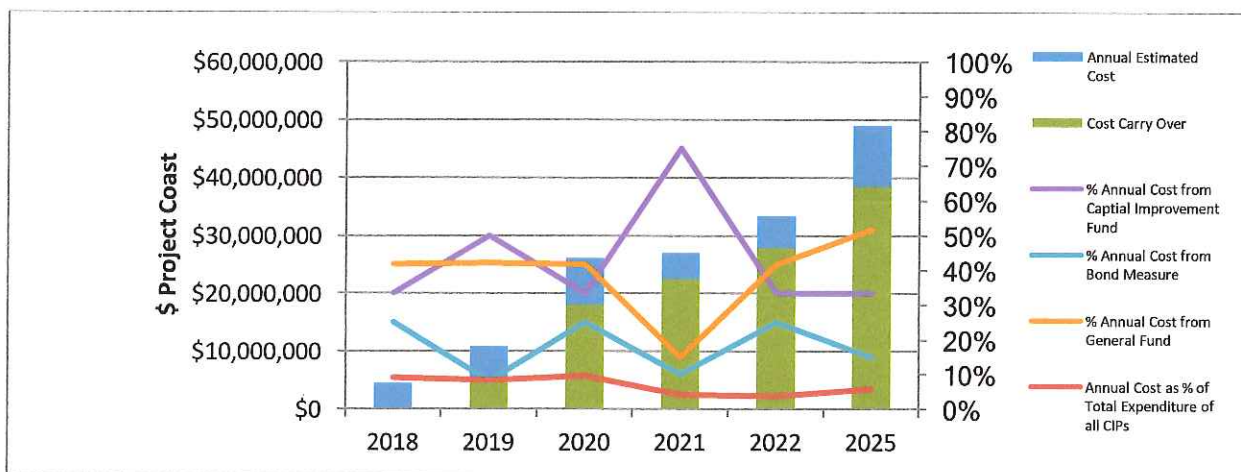
### Description

Staff is currently working on a process for potentially developing a downtown parking structure.

### Justification

For decades, the City has received complaints from downtown merchants and patrons with regard to parking availability. Regardless of how the City modifies restrictions on current parking supply, there remains insufficient parking to meet Menlo Park's parking rations for additional residential, entertainment and retail development. The new Guild Theater, as a live act entertainment venue, will also require parking. At its January 29, 2018 goal-setting meeting, the City Council identified a downtown parking structure as one of its top six priorities for 2018.

### Project Financials at a Glance (a mock chart)



## Supplemental Information

See Staff Report 18-092-CC for more details. While possible lots have been identified, the only use that complies with the current zoning in the parking plazas is at-grade parking or structured parking. Limited staff capacity is causing project delays. By December 31, 2018, staff plans additional community outreach based on City Council direction and City Council funding of next steps.

## Funding Sources Schedule

Funding Source	Prior Years	FY 2018 Budget	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5 Year CIP Total	Beyond 5 year CIP	Total
Capital Improvement Fund	N/A									
Bond Measure	N/A									
Transfer from General Fund	N/A									
<b>Total</b>	<b>N/A</b>									

## Expenditure Schedule

Project Phase	Prior Years	FY 2018 Budget	FY 2018 Estimate	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5 Year CIP Total	Beyond 5 year CIP	Total
Design	N/A										
Construction	N/A										
<b>Total</b>	<b>N/A</b>										

## Operating Impact

This project is not anticipated to impact operating expenses.

<b>Relationship to Council's Work Plan</b>	<b>Relationship to General Plan</b>	<b>Potential Commission/Committee Review</b>
Top six priority for 2018		Complete Streets Commission
	<b>Relationship to El Camino Real/Downtown Plan</b>	Transportation Master Plan Oversight and Outreach Committee
		Planning Commission
<b>Environmental Impact Analysis</b>		



From: **Jacobson, Dan C** DCJacobson@menlopark.org   
 Subject: RE: Draft documents discussed in the F&A  
 Date: October 2, 2018 at 5:24 PM  
 To: Soody Tronson soody@stlgip.com  
 Cc: Pegueros, Nick M nmpegueros@menlopark.org, Cortez, Brandon J BJCortez@menlopark.org

DJ

Hi Soody,

I worked with a staff member in Public Works who helps to manage our CIP to discuss the subcommittee's recommended format and we were able to estimate some figures for the staff time that would be required to make the changes. Based on the coordination with individual CIP project managers, we estimate that each project page would take between 8 and 16 hours to keep up to date on an annual basis. Additionally, while some elements such as project number and the budget for a current fiscal year are readily available, the uncertain nature of some projects makes the funding sources, expenditure schedule, and project financials elements unlikely to be available for a substantial percentage of projects. Please let me know if we can provide additional information to help make progress on this item.

