

CITY OF INDUSTRY

Review Report

ADMINISTRATIVE AND INTERNAL ACCOUNTING CONTROLS

July 1, 2012, through June 30, 2014



BETTY T. YEE
California State Controller

January 2016



BETTY T. YEE
California State Controller

January 28, 2016

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

The Honorable Mark D. Radecki
Mayor of the City of Industry
15625 East Stafford Street #100
City of Industry, CA 91744

Dear Mr. Radecki:

Enclosed is the report of the State Controller's Office review of the City of Industry's administrative and internal accounting controls system. The review was conducted to assess the adequacy of the city's controls to safeguard public assets and to ensure proper use of public funds.

Our review found weaknesses with the City's accounting and administrative controls. Additionally, the City Council did not exercise sufficient oversight over the city's operations and financial activities. From January 1, 2006, through December 31, 2014, the City Council adopted 71 ordinances and 784 city resolutions. With the exception of one city ordinance, every ordinance and city resolution was adopted unanimously with little or no deliberation. In essence, the City Council approved all requests submitted by the city management without question.

We also found that the former City Manager was given broad authority to approve additional work relating to long-term contracts and authorize payments of billing invoices without detailed documentation (Findings 1 and 2). As a result, the potential for fraud, waste, and abuse of public resources was extremely high.

We also assessed various aspects of the city's internal controls components and elements based on guidelines established by the Government Accountability Office's Internal Control Management and Evaluation Tool. Of the 79 control elements evaluated pertaining to internal control components, we found only 12 (15%) that were considered adequate. In the overarching components under Control Environment for Integrity and Ethical Value, Commitment to Competence, and Management and Operating Style, we found none of the 16 control elements to be adequate. The results of our review and evaluation of elements of internal control are included in this report as an Appendix.

The scope of our review was limited to some extent due to the unwillingness of the City to provide City employees' personnel records for our review. Several internal control issues (Findings 5 and 8) were not confirmed due to this limitation.

The City should develop a comprehensive remedial plan to address these deficiencies. The plan should identify the tasks to be performed, milestones, and timelines for completion. We recommend that the Industry City Council require periodic updates of the progress in implementing the remedial plan to be reported in public meetings.

After reviewing and analyzing City's responses and comments, we made some changes to the final review report.

It should be noted that the City is in the process of developing corrective actions and implementing our recommendations. Therefore, the City should be commended for taking these matters seriously and being proactive in resolving the noted deficiencies. We would like to express our thanks to the City staff and management, who were helpful throughout the review process.

As always, my staff and I are available to address your questions. You may contact Mike Spalj, Chief, Local Government Audits Bureau, by telephone at (916) 324-6984, or by email at mspalj@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/ljs

cc: Paul J. Philips, City Manager
City of Industry
Cory C. Moss, Mayor Pro Tem
City of Industry
Roy Haber III, Council Member
City of Industry
Newell W. Ruggles, Council Member
City of Industry
Abraham N. Cruz, Council Member
City of Industry
James M. Casso, City Attorney
City of Industry
Dean Yamagata, Finance Manager
City of Industry
George Lolas, Chief Operating Officer
State Controller's Office
Mike Spalj, Chief
Local Government Audits Bureau
Division of Audits
Efren Loste, Audit Manager
Local Government Audits Bureau
Division of Audits
Daniel Finau, Auditor in Charge
Local Government Audits Bureau
Division of Audits
Danny Pascua, Auditor
Local Government Audits Bureau
Division of Audits

Contents

Review Report

Introduction	1
Background	2
Objective, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials	3
Restricted Use	4
Findings and Recommendations	5
Appendix—Evaluation of Elements of Internal Control	
Attachment A—Request for Allocation for Contract Services	
Attachment B—City’s Response to Draft Review Report	

Review Report

Introduction

The State Controller's Office (SCO) reviewed the City of Industry's system of administrative and internal accounting controls for the period of July 1, 2012, through June 30, 2014 (fiscal year (FY) 2012-13 and FY 2013-14). As necessary, we expanded our testing to include current and/or prior period transactions to follow up on issues identified through interviews of city officials and through our review of the independent auditors' reports and other audit reports.

The Los Angeles County (County) Board of Supervisors voted to urge the SCO and the County's District Attorney to investigate allegations of fraud, corruption and illegal activity of the City's former mayor. The SCO's main concern and responsibility is over the City's Financial Transactions Reports and the Independent Auditor's audited financial statements.

Our analysis and comparison of Financial Transactions Reports to the audited financial statements noted differences as follows:

Fiscal Year 2012-13:

- Debt Service Fund – Cash and Investment understated by \$77,170,029.
- Total Revenues overstated by \$16,952,075 (reported \$150,778,502, actual \$133,826,427).
- Total Expenditures understated by \$1,616,493 (reported \$78,284,050, actual \$79,900,543).
- Property Taxes understated by \$612,152 (reported \$52,243,011, actual \$52,855,163).
- Tax Increment AB 1290 overstated by \$1,972,271 (reported \$1,972,271, actual \$0).
- Housing Activities was not reported in the enterprise financial statements this year (this activity reported separately in 2013).
- Housing Activities – Rental Income overstated by \$476,513 (reported \$669,313, actual \$192,800) was reported as Other Revenue.
- Self-Insurance – Pending Liability Claims, \$865,667 was not reported.

Fiscal Year 2013-14:

- Total Expenditures overstated \$3,016,027 (reported \$82,859,769, actual \$79,843,742).
- Housing Activity – Rental Income overstated by \$472,489 (reported \$680,889, actual \$208,400).
- Debt Services – Other Assets overstated by \$10,716,448 (reported \$34,578,736, actual \$23,862,288).

- Capital Project Fund – Account Receivable understated by \$1,146,500 (reported \$0, actual \$1,146,500).
- Total Revenues overstated \$81,116,543 (reported \$168,974,081, actual \$87,857,538).
- Self-Insurance – Pending Liability Claims, \$72,410 was not reported.

After considering the information presented above, we concluded that there is reason to believe that the City's ability to provide reliable and accurate information relating to required financial reports is questionable. Therefore, under Government Code section 12464(a), we conducted an investigation to validate the financial transaction reports submitted by the City for FY 2012-13 and FY 2013-14. Additionally, under Government Code section 12464(b), the costs of this review, including preparing a report of the results and transmitting copies to the City Council, will be borne by the City.

Our review included an analysis of the administrative and internal accounting controls and fiscal management practices of the City. This included assessing the impact of allegations of wrongdoing by City officials, and any findings on selected local, state, and federal programs administered by the City.

This report presents the results of findings and conclusions reached in our review of the City's administrative and internal accounting controls system.

Background

The City of Industry is an industrial suburb of Los Angeles in the San Gabriel Valley region of Los Angeles County. The City is home to over 2,500 businesses and 80,000 jobs but only 219 residents at the 2010 census—down from 777 residents in 2000. The City is almost entirely industrial. The City has a total area of 12.1 square miles, 11.8 square miles of which is land and 0.3 square miles of which is water. The City was incorporated on June 18, 1957.

Objective, Scope, and Methodology

The objective of this review was to evaluate the City of Industry's system of administrative and internal accounting controls to ensure:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations; and
- Adequate safeguard of public resources.

To accomplish our objective, we performed the following procedures:

- Evaluated the City's formal written internal policies and procedures;
- Conducted interviews with City employees and observed the City's business operations for the purpose of evaluating city-wide administrative and internal accounting controls;

- Reviewed the City's documentation and supporting financial records;
- On a limited basis, performed tests of transactions to ensure adherence with prescribed policies and procedures and to validate and test the effectiveness of controls; and
- Assessed various aspects of the City's internal control components and elements based on the guidelines established by the Government Accountability Office's Internal Control Management and Evaluation Tool.

Conclusion

We found weaknesses in the City's administrative and internal accounting controls system, resulting in numerous findings that should be addressed and corrected by the City.

As part of our review, we assessed various aspects of the City's internal control components and elements based on the guidelines established by the Government Accountability Office's Internal Control Management and Evaluation Tool. Of the 79 control elements evaluated pertaining to internal control components, we found 67, or 85%, that were considered to be inadequate. The results of our review and evaluation of elements of internal control are included in this report as the Appendix.

The City should develop a comprehensive remedial plan to address these deficiencies. The plan should identify the tasks to be performed, as well as milestones and timelines for completion. The City Council should require periodic updates at public meetings of the progress in implementing the remedial plan.

Views of Responsible Officials

We issued a draft report on December 1, 2015. Paul J. Philips, City Manager, responded to the findings in a letter dated December 18, 2015. The City raised concerns and provided additional documentation/information about some of the findings. In its response, the City stated that it is committed to implementing administrative and accounting practices that are consistent with best practices and the general practices of public agencies throughout California. The City also stated that it is committed to implementing the recommendations set forth in this response, as well as those provided by the SCO in its report. Collectively, implementation of the recommendations will ensure compliance with best practices, and will safeguard public funds. The City's response is included in this final review report as Attachment B.

Restricted Use

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

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

January 28, 2016

Findings and Recommendations

Noncompliance with Government Code section 12464

Pursuant to Government Code section 12464, our review determined the following reporting issues:

Financial Transactions Report (FTR) for fiscal year (FY) 2012-2013:

- Debt Service Fund – Cash and Investment understated by \$77,170,029.
- Total Revenues overstated by \$16,952,075 (reported \$150,778,502, actual \$133,826,427).
- Total Expenditures understated by \$1,616,493 (reported \$78,284,050, actual \$79,900,543).
- Property Taxes understated by \$612,152 (reported \$52,243,011, actual \$52,855,163).
- Tax Increment AB 1290 overstated by \$1,972,271 (reported \$1,972,271, actual \$0).
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- Housing Activities – Rental Income overstated by \$476,513 (reported \$669,313, actual \$192,800) was reported as Other Revenue.
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FTR for FY 2013-14:

- Total Expenditures overstated \$3,016,027 (reported \$82,859,769, actual \$79,843,742).
- Housing Activity – Rental Income overstated by \$472,489 (reported \$680,889, actual \$208,400).
- Debt Services – Other Assets overstated by \$10,716,448 (reported \$34,578,736, actual \$23,862,288).
- Capital Project Fund – Account Receivable understated by \$1,146,500 (reported \$0, actual \$1,146,500).
- Total Revenues overstated \$81,116,543 (reported \$168,974,081, actual \$87,857,538).
- Self-Insurance – Pending Liability Claims, \$72,410 was not reported.

Recommendation

The City should take into consideration the above issues when preparing future FTRs. The City's FTRs submitted to the State Controller's Office (SCO) should include all year-end final closing adjustments. The City should also ensure that internal control findings and recommendations noted in this report are reviewed and evaluated for their impact on future reporting.

City's Response

After receiving questions from the Controller's office concerning the City's Financial Transactions Reports ("FTR") for both Fiscal Years 2013-13 [sic] and 2013-14, on or about May 18, 2015, the City's Finance Manager furnished the Controller's office with the memoranda attached hereto as Exhibit A, and incorporated herein by reference.

The City respectfully requests that the Controller's office review Exhibit A, which fully reconciles the concerns with the City's FTRs.

SCO's Comments

The SCO received the Attachment B, Exhibit A from the City approximately two weeks after we started the review. We did perform a review of Exhibit A and noted that the reconciliation and explanation of the differences appeared reasonable. However, we determined that, based on the review completed by the staff prior to receiving Exhibit A, we had sufficient information regarding significant deficiencies related to the City's internal controls. In addition to what we noted, material deficiencies in the City's internal controls were also noted by other Independent Auditors. The noted deficiencies could have affected the accuracy of the City's financial records. As such, we continued the review to determine the extent of these deficiencies and to provide the City with recommendations for taking appropriate corrective actions.

Results of Analysis of City's Administrative and Internal Accounting Control System

We found weaknesses in the City's administrative and internal accounting controls system, resulting in numerous findings that should be addressed and corrected by the City. We also found a serious lack of oversight by the City Council over the City's financial and operational activities.

We also assessed various aspects of the City's internal control components and elements based on the guidelines established by the Government Accountability Office's Internal Control Management and Evaluation Tool. Of the 79 control elements evaluated pertaining to internal control components, we found 67 (85%) that were considered inadequate. In the overarching components under Control Environment for Integrity and Ethical Value, Commitment to Competence, and Management Oversight and Control, we found none of the 16 control elements to be adequate.

Using the results of our internal control matrix, we performed reviews of selected transactions to document examples of weak and nonexistent controls. The specific findings described in this report resulted, at least in part, from these deficiencies.

Recommendation

While there are specific recommendations to address the findings described below, from a broader perspective, we recommend that the City develop a comprehensive remedial plan to address the deficiencies noted in the Appendix. The plan should identify the tasks to be performed, and milestones and timelines for completion. In addition, we recommend that the City of Industry City Council require periodic updates at public meetings of the progress in implementing the remedial plan.

City's Response

The City stated that it is committed to implementing the recommendations set forth in this response, as well as those provided by the SCO in its report. Collectively, implementation of the recommendations will ensure compliance with best practices and will safeguard public funds.

SCO's Comments

The City is in the process of developing corrective actions and implementing our recommendations. The City should be commended for taking these matters seriously and being proactive in resolving the noted deficiencies.

FINDING 1— Questionable payments of \$14.7 million paid to a contractor

The City and Industry Manufacturers Council (IMC), a non-profit organization, entered into a contractual agreement for advertising, promotional, and community-relations services with basically similar language from year to year. We could not determine when the original contract started; however, we did review contracts for FY 2001-02 through FY 2003-04. The contract was renewed annually until September 9, 2004. The new contract was changed to a permanent contract with new language that stated that the contract shall continue unless the City or IMC terminates the agreement upon thirty days prior written notice to the other party, or at such other time as may be mutually agreed by the City and the IMC.

The contract required IMC to provide advertising, promotional and community relations services on behalf of the City; in addition, the City Council may request the following:

- (a) Maintain adequate offices and employ adequate and competent personnel to properly carry on the advertising, promotional and community relations activities herein required.
- (b) Disseminate information by correspondence, the media and personal contacts, advertising the business advantages, benefits, resources and opportunities in the City.
- (c) Promptly answer all correspondence relating to the business advantages, benefits, resources and opportunities in the City.
- (d) Prepare articles and news stories, compile data, and gather and assemble new items, photographs, and literature describing the City's advantages, benefits and resources as an industrial community.

(e) Aid in promoting construction programs and the development and use of vacant properties.

(f) Seek out, solicit and interview executives urging them to establish their businesses in the City.

(g) Promote and invite trade and business meetings, seminars and conventions in order to make individuals and businesses acquainted with the advantages and opportunities in the City of Industry for industrial and commercial development and enterprises.

(h) Provide community relations programs that will involve members of the community in civic affairs and inform them of matters affecting the City.

The City paid IMC an amount totaling \$14,730,385 from July 1, 2003, through June 30, 2014; that amount included \$14,615,019 for services that were supposedly provided by the IMC. The summary of all payments made during this period by the City to the IMC is as follows:

Fiscal Year	Services Billed	Plastic Theft Task Force	Other Costs	Total Amount Paid
2013-14	\$ 1,385,267	\$ 13,757	\$ 2,450	\$ 1,401,474
2012-13	1,545,757	21,162	450	1,567,369
2011-12	1,574,910	57,847	3,500	1,636,257
2010-11	1,391,690	–	3,000	1,394,690
2009-10	1,250,350	–	3,000	1,253,350
2008-09	1,568,105	–	3,000	1,571,105
2007-08	1,403,600	–	800	1,404,400
2006-07	1,210,490	–	1,600	1,212,090
2005-06	1,134,850	–	1,600	1,136,450
2004-05	1,031,700	–	1,600	1,033,300
2003-04	1,118,300	–	1,600	1,119,900
	<u>\$ 14,615,019</u>	<u>\$ 92,766</u>	<u>\$ 22,600</u>	<u>\$ 14,730,385</u>

City payments to IMC are questionable due to a lack of proper supporting documentation of Agreed-Upon Services as stated in the contract language. Based on our review of IMC's documents provided to support its billings, we could not determine what services, or if any services, were provided. We reviewed all of the billing invoices supporting city payments to IMC from FY 2007-08 through FY 2013-14. All of the billing invoices for services failed to identify what services were completed and provided to the City. The invoices included only a general statement requesting payment based on quarterly allocation as stated in the City Budget. For example, billing invoice dated June 27, 2013 (Attachment A), requested payment of \$625,316.75; the City paid this invoice on July 11, 2013. The City making payments to a contractor prior to receiving the services should raise serious concerns for the City's citizens relating to the city officials' attitude toward protecting public funds.

Further, the City officials and City Council authorized and made payments to IMC based on the invoices that were vague and lacked descriptions. The invoices did not include any information or documentation pertaining to the advertising, promotional, and community-relations services that IMC was contracted to provide. Further, we could not determine if the City requested the IMC to perform any of the contractual obligations as stated in the contract agreement.

Therefore, we could not determine what types of services were provided to the City by the IMC for \$14,615,019 over the 11-year period.

Over Payments under this Contract

The contract dated September 9, 2004, authorized payment of only \$1,031,700 for FY 2004-2005. The contract further states, “In June 2005, and annually thereafter, the City Manager of the City and IMC shall agree on the annual amount for the services in this agreement. Based upon such total amount, the City agrees to pay IMC upon demand for services performed, in equal amounts, on a quarterly basis on the scheduled months as set....” According to documents provided to us by the City, this contract was never amended or modified in its original terms. In addition, the City Council meeting minutes from July 8, 2004, through June 30, 2014—the last date of our review—did not note any discussion or approval of any modification to this contract agreement.

In the absence of any modification or revision to the original contract amount, the allowable cost of services under this agreement should be limited to the original contract amount of \$1,031,700 per fiscal year. As such, the City overpaid \$3,266,319 in excess of the annual contract amount as follows:

<u>Fiscal Year</u>	<u>Contract Amount</u>	<u>Total Quarterly Allocation</u>	<u>Payment In excess of the Contract Amount</u>
2013-14	\$ 1,031,700	\$ 1,385,267	\$ 353,567
2012-13	1,031,700	1,545,757	514,057
2011-12	1,031,700	1,574,910	543,210
2010-11	1,031,700	1,391,690	359,990
2009-10	1,031,700	1,250,350	218,650
2008-09	1,031,700	1,568,105	536,405
2007-08	1,031,700	1,403,600	371,900
2006-07	1,031,700	1,210,490	178,790
2005-06	1,031,700	1,134,850	103,150
2004-05	1,031,700	1,031,700	—
2003-04	1,031,700	1,118,300	86,600
	<u>\$ 11,348,700</u>	<u>\$ 14,615,019</u>	<u>\$ 3,266,319</u>

Plastic Theft Task Force

On September 1, 2011, the City provided a grant of \$1.27 million to the Los Angeles County Sherriff to fund a Plastic Theft Task Program. The Plastic Theft Task Program is an effort to stem theft of trademarked plastic pallets, milk crates, and collapsible totes.

During the period of October 3, 2011, through August 22, 2013, the City received a total amount of \$92,766 relative to this program. Of this amount, \$24,500 were from participating companies as program donations and \$68,266 from proceeds from sale of recovered stolen plastic. The city upon receipt of this money, transferred all of this money to IMC.

The transfer of this money is questionable, as IMC was not authorized to run the Plastic Theft Task Program. From our review of documents and inquiry of City staff, it appears that the City did not have any type of an agreement with the IMC to manage and operate the Plastic Theft Task Program. Accordingly, the city transferring \$92,766 to IMC may constitute a gift of public funds.

Recommendation

The City should develop and implement policies and procedures to ensure that responsible city officials perform a detailed review and gain full understanding of the professional services to be provided before entering into a contractual agreement. Contractual agreements should be presented to the City Council with full explanation of the services to be provided and benefits to the City prior to approval and before formal execution. The contractual agreements should specify services to be delivered and such services should be definitive and measurable. Finally, proper oversight should be provided by the City to ensure that services are delivered as required and payments should only be authorized and made after detailed review and confirmation that services were actually performed.

The City should also revisit this contractual agreement and all of the billings to ensure that payments were made for services performed and not just based on the City's budget and quarterly allocation basis. If the City determines that the payments to the IMC were made for services not delivered, it should seek monetary recourse to recover these funds.

City's Response

The City and the Industry Manufacturers Council ("IMC") entered into an agreement in September 2004 for advertising, promotional and community relations activities.

a. Lack of supporting documentation for agreed upon services.

Annually, the Executive Director of the IMC and the City Manager would meet to discuss the programs that the IMC would sponsor and/or participate in, on behalf of the City, and through that meeting, the City was aware of the services being provided by the IMC.

b. *Over Payments under this Contract.*

While the Controller's Report indicates that there was an overpayment of \$3,266,319.00 between Fiscal Years 2003-04 and 2013-14, because the agreement only authorized payment in the amount of \$1,031,700.00, this is an incorrect assumption.

Pursuant to Section 3(b) of the agreement between the City and the IMC, the City Manager was given the authority to set the budgeted amount of the contract each year after 2005. The agreement sets forth the following:

“In June 2005, and annually thereafter, the City Manager of City IMC shall agree on the annual total amount for the services in this agreement.”

Based on the language of the agreement, the City Council clearly delegated the authority to negotiate the amount of the agreement to the City Manager. There is no law or policy which precludes the Council from delegating this authority to the City Manager. The negotiated amount was then included in the City's budget, which was approved each year between Fiscal Years 2003-04 and 2013-14 by the City Council. The Council's approval of the budget ratified the dollar amount of the agreement negotiated by the City Manager. A copy of the agreement between the City and the IMC is attached hereto as Exhibit B, and incorporated herein by reference.

While the Report indicates that there was an overpayment to the IMC in the amount of \$3,266,319.00, based on the City's adopted and revised budgets for Fiscal Years 2003-04 through 2013-14, the City's overpayments to the IMC totaled \$476,997.00. A copy of the relevant budget pages and breakdown of the payments to the IMC is attached hereto as Exhibit C, and incorporated herein by reference.

c. *Plastic Theft Task Force.*

The Report indicates that the transfer of money from the City's Plastic Theft Task Program to the IMC was questionable, because the IMC was not authorized to run the Program, and that the transfer may have constituted a gift of public funds.

The payments made to the IMC were transferred to the Los Angeles County Sheriff's Department to fund the Program, and with those funds, the Sheriff's Department ran the Program, consistent with the grant. There was no gift of public funds by the City to the IMC, as the grant funds were distributed by the IMC to the Sheriff's Department.

Supporting documentation concerning the Plastic Theft Task Program is attached hereto as Exhibit D, and incorporated herein by reference.

The City is currently in the process of reviewing all of its professional services agreements. Once this review is complete, Staff will create a schedule for the City Council to review the agreements. Those agreements which contain critical deficiencies will be presented to the Council first, and the Council will subsequently review the balance of the agreements. The City will comply with its procurement ordinance, as well as the adopted policies and procedures when awarding future contracts. Further, the City may utilize interim agreements to allow City staff sufficient time to prioritize the competitive procurement of the City's agreements.

SCO's Comments

Lack of supporting documentation for agreed-upon services.

The City failed to provide additional documents to support its comments relating to the questioned costs. As stated in the audit finding, we could not determine what services, if any, were provided.

Over Payments under this Contract

The City correctly quoted the agreement, stating "In June 2005, and annually thereafter, the City Manager of City and IMC shall agree on the annual total amount for the services in this agreement." However, for FY 2005-06 through FY 2013-14, the City did not provide any supporting documentation to show what annual amounts were agreed to between the City Manager and IMC or when these agreements were executed. Furthermore, all subsequent agreements and amendments to extend the terms and increase the agreement amounts were made without competitive bid or any other process to provide objective evaluation of the IMC's performance.

Plastic Theft Task Force

The City did not provide any supporting documents to show transfer of payments from IMC to the Los Angeles County Sheriff's Department. In addition, the City did not provide any documentation for specific authorization to IMC to run the Plastic Theft Task Force.

This finding remains as stated.

**FINDING 2—
Payments for general
maintenance and
miscellaneous services
totaling to \$12.27
million were
questionable**

On September 25, 1980, the City and Zerep Management Corporation (Zerep) entered into a contract for general maintenance and miscellaneous services for certain areas within the City. The contract was subsequently renewed and amended and on May 24, 2001, the term of the contract was amended to cover the period of July 1, 2001, to June 30, 2025. The contract was extended for another 25 years; however, the contract was terminated by the City on September 2, 2014.

The city paid Zerep \$12.26 million for general maintenance and miscellaneous services during the period of July 1, 2012, through June 30, 2014. Payments made for maintenance services are as follows:

MAINTENANCE SERVICES	FY 2013	FY 2014	Totals
Auto mall properties	\$ 45,576	\$ 38,327	\$ 83,903
City and agency parking lot	246,994	118,445	365,439
City vehicle repairs/fuel	51,403	19,382	70,785
Citywide street maintenance	1,563,424	1,447,984	3,011,407
Citywide technical service	80,799	132,624	213,423
Computer service – September 2012	7,623	–	7,623
Curbs and medians maintenance	421,880	676,077	1,097,957
Dump fees for street maintenance – March 2014	–	67,829	67,829
Graffiti removal	79,752	178,763	258,515
IT management fee – September 2013	–	1,525	1,525
Public Facility Maintenance	1,578,671	792,205	2,370,876
Service – expo center – rodeo house	–	125	125
Service – 17217 Chestnut	3,210	–	3,210
Sign install and repair	169,112	106,871	275,983
15415 Don Julian Road	279,522	–	279,522
Follow's camp property	355,806	269,549	625,355
Grand crossing zone	281,144	96,897	378,041
Homestead Museum	24,444	84,230	108,674
Industry Hills East	116,769	168,268	285,037
Industry Hills Park and Recreation Area	–	150,555	150,555
Industry Hills West	272,303	84,438	356,741
MO service – Metro solar project	44,183	83,952	128,135
Service – 16000 Temple #A & #B and other locations	126,191	144,343	270,534
Service – 15702,15736 Nelson and others	332,712	3,888	336,600
Tonner CYN property	794,688	488,189	1,282,877
Tres hermanos ranch	192,176	13,015	205,191
Crossroads Parkway at 60 freeway	22,841	9,551	32,392
Grand totals	\$ 7,091,223	\$ 5,177,032	\$ 12,268,254

Our review of the supporting documents relating to these payments of maintenance services revealed the following:

- The invoices supporting services completed consistently lacked adequate detailed description. These invoices included only limited information such as site location where services were supposedly completed, labor hours and hourly rate, hourly equipment rental and amounts of purchased materials. As descriptive information was limited, we could not determine if labor, equipment rental costs, and purchased materials as identified on the invoice are reasonable, within the scope of the project, and commensurate with the work performed.
- Some of the costs included in the invoices included overtime hours at an average of 16.84% of total hours claimed for FY 2012-13 and FY 2013-14. According to the contract agreement, allowable overtime hours should be no more than 10% of the total hours stated on the invoice.
- The billings may have included work outside the scope of the approved contract. Material increases of work performed at several locations were lacking approval and authorization from the City.

- Several payments for invoiced services were made without proper authorization. During our review period, several billing invoices were paid without signature of finance department and/or the City Manager to show authorization and/or approval. The City Accounting Department Procedures specifically state that invoices from this contractor must be approved by the Finance Manager and City Manager.
- Significant number of payments paid by the City were for equipment rentals. For the period of July 1, 2005, through June 30, 2014, the City was billed and made payments of approximately \$2.5 million dollars for equipment rental per fiscal year. The City officials never questioned or performed a detailed review of any of the rental agreements.

Good business practices require a careful review and evaluation of all billing invoices payments are authorized. A thorough understanding of the contract terms, especially the description and scope of services to be provided, is also necessary. The invoices should include sufficient supporting documentation with detailed description of the services performed, service location, and descriptive line item charges for hourly labor time and hourly vehicles/equipment rental.

Recommendation

The City should implement appropriate internal control measures to ensure proper review and approval of all invoices for contracted services. These measures should include:

- Re-evaluating current procedures in place to ensure that proper and reasonable reviews are completed before payments are authorized.
- Ensuring that invoices from contractors include proper documentation to substantiate services provided.

City staff should perform a detailed review and analysis before processing and approving payments. When reviewing the invoices for contracted services, the nature and type of work provided and materials used should be examined closely to ensure compliance with the terms of the contract.

City's Response

In late June and July 2015, the City hired a new City Manager and created a Director of Administrative Services position, a position created to oversee and evaluate City processes. As a result of this organizational change, the City is currently reviewing all of its contracts with outside vendors to determine whether the contracts comply with best practices, contain deficiencies that require amendments, and/or should be competitively bid given the length of time of the contract and/or the type of services being provided. Further, the City has begun implementing additional review procedures as it processes invoices for services provided to the City by third party vendors.

SCO's Comments

The City is in the process of implementing our recommendation.

**FINDING 3—
The City Council did
not exercise sufficient
oversight over the City’s
financial and
operational activities**

Our review of the City Council meeting minutes found that the City Management did not perform any type of analysis, discussion, or deliberation of any of the resolutions presented to the City Council for approval. From January 1, 2006, through June 24, 2014, with the exception of one City resolution, every ordinance and City resolution was adopted unanimously. Only Resolution No. 2254, which was for revocation of conditional sales permit, was enacted with one dissenting vote.

In essence, the City Council approved all requests submitted by City management without question or scrutiny. The City Council meetings (excluding Closed Session) lasted, on average, 18.25 minutes; we also noted that 34 meetings were conducted in less than 10 minutes.

Many of the ordinances and resolutions approved by the City Council contained significant fiscal and control implications that were not addressed. As a result of insufficient oversight by the City Council and inadequate policies and procedures to control spending, we identified numerous contracts and transactions that, at least in appearance, raised questions about City Council’s lack of due diligence, including potential conflicts of interest and favoritism.

Payments for services with inadequate supporting documentation

Finding 1 and 2 raise questions about payments to contractors based on invoices that were determined to be inadequate. It appears from our review that the City Council was casually approving payments to invoices submitted by Zerep and IMC. All checks for payment of these invoices were presented to the City Council for final approval; however, due to the minimal time spent during City Council meetings, there is serious doubt that the City Council requested and reviewed any of the supporting documents before approving payments. The lack of adequate time and lack of detailed information in the payment-approval process can result in the serious breakdown of internal control.

Demand for payments lacked proper analysis and review

The final approval of payments for goods and services is entrusted to the City Council. Every two weeks, during the City Council meetings, payments for various goods and services for the two-week period were presented to the City Council for final approval before checks were sent out to payees. For the period of July 1, 2001, through May 14, 2015, the City Council did not question a single invoice for services prior to approving for payment. As noted previously, City Council meetings, on the average, lasted about 18 minutes; accordingly, payments for goods and services were casually approved without detail review and analysis of what was being paid.

Recommendation

The City Council should fulfill its fiduciary responsibility by engaging in oversight over the City’s affairs. The City also should develop and implement policies and procedures to ensure that its management performs a detailed review and gains full understanding before entering into any type of legally binding agreement. This is especially critical when the City Council approves long-term extensions to existing contracts. All

proposed agreements should be presented to the City Council with full explanation of the services to be provided and benefits to the City prior to approval and before formal execution.

In addition, the City should consistently follow its policies and procedures relating to processing payments for goods and services and ensure that all invoices are properly supported by detailed documentation before making payments.

City's Response

- a. *Approval of contracts without complying with the bidding requirements.*

While Section 3.04.040 of the City's Municipal Code ("Code") applies to the purchase of supplies and equipment, it does not apply to contracts for maintenance services, the provisions of which are specifically set forth in Sections 3.52.030, 3.52.120 and 3.52.130 of the City's Code. A copy of Chapter 3.52 of the City's Code is attached hereto as Exhibit E, and incorporated herein by reference.

The provisions of Section 3.52.120 allow the City the option to competitively bid contracts for maintenance projects, go through an informal bidding process, or negotiate a contract. Discretion is given to the City Council to determine the process for retaining maintenance services. Further, under Section 3.52.130, the City Council is permitted to enter into one or more long term agreements for general maintenance, repair and miscellaneous services.

The contracting of professional services is also discussed separately, in Section 3.04.055 of the City's Code. Under the provisions for the acquisition of professional services, there are no competitive bidding requirements, the City Manager may award contracts for professional services valued at \$10,000.00 or less, and the City Council may award contracts at its discretion, in excess of \$10,000.00. A copy of Chapter 3.04 of the City's Code is attached hereto as Exhibit F, and incorporated herein by reference.

While the Controller's Report focuses on Chapter 3.04 of the Code when evaluating the contracts with Zerep Management Corp. and R.F. Dickson, those provisions are inapplicable, as the City has specific provisions governing maintenance contracts. In accordance with the provisions of the City's Code, there was no requirement to competitively bid the Zerep or R.F. Dickson contracts, and the City awarded the contracts via the negotiated contract process, which is expressly permitted under the Code. Under the provisions of the City's Code, the City was permitted to extend the contract with Zerep at its discretion, and there was no violation of the City's Code. Further, with respect to the contract with R.F. Dickson, the City approved the contract on April 9, 2015, the Controller's contention that the agreement was not approved by the City Council is therefore inaccurate. A copy of the City Council meeting minutes for April 9, 2015, is attached hereto as Exhibit G, and incorporated herein by reference.

Moreover, the Controller's analysis of the agreement with the IMC using Section 3.04.040 is also incorrect, as the agreement is for professional services rather than supplies and equipment, and therefore must comply with the provisions of Section 3.04.055. Because Section 3.04.055 of the Code does not require the contract to be competitively bid, the City complied with the provisions of its Code when awarding the contract.

b. Payments for services with inadequate supporting documentation.

The Controller's Report contends that the City Council was "casually approving payments to invoices submitted by Zerep and IMC," however when making this assertion, the Controller fails to recognize general practices of municipalities throughout California. Generally, city councils review the warrant registers which summarize payments to city contractors. Under the normal course of business, city councils do not review specific invoices related to the services rendered, as that falls under the duties of staff, in their management of a city. Like the majority of cities throughout California, the City Council reviewed the warrant registers and approved payment to Zerep and IMC, which were both entities that had valid contracts with the City.

c. Demand for payments lacked proper analysis and review.

As set forth above, consistent with normal business practice of public agencies throughout California, the City Council was presented with, and voted on the warrant registers, which included payments to City vendors. There is nothing set forth in State law which requires the Council to review and/or question invoices for charges included in the warrant register. Moreover, city councils throughout California routinely vote on warrant registers unanimously, as staff is generally tasked with reviewing the associated invoices. The City Council's actions in approving warrant registers are consistent with that of the majority of California's public agencies.

The Controller's Report also commented on the length of time of City Council meetings, speculating that the former City Councils somehow abdicated their fiduciary responsibility as a result of the length of time of the Council meetings, and also called into question instances when the former Councils voted unanimously, implying that there was no oversight by the former Councils. This is mere conjecture on the part of the Controller. Nothing in State law requires that Council meetings be a certain length of time, or precludes the Council from voting unanimously. Councilmembers have historically been provided with agenda packets which contain information about the matters being considered at the Council meeting. Unanimous votes regularly occur at council meetings throughout the state. It is a broad assumption that just because the meetings are short and the votes are unanimous that there is no "scrutiny" over what is being considered. Council members may also contact the City Manager prior to meetings to gain answers to questions they have on matters being considered at the meetings.

City staff is working to include staff reports for all agenda items, and include the fiscal impact for all matters before the City Council, and is also working to draft resolutions and ordinances with additional findings that support the matter before the City Council.

SCO's Comments

We modified this finding to incorporate the appropriate comments as suggested by the City.

Approval of contracts without complying with the bidding requirements

We agree with the City that Municipal Code 3.52.120 provides the City Council with discretion for awarding a maintenance contract by competitive bidding, informal public bidding, or negotiated contract. Therefore, the City complied with the Municipal Code for awarding the maintenance contracts.

Payments for services with inadequate supporting documentation

The City failed to provide additional documents to support payments for paid services.

Demand for payments lacked proper analysis and review

The City's Municipal Code 3.24.060 states that the City Council shall audit each demand for payments separately to determine whether or not it is a proper claim against the City and the amount is correct and accurate. None of the documents provided by the City that we reviewed denote that the City Council performed any type of an audit or a review prior to approving payments to these demands. Likewise, the City Council minutes for the period of January 1, 2006, through June 24, 2014, did not state any objection or inquiry relating to any demands for payment. Finding 1 and Finding 2 note that questionable payments were made that should have raised questions and/or solicited more scrutiny by the City Council.

**FINDING 4—
The City failed to
exercise adequate
control over expenses
charged to City-issued
credit cards**

Failure to Document Business Purpose

We noted that the City did not enforce a strict policy for governing City-issued credit cards. From July 1, 2009, through June 30, 2014, City elected officials and employees charged a total of \$ 284,182 in expenses on City-issued credit cards. Out of the total expenses incurred during this time period, we found \$235,189, or 83%, to be questionable. The questionable charges included meals, travel charges, and other miscellaneous expenses described below.

Meals

The City's policy relating to meals and other related expenses was not clearly implemented and City Officials showed complete disregard toward the policy. Questionable expenses for meals totaled \$76,645, or 27% of total City-issued credit card expenditures during the five-year analysis. These charges were incurred mostly by members of City Management, City Elected Officials, and other City employees. The City did not obtain an expense report or any type of explanations or reasons for almost all of the charges. The most notable examples of the lack of support for these charges are as follows:

- A former member of City Management appeared to have charged meal expenses on a regular basis, including: \$560 on April 14, 2014; \$295 on March 25, 2014; \$195 on February 3, 2014; \$131 on September 19, 2013; \$294 on March 15, 2013; \$422 on May 17, 2013; and \$446 on May 18, 2012.
- A former City elected official charged \$132 on March 11, 2014; \$297 on February 21, 2014; and \$544 on May 17, 2013.
- Other City staff charges from a local restaurants included: \$642 on April 28, 2014; \$381 March 14, 2014; \$489 on March 11, 2014; and \$247 on July 18, 2013.

The charges described above lacked expense reports or an explanation to show why or whether the purpose for such expenses was City-business-related. These types of charges were incurred on a regular basis from July 1, 2009, through June 30, 2014. The City could not provide us with a valid reason for or documentation to support these charges. The City does not have a policy that indicates non-travel meals as an allowable routine expense for the City's elected officials and employees. The fact that City elected officials and City upper management routinely incur charges without adequate supporting documentation, justification, and/or description shows a lack of fiscal control, accountability, and integrity. In addition, we noted that expenses seemed excessively high when compared to same expenses authorized for other governmental entities.

Travel Charges

We noted that the City's staff members responsible processing travel reimbursement did not adhere to the established policies and procedures when processing travel expenses for elected and appointed officials. Travel-related expenditures totaled \$116,657, or 41% of the total charges for the five-year period that we analyzed. We noted that, in many instances, the purpose for the travel expenses was missing, unclear, or not properly documented; and lodging and related meals were excessive. For example, some of the questionable travel-related expenses are as follows:

- A former member of City management and a former City elected official incurred the following high-rate lodging charges:
 - On May 21, 2013, charges of \$922 for three nights for one person
 - On November 9, 2013, charges of \$421 for a one-night stay
 - On April 15, 2014, charges of \$929 and \$950 for three-night stay for two people
 - On April 21, 2014, charges of \$518 for one night
 - On April 14, 2014, charges of \$102 for limousine service
- Other City employees, management, and elected officials travel charges were also high. Examples are lunches and dinners charges of \$2,392 on March 13, 2013; lodging costs of \$1,932 and \$1,923 on March 18, 2013; \$774 on July 21, 2012; \$979 on June 26, 2012; and \$1,133 on June 28, 2012. Some of the lodging charges also included costs for alcoholic beverages.

- A former member of City management charged on the City credit card travel expenses totaling \$4,636 on May 1, 2012. In addition, unallowable expenses of \$253 for alcoholic beverages and \$661 for massage services were included in this charged amount.

As noted in other examples cited above, there was a lack of a description, justification, or any type of documentation as to the purpose and necessity of these trips.

In addition, while the City did not have did not have a limit on hotel charges, the amounts incurred seem excessive. For example, the lodging expense allowance for State employees or governmental employees only ranges from \$90-\$150 depending on the location.

In each of above instances, as well as other instances concerning lodging expenses, there was no discernible indication that members of the City management, elected officials or other City employees ever inquired or considered staying at hotels that offered government rates. Some of the hotels identified above offer government rates even on weekends for legitimate business trips.

Other Miscellaneous Expenses

Other miscellaneous expenses totaled \$41,886, or 15%, and were not supported with expense reports, the purposes for charges were not documented, and in some instances, receipts were missing. For example:

- Invoice for an iPad purchased on June 7, 2013, for \$796 did not have any support or description for its intended purpose. Subsequently, the iPad was given to an elected city official. Over a year earlier, on March 27, 2012, the same city elected official purchased a similar iPad for \$756 on a City-issued credit card.
- Purchases of flowers for \$1,016 and \$2,126 on December 5 and 6, 2013, respectively. We could not determine the purpose of these flowers or any type of a description for their use.
- A wine tasting of \$446 on February 27, 2013, was charged on a City-issued credit card by a former member of City management.
- Charge of \$2,185 for a 65-inch television on December 11, 2012, lacked supporting documentation to justify that it was purchased for City use. In addition, a credit card charge of \$2,956 from an electronics store on April 27, 2012, appeared on a bank statement; however, there was no record to justify that this purchase was for City-business purposes.

Recommendation

The City should implement appropriate control measures to ensure proper review and approval of all charges relating to meals, lodging, and other miscellaneous expenses including City-issued credit card charges. This should include:

- An updated and comprehensive travel policy that establishes clear guidance for travel, including the purpose of the trip and documentation requirements, and set limits on lodging rates, meals, and other travel expenses.
- A policy governing circumstances for which business meals are authorized, including documentation requirements and limits on the maximum amount allowable for business meals.

We also recommend that the City review the questionable charges noted above and determine whether the City officials and employees should be required to refund the City for all or part of them. The City should also consider performing a review of travel and meal expenses for the period of our review to determine whether additional refunds should be sought.