In response to your request for the 10-year forecast, I have attached the static version of the Excel file. The numbers have been converted to "values only" on each page to avoid errors which would result from not having the software add-in. This does eliminate the links between pages, but each of the tabs still includes the elements that the pro forma was built from.

Mayor Ohtaki informed us that he would not be available for the October 15<sup>th</sup> meeting, so we will need to confirm whether we can make quorum. We will follow up with everyone on this, but I did want to send the other responses while we worked on this item.

Thank you,  
 Dan



**Dan C. Jacobson**  
 Finance and Budget Manager  
 City Hall - 2nd Floor  
 701 Laurel St.  
 tel 650-330-6649  
[menlopark.org](http://menlopark.org)

**From:** Soody Tronson (STLGip) [mailto:soody@stlgip.com]  
**Sent:** Tuesday, October 02, 2018 3:40 PM  
**To:** Pegueros, Nick M <nmpegueros@menlopark.org>  
**Cc:** Ohtaki, Peter I <PIOhtaki@menlopark.org>; Cortez, Brandon J <BJCortez@menlopark.org>; Jacobson, Dan C <DCJacobson@menlopark.org>; Shepherd, Ronald <ron@shepherd-insurance.com>; Roger Royse <rroyse@rroyse.com>  
**Subject:** Re: Draft documents discussed in the F&A

**STAFF REPORT****City Council****Meeting Date:** 1/29/2019**Staff Report Number:** 19-016-CC**Regular Business:****Receive and file the comprehensive annual financial report for the fiscal year ended June 30, 2018****Recommendation**

Staff recommends that the City Council receive and file the comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018.

**Policy Issues**

The City is required to issue independently audited financial statements on an annual basis. Management is responsible for preparing the annual financial statements which are subsequently audited by an independent external auditor which reports to the City Council. This package of reports fully transmits the documents required by California State law, granting agencies and generally accepted accounting principles. The City Council is asked to receive and file the CAFR once presented by City staff.

**Background**

Following the close of each fiscal year, the City's external auditors conduct an audit of the City's financial records and assist in the compilation of the CAFR. The paramount objective of general purpose external financial reporting is accountability. The goal of a financial statement audit is to provide users with reasonable assurance from an independent source that the information presented in the statements is reliable. The audit for the fiscal year ended June 30, 2018, was recently completed by Badawi and Associates (the Auditor), certified public accountants. Badawi was selected by the City Council as the City's independent auditor March 18, 2014, and this is their first optional additional year following an initial four year engagement.

**Analysis**

The City of Menlo Park is in excellent financial health with a total government-wide net position, as of June 30, 2018, of \$467.01 million, up 5.6 percent when compared to the prior year. Specific to the general fund, revenue and transfers-in exceeded expenditures and transfers-out by \$3.90 million. A detailed analysis of the City's financial position as of June 30, 2018, is included in the CAFR (Attachment A), specifically, the management discussion and analysis which begins on Page 5 of the document.

As a result of their annual independent audit of the City's financial records and statements, the Auditor has rendered an unmodified opinion, the optimal opinion issued by independent auditors, on the City's financial statements for the fiscal year ended June 30, 2018. In their opinion, "the financial statements... present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of

June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.”

In accordance with Government Auditing Standards, the Auditor also identifies any deficiencies in internal control over financial reporting and provides recommendations to City management on correcting these deficiencies. The report on internal control is included in the independent auditor’s report (Attachment B). Also attached are the appropriations limit report (Attachment C) and the Measure A report (Attachment D).

In their report on internal controls beginning on Page 1 of the independent auditor’s report, the Auditor found that the City has one significant deficiency in internal controls that could have a material impact on the accuracy of the financial statements. Management has provided a response to the finding in the report and current staffing levels as authorized in the 2018-19 budget are sufficient to address the Auditor’s finding.

### **Impact on City Resources**

There is no fiscal impact of this action.