City's Response

With the exception of a limited number of credit cards, all City credit cards and fuel cards were recalled from all City employees in June 2015, and were subsequently destroyed. The remaining cards are in the possession of the City Manager's office and the Treasurer's office, and must be checked out prior to use.

Further, the City is currently evaluating its policies on travel to determine whether any amendments are necessary. Once the policies have been evaluated, and any necessary amendments have been completed, all City staff will be provided with an overview of the City's policies on travel.

SCO's Comments

The City is in the process of implementing our recommendation.

**FINDING 5—
Some City employees
were overpaid**

During our evaluation of the City's payroll processes, we reviewed and evaluated the annual labor distribution reports from the City and its component units, the Successor Agency to the Industry Urban Development Agency (IUDA), Civic-Recreational-Industrial Authority (CRIA), and Industrial Public Utilities Commission (IPUC). It was during this review that we noted that some employees received annual salaries from both the City and the IUDA as follows:

	<u>Fiscal Year</u>	<u>City Salary</u>	<u>IUDA Salary</u>	<u>Total Salary</u>
Employee A				
	2013	\$ 55,350.00	\$ —	\$ 55,350.00
	2012	10,530.00	128,317.50	138,847.50
	2011	31,827.00	93,454.50	125,281.50
	2010	121,800.00	121,800.00	243,600.00
	2009	120,000.00	120,000.00	240,000.00
Employee B				
	2014	177,369.60	—	177,369.60
	2013	177,369.60	—	177,369.60
	2012	172,203.36	—	172,203.36
	2011	143,124.19	57,022.51	200,146.70
	2010	136,057.68	136,057.68	272,115.36
	2009	77,401.68	77,401.68	154,803.36
Employee C				
	2014	101,591.44	—	101,591.44
	2013	101,493.84	—	101,493.84
	2012	98,537.76	—	98,537.76
	2011	73,967.02	24,698.14	98,665.16
	2010	44,955.12	44,955.36	89,910.48
	2009	44,290.80	44,291.04	88,581.84

In our review and analysis, we noted several questions that lead us to believe that these employees may have been compensated twice for performing the same work. Although several City documents were provided and explanations for these issues were obtained, the possibility of these employees receiving double payments exists.

Some of the issues are:

- The high salary compensation to Employee A in FY 2008-09 and FY 2009-10 and the major decrease in annual salary subsequent to FY 2009-10 appears suspicious and leads us to a conclusion that Employee A might have been double-compensated for performing the same job responsibility.

Employee A was compensated for the same exact amount from the City and from IUDA in FY 2008-09 and FY 2009-10.

- Our review and analysis of the hourly rate of sick leave and vacation when compared to the base salary received by Employee B and Employee C leads to the conclusion that they were also double-compensated.

For Employee B, we calculated the average hourly rate of sick leave and vacation that were earned and sold back for FY 2009-10 and FY 2010-11. The average hourly rate for FY 2009-10 was \$38.25 per hour and for FY 2010-11 was \$41.55. Accordingly, the estimated annual base salary of employee should have been \$78,568 for FY 2009-10 and \$84,425 for FY 2010-11.

Likewise for Employee C, we calculated the average hourly rate for sick leave and vacation as \$22.52 per hour in FY 2009-10. The average annual base salary should be \$46,845 for FY 2009-10.

In addition to the lack of other documents to dispute our conclusion regarding salary overpayments, the City does not maintain timesheets for employees (Finding 6). The timesheets could have provided pertinent information during our review and evaluation. Furthermore, the personnel records of the questioned employees were not available for our review. We were informed by the City's Legal Counsel during our discussion on a different issue that the employees' personnel record will not be made available to us during our review. The availability of the personnel records might have provided other information that resulted in a different conclusion.

Recommendation

The City should review the payments made to these employees and determine whether the City did, in fact, make double payments. Any overpayment should be returned to the City. The City should also develop policies and procedures to identify and prevent salary overpayments, promptly notify members of overpayments when they occur, and collect overpayments in a timely manner.

City's Response

No overpayments were made to any City employee, or to the employee of any City-related entity.

As explained during the review process, the salaries of various City employees were divided equally between the City and the former Industry Urban-Development Agency ("IUDA"). As set forth in the attached documents, the time of each of the employees at issue was only charged at 50 percent of the total salary for both the City and the IUDA. Supportive documents are attached hereto as Exhibit H, and incorporated herein by reference.

SCO's Comments

The city stated that there were no overpayments to the employees in question and provided budget documents for FY 2007-08 through FY 2010-11 showing budgeted salaries and employee time apportionment between the City and Industry Urban Development Agency (IUDA). These documents, however, did not clarify why material variances

occurred in the salaries of the employees in question. For example, in FY 2008-09, Employee A was paid \$120,000 from the City and another \$120,000 from IUDA, for a total of \$240,000. In FY 2009-10, Employee A was paid \$121,800 from the City and another \$121,800 from IUDA, for a total of \$243,600. However, while performing the same job function, Employee A was paid a total of \$125,281 in FY 2010-11, and \$138,847 in FY 2011-12, according to the City's labor distribution reports.

As the City did not provide us with any new documents to clarify why the employee's salary was cut almost in half, the questions raised during our review about the possible employee overpayments remain. The City should review its payroll documents to ensure that it did not make any overpayments to the noted employees.

The finding remains as stated.

**FINDING 6—
Lack of timesheet
prepared by employees**

Our inquiry with the City determined that bi-weekly payroll to City employees was not supported by attendance timesheets. Good business practices require that every employee and supervisor has the responsibility to ensure that all hours worked are accurately reported and that the payroll is correctly calculated and paid.

Preparing timesheets accurately and with the proper authorization is a critical procedure that must be completed in a timely manner. Lacking timesheets with actual work hours may lead to inaccurate payroll calculation of hours charged to actual work, vacation, sick-time, and other payroll breakdowns.

The City of Industry Policy Handbook requires that employees shall record all time worked, including time worked over their normal schedule, on a timesheet at the time the work actually occurs. Time should be rounded to the nearest tenth of an hour, and all timesheets must be turned in on a weekly basis. The handbook further states that non-exempt employees must ensure that their time cards or timesheets are accurate, complete, and turned in on a weekly basis. Supervisors and/or department heads are required to sign the time sheets for their employees.

Finally, the Fair Labor Standard Act and the California law require that employers must keep accurate records of employees' work hours and compensation.

Recommendation

The City should include a written procedure in its policy informing employees that they are responsible for accurately recording the times they arrive and leave work. This policy also should inform employees of the consequences for deliberately falsifying time cards, which may include immediate termination of employment. Even though the City is not required to keep records of the actual hours worked by employees who are exempt from overtime requirements, the City should have a system for recording sick days, floating holidays, vacation time, jury duty, bereavement leave, and other absences.

City's Response

In its Report, the Controller contends that the lack of timesheets prepared by City employees could lead to inaccurate payroll calculations. Given the size of the City's staff, City department heads have been able to ensure that staff work the requisite number of hours, and that all vacation and sick leave is accurately reported. However, in an effort to institute best practices, and compliance with City policies, the City will implement its time sheet requirement, and will create all necessary forms to ensure proper implementation.

SCO's Comments

The City is in the process of implementing our recommendation.

FINDING 7— Lack of segregation of duties

Proper segregation of duties helps ensure that funds and assets are properly recorded, protected, and appropriated. During our review of City employee duties, we noted that incompatible functions were being performed by a single individual. These functions include payroll and cash receipts.

Payroll

Only one payroll clerk was assigned to process biweekly payroll for the City through the AppleOne Computerized Payroll System. We noted that incompatible functions are assigned to, and being performed by, the payroll clerk. These functions include the clerk's ability to establish a new employee account, change an employee salary rate, and change other critical personal information. These functions should be performed by Human Resources personnel. Good internal controls require that these duties be segregated from the general payroll processing process to avoid potential conflicts of interest and/or fraud.

Cash receipts – Electric Revenue

The City collects revenue from providing electricity service (Industry Public Utility Commission) to the City through a third-party representative. The representative prepares and sends billings and receives payments from customers. On December 13, 2012, the representative contracted with the City to also perform electric meter-reading services which, in the past, were performed by a different contractor. The combination of reading electric meters, preparing billings, and receiving payments are functions that should not be performed by a single person or entity, as doing so circumvents an internal control process and may create an environment in which fraud could be easily committed and go undetected.

Cash Receipts from Third Party Vendor

Additionally, a city account clerk receives collected payments for electric service from the third-party representatives. The account clerk performs the following incompatible duties: accepts and counts payments, prepares deposit slips, performs deposit duties, and performs data entry into the computerized accounting system. Custody of assets and recording of transactions are responsibilities that should be performed by different work units or, at a minimum, by different persons within the same unit.

Recommendation

The City should assess its current processes and implement policies and procedures to segregate incompatible functions. Separating responsibilities will help to reduce the risk of errors and fraud. Also, having a second person involved in the review and approval process will enhance the compensating control activity.

City's Response

The City currently employs 17 full time employees not including the individuals that serve on the City Council and other boards of the City. The payroll expense including new hires and staff positions are approved through the standard budgeting process. From the approved budget all new hires, changes in pay rates and changes in staff positions documents are prepared by the personnel department and reviewed and authorized by the City Manager for submission to the payroll clerk. Monthly payroll expenses are monitored by the comparing the expense with the budgeted amounts, and are relatively consistent due to the small number of employees. Any deviations in the monthly payroll expense would be questioned during the monthly review of expenditures by the Finance Department. The small number of employees and consistent monthly payroll expense mitigates some of the risk of the segregation of duties, however the will implement additional controls over this area.

The City will review our current procedures and processes, and will implement changes or procedures that will mitigate the lack of segregation of duties. With respect to the electric revenue, the City will study options for an outside vendor to complete utility billing, and will also look into random audits of meter reads.

SCO's Comments

The City generally agrees with this finding and is in the process of reviewing and evaluating its processes to mitigate the lack of segregation of duties.

**FINDING 8—
City manager and other
city employees were not
given annual
performance appraisals**

The 2012-2013 Los Angeles County Civil Grand Jury Final Report included in its recommendations that the City Council develop for the City Manager specific annual goals and conduct meaningful evaluations at least annually. On September 27, 2013, the City, in its response, stated that it has implemented the recommendations and will continue to conduct an annual evaluation of the City Manager's performance for each fiscal year.

According to the City of Industry Policy Handbook that was adopted on June 27, 2013, the City Council will evaluate the performance of the City Manager annually. The evaluation process is intended to be a positive interchange between the Council and City Manager, resulting in the documentation of performance, strengths, weaknesses, accomplishments, and expectations. The Handbook further states that in the evaluation process:

The City Manager will prepare a written summary of accomplishments in the past year, including progress toward meeting the goals and objectives established by City Council, and present the summary to

Councilmembers before the evaluation meeting. City Councilmembers should complete the standard evaluation forms and meet with the City Manager in closed session. At the conclusion of the session, the City Council will, by consensus, determine an overall evaluation of the City Manager's performance in the past year, and complete a group evaluation form.

Our review of the City Council minutes for FY 2012-13 and FY 2013-14 did not contain any detailed discussion of the City Manager's performance evaluation. Similarly, other City documents we reviewed confirm that performance evaluations were not conducted on other City employees. In addition, we were not able to perform other review procedures to confirm whether performance evaluations were completed among City employees, as we were not provided access to review employees' personnel records.

Generally, performance evaluations are used to assess whether an employee shall receive a salary increase based on achievement and accrued seniority. Our review of current and prior-year records showed that the City Manager and other City employees received increases in their salaries, and compensation packages continued to grow after their initial hiring. The basis for increases in salaries and benefits may be questionable, as performance evaluations were not performed.

Recommendation

The City Council should perform a meaningful and detailed annual performance evaluation of the City Manager to comply with the City Manager Evaluation Policy. Likewise, the City Manager and other City Management should conduct evaluations on all employees on a regular basis. Evaluations should be discussed to provide feedback, recognize quality performance, and establish performance expectations.

City's Response

The Report contends that the City did not conduct performance evaluations of its employees, however, this directly contradicts information provided to the Controller's office during the interview that its representatives conducted with the City's Human Resources Director on

August 11, 2015. During the interview, the Director informed the Controller's office that performance evaluations are conducted annually by each employee's supervisor, any increase in pay for a particular employee as a result of the evaluation is then approved by the City Manager.

Employee personnel files are confidential, and generally may only be disclosed through formal court proceedings, i.e.-discovery in the course of litigation, through a subpoena, or as the result of a release executed by the employee whose file is being released. Further, City employees have a general expectation of privacy with respect to their personnel files, and especially documents such as performance evaluations, which likely contain personal information concerning the employee. To ensure compliance with State law, and given the fact that no City employee provided the City with a waiver to release their personnel records, this information was not disclosed to the State Controller. However, during the interview regarding personnel

matters, City Staff requested that the representatives from the Controller's provide Staff with a list of employees for whom information regarding performance evaluations was desired, so that the appropriate City Staff could review the personnel files to determine whether the City was in possession of a written performance evaluation. City Staff did not receive a request from the Controller's Office for that information.

To ensure compliance with best practices, the City will begin conducting written performance evaluations of its employees, and will conduct an annual evaluation of the City Manager, consistent with the City's City Manager Evaluation Policy.

SCO's Comments

We were informed during one of our interviews that performance evaluation were conducted annually by each supervisor. However, the City failed to provide us with any documents to support its assertion that performance evaluation were actually conducted. According to the City of Industry Policy Handbook, dated June 27, 2013, the City Council is required to evaluate the performance of the City Manager annually. However, our review of the City Council meeting minutes from the period of July, 1, 2012, through June 30, 2014, did not find any documentation or support for the required evaluations.

The city stated that it will implement our recommendation and will be conducting written performance evaluation of its employees and City Manager.

Appendix— City of Industry Evaluation of Elements of Internal Control

Management Oversight and Control (Control Environment)		YES	NO	COMMENTS
Control Environment				
A1.	Integrity and Ethical Values			
	a. Are code of conduct and other policies regarding acceptable business practice, conflicts of interest, or expected standards to ethical and moral behavior established and communicated to all City management and employees?		X	<p>The City’s Policy Handbook addresses the code of conduct, acceptable business practices, conflicts of interest, and ethical moral behavior. However, we noted several issues that may affect integrity and ethical values at the City, including:</p> <p>A. On May 26, 2015, the City filed a lawsuit against the former City Mayor alleging, among other things:</p> <ul style="list-style-type: none"> • Extensive public corruption and personal profiteering by former City officials, including the City's former Mayor, affiliated private entities, and their controlling persons from 1995 through 2014. • Former City Mayor engaged in conduct that enriched himself and the companies he controlled at the expense of the City and its citizens. • Defendants, and each of the named parties, performed unauthorized work and subsequently billed the City for such work for their personal gain. Through this conduct, the defendants as a group and individually defrauded the City of millions of dollars and exposed the City to millions of dollars of liability and damages; and • Defendants, submitted inflated invoices for services that were never performed. Through this conduct, the defendants defrauded the City of million millions of dollars. <p>B. A claim was filed by a former employee against some City officials alleging that during the period of January 1, 2009, up to and including February 13, 2015, she suffered injuries and damages in the nature of:</p> <ul style="list-style-type: none"> • Unlawful gender discrimination; • Unlawful sexual harassment;

				<ul style="list-style-type: none"> • Failure to take reasonable steps necessary to prevent discrimination and harassment; • Negligent hiring and negligent retention; and • Abusive conduct, including bullying. <p>Although these allegations were settled through a settlement agreement and release of all claims whereby the City paid \$1.2 million to the employee in exchange for a full release of all claims and potential claims and other promises. There was no admission of liability in this agreement; however, these actions and conduct of City officials may have a meaningful and unintentional impact on the City's administrative and internal controls.</p> <p>C. Governance practices recommended by the 2012-2013 Civil Grand Jury Report were not implemented by the City. More specifically:</p> <ul style="list-style-type: none"> • Develop and report on performance measures, • Develop specific goals for the city's executive; and, • City councils conduct annual evaluations of executive. <p>D. The City Council failed to exercise oversight over the city's financial and operational activities (Finding 3).</p>
	b. Is the reasonable management attitude of "Tone at the Top" established and communicated to City management and staff?		X	See comments above.
	c. Is everyday interaction with vendors, clients, auditors and other parties based on honesty and fairness?		X	See comments above. Questionable payments were made to contractors (Findings 1 and 2).
	d. Is appropriate remedial action taken in response to non-compliance?		X	See A1a, Comment B
	e. Is management appropriately addressing intervention or overriding established controls?		X	See comments above.
	A2. Commitment to Competence			
	a. Is management identifying and defining the tasks required to accomplish particular jobs and fill - various positions?		X	The City failed to develop specific goals for the City's management team and failed to evaluate performance of key City management.
	b. Does the City conduct appropriate analysis of the knowledge, skills, and abilities needed to perform job assignments?		X	See comments above.

	c. Is the City providing training and counseling in order to help employees maintain and improve their job competence?		X	According to City officials, newly hired city employees learn their specific job tasks through on-the-job training. There was no city-wide training offered to City employees for the purpose of improving job performance during our review period.
A3.	Audit Committee			
	a. Does the City have an audit committee that is appropriate for the size and nature of the entity?		X	On September 26, 2013, the City Council adopted Resolution CC2013-18 to establish an audit committee (two-member committee), and to designate the committee functions. On June 2015, the audit committee was disbanded because the two appointed members were voted out from the City Council. The City did not appoint new members to the audit committee.
	b. Are members of the audit committee independent from the City management?		X	See comments above.
	c. Do audit committee members have sufficient knowledge, experience, and time to serve effectively?		X	See comments above.
	d. Does the audit committee meet regularly to set policies and objectives, review the City's performance, and take appropriate actions; and are minutes of such meetings prepared and signed on timely basis?		X	See comments above.
	e. Do the members of the audit committee regularly receive the information they need to monitor management's objectives and strategies?		X	See comments above.
	f. Does the audit committee review the scope and activities of the internal and external auditors?		X	See comments above.
	g. Does the audit committee meet privately with the Chief Financial Officer/and or accounting officers, internal auditors, and external auditors to discuss the reasonableness of the financial reporting process, the system of internal control, significant comments or recommendations, and management performance?		X	See comments above.
	h. Does the audit committee take actions as a result of its audit findings?		X	See comments above.

A4. Management Philosophy and Operating Style			
a. Is management conservative in accepting risks, and does management move carefully, and proceed only after careful evaluation?		X	The City did not complete a risk assessment, evaluation, and risk prioritization during our review period. The City has not assigned a City staff member to perform duties of a Risk Management Manager.
b. Are procedures or activities in place to regularly educate and communicate to management and employees the importance of internal controls and to raise the level of understanding control?		X	See comments above.
c. Is personnel turnover in key functions at an acceptable level?	X		
d. Does management have a positive and supportive attitude towards internal control and audit functions?		X	See A1a, comment B and A3a.
e. Are valuable assets and information safeguarded from unauthorized access or use?		X	The City failed to exercise adequate control over expenses charged to City-issued credit cards. See Finding 5.
f. Are there frequent interactions of senior management and operation management?		X	Our review and inquiry indicates that interaction between management of different departments did not occur or occurred very seldom at best.
g. Is management attitude appropriate towards financial, budgetary and other operational reporting?		X	We noted that some recommended steps in the County Grand Jury Report relative to governance practices and financial management that were not completely implemented.
A5. Organizational Structure			
a. Is the City’s organizational structure appropriate for its size and the nature of its operation?		X	Some key management positions and functions were filled through contracted services.
b. Are key areas of authority and responsibility defined and communicated throughout the organization?	X		
c. Have appropriate and clear reporting relationships been established?	X		
d. Does management periodically evaluate the organization’s structure and make changes as necessary in fluctuating conditions?		X	See A1a, comment B

	e. Does the City employ an appropriate number of employees, particularly in managerial positions?		X	See A5a
A6.	Assignment of authority and responsibility			
	a. Is the City appropriately assigning authority and delegating responsibility to the proper personnel to deal with organizational goals and objectives?	X		
	b. Does each employee know how his or her work interrelates to others in the way in which authority and responsibility are assigned, and how duties are related concerning internal control?		X	There is lack of segregation of duties for some employees performing critical functions.
	c. Is delegation of authority appropriate in relation to the assignment of responsibility?	X		
A7.	Human Resources policies and practices			
	a. Are policies and procedures established for hiring, training, and promoting employees and management?	X		
	b. Are background checks conducted on candidates for employment?		X	Human Resources Management procedure relating to new hires did not state the requirement of conducting background checks for new employees.
	c. Are employees provided the proper amount of supervision?	X		
Risk Assessment				
B1.	Establishment of Entity-wide Objectives			
	a. Are there entity-wide objectives that were established by management?		X	The City's strategic plan was to be implemented per the City's response to the 2012-13 Civil Grand Jury Report. The plan was not yet implemented at the time of our review. In addition, the entity-wide objectives were not stated on the City's website, the approved budget, or the City Policy Handbook.

	b. Are City-wide objectives clearly communicated to all employees, and does management obtain feedback signifying that communication has been effective?		X	Most of the staff we interviewed did not know the City-wide goals and objectives.
	c. Is there a relationship and consistency between the department’s operational strategies and the City-wide objectives?		X	See B 1a
	d. Is there an integrated management strategy and risk assessment plan that considers the City-wide objectives and the relevant sources of risk from internal management factors and external sources, and that establishes a control structure to address those risks?		X	See B 1a and A4a
B2. Risk Identification				
	a. Is management appropriately and comprehensively identifying risk using various methodologies?		X	The City did not complete a risk assessment, evaluation, and risk prioritization during our review period. No one on the City staff is assigned to perform duties of a Risk Management Manager.
	b. Are there mechanisms in place to anticipate, identify, and react to routine events or acts that affect achievement of objectives?		X	See A4a and B2a
	c. Do adequate mechanisms exist to identify risks to the City arising from external factors?		X	See A4a and B2a
	d. Is management assessing other factors that may contribute to or increase the risk to which the City is exposed?		X	See A4a and B2a
	e. Is management identifying risks City-wide and for each significant activity level of the City?		X	See A4a and B2a
B3. Risk Analysis				
	a. After risks to the City have been identified, does management undertake a thorough and complete analysis of the possible effect?		X	See A4a and B2a
	b. Has management developed an approach for risk management and control based on how much risk can be prudently accepted?		X	See A4a and B2a

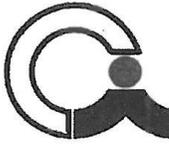
Control Activities				
C1.	Policies and Procedures (General Applications)			
	a. Do appropriate procedures, techniques, and mechanisms exist with respect to each City Department's activities?	X		
	b. Are the control activities identified as necessary in place and being applied?		X	Outside of the Finance Department, most of the employees we interviewed were not aware of control activities in place and how these were being applied.
	c. Are control activities regularly evaluated to ensure that they are still appropriate and working as intended?		X	See comments above.
C2.	Common Categories of Control Activities			
	a. Are top level reviews made of actual performance relative to budgets, forecasts, and prior periods?		X	Budget and budget amendments were not consistently reviewed and approved. There was no city council approval of the budget amendment for fiscal year 2012-13. In addition, annual budgets for component units of the City (Civic-Recreational-Industrial Agency, Public Facilities Authority, and Successor Agency to the IUDA) were approved by the City Council; however, there were no approvals of budget amendments for these component units.
	b. Do managers review performance reports?		X	See A1a, comment B
	c. For information processing, are varieties of controls in place for performing check accuracy, completeness, and authorization of transactions?		X	There were no system segregation of duties in place for payroll and electric revenue collection and recording. See Finding 7.
	d. Are controlled items periodically counted and compared to amounts shown on control records?		X	There were no records to show that counts and comparison of controlled items were conducted.
	e. For performance indicators, does management compare different sets of data and investigate differences?		X	There were no documents to show that management reviewed and compared different sets of data relating to performance.
	f. Are duties properly segregated among different people to reduce the risk or error or inappropriate actions?		X	See Finding 7

	g. Are administrative and operation policies in writing, current, and do they set clear procedures for compliance?	X		
Information and Communication				
D1. Information				
	a. Are mechanisms in place to obtain relevant information on legislative or regulatory developments and program, budget, or economic changes?		X	The City has a contract in place for advisory relative to legislative and regulatory developments. However, we could not determine from documents we reviewed if such advisory information was ever provided to the City. Except for the comparison of budget and actual that is presented in the external Comprehensive Annual Financial Report, we are not aware of any detail review and analysis done by the City relative to program, budget, or economic changes.
	b. Is information provided to the right people in sufficient detail and on time to enable them to carry out their responsibilities efficiently and effectively?		X	See above comments
	c. Is development or revision of information systems based on the strategic plan linked to the entity’s overall strategy, and is it responsive to achieving City-wide objectives?		X	See B1a
	d. Does management support the development of necessary information systems and show its support by committing appropriate resources.		X	See D1a
D2. Communications				
	a. Does management ensure that effective internal communications occur?		X	It appears from our observation and inquiry that employees receive clear messages from top management; however, management does not receive significant information upstream from employees. For example, billings approved by the City Manager, though questionable due to lack of adequate review and documentation were never questioned by the employees or communicated back to the City Management. See Finding 1 and 2.
	b. Does management ensure that effective external communication occurs regarding issues with serious impact on programs, projects and other activities?		X	See D2a

	c. Does the City employ various forms and means of communicating important information with employee and others?		X	See D2a
	d. Does the City manage, develop, and revise its information systems in an effort to continually improve usefulness and reliability?		X	We could not determine from our review if pertinent information was identified, captured, and communicated in a form and timeframe that would enable employees to carry out their responsibilities.
Monitoring				
E1.	On-going monitoring			
	a. Does management have a strategy to ensure that ongoing monitoring is effective and will trigger separate evaluations?		X	The City's strategic plan was not yet implemented during our review. In addition, the prior audit committee was not proactive relating to issues on audits and internal controls.
	b. Do City personnel, in the process of performing their regular duties, obtain information about whether internal control is functioning properly?		X	City employees we interviewed appeared to have no knowledge about internal control.
	c. Are communications from external parties corroborated with internally generated data and able to indicate problems with internal control?		X	Except for the Comprehensive Annual Financial Review, there were no other external communications relative to internal control.
	d. Is there appropriate organizational structure and supervision to help provide oversight of internal control functions?		X	See E1a.
	e. Are data recorded by information and financial systems periodically compared with physical assets and discrepancies are investigated?		X	The City management relies on the external auditors for the accuracy of recorded assets.
	f. Are the City Auditor's Office and other auditors regularly providing recommendations for improvements in internal control, and is management taking appropriate follow-up action?		X	See A1a, comment B
	g. Are meetings with employees used to provide management with feedback on whether internal control is effective?		X	City employees -did not remember when the last meeting was conducted between employees and management relating to internal control.
	h. Are employees' regularly asked to state explicitly whether they comply with the City's code of conduct?		X	Some of the City staff interviewed appear to be uninformed about the City's code of conduct.

E2. Separate evaluation			
a. Are the scope and frequency of separate internal control evaluations appropriate for the City?	X		Annually, as part of the Comprehensive Annual Financial Report.
b. Are the methodologies for evaluating the City’s internal control logical and appropriate?	X		Based on the external CPA evaluation.
c. If the evaluations are conducted by the City Auditor’s Office, does the office have sufficient resources, ability, and independence?		X	The City does not have a City Auditor’s Office.
d. Are deficiencies found during separate evaluations promptly resolved?		X	See A1a
E3. Reporting deficiencies			
a. Are there means of obtaining reports of deficiencies from both internal and external sources?	X		Audit Reports are available on the City’s website, from the State Controller’s Office, and/or from the audit firm that performed the audit/review.
b. Is there ongoing monitoring of internal controls?		X	There were audit issues noted in the FY 2012-13 County Grand Jury Report that were still outstanding as of the last day of our review.
c. Are deficiencies reported to the person directly responsible and to a person at least one level higher?		X	See A1a
d. Are the identified transactions or events investigated to determine causes and correct problems?		X	It appears that review of contractor billings and authorization of payments lack detail review and analysis before final payments. See Findings 2 and 3.

**Attachment A—
Request for Allocation for Contract Services**



INDUSTRY MANUFACTURERS COUNCIL

15651 Stafford Street
City of Industry, California 91744
(626) 968-3737 Fax (626) 330-5080
www.industrychamber.org

Donald Sachs
Executive Director

BOARD OF DIRECTORS

LEWIS VAN CALVILLO
RON CIPRIANI
LAURIE MARSH
DAVID M. PEREZ
KENT VALLEY
DEAN YAMAGUCHI

June 27, 2013

Kevin Radecki
City Manager
City of Industry
P O Box 3366
City of Industry, CA 91744-0366

Subject Matter: City Allocation

STATEMENT

Requesting the first city allocation, relevant to the 2013/2014 fiscal budget. Request is in reference to contract services provided to the City of Industry by the Industry Manufacturers Council.

Allocation amount requested for the first quarter is based on financial obligations on behalf of the City of Industry, and amounts to \$625,316.75.

The budget amount approved for fiscal year 2013/2014 is \$1,385,267. Allocation amounts will be different for each quarter, and are based on cash flow requirements.

Sincerely,

Donald Sachs

Donald Sachs
Executive Director
Industry Manufacturers Council

PAID

BATCH [redacted] DATE 6/27/13
VENDOR [redacted] VERIFIED [redacted]
ACCT. NO. 100-621-5600 AMT. 625,316.75

APPR'D [redacted] EXEC. DIR. [redacted]

City Contract - First Qtr FY 2013/2014

CITY OF INDUSTRY

Check No. 55733

DATE	INVOICE NO.	DESCRIPTION	NET AMOUNT
06/27/2013	6/27/13	CITY CONTRACT-FIRST QTR OF FY 2013-2014	625,316.75

COPY

1178 - INDUSTRY MANUFACTURERS COUNCIL

Total: \$625,316.75



CITY OF INDUSTRY
15625 E. STAFFORD STREET
CITY OF INDUSTRY, CA 91744
(626) 333-2211

16-24
1220
Date
07/11/2013

Check No. 55733

WELLS FARGO BANK, N.A.

Amount
\$625,316.75

Void after 6 Months

PAY Six Hundred Twenty-Five Thousand Three Hundred Sixteen and 75/100 Dollars

TO THE ORDER OF
INDUSTRY MANUFACTURERS COUNCIL
15651 E. STAFFORD STREET
INDUSTRY, CA 91744-3922

TWO SIGNATURES REQUIRED ON ALL CHECKS

⑈055733⑈ ⑆122000247⑆3418 109702⑈

**Attachment B—
City's Response to
Draft Review Report**



CITY OF INDUSTRY

Incorporated June 18, 1957

VIA ELECTRONIC MAIL

December 18, 2015

Mr. Mike Spalj
Chief, Local Government Audits Bureau
Office of the California State Controller
Post Office Box 942850
Sacramento, CA 94250-5874

RE: State Controller's Review of the City of Industry's Administrative and Internal Accounting Controls Systems

Dear Mr. Spalj:

The City of Industry ("City") is in receipt of the State Controller's ("Controller") Review Report concerning the City's Administrative and Internal Accounting Controls for the period of July 1, 2012 through June 30, 2014 ("Report").

The City is committed to implementing administrative and accounting practices that are consistent with best practices and the general practices of public agencies throughout California. After our review of the Report, the City has compiled the responses set forth below. We look forward to discussing our responses with you, and providing any additional information the Controller's office may need as it finalizes the document.

Noncompliance with Government Code Section 12464:

Pursuant to Government Code Section 12464, the Controller is charged with making an investigation into any city report that it has reason to believe is incomplete or incorrect. The obligations set forth in Section 12464 are those of the Controller and not the City. Therefore, the City cannot be found non-compliant with Section 12464. Moreover, in both Fiscal Year 2012-13 and 2013-14, the City complied with Government Code Section 53891 which requires the City to furnish to the Controller a report of the City's financial transaction during the next preceding fiscal year.

After receiving questions from the Controller's office concerning the City's Financial Transactions Reports ("FTR") for both Fiscal Years 2013-13 and 2013-14, on or about May 18, 2015, the City's

Mr. Mike Spalj
December 18, 2015
Page Two

Finance Manager furnished the Controller's office with the memoranda attached hereto as Exhibit A, and incorporated herein by reference.

The City respectfully requests that the Controller's office review Exhibit A, which fully reconciles the concerns with the City's FTRs.

FINDING NO. 1: Questionable payments of 14.7 million paid to a contractor.

City's Response:

The City and the Industry Manufacturers Council ("IMC") entered into an agreement in September 2004 for advertising, promotional and community relations activities.

a. Lack of supporting documentation for agreed upon services.

Annually, the Executive Director of the IMC and the City Manager would meet to discuss the programs that the IMC would sponsor and/or participate in, on behalf of the City, and through that meeting, the City was aware of the services being provided by the IMC.

b. Over Payments under this Contract.

While the Controller's Report indicates that there was an overpayment of \$3,266,319.00 between Fiscal Years 2003-04 and 2013-14, because the agreement only authorized payment in the amount of \$1,031,700.00, this is an incorrect assumption.

Pursuant to Section 3(b) of the agreement between the City and the IMC, the City Manager was given the authority to set the budgeted amount of the contract each year after 2005. The agreement sets forth the following:

"In June 2005, and annually thereafter, the City Manager of City IMC shall agree on the annual total amount for the services in this agreement."

Based on the language of the agreement, the City Council clearly delegated the authority to negotiate the amount of the agreement to the City Manager. There is no law or policy which precludes the Council from delegating this authority to the City Manager. The negotiated amount was then included in the City's budget, which was approved each year between Fiscal Years 2003-04 and 2013-14 by the City Council. The Council's approval of the budget ratified the dollar amount of the agreement negotiated by the City Manager. A copy of the agreement between the City and the IMC is attached hereto as Exhibit B, and incorporated herein by reference.

While the Report indicates that there was an overpayment to the IMC in the amount of \$3,266,319.00, based on the City's adopted and revised budgets for Fiscal Years 2003-04 through 2013-14, the City's overpayments to the IMC totaled \$476,997.00. A copy of the relevant budget

Mr. Mike Spalj
December 18, 2015
Page Three

pages and breakdown of the payments to the IMC is attached hereto as Exhibit C, and incorporated herein by reference.

c. Plastic Theft Task Force.

The Report indicates that the transfer of money from the City's Plastic Theft Task Program to the IMC was questionable, because the IMC was not authorized to run the Program, and that the transfer may have constituted a gift of public funds.

The payments made to the IMC were transferred to the Los Angeles County Sheriff's Department to fund the Program, and with those funds, the Sheriff's Department ran the Program, consistent with the grant. There was no gift of public funds by the City to the IMC, as the grant funds were distributed by the IMC to the Sheriff's Department.

Supporting documentation concerning the Plastic Theft Task Program is attached hereto as Exhibit D, and incorporated herein by reference.

The City is currently in the process of reviewing all of its professional services agreements. Once this review is complete, Staff will create a schedule for the City Council to review the agreements. Those agreements which contain critical deficiencies will be presented to the Council first, and the Council will subsequently review the balance of the agreements. The City will comply with its procurement ordinance, as well as the adopted policies and procedures when awarding future contracts. Further, the City may utilize interim agreements to allow City staff sufficient time to prioritize the competitive procurement of the City's agreements.

FINDING NO. 2: Payments for general maintenance and miscellaneous services totaling \$12.27 million were questionable.

City's Response:

In late June and July 2015, the City hired a new City Manager and created a Director of Administrative Services position, a position created to oversee and evaluate City processes. As a result of this organizational change, the City is currently reviewing all of its contracts with outside vendors to determine whether the contracts comply with best practices, contain deficiencies that require amendments, and/or should be competitively bid given the length of time of the contract and/or the type of services being provided. Further, the City has begun implementing additional review procedures as it processes invoices for services provided to the City by third party vendors.

FINDING NO. 3: The City Council did not exercise sufficient oversight over the City's financial and operational activities.

City's Response:

a. Approval of contracts without complying with the bidding requirements.

Mr. Mike Spalj
December 18, 2015
Page Four

While Section 3.04.040 of the City's Municipal Code ("Code") applies to the purchase of supplies and equipment, it does not apply to contracts for maintenance services, the provisions of which are specifically set forth in Sections 3.52.030, 3.52.120 and 3.52.130 of the City's Code. A copy of Chapter 3.52 of the City's Code is attached hereto as Exhibit E, and incorporated herein by reference.

The provisions of Section 3.52.120 allow the City the option to competitively bid contracts for maintenance projects, go through an informal bidding process, or negotiate a contract. Discretion is given to the City Council to determine the process for retaining maintenance services. Further, under Section 3.52.130, the City Council is permitted to enter into one or more long term agreements for general maintenance, repair and miscellaneous services.

The contracting of professional services is also discussed separately, in Section 3.04.055 of the City's Code. Under the provisions for the acquisition of professional services, there are no competitive bidding requirements, the City Manager may award contracts for professional services valued at \$10,000.00 or less, and the City Council may award contracts at its discretion, in excess of \$10,000.00. A copy of Chapter 3.04 of the City's Code is attached hereto as Exhibit F, and incorporated herein by reference.

While the Controller's Report focuses on Chapter 3.04 of the Code when evaluating the contracts with Zerep Management Corp. and R.F. Dickson, those provisions are inapplicable, as the City has specific provisions governing maintenance contracts. In accordance with the provisions of the City's Code, there was no requirement to competitively bid the Zerep or R.F. Dickson contracts, and the City awarded the contracts via the negotiated contract process, which is expressly permitted under the Code. Under the provisions of the City's Code, the City was permitted to extend the contract with Zerep at its discretion, and there was no violation of the City's Code. Further, with respect to the contract with R.F. Dickson, the City approved the contract on April 9, 2015, the Controller's contention that the agreement was not approved by the City Council is therefore inaccurate. A copy of the City Council meeting minutes for April 9, 2015, is attached hereto as Exhibit G, and incorporated herein by reference.

Moreover, the Controller's analysis of the agreement with the IMC using Section 3.04.040 is also incorrect, as the agreement is for professional services rather than supplies and equipment, and therefore must comply with the provisions of Section 3.04.055. Because Section 3.04.055 of the Code does not require the contract to be competitively bid, the City complied with the provisions of its Code when awarding the contract.

b. Payments for services with inadequate supporting documentation.

The Controller's Report contends that the City Council was "casually approving payments to invoices submitted by Zerep and IMC," however when making this assertion, the Controller fails to recognize general practices of municipalities throughout California. Generally, city councils review the warrant registers which summarize payments to city contractors. Under the normal

Mr. Mike Spalj
December 18, 2015
Page Five

course of business, city councils do not review specific invoices related to the services rendered, as that falls under the duties of staff, in their management of a city. Like the majority of cities throughout California, the City Council reviewed the warrant registers and approved payment to Zerep and IMC, which were both entities that had valid contracts with the City.

c. Demand for payments lacked proper analysis and review.

As set forth above, consistent with normal business practice of public agencies throughout California, the City Council was presented with, and voted on the warrant registers, which included payments to City vendors. There is nothing set forth in State law which requires the Council to review and/or question invoices for charges included in the warrant register. Moreover, city councils throughout California routinely vote on warrant registers unanimously, as staff is generally tasked with reviewing the associated invoices. The City Council's actions in approving warrant registers are consistent with that of the majority of California's public agencies.

The Controller's Report also commented on the length of time of City Council meetings, speculating that the former City Councils somehow abdicated their fiduciary responsibility as a result of the length of time of the Council meetings, and also called into question instances when the former Councils voted unanimously, implying that there was no oversight by the former Councils. This is mere conjecture on the part of the Controller. Nothing in State law requires that Council meetings be a certain length of time, or precludes the Council from voting unanimously. Councilmembers have historically been provided with agenda packets which contain information about the matters being considered at the Council meeting. Unanimous votes regularly occur at council meetings throughout the state. It is a broad assumption that just because the meetings are short and the votes are unanimous that there is no "scrutiny" over what is being considered. Councilmembers may also contact the City Manager prior to meetings to gain answers to questions they have on matters being considered at the meetings.

City staff is working to include staff reports for all agenda items, and include the fiscal impact for all matters before the City Council, and is also working to draft resolutions and ordinances with additional findings that support the matter before the City Council.

FINDING NO. 4: The City failed to exercise adequate control over expenses charged to City-issued credit cards.

City's Response:

With the exception of a limited number of credit cards, all City credit cards and fuel cards were recalled from all City employees in June 2015, and were subsequently destroyed. The remaining cards are in the possession of the City Manager's office and the Treasurer's office, and must be checked out prior to use.

Further, the City is currently evaluating its policies on travel to determine whether any amendments are necessary. Once the policies have been evaluated, and any necessary amendments

Mr. Mike Spalj
December 18, 2015
Page Six

have been completed, all City staff will be provided with an overview of the City's policies on travel.

FINDING NO. 5: Some City employees were overpaid.

City's Response:

No overpayments were made to any City employee, or to the employee of any City-related entity. As explained during the review process, the salaries of various City employees were divided equally between the City and the former Industry Urban-Development Agency ("IUDA"). As set forth in the attached documents, the time of each of the employees at issue was only charged at 50 percent of the total salary for both the City and the IUDA. Supportive documents are attached hereto as Exhibit H, and incorporated herein by reference.

FINDING NO. 6: Lack of timesheet prepared by City employees.

City's Response:

In its Report, the Controller contends that the lack of timesheets prepared by City employees could lead to inaccurate payroll calculations. Given the size of the City's staff, City department heads have been able to ensure that staff work the requisite number of hours, and that all vacation and sick leave is accurately reported. However, in an effort to institute best practices, and compliance with City policies, the City will implement its time sheet requirement, and will create all necessary forms to ensure proper implementation.

FINDING NO. 7: Lack of segregation of duties.

City's Response:

The City currently employs 17 full time employees not including the individuals that serve on the City Council and other boards of the City. The payroll expense including new hires and staff positions are approved through the standard budgeting process. From the approved budget all new hires, changes in pay rates and changes in staff positions documents are prepared by the personnel department and reviewed and authorized by the City Manager for submission to the payroll clerk. Monthly payroll expenses are monitored by the comparing the expense with the budgeted amounts, and are relatively consistent due to the small number of employees. Any deviations in the monthly payroll expense would be questioned during the monthly review of expenditures by the Finance Department. The small number of employees and consistent monthly payroll expense mitigates some of the risk of the segregation of duties, however the will implement additional controls over this area.