### **Environmental Review**

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

### **Public Notice**

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

### **Attachments**

- A. Hyperlink: City of Menlo Park, California CAFR for the fiscal year ended June 20, 2018  
– [menlopark.org/ArchiveCenter/ViewFile/Item/8885](http://menlopark.org/ArchiveCenter/ViewFile/Item/8885)
- B. City of Menlo Park, independent auditor’s report for the year ended June 30, 2018
- C. City of Menlo Park, California report on agreed-upon procedures applied to appropriations limit schedule for the year ended June 30, 2018
- D. City of Menlo Park, California report on schedule of receipts and disbursements related to Measure A for the year ended June 30, 2018

Report prepared by:

Lenka Diaz, Administrative Services Director

Dan Jacobson, Finance & Budget Manager

# City of Menlo Park

Menlo Park, California

*Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards And  
Schedule of Findings and Questioned costs*

*For the year ended June 30, 2018*



**City of Menlo Park**  
**For the year ended June 30, 2018**  
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<b>Schedule of Findings and Questioned Costs .....</b>	<b>3</b>

Draft

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Honorable Mayor and Members of the City Council  
of the City of Menlo Park  
Menlo Park, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Menlo Park, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated December 21, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2018-001 that we consider to be a significant deficiency

To the Honorable Mayor and Members of the City Council  
of the City of Menlo Park  
Menlo Park, CA

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Badawi and Associates  
Certified Public Accountants  
Oakland, California  
December 21, 2018

**City of Menlo Park**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2018**

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**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2018-001 – Year-end closing procedures and financial reporting**

**Criteria:**

The City is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over financial reporting provides reasonable assurance about the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

**Condition:**

During the performance of our audit, we noted that the City recorded several adjusting entries after closing the books to either correct journal entries that were erroneous or to accrue additional amounts that were not captured as part of the closing process due to delay from the various departments in providing information to the Finance Department. We also noted that several of those entries did not have sufficient supporting documentation to substantiate the entry and that the Finance Department relied on an email or a brief memo from the operating department to substantiate the entry. This resulted in various account balances being misstated which required further correction and audit adjustments.

**Cause:**

The City's year-end closing process is not effective and as a result, certain accruals were not recorded properly and timely. In addition, the City's review process of the journal entries is not effective in detecting errors and did not require sufficient supporting documentation to be present in order for entries to be approved.

**Context and Effect:**

Account balances can be misstated or contain errors and those misstatements or errors may not be detected or if detected, may not be detected timely.

**Recommendation:**

We recommend that the City review and consider improving its procedures over the review of journal entries and year-end closing procedures to ensure that year-end account balances are fairly stated and errors, if any, are detected and corrected in a timely manner.

**Management Response:**

## **2018-001 – Year-end closing procedures and financial reporting**

### **Management Response:**

To improve timeliness in future year-end close procedures, the City will conduct training with its departments prior to the end of the fiscal year and provide Finance staff time to assist gathering supporting documentation and anticipated accruals. Additionally, the City has implemented a review process for journal entries to ensure accuracy throughout the year and prior to closing periods.

The City's accounting and finance system is partially decentralized, with backup documentation accessible and held by the originating departments for certain transactions. The Finance Division does not currently have the capacity to centralize all accounting and finance transactions, and benefits from decentralization by reduced personnel costs, minimizing duplicate records management, and mitigating vendor inaccuracies. The City will develop and implement a process to ensure that Finance staff periodically review backup documentation held in originating departments.

# City of Menlo Park

Menlo Park, California

*Independent Accountant's Report on  
Agreed-Upon Procedures Applied to  
Appropriations Limit Schedule*

*For the year ending June 30, 2019*

**INDEPENDENT ACCOUNTANT'S REPORT ON LIMITED  
PROCEDURES REVIEW OF APPROPRIATIONS LIMIT UNDER  
ARTICLE XIII-B OF THE CALIFORNIA CONSTITUTION**

To the Honorable Mayor and City Council  
of the City of Menlo Park  
Menlo Park, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Schedule of the City of Menlo Park (City) for the fiscal year ending June 30, 2019. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City management is responsible for the Appropriations Limit Schedule. 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 this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

The procedures performed and our findings are described below:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the fiscal year ending June 30, 2019, and determined that the limit and annual calculation factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of City Council.

*Finding:* No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and agreed the resulting amount to the current year's limit.

*Finding:* No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.

*Finding:* No exceptions were noted as a result of our procedures.

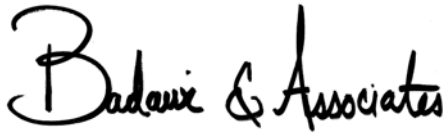
4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit Schedule to the prior year appropriations limit adopted by the City Council during the prior year.

*Finding:* No exceptions were noted as a result of our procedures.