The City will review our current procedures and processes, and will implement changes or procedures that will mitigate the lack of segregation of duties. With respect to the electric revenue, the City will study options for an outside vendor to complete utility billing, and will also look into random audits of meter reads.

Mr. Mike Spalj
December 18, 2015
Page Seven

FINDING NO. 8: City Manager and other City employees were not given annual performance appraisals.

City's Response:

The Report contends that the City did not conduct performance evaluations of its employees, however, this directly contradicts information provided to the Controller's office during the interview that its representatives conducted with the City's Human Resources Director on August 11, 2015. During the interview, the Director informed the Controller's office that performance evaluations are conducted annually by each employee's supervisor, any increase in pay for a particular employee as a result of the evaluation is then approved by the City Manager.

Employee personnel files are confidential, and generally may only be disclosed through formal court proceedings, i.e.-discovery in the course of litigation, through a subpoena, or as the result of a release executed by the employee whose file is being released. Further, City employees have a general expectation of privacy with respect to their personnel files, and especially documents such as performance evaluations, which likely contain personal information concerning the employee. To ensure compliance with State law, and given the fact that no City employee provided the City with a waiver to release their personnel records, this information was not disclosed to the State Controller. However, during the interview regarding personnel matters, City Staff requested that the representatives from the Controller's provide Staff with a list of employees for whom information regarding performance evaluations was desired, so that the appropriate City Staff could review the personnel files to determine whether the City was in possession of a written performance evaluation. City Staff did not receive a request from the Controller's Office for that information.

To ensure compliance with best practices, the City will begin conducting written performance evaluations of its employees, and will conduct an annual evaluation of the City Manager, consistent with the City's City Manager Evaluation Policy.

Conclusion:

The City appreciates the Controller's diligence in conducting its review to develop its Report. However, it is necessary for the Controller's office to carefully analyze the information provided by the City in its response, which clarifies many of the misstatements set forth in the Report.

The City is committed to implementing the recommendations set forth in this response, as well as those provided by the Controller's office in its Report. Collectively, implementation of the recommendations will ensure compliance with best practices, and will safeguard public funds.

Mr. Mike Spalj
December 18, 2015
Page Eight

Should you have any further questions, or require any additional information to complete your final report, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Paul J. Philips".

Paul J. Philips
City Manager

cc: Mayor Radecki and Councilmembers (via e-mail)
James M. Casso, City Attorney (via e-mail)
Dean Yamagata, Finance Manager (via e-mail)



CITY OF INDUSTRY

Incorporated June 18, 1957

MEMORANDUM

TO: State Controller's Office

CC: Tim Spohn - Mayor
Kevin Radecki - City Manager

FROM: Dean Yamagata, Contracted Finance Manager - City of Industry

DATE: May 18, 2015

SUBJECT: Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office To the Financial
Transaction Report for the Fiscal Year 2012-2013

We have reviewed the items noted in the May 6, 2015 letter from the State Controller and we have the following response to provide further information clarifying how the City of Industry reported the amounts on the Financial Transaction Report compared to its audited financial statements for the year ending June 30, 2013. We welcome all recommendations and suggestions from the State Controller's Office if these items should be reported differently on future Financial Transaction Reports.

Item 1

Debt Service Fund – Cash and Investment understated by \$77,170,029

Response:

We have reported \$420,810,980 of cash and investments on the City's Financial Transactions Report ("FTR") and by adding the understatement of \$77,170,029 per your letter of May 6, 2015 the total amount of cash and investments would amount to \$497,981,009. On page 83 of the City's audited financial statements we are reporting a debt service fund in the City of Industry and a debt service fund in its component unit the Industry Public Facilities Authority ("IPFA"). The Industry Public Facilities Authority files a separate Financial Transactions Report with the State Controller's Office thus we do not report the IPFA's activity on the City's Financial Transaction Report. Below is a schedule taken from page 83 of the City's audited financial statements showing the cash and investment balances reported on the City's and IPFA's Financial Transactions Report.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2012-13**

Taken from Page 63 City of Industry Audited Financial Statement	REPORTED ON COMBINING BALANCE SHEET OF DEBT SERVICE FUNDS IN F5			REPORTED ON IPFA FTR	REPORTED ON CITY'S FTR	REPORTED ON CITY'S FTR	
	CITY OF INDUSTRY DEBT SERVICE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS	CASH & INVEST TOTALS	PUBLIC FACILITIES AUTHORITY	CASH AND INVESTMENTS	OTHER ASSETS
ASSETS							
Cash	\$ 53,108	\$	\$ 53,108	\$ 53,108		\$ 194	\$ 52,924
Accrued interest and other receivables	8,157,014	1,851,062	10,008,080				
Investments	56,246,463		56,246,468	56,246,463		56,246,463	
Site lease prepayment		6,343,444	6,343,444				
Investments with fiscal agent - restricted	39,662,106	1,301,676	39,963,782	39,963,782	1,301,676	39,662,106	
Investments in City and IUDA bonds	44,841,642	132,115,000	457,397,227	457,397,227	132,115,000	425,382,227	
Due from other government funds	44,841,642		44,841,642				
Total assets	\$ 473,862,964	\$ 141,713,182	\$ 615,576,146	\$ 554,283,580	\$ 133,416,676	\$ 428,510,980	\$ 52,924
Computed difference:							
A Investments with fiscal agent - restricted	\$ 39,963,782						
A Investments in City and IUDA bonds	457,397,227						
Total	497,361,009						
Cash and investments per City's FTR	430,810,980						
Difference	\$ 77,170,019						

Item B - Due to an oversight there was \$52,924 which represents a cash account that was reported in Other Assets line item on the City's Financial Transaction Report.

Item 2

Total Revenues overstated by \$16,952,075 (reported \$150,778,502, instead of the actual of \$133,826,427)

Response:

We reported total revenues and other items in the amount of \$133,826,427 on the Statement of Activities and reported \$150,778,502 of revenues on the Financial Transaction Report. The reconciling items consist of:

- 1) Amounts reported on FTR are based on fund financial statements, reconciling items are explained below to reconcile from Statement of Activities page 16 to the Statement of Revenues, Expenditures and changes in Fund Balances - Governmental funds page 19 of the audited financial statements;
- 2) The activities for the Industry Public Facilities Authority ("IPFA"), Civic-Recreational-Industrial Authority ("CRIA") and the Industry Property and Housing Management Authority ("IPHMA") are reported on separate Financial Transaction Reports per instruction from the State Controller's Office.

Below is reconciliation from audited financial statements to the amounts reported on the City's FTR. The total revenues of \$150,778,502 reported in the City's FTR may be reported and grouped differently than in the City's audited financial statements. The individual amounts on the schedule below could be reported on multiple lines on the City's FTR.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2012-13**

Except from Statement of Activities as reported page 18 of the financial statements		Statement of Activities Adjustments To Reconcile to Fund Revenue and Expenditure Statement	Revenue Statement of Revenues, Expenditures Governmental Funds	CR/AMPHMA Component Unit Activities Reported Separate FTR	IPFA Component Unit Activities Reported Separate FTR	City FTR Reconciling Item	Total Revenues
Total Revenues and Other Uses		A		D	E		
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$						
Support services							
Community development	5,882,669	(9,874)	5,872,815				5,872,815
Community services							
Public safety							
Public works							
Capital projects							
Interest expense							
Amortization of premium/discount and bond issuance costs							
Total governmental activities	5,882,669	(9,874)	5,872,815	-	-	-	5,872,815
BUSINESS-TYPE ACTIVITIES							
Electric utility	4,129,997						4,129,997
Water utility	1,276,262						1,276,262
Cost of expn operations	1,535,020			(1,535,020)			-
Cost of housing authority operations	192,000			(192,000)			-
Total business-type activities	7,134,009	-	-	(1,727,020)	-	-	5,408,279
Total City	13,016,758	(9,874)	5,872,815	(1,727,020)	-	-	11,279,059
General revenues and transfers:							
Taxes							
Property taxes	52,855,183		52,855,183				52,855,183
Sales tax	34,565,475		34,565,475				34,565,475
Franchise	1,259,214		1,259,214				1,259,214
Documentary transfer tax	123,815		123,815				123,815
Transient occupancy tax	875,543		875,543				875,543
PSAF/COPS	107,024		107,024				107,024
Total taxes	89,785,034		89,785,034				89,785,034
Revenues from tax of money and property	41,844,401	2,090,288	43,934,689	(479)	(8,992,864)	22,865	34,984,211
Grant income	1,579,000		1,579,000				1,579,000
Loss on disposal of assets, net	(287,857)	287,857					
Loss on write of debts due from Successor Agency	(6,486,139)	6,486,139					
Transfers - Industry Fund	(5,625,000)	5,625,000					
Transfers - Internal activities							
Total general revenues and transfers	120,809,839	14,469,094	135,298,723	(479)	(8,992,864)	22,865	126,326,245
						13,171,163	13,171,163
Sum of X	\$ 135,829,427		\$ 141,121,588				\$ 150,778,502
			Total Revenues Per Page 19 Audited Financial Statements				Total Revenues Reported on City's FTR

- Consists of adjustments to the Government Wide Statement of Activities to reconcile Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds.
- Add back proprietary fund IPUC Interest income page 22 audited financial statement.
- On page 74 of the City's audited financial statements we report revenues from Refuse Collection in the amount of \$1,421,706. The amount represents a net amount comprised of gross revenues of \$14,592,870 less expenses of \$13,171,163 which is reported on page 7 of the City's Financial Transactions Report. On the audited financial statements we report the net amount as the City has contracted these services out and is entitled to 10% of the gross refuse billings as their revenues so we report this amount at the net amount to reflect only the 10% of gross refuse billings which is the City's portion of the revenues.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2012-13**

- D. CRIA/IPHMA activities reported on separate Financial Transaction Reports
 - Expo Center \$1,535,020 revenues page 22 audited financial statements
 - Housing Authority \$192,800 revenues page 22 audited financial statements
 - CRIA Capital Projects Fund \$479 interest income page 86 audited financial statements
- E. IPFA Debt Service \$8,992,864 revenues page 84 audited financial statements

Item 3

Total Expenditures understated by \$1,616,493 (reported \$78,284,050, instead of the actual of \$79,900,543)

Response:

We reported \$79,900,543 of expenses on the Statement of Activities on the financial statements and reported \$78,284,050 on the Schedule of Total Expenditures in the Financial Transactions Report (FTR). The difference consists of:

- 1) Expenditures reported on the FTR are based on fund financial statements, there are reconciling items to the Statement of Activities under GASB 34;
- 2) Activities for the Industry Public Facilities Authority ("IPFA"), Civic-Recreational-Industrial Authority ("CRIA") and the Industry Property and Housing Management Authority ("IPHMA") files separate Financial Transaction Reports per instruction from the State Controller's office.

Below is reconciliation from audited financial statements to the amounts reported on the City's FTR. The total expenditures of \$78,284,050 comprised of \$76,969,551 of Operating expenditures and \$1,314,499 of Capital Outlay expenditures reported in the City's FTR may be reported and grouped differently than in the City's audited financial statements. The individual amounts on the schedule below could be reported on multiple lines on the City's FTR.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2012-13**

REPORTED ON STATEMENT OF ACTIVITIES		Reconciliation to FTR Total						
Taken from Page 15 City of Industry Audited Financial Statement	Expenses	Statement of activities to Fund Statements reconciliation	Expenditures per Fund Statement	CRI/APHMA	IPFA	FTR Reconciling Items	Other bond payments	Total
				Component Unit Activities Reported Separate FTR	Component Unit Activities Reported Separate FTR			
		A		B	H	C	D	
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES								
General government	6,994,934	(1,860,169)	6,104,730	(237,366)	(306,794)			4,470,608
Support services	9,876,779	(1,089,382)	7,789,417					7,789,417
Community development	2,029,239	(1,001,654)	907,285					687,285
Community services	4,506,094	36,050	4,544,184					4,544,184
Public safety	11,469,756	(1,408,325)	10,061,431					10,061,431
Public works	16,168,295	(882,776)	14,273,518					14,273,518
Capital projects	822,623	10,780,030	10,653,259					10,653,259
Interest expense	21,215,451	2,081,909	23,797,334			(6,421,925)	(10,487,695)	6,007,714
Amortization of premium/discount and bond issuance costs	444,732							
Total governmental activities	72,087,915	13,783,251	45,841,161	(237,366)	(6,010,869)	-	(10,487,695)	88,317,411
Add: Bond principal payments			32,895,000	(13,185,000)			(6,420,000)	10,060,000
BUSINESS-TYPE ACTIVITIES								
Electric utility	3,208,292					(89,247)		3,123,045
Water utility	1,102,975					(363,392)		679,583
Cost of expo operations	3,177,653			(3,177,653)				-
Cost of housing authority operations	262,713							-
Total business-type activities	7,811,633			(3,443,326)		(856,039)		3,702,828
Total expenditures per statement of activities	79,900,543	(3,783,251)	118,698,181	(13,865,732)	(6,818,659)	(856,039)	(10,067,695)	82,075,028
			Page 19 of Audited Financials Total					
				Reconciling Items				
				E	Refuse expenses			13,171,163
				F	91-1 Improvement General Admin			(400)
				G	Transfer out			602
					Total Expenditures per FTR			85,241,784
				Amounts Reported on CR's Financial Transaction Report				
					Operating expenditures			\$ 78,686,851
					Capital outlay			1,214,499
					Debt Service expenditures			16,857,714
								\$ 86,761,764

- A. Consists of adjustments to the Government Wide Statement of Activities to reconcile Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds.
- B. CRIA expenses of \$237,366 page 86 audited financial statements
Expo Center expenses of \$3,177,653 page 22 audited financial statements
IPHMA expenses of \$265,713 page 22 audited financial statements
- C. Represents depreciation expense not reported on the City's FTR per instruction from the State Controller's Office
- D. Per instruction from the State Controller's office, the interests for the City's sales tax revenues bonds are not reported as expenditures in the schedule of total expenditures.
- E. On page 74 of the City's audited financial statements we report revenues from Refuse Collection in the amount of \$1,421,706. The amount represents a net amount comprised of gross revenues of \$14,592,870 less expenses of \$13,171,163 which is reported on page 7 of the City's Financial Transactions Report. On the audited financial statements we report the net amount as the City has contracted these services out and is entitled to 10% of the gross refuse billings as their revenues so we report this amount at the net amount to reflect only the 10% of gross refuse billings which is the City's portion of the revenues.
- F. General administration costs for 91-1 Assessment were not included in FTR report
- G. The transfer is reported as expenses/transfer on the FTR's Transaction Report-Transit Activity per the FTR's classifications.
- H. IPFA expenses page 84 audited financial statements reported on a separate Financial Transaction Report

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2012-13**

Item 4

Property Taxes understated by \$612,152 (reported \$52,243,011, instead of the actual of \$52,855,163)

Response:

The City reported \$52,855,163 in property tax revenues in the City's audited financial statements as follows:

Property Taxes Revenues Reported in City's Audited Financial Statements

Property taxes revenue reported on Statement of Activities	\$ 52,855,163	Page 16 Audited Financial Statements
Property tax revenues reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund		
General Fund	\$2,004,908	Page 74 Audited Financial Statements
City's Debt Service Fund	<u>50,850,195</u>	Page 84 Audited Financial Statements
Total Per Governmental Fund Statement	<u>\$ 52,855,163</u>	

Amounts Reported on City's Financial Transaction Report

Secured and unsecured Property Taxes	\$1,852,404	Page 1 Taxes City's Financial Transactions Report
Homeowners Property Tax Relief	12,684	Page 1 Intergovernmental - State City's Financial Transactions Report
Voter Approved Indebtedness Property Taxes	50,850,195	Page 1 Taxes City's Financial Transactions Report
Total	<u>\$ 52,855,163</u>	

We are unable to reconcile to the \$52,243,011 amount stated in your letter. We will need additional information to reconcile the difference.

Item 5

Tax Increment AB 1290 overstated by \$1,972,271 (reported \$1,972,271, instead of the actual of \$0)

Response:

Per the City audited financial statement, the \$1,972,271 was reported in sales tax revenue totaling \$34,565,475. The account breakdown of sales tax revenues is listed below:

Description	Amount
Sales/Use Compensation	\$ 8,784,355
Sales Tax	23,808,437
Tax Increment - Pass Through City	1,972,271
Motor Vehicle In-Lieu Tax	412
TOTAL	\$ 34,565,475

Item 6

Housing Activities was not reported in the enterprise financial statements this year (Footnotes: this activity reported separating in 2013)

Response:

For the 2012- 2013, the Industry Property and Housing Management Authority's activities were reported in a separate Financial Transactions Report under COIPHMA Special District Financial transaction report as directed by the State Controller's Office.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2012-13**

Item 7

Housing Activities – Rental Income, overstated by \$476,513 (reported \$669,313, instead of the actual of \$192,800) was reported as Other Revenue

Response:

The \$669,313 represents rental income recorded in the General Fund of the City. This amount is not the rental income related to the Industry Property and Housing Management Authority.

The \$192,800 of rental income of the Industry Property and Housing Management Authority is reported in a separate Financial Transactions Report under COIPHMA Special District Financial transaction report.

Item 8

Self-Insurance – Pending Liability Claims of \$865,667 was not reported

Response:

The City reported the \$865,667 of self-insurance liability claims on the Balance Sheet – Governmental Funds on page 17 line item labeled "Accrued Expenses" in the General Fund. On the City's Financial Transactions Report, the \$865,667 is included in the \$12,157,406 of "Other liabilities" reported on the "Worksheet for Completing Balance Sheet", the detail of the liabilities are below:

Wages payable	\$ 29,280	
Self-Insurance liability	865,667	
Dependent Care Withholdings	2,885	
Escheated liability	1,068,615	
Total per City's audited financial statement	1,967,447	Page 17 Accrued Expenses General Fund
Due to Other Funds	10,189,959	
Total per City's Financial Transaction Report	\$ 12,157,406	Other Liabilities General Fund



CITY OF INDUSTRY

Incorporated June 18, 1957

MEMORANDUM

TO: State Controller's Office

CC: Tim Spohn - Mayor
Kevin Radecki - City Manager

FROM: Dean Yamagata, Contracted Finance Manager - City of Industry

DATE: May 18, 2015

SUBJECT: Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office To the Financial
Transaction Report for the Fiscal Year 2013-14

We have reviewed the items noted in the May 6, 2015 letter from the State Controller and we have the following response to provide further information clarifying how the City of Industry reported the amounts on the Financial Transaction Report compared to its audited financial statements for the year ending June 30, 2014. We welcome all recommendations and suggestions from the State Controller's Office if these items should be reported differently on future Financial Transaction Reports.

Item 1

Total Expenditures overstated by \$3,016,027 (reported \$82,859,769, instead of the actual of \$79,843,742)

Response:

We reported \$79,843,742 of expenses on the Statement of Activities on the financial statements and reported \$82,859,769 on the Schedule of Total Expenditures in the Financial Transaction Report ("FTR"). The difference consists of:

- 1) Expenditures reported on the FTR are based on fund financial statements, there are reconciling items to the Statement of Activities under GASB 34;
- 2) Activities for the Industry Public Facilities Authority ("IPFA"), Civic-Recreational-Industrial Authority ("CRIA") and the Industry Property and Housing Management Authority ("IPHMA") are component units of the City of Industry. The component unit activities are reported in the City's financial statements however they file separate Financial Transaction Reports per instruction from the State Controller's Office so their activity is not reported in the City's FTR.

Below is a reconciliation from audited financial statements to the amounts reported on the City's FTR. The total expenditures of \$82,859,769 reported in the City's FTR may be reported and grouped differently than in the City's audited financial statements. The individual amounts on the schedule below could be reported on multiple lines on the City's FTR.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2013-14**

REPORTED ON STATEMENT OF ACTIVITIES		Reconciliation to City FTR Total Expenditures						
Taken from Page 18 City of Industry Audited Financial Statement	Expenses	Statement of Activities Adjustments To Reconcile to Fund Revenue and Expenditure Statement	Expenditures Statement of Revenues, Expenditures - Governmental Funds	CRIM/IPHMA Component Unit Activities Reported Separate FTR	IPFA Component Unit Activities Reported Separate FTR	City FTR Reconciling Items	Sales Tax Bond Payments	Totals
		A		B	B	C	D	
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES								
General government	0,003,648	(1,999,451)	7,004,197	(273,044)	(382,783)	(17,330)		6,320,440
Support services	7,079,646	(1,121,722)	6,657,824					6,557,824
Community development	3,919,383	(3,024,000)	895,383					895,383
Community services	3,887,057	(538,554)	3,148,503					3,148,503
Public safety	11,093,832	(1,493,155)	9,600,677					9,600,677
Public works	14,907,554	(2,183,860)	12,803,694					12,803,694
Capital projects	1,953,045	4,953,014	6,906,059					6,906,059
Interest expense	10,717,068	5,242,187	23,959,255		(6,497,137)		(10,078,170)	7,383,948
Bond issuance/redemption costs	860,433		860,433		(21,500)	(628,933)		-
Total governmental activities	71,691,676	(185,544)	71,526,032	(273,044)	(6,911,420)	(648,263)	(10,078,170)	59,616,636
Add: Bond principal payments		33,980,000	33,980,000		(13,680,000)		(10,070,000)	10,380,000
BUSINESS-TYPE ACTIVITIES								
Electric utility	3,512,723					(83,247)		3,429,476
Water utility	1,110,989					(611,789)		499,200
Industry Hills Expo Center Expenses	3,157,828			(3,157,828)				-
Housing Authority Expenses	370,846			(370,846)				-
Total business-type activities	8,152,386			(3,628,474)		(695,016)		3,928,896
Total City	79,843,742	33,914,456	105,906,032	(3,002,118)	(20,501,420)	(1,341,279)	(20,088,170)	67,925,211
Page 21 of Audited Financial Statements								
Reconciling items:								
E Refuse expenses 13,397,409								
F Transfer 1,637,151								
Rounding 1								
Total Expenditures per FTR 82,669,769								
Amounts Reported on City's Financial Transaction Report								
Operating expenditures \$ 64,962,289								
Capital outlay 131,552								
Debt Service expenditures 17,723,948								
Total Expenditures per FTR \$ 82,856,789								

- A. Consists of adjustments to the Government Wide Statement of Activities to reconcile Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds.
- B. CRIA , IPHMA and IPFA expenses are reported under separate Financial Transaction Reports.
 - CRIA Capital Projects page 89 audited financial statements \$273,644
 - CRIA Industry Hills Expo Center page 24 audited financial statements \$3,157,628
 - IPFA Debt Service Fund page 87 audited financial statements \$6,889,920 and \$13,590,000
 - IPHMA page 24 audited financial statements \$370,846
- C. The \$646,263 represents bond issuance costs that are recorded in the Consolidated Statement of Revenues, Expenditures, and Changes in Fund Balance/Working Capital in the FTR. The \$695,016 represents depreciation expense that is not reported on the FTR as instructed by the State Controller's Office.
- D. Per instruction from the State Controller's office, the interests for the City's sales tax revenues bonds are not reported as expenditures in the schedule of total expenditures.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2013-14**

- E. On page 77 of the City's audited financial statements we report revenues from Refuse Collection in the amount of \$910,464. The amount represents a net amount comprised of gross revenues of \$14,307,870 less expenses of \$13,397,406 which is reported on page 7 of the City's Financial Transactions Report. On the audited financial statements we report the net amount as the City has contracted these services out and is entitled to 10% of the gross refuse billings as their revenues so we report this amount at the net amount to reflect only the 10% of gross refuse billings which is the City's portion of the revenues.
- F. The \$1,537,151 is included as a transfer in the statement of revenues and expenditures and is shown as expenditure in the line item expenses/transfer on the Financial Transaction Report-Transit Activity.

Item 2

Housing Activity – Rental Income, overstated by \$472,489 (reported \$680,889, instead of the actual of \$208,400)

Response:

The \$680,889 represents rental income recorded in the General Fund of the City. This amount is not the rental income related to the Industry Property and Housing Management Authority.

The \$208,400 of rental income of the Industry Property and Housing Management Authority is reported in a separate Financial Transactions Report under COIPHMA Special District Financial transaction report.

Item 3

Debt Services – Other Assets, overstated by \$10,716,448 (reported \$34,578,736, instead of the actual of \$23,862,288)

Response:

The \$23,862,288 of other assets can be found on the Combining Balance Sheet of Debt Service Funds in the City Financial Statements page 86. The \$10,716,448 difference consists of the following:

Taken from Page 86 City of Industry Audited Financial Statement	REPORTED ON COMBINING BALANCE SHEET OF DEBT SERVICE FUNDS IN FINANCIAL STATEMENTS				REPORTED ON SEPARATE FTR	REPORTED ON FTR
	CITY OF INDUSTRY DEBT SERVICE	CITY OF INDUSTRY TAX OVERRIDE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	OTHER ASSETS TOTAL
ASSETS						
Cash	\$ 66,212	\$ 88,748	\$ -	\$ 154,960		
Accrued Interest and other receivables	7,008,279	404,160	794,747	8,207,186	0,107,186	(704,747)
Investments	83,053,891	42,348,711	-	125,402,602		
Investments with fiscal agent – restricted	38,976,548	-	848,128	39,824,676		
Investments in City and JUDA bonds	309,727,204	-	80,920,000	390,647,204		
Site lease prepayment	-	-	5,970,500	5,970,500	6,970,300	(6,970,300)
Due from general fund	-	5,794,802	-	5,794,802	8,794,802	-
Due from debt service fund-City	(17,481,408)	17,481,408	-	-	-	17,481,408
Total assets	\$ 307,819,033	\$ 89,004,017	\$ 80,531,175	\$ 585,410,025	23,862,288	(8,785,647)
						34,578,737
						(23,862,288)
						(1)
						9
						10,716,448

A. We reported interfund due to/from of \$17,481,408 net in the Financial Statements. We reported the asset and the liability in the State Controller's Report.

Computed difference:
 Other assets reported on SCR \$ 34,578,737
 Other assets on SCR letter (23,862,288)
 Rounding (1)
 Total 9 10,716,448

The activities of Industry Public Facilities Authority were reported in a separate Financial Transactions Report under COIPFA Special Districts Financial transactions report as directed by the State Controller's Office.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2013-14**

Item 4

Capital Project Fund – Account Receivable, understated by \$1,146,500 (reported \$0, instead of the actual of \$1,146,500)

Response:

The Accounts Receivable of \$1,146,500 reported on the Capital Projects Fund in Balance Sheets-Governmental Funds had a corresponding liability (Due to other governmental funds) in the same amount and it was inadvertently offset when reported on the Financial Transaction Report.

Item 5

Total Revenues overstated by \$81,116,543 (reported \$168,974,081, instead of the actual of \$87,857,538)

Response:

We reported total revenues and other items in the amount of \$87,857,538 on the Statement of Activities and reported \$168,974,081 of revenues on the Financial Transaction Report. The reconciling items are as follows:

- 1) The \$168,974,081 of revenues reported on the FTR are based on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds and the \$87,857,538 of revenues comes from Statement of Activities based upon GASB 34 Government Wide financial statements which there are reconciling items between the two statements.
- 2) The activities for the Industry Public Facilities Authority, Civic-Recreational-Industrial Authority and Industry Property and Housing Management Authority are reported on separate FTR's per instruction from the State Controller's Office;
- 3) Other uses and inter-fund transfers are reported as reconciling items in the Statement of Revenues, Expenditures and Changes in Fund Balance in the Financial Transaction Report.

Below is a reconciliation from audited financial statements to the amounts reported on the City's FTR. The total revenues of \$168,974,081 reported in the City's FTR may be reported and grouped differently than in the City's audited financial statements. The individual amounts on the schedule below could be reported on multiple lines on the City's FTR.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2013-14**

Excerpt from Statement of Activities as reported page 10 of the Audited Financial Statements	Statement of Activities Adjustments To Revenues and Expenditures Statement	Statement of Revenues, Expenditures - Governmental Funds	GRIP/PHMA Component Unit Activities Reported Separate FTR	IPFA Component Unit Activities Reported Separate FTR	Other reconciling items	Reported on City's FTR
Total Revenues and Other Uses	A					Total Revenues
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General government						
Support services						
Community development						
Community services						
Public safety						
Public works						
Capital projects						
Interest expenses						
Debt issuance/redemption costs						
Total governmental activities						
	5,790,720		5,790,720			5,790,720
BUSINESS-TYPE ACTIVITIES						
Electric utility	4,422,163					4,422,163
Water utility	1,455,820					1,455,820
Cost of expo operations	1,433,242			(1,433,242)		
Cost of holding authority operations	200,400			(200,400)		
Total business-type activities	7,510,625			(1,841,842)		5,677,993
Total City	\$ 13,301,345 Z		5,790,720 X	(3,263,284)		11,678,711
General revenues and other items:						
Taxes						
Property taxes	56,152,079		56,152,079			56,152,079
Sales tax	40,819,729		40,819,729			40,819,729
Tax increment pass-through payments	1,823,205		1,823,205			1,823,205
Franchise	1,515,773		1,515,773			1,515,773
Documentary transfer tax	189,765		189,765			189,765
Transient occupancy tax	1,011,865		1,011,865			1,011,865
PS/FOOPB	107,406		107,406			107,406
Total taxes	101,519,623		101,519,623			101,519,623
Revenues from use of money and property	45,405,978	2,020,030	48,287,014	(13,077)	(7,207,280)	119,410 D
Grant income	324,088		324,088			41,358,089
Other income	1,000,000	(1,000,000)	14,791		1,000,000	324,088
Loss on disposal of assets, net	(14,791)		425,361			-
Loss on redemption of 2006 bond	(425,361)		42,500,000			-
Litigation settlement	(42,500,000)	42,500,000				-
Other uses debt service payments from property tax override fund on behalf of fiduciary fund	(31,181,126)	31,181,125				-
Transfer of property from fiduciary fund	407,567	(407,567)				-
Transfers - internal activities						-
Total general revenues and other items	74,839,195 Z	75,841,736	150,060,929 X	(13,077)	(7,207,280)	143,859,968
						13,507,408
					Rounding	(4)
Sum of Z	\$ 87,857,630		Sum of X \$ 155,870,651			168,074,081
			Total Revenues Fund Statement Page 21 Audited Financial Statement			

- Consists of adjustments to the Government Wide Statement of Activities to reconcile Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds.
- We reported the litigation settlement on the Consolidated Statement of Revenues, Expenditures, and Changes in Fund Balance/Working Capital in the FTR.
- On page 77 of the City's audited financial statements we report revenues from Refuse Collection in the amount of \$910,464. The amount represents a net amount comprised of gross revenues of \$14,307,870 less expenses of \$13,397,406 which is reported on page 7 of the City's Financial Transactions Report. On the audited financial statements we report the net amount as the City has contracted these services out and is entitled to 10% of the gross refuse billings as their revenues so we report this amount at the net amount to reflect only the 10% of gross refuse billings which is the City's portion of the revenues.
- Add back proprietary fund interest/other income page 24 audited financial statement.

**Comparative Analysis of the City of Industry Audited Financial Statements
To The Letter of May 6, 2015 From the State Controller's Office
To the Financial Transaction Report for the Fiscal Year 2013-14**

Item 6

Self-Insurance – Pending Liability Claims of \$72,410 was not reported.

Response:

The City reported the \$72,410 of self-insurance liability claims on the Balance Sheet – Governmental Funds on page 19 line item labeled "Accrued Expenses" in the General Fund. On the City's Financial Transactions Report, the \$72,410 is included in the \$52,190,182 of "Other liabilities" reported on the "Worksheet for Completing Balance Sheet", the detail of the liabilities are below:

Wages payable	\$ 38,439	
Self-Insurance liability	72,410	
Dependent Care Withholdings	385	
Escheated liability	1,089,615	
Total per City's audited financial statement	<u>1,180,849</u>	Page 19 Accrued Expenses General Fund
Due to AQMD - General Fund	124,531	
Due to Tax Override - General Fund	8,764,602	
Settlement Liability	42,500,000	
Total per City's Financial Transaction Report	<u>\$ 52,590,182</u>	Other Liabilities General Fund

CITY OF INDUSTRY

AGREEMENT FOR

ADVERTISING, PROMOTIONAL & COMMUNITY RELATIONS SERVICES

THIS AGREEMENT FOR ADVERTISING, PROMOTIONAL & COMMUNITY RELATIONS SERVICES (the "Agreement"), dated September 9, 2004, for reference purposes only, is made by and between the CITY OF INDUSTRY, a municipal corporation, ("City"), and the INDUSTRY MANUFACTURERS COUNCIL, a non-profit corporation, ("IMC").

A. Recitals.

- (i). City desires to advertise and promote its advantages as an industrial center and to disseminate information regarding such advantages.
- (ii). City recognizes that an aggressive, high-quality, advertising and promotional program is necessary to attract the kind of high-quality, large industrial and commercial developments required to achieve the goals of the City's General Plan.
- (iii). City also desires to maintain a continuing community relations program to involve the members of its community in civic affairs and inform them of matters affecting City.
- (iv). IMC, a non-profit corporation located within the City of Industry, has special knowledge, experience, and capabilities to provide the kind of advertising, promotional and community relations services that City desires.
- (v). On July 1, 2004, City and IMC entered into an Agreement for Advertising, Promotional & Community Relations Services (the "Existing Agreement"). The Existing Agreement provides payment for services to IMC in the amount of two hundred fifty-seven thousand nine hundred and twenty-five dollars (\$257,925) upon demand in July 2004, October 2004, January 2005 and April 2005.
- (vi). City and IMC mutually agree that to better provide such advertising, promotional and community relations services as contemplated in the Existing Agreement, it is in the best interests of both to enter into this Agreement and, thereby, to supercede in its entirety the provisions of the Existing Agreement.

B. Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Term. The term of this Agreement shall commence on September 9, 2004 and shall continue unless terminated in accordance with the terms of paragraph B. 7 of this Agreement, or at such other time as may be mutually agreed by the City and the IMC.
2. Scope of Services. IMC shall render the following services in addition to such other advertising, promotional and community relations activities on behalf of the City as the City Council may request.
 - (a) Maintain adequate offices and employ adequate and competent personnel to properly carry on the advertising, promotional and community relations activities herein required.
 - (b) Disseminate information by correspondence, the media and personal contacts advertising the business advantages, benefits, resources and opportunities in the City.
 - (c) Promptly answer all correspondence relating to the business advantages, benefits, resources and opportunities in the City.
 - (d) Prepare articles and news stories, compile data, and gather and assemble new items, photographs, and literature describing the City's advantages, benefits and resources as an industrial community.
 - (e) Aid in promoting construction programs and the development and use of vacant properties.
 - (f) Seek out, solicit and interview executives urging them to establish their businesses in the City.
 - (g) Promote and invite trade and business meetings, seminars and conventions in order to make individuals and businesses acquainted with the advantages and opportunities in the City of Industry for industrial and commercial development and enterprises.
 - (h) Provide community relations programs that will involve members of the community in civic affairs and inform them of matters affecting the City.
3. Payment to IMC. City agrees to pay IMC upon demand for the services performed hereunder as follows:

- (a) In accordance with the terms of the Existing Agreement, City agrees to pay IMC, during the fiscal year 2004-2005, the total sum of \$1,031,700 for the services performed as follows:

July 2004	\$ (previously paid per Existing Agreement)
October 2004	\$ 257,925
January 2005	\$ 257,925
April 2005	\$ 257,925

- (b) In June 2005, and annually thereafter, the City Manager of City and IMC shall agree on the annual total amount for the services in this Agreement. Based upon such total amount, City agrees to pay IMC upon demand for the services performed, in equal amounts, on a quarterly basis on the scheduled months as set forth in subparagraph 3 (a), above.

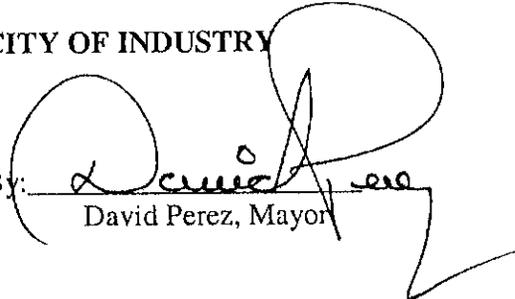
4. **Noninvolvement in Political Campaigns.** IMC shall not directly or indirectly participate or intervene in, or make any monetary contribution to, any political campaign on behalf of any candidate for public office during the term of this Agreement.
5. **Inspection of Records.** IMC shall allow City to inspect its records at any time during normal business hours. IMC shall provide City, upon request, with copies of its financial statements and any records or documents relating to the services performed hereunder.
6. **Obligations: Insurance and Indemnity.** IMC shall be an independent contractor and shall not be deemed an agent or representative of City when performing its obligations hereunder. The IMC shall not incur or have the power to incur any debt, obligation or liability whatsoever for or against City and shall hold harmless and indemnify City against any and all obligations or liabilities whatsoever arising out of IMC's performance of this Agreement. IMC shall obtain and maintain at all times during the term of this Agreement general liability insurance protecting IMC for personal injury and property damage in an amount not less than one million dollars (\$1,000,000) per occurrence and automobile liability insurance not less than one million dollars (\$1,000,000) per occurrence. Such insurance shall apply on a primary non-contributing basis and shall name City as an additional insured party and shall not be cancelable nor shall the coverage be reduced without a thirty (30) day prior written notice to City. IMC shall file and maintain on file with City at all times during the term of this Agreement a copy or certificate of said insurance. Such insurance shall be subject to the approval of the City Attorney of City.
7. **Termination.** City or IMC may terminate this Agreement upon thirty (30) days' prior written notice to the other party. In the event of termination, all prior payments by City to IMC pursuant to this Agreement shall be in full satisfaction of all services rendered by IMC. If at the time of termination IMC has an unexpended and uncommitted balance of funds paid by City, IMC shall repay such balance to City.

8. **Assignment.** This Agreement may not be assigned by IMC, in whole or in part, without prior written consent of City.
9. **Entire Agreement.** This Agreement shall constitute the entire agreement between the parties. Upon execution of this Agreement, City and IMC mutually acknowledge that the Existing Agreement shall, without further notice, terminate and thereafter be of no force and effect.

IN WITNESS WHEREOF City and IMC have executed this Agreement as of the day and year set forth below.

Dated: September 9, 2004

CITY OF INDUSTRY

By: 

David Perez, Mayor

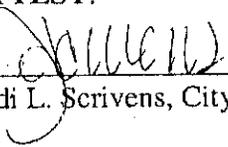
Dated: September 9, 2004

INDUSTRY MANUFACTURERS COUNCIL

By: 

Donald Sachs
Executive Director

ATTEST:



Jodi L. Scrivens, City Clerk

City of Industry
Budget Comparison To Actual Expenditures
Industry Manufacturers Council
Fiscal Year Ending June 30, 2004 to 2014

FYE June 30,	Original Budget	Revised Budget	Actual Expenses	(Over) Under	Under	Over
2014	\$1,386,500		\$ 1,385,266	\$ 1,234	\$ 1,234	
2013	\$1,643,300		\$ 1,545,757	\$ 97,543	\$ 97,543	
2012	\$1,426,935	\$ 1,504,910	\$ 1,564,910	\$ (60,000)		\$ (60,000)
2011	\$1,260,000	1,357,000	\$ 1,391,690	\$ (34,690)		\$ (34,690)
2010	\$1,293,000		\$ 1,250,350	\$ 42,650	\$ 42,650	
2009	\$1,344,800		\$ 1,568,105	\$ (223,305)		\$ (223,305)
2008	\$1,203,600		\$ 1,403,600	\$ (200,000)		\$ (200,000)
2007	\$1,210,490		\$ 1,210,490	\$ -		
2006	\$1,134,850		\$ 1,134,850	\$ -		
2005	\$1,031,700		\$ 1,031,700	\$ -		
2004	\$1,018,300		\$ 1,118,729	\$ (100,429)		\$ (100,429)
				\$ (476,997)	\$ 141,427	\$ (618,424)

CITY OF INDUSTRY
NONPERSONAL EXPENSE SUMMARY
FY 2003-2004 ANNUAL BUDGET

DIVISION COMMUNITY PROMOTION		DIVISION NUMBER 621			
OBJECT CODE	EXPENSE CLASSIFICATION	2001-02 ACTUAL	2002-03 ADOPTED	2002-03 REVISED	2003-04 ADOPTED
	<u>SERVICES & SUPPLIES</u>				
5600	Community Promotion - IMC	925,848	984,200	914,115	1,018,300
5601	Community Promotion - City	406,582	607,291	697,310	261,229
5640	Legal Advertising/Printing	0	0	250,000	200,000
5720	Telephone	710	731	600	618
5806	Asian Task Force	105,558	114,330	36,917	0
	Total Services & Supplies	1,438,697	1,706,552	1,898,942	1,480,147
	<u>CAPITAL OUTLAY</u>				
9010	Furniture & Equipment	2,245	2,312	0	0
	Total Capital Outlay	2,245	2,312	0	0
	Grand Total	1,440,942	1,708,864	1,898,942	1,480,147

CITY OF INDUSTRY
NONPERSONAL EXPENSE SUMMARY
FY 2004-2005 ANNUAL BUDGET

DIVISION COMMUNITY PROMOTION					DIVISION NUMBER 621	
OBJECT CODE	EXPENSE CLASSIFICATION	2002-03 ACTUAL	2003-04 ADOPTED	2003-04 REVISED	2004-05 ADOPTED	
	<u>SERVICES & SUPPLIES</u>					
5600	Community Promotion - IMC	920,630	1,018,300	1,018,300	1,031,700	
5601	Community Promotion - City	700,049	261,229	261,229	56,502	
5640	Legal Advertising/Printing	354,700	200,000	200,000	79,711	
5720	Telephone	591	618	618	510	
5806	Asian Task Force	36,917	0	0	0	
	Total Services & Supplies	2,012,886	1,480,147	1,480,147	1,168,423	
	<u>CAPITAL OUTLAY</u>					
9010	Furniture & Equipment	0	0	0	0	
	Total Capital Outlay	0	0	0	0	
	Grand Total	2,012,886	1,480,147	1,480,147	1,168,423	