To the Honorable Mayor and Members of City Council  
of the City of Menlo Park  
Menlo Park, California

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriation Limit Schedule. 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. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates  
Certified Public Accountants  
Oakland, California  
December 21, 2018



**City of Menlo Park**  
**Appropriations Limit Schedule**  
**For the year ending June 30, 2019**

	Amount	Source
A. Appropriations limit for the year ended June 30, 2018	\$ 60,211,231	Prior year schedule
B. Calculation factors:		
1. Population increase ratio	1.0132	State Department of Finance
2. Inflation increase ratio	1.0367	State Department of Finance
3. Total adjustment factor ratio	1.0504	B1 * B2
C. Annual adjustment increase	3,033,709	[(B3-1)*A]
D. Other adjustments:		
Loss responsibility (-)	-	N/A
Transfers to private (-)	-	N/A
Transfers to fees (-)	-	N/A
Assumed responsibility (+)	-	N/A
E. Total adjustments	3,033,709	(C+D)
F. Appropriations limit for the year ending June 30, 2019	\$ 63,244,940	(A+E)

**City of Menlo Park**  
**Notes to Appropriations Limit Schedule**  
**For the year ending June 30, 2019**

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**1. PURPOSE OF LIMITED PROCEDURES REVIEW**

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to this agreed upon procedures engagement.

**2. METHOD OF CALCULATION**

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-1987, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

**3. INFLATION FACTORS**

A California governmental agency may use as its inflation factor either the annual percentage change in the 4<sup>th</sup> quarter per capita personal income (which percentage is supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Menlo Park for the fiscal year 2018-2019 represents the percentage growth in the State of California per capita personal income cost of living during the year 2017.

**4. POPULATION FACTORS**

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City of Menlo Park for fiscal year 2018-2019 represents the population change for the City of Menlo Park during the year 2017.

**5. OTHER ADJUSTMENTS**

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. There were no adjustments made for the fiscal year ending June 30, 2019.

# City of Menlo Park

Measure A Fund  
Menlo Park, California

*Independent Accountant's Report on  
Schedule of Receipts and Disbursements*

*For the year ended June 30, 2018*

City of Menlo Park  
Measure A Transportation Fund  
For the year ended June 30, 2018

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## INDEPENDENT ACCOUNTANT'S REPORT

To the Honorable Mayor and Members of the City Council  
of the City of Menlo Park  
Menlo Park, California

We have examined management's assertion, included in the accompanying Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes* (Agreement) between the City of Menlo Park (City) and the San Mateo County Transportation Authority entered into on June 19, 1989, which was extended on January 20, 2009, that the City complied with the requirements of the Agreement during the year ended June 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on management's assertion on the City's compliance based upon our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the City's compliance with specified requirements.

In our opinion, management's assertion that the City complied with the aforementioned requirements for the fiscal year ended June 30, 2018, is in all material respects, fairly stated.

Badawi and Associates  
Certified Public Accountants  
Oakland, California  
December 21, 2018

**City of Menlo Park Measure A Transportation Fund**  
**Schedule of Receipts and Disbursements**  
**For the year ended June 30, 2018**

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Receipts:

Sales and Use Taxes	\$ 977,537
Interest Income	<u>9,108</u>
Total receipts	<u>986,645</u>

Disbursements:

Multi-modal management	12
Streets	284,406
Transportation demand management program	<u>376,623</u>
Total disbursements	<u>661,041</u>

Receipts over disbursements	<u><u>\$ 325,604</u></u>
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December 17, 2018

San Mateo County Transportation Authority  
120 San Carlos Avenue  
San Carlos, CA 94070

**Management's Report on Compliance with the Agreement for Distribution of San Mateo County Measure**

The City of Menlo Park (the "City") is responsible for complying with the Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes (the "Agreement") between the City and the San Mateo County Transportation Authority entered into on August 18, 1989, and amended on June 17, 2009. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transaction and use tax approved by Measure A – San Mateo County Expenditure Plan (the "Measure"), the City, in use of these funds, shall "refrain from substituting funds provided to it pursuant to this Agreement for property tax funds which are currently being used to fund existing local transportation programs and limit the use of said funds to the improvement of local transportation, including streets and road improvements."

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2018:

- Management is responsible for establishing and maintaining effective internal controls with respect to compliance with the Agreement;
- Management is responsible for complying with the Agreement;
- Management has evaluated the City's compliance with requirements of the Agreement; and
- All transactions, as summarized in the attached Schedule of Receipts and Distributions for the fiscal year ended June 30, 2018, are in compliance with the Agreement.

Sincerely,

Lenka Diaz  
Administrative Services Director