CITY OF INDUSTRY
NONPERSONAL EXPENSE SUMMARY
FY 2005-2006 ANNUAL BUDGET

DIVISION COMMUNITY PROMOTION					DIVISION NUMBER 621
OBJECT CODE	EXPENSE CLASSIFICATION	2003-04 ACTUAL	2004-05 ADOPTED	2004-05 REVISED	2005-06 ADOPTED
	<u>SERVICES & SUPPLIES</u>				
5600	Community Promotion - IMC	1,118,729	1,031,700	1,031,700	1,134,850
5601	Community Promotion - City	93,638	56,502	132,906	136,893
5640	Legal Advertising/Printing	246,181	79,711	120,000	92,000
5720	Telephone	568	510	1,360	1,380
5806	Asian Task Force	0	0	0	0
	Total Services & Supplies	1,459,116	1,168,423	1,285,966	1,365,123
	<u>CAPITAL OUTLAY</u>				
9010	Furniture & Equipment	0	0	0	0
	Total Capital Outlay	0	0	0	0
	Grand Total	1,459,116	1,168,423	1,285,966	1,365,123

CITY OF INDUSTRY
NONPERSONAL EXPENSE SUMMARY
FY 2006-2007 ANNUAL BUDGET

DIVISION COMMUNITY PROMOTION					DIVISION NUMBER 621
OBJECT CODE	EXPENSE CLASSIFICATION	2004-05 ACTUAL	2005-06 ADOPTED	2005-06 REVISED	2006-07 ADOPTED
	<u>SERVICES & SUPPLIES</u>				
5600	Community Promotion - IMC	1,031,700	1,134,850	1,134,850	1,210,490
5601	Community Promotion - City	171,834	136,893	136,893	140,328
5640	Legal Advertising/Printing	305,514	92,000	92,000	261,712
5720	Telephone	1,221	1,380	1,380	492
	Total Services & Supplies	1,510,269	1,365,123	1,365,123	1,613,022
	<u>CAPITAL OUTLAY</u>				
9010	Furniture & Equipment	0	0	0	0
	Total Capital Outlay	0	0	0	0
	Grand Total	1,510,269	1,365,123	1,365,123	1,613,022

CITY OF INDUSTRY
NONPERSONAL EXPENSE SUMMARY
FY 2007-2008 ANNUAL BUDGET

DIVISION COMMUNITY PROMOTION		DIVISION NUMBER 621			
OBJECT CODE	EXPENSE CLASSIFICATION	2005-06 ACTUAL	2006-07 ADOPTED	2006-07 REVISED	2007-08 ADOPTED
	<u>SERVICES & SUPPLIES</u>				
5600	Community Promotion - IMC	1,134,850	1,210,490	1,210,490	1,203,600
5601	Community Promotion - City	120,002	140,328	140,328	100,000
5640	Legal Advertising/Printing	322,803	261,712	321,749	331,402
5720	Telephone	467	492	492	494
	Total Services & Supplies	1,578,122	1,613,022	1,673,059	1,635,496
	<u>CAPITAL OUTLAY</u>				
9010	Furniture & Equipment	0	0	0	0
	Total Capital Outlay	0	0	0	0
	Grand Total	1,578,122	1,613,022	1,673,059	1,635,496

CITY OF INDUSTRY
NONPERSONAL EXPENSE SUMMARY
FY 2008-09 ANNUAL BUDGET

DIVISION COMMUNITY PROMOTION					DIVISION NUMBER 621
OBJECT CODE	EXPENSE CLASSIFICATION	2006-07 ACTUAL	2007-08 ADOPTED	2007-08 REVISED	2008-09 ADOPTED
	<u>SERVICES & SUPPLIES</u>				
5600	Community Promotion - IMC	1,210,498	1,203,600	1,203,600	1,344,800
5601	Community Promotion - City	77,510	100,000	100,000	100,000
5640	Legal Advertising/Printing	323,539	331,402	331,402	331,402
5720	Telephone	519	494	494	700
	Total Services & Supplies	1,612,066	1,635,496	1,635,496	1,776,902
	<u>CAPITAL OUTLAY</u>				
9010	Furniture & Equipment	0	0	53,811	0
	Total Capital Outlay	0	0	53,811	0
	Grand Total	1,612,066	1,635,496	1,689,307	1,776,902

**CITY OF INDUSTRY
NON-PERSONNEL EXPENSE SUMMARY
FY 2009-10 and 2010-11 ANNUAL BUDGET**

DIVISION COMMUNITY PROMOTION						DIVISION NUMBER 021
OBJECT CODE	EXPENSE CLASSIFICATION	2007-08 ACTUAL	2008-09 ADOPTED	2008-09 REVISED	2009-10 ADOPTED	2010-11 ADOPTED
	<u>SERVICES & SUPPLIES</u>					
5600	Community Promotion - IMC	1,744,000	1,344,800	1,344,800	1,293,000	1,345,000
5601	Community Promotion - City	108,357	100,000	100,000	113,000	118,000
5640	Legal Advertising/Printing	331,408	331,402	331,402	345,000	359,000
5720	Telephone	643	700	700	700	800
	Total Services & Supplies	2,184,408	1,776,902	1,776,902	1,751,700	1,822,800
	<u>CAPITAL OUTLAY</u>					
9010	Furniture & Equipment	53,811	-	-	-	-
	Total Capital Outlay	53,811	-	-	-	-
	Grand Total	2,238,217	1,776,902	1,776,902	1,751,700	1,822,800

**CITY OF INDUSTRY
MIDYEAR BUDGET ADJUSTMENTS
FISCAL YEAR 2010-11
EXHIBIT A**

EXPENDITURES	ACTUAL 2009-10	ACTUAL 2010-11 @ 12/31/10	ADOPTED BUDGET 2010-11	MIDYEAR ADJUSTMENTS 2010-11	REVISED BUDGET 2010-11
CENTRAL SERVICES					
01.563.5120 PROFESSIONAL SERVICES	343,871	181,071	318,000	100,000	418,000
01.563.5515 SALARIES - STAFF	98,320	46,365	100,536	11,464	112,000
01.563.5530 OFFICE SUPPLIES	48,511	17,244	45,000		45,000
01.563.5550 REPAIR AND EQUIPMENT MTC.	139,845	79,479	150,000	10,000	160,000
01.563.5560 EQUIPMENT RENTAL/LEASE	25,910	15,067	41,000	(5,000)	36,000
01.563.5570 PRINTING/PHOTOGRAPHS	2,259	542	2,000	(1,000)	1,000
01.563.5610 TRAVEL AND MEETINGS	4,312	1,039	7,000	(3,000)	4,000
01.563.5620 VEHICLE EXPENSES	80,373	32,931	100,000	(20,000)	80,000
01.563.5690 DUES,SUBSCRIPTION, BOOKS,	2,363	1,985	3,000	(500)	2,500
01.563.5695 COMPUTER SERVICES	6,098	2,541	6,100		6,100
01.563.5700 BUILDING MAINTENANCE	246,884	147,158	240,000	90,000	330,000
01.563.5720 TELEPHONE	21,320	11,334	24,000	2,000	26,000
01.563.5730 UTILITIES	42,098	16,510	60,000	(17,000)	43,000
01.563.5785 BUILDING LEASE PAYMENT	37,200	18,600	37,200		37,200
01.563.5790 MISCELLANEOUS	5,315	6,832	5,000	6,000	11,000
01.563.6070 REFUSE DISPOSAL-RESIDENTS	33,328	6,667	26,000	(10,000)	16,000
01.563.9010 FURNITURE/FIXTURES & EQUI	86,077	57,807	-	75,000	75,000
01.563.9020 AUTOMOBILES	56,052	37,090	50,000	(12,000)	38,000
TOTAL	1,280,138	679,262	1,214,836	225,964	1,440,800
HUMAN RESOURCES					
01.564.5515 SALARIES - STAFF	98,825	32,469	100,285	(22,361)	77,924
01.564.5530 OFFICE SUPPLIES	-	60	-		-
01.564.5570 PRINTING/PHOTOGRAPHS	146	-	200	(50)	150
01.564.5690 DUES,SUBSCRIPTION, BOOKS,	1,353	857	3,000	(1,500)	1,500
01.564.5700 BUILDING MAINTENANCE	928	182	720	(408)	312
01.564.5720 TELEPHONE	519	203	500		500
01.564.6220 CONTRACT LABOR	10,110	-	-		-
TOTAL	111,882	33,771	104,705	(24,319)	80,386
PUBLIC SAFETY					
LAW ENFORCEMENT					
01.601.5120 PROFESSIONAL SERVICES	637	127	400		400
01.601.5570 PRINTING/PHOTOGRAPHS	-	-	200	(200)	-
01.601.5610 TRAVEL AND MEETINGS	1,314	-	-		-
01.601.5620 VEHICLE EXPENSES	163	-	1,500	(1,500)	-
01.601.5720 TELEPHONE	5,338	2,712	6,000	(600)	5,400
01.601.5785 BUILDING LEASE PAYMENT	49,000	39,750	84,000	(17,000)	67,000
01.601.6005 GENERAL & TRAFFIC ENFORC	6,260,098	2,286,482	6,100,000	(1,000,000)	5,100,000
01.601.6030 OTHER LAW ENFORCEMENT	600	7,000	1,000	6,000	7,000
01.601.6040 ANIMAL CONTROL	39,602	23,810	40,000	15,000	55,000
01.601.6100 PRISONER MAINTENANCE	2,102	-	4,000		4,000
01.601.6140 SECURITY-SPECIAL EVENTS	117,460	89,049	200,000		200,000
TOTAL	6,476,315	2,448,931	6,437,100	(998,300)	5,438,800
EL ENCANTO					
01.620.5120 PROFESSIONAL SERVICES	280	-	400	(400)	-
01.620.5550 REPAIR AND EQUIPMENT MTC.	38,062	13,822	41,000	(10,000)	31,000
01.620.6162 SECURITY-EL ENCANTO	-	6,962	-	25,000	25,000
01.620.8510 PROPERTY MAINTENANCE	270,617	104,887	260,000		260,000
TOTAL	308,959	125,670	301,400	14,600	316,000
COMMUNITY PROMOTION					
01.621.5600 COMMUNITY PROMOTION	1,250,350	1,042,518	1,260,000	97,000	1,357,000
01.621.5601 COMMUNITY PROM-PAID BY CI	129,526	157,369	125,000	50,000	175,000
01.621.5640 LEGAL ADVERTISING/PRINTIN	331,371	86,274	215,000	15,000	230,000
01.621.5720 TELEPHONE	729	321	700	50	750
01.621.9010 FURNITURE/FIXTURES & EQUI	2,634	-	-		-
TOTAL	1,714,611	1,286,481	1,600,700	162,050	1,762,750

CITY OF INDUSTRY
ADOPTED ANNUAL BUDGET
FISCAL YEAR 2011-12

	ACTUAL 2009-10	ADOPTED BUDGET 2010-11	REVISED BUDGET 2010-11	ADOPTED BUDGET 2011-12
COMMUNITY PROMOTION				
COMMUNITY PROMOTION	1,250,350	1,260,000	1,357,000	1,426,935
COMMUNITY PROM-PAID BY CI	129,526	125,000	175,000	140,000
LEGAL ADVERTISING/PRINTIN	331,371	215,000	230,000	216,000
TELEPHONE	729	700	750	850
FURNITURE/FIXTURES & EQUI	2,634	-	-	-
TOTAL	1,714,611	1,600,700	1,762,750	1,783,785

PROGRAM COMMENTARY

THE INDUSTRY MANUFACTURES COUNCIL SHALL UNDER A CONTRACT WITH THE CITY OF INDUSTRY, RENDER THE FOLLOWING SERVICES:

- 1) MAINTAIN ADEQUATE OFFICES AND EMPLOY ADEQUATE AND COMPETENT PERSONNEL TO PROPERLY CARRY ON THE ADVERTISING, PROMOTIONAL AND COMMUNITY RELATIONS ACTIVITIES HEREIN REQUIRED
- 2) DISSEMINATE INFORMATION BY CORRESPONDENCE, TO THE MEDIA AND PERSONAL CONTACTS ADVERTISING THE BUSINESS ADVANTAGES, BENEFITS, RESOURCES, AND OPPORTUNITIES IN THE CITY
- 3) PROMPTLY ANSWER ALL CORRESPONDENCE RELATING TO THE BUSINESS ADVANTAGES, BENEFITS, RESOURCES AND OPPORTUNITIES IN THE CITY
- 4) PREPARE ARTICLES AND NEWS STORIES, COMPILER DATA, GATHER AND ASSEMBLE NEWS ITEMS, PHOTOGRAPHS AND LITERATURE DESCRIBING THE CITY'S ADVANTAGES, BENEFITS AND RESOURCES AS AN INDUSTRIAL COMMUNITY
- 5) AID IN PROMOTING CONSTRUCTION PROGRAMS AND THE DEVELOPMENT AND USE OF VACANT PROPERTIES
- 6) SEEK OUT, SOLICIT AND INTERVIEW EXECUTIVES URGING THEM TO ESTABLISH THEIR BUSINESS IN THE CITY
- 7) PROMOTE AND INVITE TRADE AND BUSINESS MEETINGS, SEMINARS AND CONVENTIONS IN ORDER TO MAKE INDIVIDUALS AND BUSINESSES ACQUAINTE WITH THE ADVANTAGES AND OPPORTUNITIES IN THE CITY FOR INDUSTRIAL AND COMMERICAL DEVELOPMENT AND ENTERPRISE
- 8) ADVERTISE AND PROMOTE THE AVAILABILITY AND USE OF THE CONVENTION AND RECREATIONAL FACILITIES LOCATED AT PACIFIC PALMS
- 9) PROVIDE COMMUNITY RELATIONS PROGRAMS THAT WILL INVOLVE MEMBERS OF THE COMMUNITY IN CIVIC AFFAIRS AND INFORM THEM OF MATTERS AFFECTING THE CITY

CITY OF INDUSTRY
PROPOSED ANNUAL BUDGET
FISCAL YEAR 2012-13

	ACTUAL 2010-11	ADOPTED BUDGET 2011-12	REVISED BUDGET 2011-12	PROPOSED BUDGET 2012-13
COMMUNITY PROMOTION				
5600 COMMUNITY PROMOTION	\$ 1,391,690	\$ 1,426,935	\$ 1,504,910	\$ 1,643,300
5601 COMMUNITY PROM-PAID BY CI	150,285	140,000	150,000	150,000
5640 LEGAL ADVERTISING/PRINTIN	348,845	216,000	216,000	200,000
5620 VEHICLE EXPENSE			1,300	7,300
5013 TELEPHONE	858	850	850	300
9010 FURNITURE/FIXTURES & EQUI			20,000	25,000
TOTAL	<u>\$ 1,891,678</u>	<u>\$ 1,783,785</u>	<u>\$ 1,893,060</u>	<u>\$ 2,025,900</u>

PROGRAM COMMENTARY

THE INDUSTRY MANUFACTURES COUNCIL SHALL UNDER A CONTRACT WITH THE CITY OF INDUSTRY, RENDER THE FOLLOWING SERVICES:

- 1) MAINTAIN ADEQUATE OFFICES AND EMPLOY ADEQUATE AND COMPETENT PERSONNEL TO PROPERLY CARRY ON THE ADVERTISING, PROMOTIONAL AND COMMUNITY RELATIONS ACTIVITIES HEREIN REQUIRED
- 2) DISSEMINATE INFORMATION BY CORRESPONDENCE, TO THE MEDIA AND PERSONAL CONTACTS ADVERTISING THE BUSINESS ADVANTAGES, BENEFITS, RESOURCES, AND OPPORTUNITIES IN THE CITY
- 3) PROMPTLY ANSWER ALL CORRESPONDENCE RELATING TO THE BUSINESS ADVANTAGES, BENEFITS, RESOURCES AND OPPORTUNITIES IN THE CITY
- 4) PREPARE ARTICLES AND NEWS STORIES, COMPILE DATA, GATHER AND ASSEMBLE NEWS ITEMS, PHOTOGRAPHS AND LITERATURE DESCRIBING THE CITY'S ADVANTAGES, BENEFITS AND RESOURCES AS AN INDUSTRIAL COMMUNITY
- 5) AID IN PROMOTING CONSTRUCTION PROGRAMS AND THE DEVELOPMENT AND USE OF VACANT PROPERTIES
- 6) SEEK OUT, SOLICIT AND INTERVIEW EXECUTIVES URGING THEM TO ESTABLISH THEIR BUSINESS IN THE CITY
- 7) PROMOTE AND INVITE TRADE AND BUSINESS MEETINGS, SEMINARS AND CONVENTIONS IN ORDER TO MAKE INDIVIDUALS AND BUSINESSES ACQUAINTED WITH THE ADVANTAGES AND OPPORTUNITIES IN THE CITY FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT AND ENTERPRISE
- 8) PROVIDE COMMUNITY RELATIONS PROGRAMS THAT WILL INVOLVE MEMBERS OF THE COMMUNITY IN CIVIC AFFAIRS AND INFORM THEM OF MATTERS AFFECTING THE CITY

CITY OF INDUSTRY
ADOPTED ANNUAL BUDGET
COMMUNITY PROMOTION EXPENDITURES
FISCAL YEAR 2013-2014

	ADOPTED BUDGET 2011-12	ACTUAL 2011-12	ADOPTED BUDGET 2012-13	ACTUAL 3/31/2013	ADOPTED BUDGET 2013-14
COMMUNITY PROMOTION					
5013 TELEPHONE	\$ 850	\$ 193	\$ 300	\$ 105	\$ 150
5600 COMMUNITY PROMOTION	1,504,910	1,564,910	1,643,300	1,483,275	1,386,500
5601 COMMUNITY PROM-PAID BY CITY	150,000	169,446	150,000	689,988	126,000
5620 VEHICLE EXPENSE	1,300	14,563	7,300	2,745	4,000
5640 LEGAL ADVERTISING/PRINTING	216,000	282,941	200,000	(74,136)	65,000
9010 FURNITURE/FIXTURES & EQUIPMENT	20,000	24,266	25,000	20,450	25,000
TOTAL	<u>\$ 1,893,060</u>	<u>\$ 2,056,319</u>	<u>\$ 2,025,900</u>	<u>\$ 2,122,426</u>	<u>\$ 1,606,650</u>

PROGRAM COMMENTARY

THE INDUSTRY MANUFACTURES COUNCIL SHALL UNDER A CONTRACT WITH THE CITY OF INDUSTRY, RENDER THE FOLLOWING SERVICES:

- 1) MAINTAIN ADEQUATE OFFICES AND EMPLOY ADEQUATE AND COMPETENT PERSONNEL TO PROPERLY CARRY ON THE ADVERTISING, PROMOTIONAL AND COMMUNITY RELATIONS ACTIVITIES HEREIN REQUIRED
- 2) DISSEMINATE INFORMATION BY CORRESPONDENCE, TO THE MEDIA AND PERSONAL CONTACTS ADVERTISING THE BUSINESS ADVANTAGES, BENEFITS, RESOURCES, AND OPPORTUNITIES IN THE CITY
- 3) PROMPTLY ANSWER ALL CORRESPONDENCE RELATING TO THE BUSINESS ADVANTAGES, BENEFITS, RESOURCES AND OPPORTUNITIES IN THE CITY
- 4) PREPARE ARTICLES AND NEWS STORIES, COMPILE DATA, GATHER AND ASSEMBLE NEWS ITEMS, PHOTOGRAPHS AND LITERATURE DESCRIBING THE CITY'S ADVANTAGES, BENEFITS AND RESOURCES AS AN INDUSTRIAL COMMUNITY
- 5) AID IN PROMOTING CONSTRUCTION PROGRAMS AND THE DEVELOPMENT AND USE OF VACANT PROPERTIES
- 6) SEEK OUT, SOLICIT AND INTERVIEW EXECUTIVES URGING THEM TO ESTABLISH THEIR BUSINESS IN THE CITY
- 7) PROMOTE AND INVITE TRADE AND BUSINESS MEETINGS, SEMINARS AND CONVENTIONS IN ORDER TO MAKE INDIVIDUALS AND BUSINESSES ACQUAINTED WITH THE ADVANTAGES AND OPPORTUNITIES IN THE CITY FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT AND ENTERPRISE
- 8) PROVIDE COMMUNITY RELATIONS PROGRAMS THAT WILL INVOLVE MEMBERS OF THE COMMUNITY IN CIVIC AFFAIRS AND INFORM THEM OF MATTERS AFFECTING THE CITY

**City of Industry
Industry Manufacturers Council
Plastic Task Force Accounting**

Plastic Task Force Accounting								
Contribution Date	Company Contributing	Other	Recycling Company	Company Contributions	Less Expenses Reimbursed To Sheriff Station	Remainder Amount To Sheriff Station	City Check Date	City Check Number
Sep-11	EarthGrains	\$ 10,000.00		\$ 10,000.00	\$ 144.64		11/21/2011	51219
Sep-11	IGPS	10,000.00		10,000.00	54.10		11/22/2011	51219
Jan-12	Corridor Recycling		27,801.63	27,801.63	1,968.41		2/9/2012	51793
Mar-12	Corridor Recycling		3,715.20	3,715.20	917.47		3/22/2012	52170
May-12	Corridor Recycling		2,728.56	2,728.56	238.03		6/14/2012	52791
May-12	Corridor Recycling		1,101.83	1,101.83	1,461.05		6/14/2012	52791
Aug-12	Corridor Recycling		6,426.89	6,426.89	63.82		8/8/2012	53371
Aug-12	Corridor Recycling		1,615.17	1,615.17	226.50		8/8/2012	53371
Aug-12	Corridor Recycling		1,120.00	1,120.00			8/8/2012	53371
Sep-12	Rockview	2,000.00		2,000.00			12/22/2011	51404
Sep-12	Classic Distributing	500.00		500.00			12/22/2011	51404
Dec-12	Dean Foods	10,000.00		10,000.00			2/14/2013	54696
Jul-13	Corridor Recycling		13,756.98	13,756.98			8/6/2013	56108
Sep-12	Classic Distributing	{A 2,000.00		2,000.00			9/27/2012	53727
		<u>\$ 34,500.00</u>	<u>\$ 58,266.26</u>	<u>\$ 92,766.26</u>	<u>\$ 5,074.02</u>	<u>\$ 87,692.24</u>		
Amount Per SCO Report		24,500.00	68,266.00	92,766.00		85,692.24	IMC Check #11415	
Difference		<u>10,000.00</u>	<u>{9,999.74}</u>	<u>0.26</u>		<u>2,000.00</u>	Difference	

(A) Due to an oversight this amount was not included in the final amount paid to the Sheriff's Station. This amount will be forwarded to the Sheriff's Station at a later date.

Industry Municipal Code

Up Previous Next Main Collapse Search Print No Frames

Title 3 REVENUE AND FINANCE**Chapter 3.52 PUBLIC PROJECTS—BIDDING AND PROCEDURES****3.52.010 Findings and purpose.**

The city finds and declares:

A. It is in the public interest for the city to elect to become subject to the uniform public construction cost accounting procedures adopted by the California Uniform Cost Accounting Commission pursuant to Public Contract Code Section 22000 et seq., (Part 3, Chapter 2).

B. Such election will enable the city to perform public works projects with its own forces and/or by contracts awarded through informal bidding procedures when it is in the best interest of the city to do so.

C. It is the intent of the city that this chapter govern the selection of public contractors by the city through informal bidding procedures, in accordance with Public Contract Code Section 22034. (Ord. 641 § 1, 1999)

3.52.020 Applicability of City Charter.

The provisions of Section 1003 of the City Charter shall be applicable to new construction of any public work, exceeding an estimated cost to the city for such project in excess of five thousand dollars and which project will require the issuance of one or more permits pursuant to the City Building Code, Electrical Code or Mechanical Code. (Ord. 641 § 1, 1999; Ord. 605 § 1, 1994)

3.52.030 Public projects—Defined.

A. For purpose of this code, “public project” means any of the following:

1. Construction, reconstruction, erection, alteration, renovation, improvement, demolition and repair work involving any publicly owned, leased, or operated facility;

2. Painting or repainting of any publicly owned, leased or operated facility;

3. In the case of a publicly owned utility system, “public project” includes only the construction, erection, improvement or repair of dams, reservoirs, power plants and electrical transmission lines of two hundred thirty thousand volts and higher.

B. “Public project” does not include maintenance work. For purposes of this chapter, “maintenance work” includes all of the following:

1. Routine, recurring and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes;

2. Minor repainting;

3. Resurfacing of streets and highways of less than one inch;

4. Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants and servicing of irrigation and sprinkler systems;

5. Work performed to keep, operate and maintain publicly owned water, power or waste disposal systems,

including, but not limited to, dams, reservoirs, power plants and electrical transmission lines of two hundred thirty thousand volts and higher.

C. "Public project" also does not apply to, pursuant to Section 22041 of the Public Contract Code, the construction of any public building used for facilities of juvenile forestry camps or juvenile homes, ranches or camps if a major portion of the construction work is to be performed by wards of the juvenile court assigned to those camps, ranches or homes.

D. For purposes of this chapter, "facility" means any plant, building, structure, ground facility, utility system, subject to subsection (A) (3) of this section, real property, streets and highways, or other public work improvement. (Ord. 641 § 1, 1999)

3.52.040 Adoption of plans and bidding—Public projects.

A. The city council shall approve all formal bidding activity for public projects of more than one hundred twenty-five thousand dollars prior to the mailing of notices inviting bids.

B. For public projects procured by the informal bidding process, the city shall have authority to require a performance bond before entering a contract in such amount as it shall find reasonable and necessary to protect the best interests of the city. If the city requires a performance bond, the amount of the bond shall be described, in the notice inviting bids, and its form shall be as determined by the city attorney. (Ord. 711 § 2, 2005; Ord. 641 § 1, 1999)

3.52.050 Construction trade journal list—Public projects.

The journals on the list of qualified construction trade journals, developed and maintained in accordance with the provisions of Section 22036 of the California Public Contract Code, shall be noticed pursuant to Sections 3.52.080 and 3.52.090. (Ord. 641 § 1, 1999)

3.52.060 Contractors list—Public projects.

A list of qualified contractors, identified according to categories of work, shall be developed and maintained in accordance with the provisions of Section 22034 of the Public Contract Code and criteria promulgated from time to time by the California Uniform Construction Cost Accounting Commission. (Ord. 641 § 1, 1999)

3.52.070 Purchasing procedures—Public projects under thirty thousand dollars.

Public projects of thirty thousand dollars or less may be performed by negotiated contract or by purchase order upon approval of the city manager or public works director, or by the employees of the city by force account upon adoption of a resolution by a four-fifths vote of the city council, pursuant to Section 1003 of the City Charter. (Ord. 711 § 3, 2005; Ord. 641 § 1, 1999)

3.52.080 Informal bid procedures—Public projects.

Public projects of less than one hundred twenty-five thousand dollars may be let to contract by the informal procedures set forth herein.

A. The city manager shall mail notices inviting informal bids. The notices shall be mailed to all qualified contractors on the list maintained and to all construction trade journals on the list referred to in Section 3.52.050, unless the product or service is proprietary.

B. The notices shall be mailed not less than ten calendar days before the opening date of the bids. The

notices shall describe the project in general terms, how to obtain more detailed information about the project, and state the time and place for the submission of bids.

C. The city manager and director of public works are authorized to award informal contracts and purchase orders pursuant to this chapter. Informal bids and purchase orders shall be awarded to the lowest responsible bidder.

D. Bids shall be submitted to the city manager who shall keep a record of all informal orders and bids for a period of six months after placement of the order. This record, while so kept, shall be open to public inspection.

E. If all bids received are in excess of one hundred twenty-five thousand dollars, the city council may by passage of a resolution by a four-fifths vote, award the contract at one hundred thirty-seven thousand five hundred dollars or less, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable.

F. If no bids are received, the project may be performed by employees of the city by force account, or negotiated contract without further complying with this chapter. (Ord. 711 § 4, 2005; Ord. 658 § 3, 2000; Ord. 641 § 1, 1999)

3.52.090 Formal bid procedures—Public projects.

Public projects of greater than one hundred twenty-five thousand dollars must, except as otherwise provided in this chapter, be let to contract by the formal procedures set forth herein.

A. The city clerk shall mail notices inviting formal bids. The notices shall be mailed to all construction trade journals on the list referred to in Section 3.52.050 and at the discretion of the city clerk to all qualified contractors on the list maintained in accordance with Section 3.52.060, unless the project or service is proprietary.

B. The notices shall be mailed at least thirty calendar days before the date of opening the bids. The notices shall distinctly describe the project and state the time and place for submission and opening of bids.

C. The notice inviting bids shall be published at least fourteen days before the opening date of the bids. Notice shall be published at least twice, not less than five days apart, in a newspaper of general circulation, printed and published in the city, or, if there is none, in a newspaper of general circulation which is circulated within the city. If neither type of newspaper exists, the notice shall be posted in at least three public places in the city that have been designated by ordinance as places for placing public notices.

D. The city clerk shall also post a notice of pending public work projects on a public bulletin board in the City Hall.

E. Sealed bids shall be submitted to the city clerk and shall be identified as bids on the envelope. Bids shall be opened in public by the city clerk or designee at the time and place stated in the public notices. A tabulation of all bids shall be open for public inspection during regular business hours for a period of not less than thirty calendar days after the bid opening.

F. Bidders on public construction projects shall be required to provide bidder's security. The bidders security shall be an amount equal to ten percent of the amount of the bid or as prescribed in the public notice inviting bids. The bidder's security shall be in one of the following forms:

1. Cash;
2. Cashiers check made payable to the city;
3. Certified check made payable to the city; or
4. Bidder's bond executed by an authorized surety insurer, made payable to the city.

Bidders shall be entitled to return of bid security; provided that a successful bidder shall forfeit his/her bid's security upon refusal or failure to execute the contract within ten days after the notice of award of contract has been mailed, unless the city is responsible for the delay. The city council may, on refusal or failure of a

successful bidder to execute the contract, award the contract to the next lowest bidder. If the city council awards the contract to the next lowest bidder, the amount of the lowest bidder's security shall be applied by the city to the difference between the low bid and the second lowest bid and the surplus, if any, shall be returned to the lowest bidder.

G. Contracts shall be awarded by the city council to the lowest responsible bidder except as otherwise provided in this chapter. The decision of the city shall be final.

H. In its discretion, the city may reject any bids presented. If after the first invitation of bids all bids are rejected, after reevaluating its cost estimates of the project, the city shall have the option of either of the following:

1. Abandoning the project, or re-advertising for bids in the manner described herein.

2. By adoption of a resolution by a four-fifths vote of the city council declaring that the project can be performed more economically by employees of the city, and may have the project done by force account without further complying with this chapter.

I. If two or more bids received are the same and lowest, the city council may accept the one it chooses.

J. If no bids are received, the project may be performed by employees of the city by force account, or by negotiated contract without further complying with this chapter.

K. The city council shall have the right to waive any defect or informality in the bidding or in the procedures set forth in this chapter. No defect or informality shall void any contract entered into.

L. The city council shall adopt plans, specifications, and working details for all public projects subject to this section. Any person may examine the plans, specifications, and/or working details adopted by the city council for any project. (Ord. 711 § 5, 2005; Ord. 658 § 4, 2000; Ord. 641 § 1, 1999)

3.52.110 Emergencies—Public projects.

A. In cases of emergency when repair or replacements are necessary, the city council may proceed at once to replace or repair any public facility without adopting plans, specifications, strain sheets or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the city council, by contractor, or by a combination of the two.

B. In case of an emergency, if notice for bids to let contracts will not be given, the city council shall comply with the following procedures:

1. The city council shall make a finding, based on substantial evidence set forth in the minutes of its meeting, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency.

2. The city council, pursuant to a four-fifths vote, may repair or replace a public facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services and supplies for those purposes.

3. The city council, by a four-fifths vote, may delegate by resolution or ordinance, to the city manager, chief engineer or other nonelected city officer, the authority to order any action specified in subsection (B)(2) of this section.

4. If a person with authority delegated pursuant to this section orders any action specified in subsection (B) (2) of this section, that person shall report to the city council, at its next meeting required pursuant to this section, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency.

5. If the city council orders any action, specified in subsection (B)(1) or (B)(2) of this section, the city council shall review the emergency action at its next regularly scheduled meeting and, except as specified below, at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-

fifths vote, that there is a need to continue the action. If the city council meets weekly, it may review the emergency action in accordance with this paragraph every fourteen days.

6. If a person with authority delegated pursuant to this section orders any action specified in subsection (B) (2) of this section, the city council shall initially review the emergency action not later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not later than fourteen days after the action, and at least at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action, unless a person with authority delegated pursuant to this section has terminated that action prior to the city council reviewing the emergency action and making a determination pursuant to this subsection. If the city council meets weekly, it may, after the initial review, review the emergency action in accordance with this subsection every fourteen days.

7. When the city council reviews the emergency action pursuant to subsection (B)(5) or (B)(6) of this section, it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts. (Ord. 641 § 1, 1999)

3.52.115 Exemption—Municipal utility protects.

A. Notwithstanding Section 3.52.030 (A)(3), when exigent circumstances require the prompt and immediate construction, expansion, improvement, modification or extension of a public utility facility, or the transmission or distribution system thereof, the city council may proceed at once with such public utility process without adopting plans, specifications, working details or giving notice for bids to let contracts.

B. In the case of such a public utility project, the city council shall, prior to proceeding with the award of such project, comply with of the following procedures:

1. The city council shall make a finding, based on substantial evidence set forth in the minutes of its meeting, that the protection of the health, welfare and safety of the city, its residents and business owners, will not permit a delay resulting from a competitive solicitation of bids and that the action is necessary to establish, preserve or maintain the public utilities system; and

2. The city council, pursuant to a four-fifths vote, shall authorize the project, any directly related and immediate action required for the public utility project and may delegate to the city manager, director of public utilities or city engineer any and all authority required to fulfill the council direction to proceed with the public utility project. (Ord. 671 § 3, 2001)

3.52.120 Procedure for awarding maintenance contracts.

Any or all other contracts relating to maintenance of public works or public facilities may be provided for either by competitive bidding, informal public bidding or by negotiated contract, at the discretion of the city council. (Ord. 641 § 1, 1999; Ord. 605 § 1, 1994)

3.52.130 General provisions for maintenance contracts.

The city council may enter into one or more long-term agreements for general maintenance and repair and miscellaneous services related to the ongoing maintenance and repair of public facilities, including minor new construction which is not included within the provisions of Section 1003 of the Charter as more specifically defined in this chapter. Any such agreement or agreements shall contain such provisions as the city council may, from time to time, require to assure an orderly program for maintenance, repair and minor construction of such public facilities throughout the city on such terms and conditions as the city council may, from time to time, determine to be appropriate. (Ord. 641 § 1, 1999; Ord. 605 § 1, 1994)

3.52.140 Compliance with Labor Code Section 1782—Prevailing wages.

All city public works projects shall comply with the requirements of Labor Code Section 1782 and Article 2 (Wages) of Chapter 1 (Public Works) of Part 7 (Public Works and Public Agencies) of Division 2 (Employment Regulation and Supervision) of the California Labor Code, as it may be amended from time to time, regarding payment of prevailing wages and the city shall not authorize a contractor to not comply with Article 2. (Ord. 790 § 2, 2015)

3.52.150 Project labor agreements.

The city public works projects may, but shall not be required to, utilize project labor agreements for a specific project or projects. If the city adopts the use of PLAs for a specific project or projects, then the PLA shall comply with the requirements of Public Contract Code Section 2500. (Ord. 790 § 3, 2015)

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Industry Municipal Code

Up **Previous** **Next** **Main** **Collapse** **Search** **Print** **No Frames**
Title 3 REVENUE AND FINANCE

Chapter 3.04 PURCHASING SYSTEM**3.04.010 Definitions.**

The following terms shall have the following meanings, unless the context requires otherwise:

- A. "Accounting coordinator" means the accounting coordinator of the city.
- B. "Authority" means the Civic-Recreational-Industrial Authority, a joint powers authority organized and existing pursuant to the joint Exercise of Powers Act, Government Code Section 6500, et seq.
- C. "City" means the city of Industry.
- D. "City manager" means the city manager or a person acting pursuant to a written authorization of the city manager.
- E. "Industry Hills regional public park and recreation area" means the Industry Hills regional public park and recreation area, and all buildings, facilities, structures and other improvements thereat.
- F. "Manager" means the manager of the Industry Hills regional public park and recreation area pursuant to written agreement with the operator.
- G. "Operator" means the authority or a successor operator of the Industry Hills regional public park and recreation area pursuant to written agreement with the city. (Ord. 452 § 1, 1980)

3.04.020 Policy.

It shall be the policy of the city to obtain, where practical, supplies and equipment of the highest quality for the lowest cost. (Ord. 452 § 1, 1980)

3.04.030 Authority and responsibility.

The authority and responsibility for the purchase of supplies and equipment for the city shall be vested in the city manager. The city manager shall purchase supplies and equipment in accordance with the procedures prescribed in this chapter. (Ord. 452 § 1, 1980)

3.04.040 Bidding procedures.

- A. Purchases of supplies and equipment of an estimated value of greater than one hundred thousand dollars shall be by written contract with the lowest responsible bidder after notice. Such notice shall invite sealed bids, include a general description of the supplies or equipment to be purchased, state where bid forms and specifications may be obtained and specify the time and place for the opening of bids.
- B. Such notice shall be published in a newspaper of general circulation printed and published in the city, or if there is none, it shall be posted in no less than three public places in the city designated by ordinance for the posting of public notices. The city manager shall post a copy of such on a public bulletin board in the city administrative offices. The city manager shall mail a copy of such notice to anyone who has requested to be so notified.
- C. All notices pursuant hereto shall be published, posted or mailed, as the case may be, not less than ten days prior to the date specified for the opening of bids.
- D. Bids shall be submitted to the city manager and shall be so identified on the envelope. Bids shall be

opened at the time and place specified in the notice inviting sealed bids. Copies of all bids received by the city manager shall be retained by the city clerk for public inspection during regular business hours for not less than thirty days following the bid opening.

E. The city council may reject any and all bids, and may waive any irregularity in any bid.

F. If two or more bids received are for the same total amount or unit price, the city manager may accept any one of such bids or may accept the lowest bid made by negotiation with such bidders following the bid opening.

G. A performance bond or other form of security may be required of bidders. (Ord. 721 § 1, 2006; Ord. 613 § 1, 1995; Ord. 590 § 1, 1992; Ord. 536 § 1, 1987; Ord. 466 § 1, 1981; Ord. 452 § 1, 1980)

3.04.050 Purchases on the open market.

Purchases of supplies and equipment of an estimated value of one hundred thousand dollars or less may be made by the city manager on the open market after the solicitation of written proposals from the prospective sellers of such supplies or equipment. Such solicitation may be made in writing, by telephone or otherwise and shall be made to sufficient numbers of prospective sellers as may be deemed by the city manager to be consistent with competitive bidding policies of the city and in no event less than three such written proposals shall be obtained unless the city manager determines that it is not possible to obtain three such proposals. The city manager shall maintain a record of all such purchases and the names of each bidder, the manner in which the bids were solicited and the amount of each such bid. That record shall also reflect the reason why there are less than three bids in those instances where there were not three qualified bidders. (Ord. 721 § 2, 2006; Ord. 613 § 2, 1995; Ord. 590 § 1, 1992; Ord. 536 § 2, 1987; Ord. 466 § 2, 1981; Ord. 452 § 1, 1980)

3.04.055 Professional services.

Procurement of professional services of an estimated value of ten thousand dollars or less may be made by the city manager at his or her or her discretion on the open market without specific solicitation or competitive bidding requirements. Professional services greater than ten thousand dollars shall require prior approval by the city council. For the purposes of this section, professional services shall include without limitation consultants, advisors, attorneys, architects, planners and engineers so long as the service performed does not constitute a public works project. (Ord. 637 § 2, 1998)

3.04.060 Exceptions.

Sections 3.04.040 and 3.04.050 shall not apply to the purchase of supplies and equipment under the following circumstances:

- A. Such supplies or equipment are of an estimated value of less than ten thousand dollars; or
- B. Such supplies or equipment are unique because of their quality, durability, availability or fitness for a particular use; or
- C. Such supplies or equipment are available from only one source; or
- D. The city manager has determined that exigent circumstances require the immediate purchase of such supplies or equipment; or
- E. Such supplies or equipment are purchased for the purpose of resale at the Industry Hills regional public park and recreation area; or
- F. Such supplies or equipment do not have a useful life beyond one year and are purchased for use by or on behalf of the operator of the Industry Hills regional public park and recreation area in connection with the

operation, management or maintenance thereof; or

G. Such supplies or equipment are provided by an independent contractor pursuant to an agreement with the city for the furnishing of labor and materials for other than the construction of a public works project.

Purchases of supplies or equipment pursuant to subsections E or F of this section shall be inspected by the accounting coordinator prior to payment. Warrants for the payment of such invoices shall be countersigned by the manager or a designated representative thereof. (Ord. 637 § 1, 1998; Ord. 452 § 1, 1980)

3.04.070 Exemptions—Municipal utilities.

In addition to the exceptions set forth in Section 3.04.060, Sections 3.04.040 and 3.04.050 shall not apply to the purchase of supplies and equipment for projects related to the construction, modification, addition, extension, replacement or expansion of public utility facilities, or the transmission or distribution system thereof, operated by, or under the control of the city. For purchases of such supplies and equipment with an estimated value over two hundred fifty thousand dollars, the city manager shall first attempt to follow the procedures set forth in Section 3.04.050; however, such procedures shall not be mandatory if the city manager's determination is that supplies and equipment must be purchased immediately for the efficient operation of the public utility. (Ord. 671 § 2, 2001)

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CITY COUNCIL REGULAR MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
APRIL 9, 2015
PAGE 1

CALL TO ORDER

The Regular Meeting of the City Council of the City of Industry, California, was called to order by Mayor Tim Spohn at 9:00 a.m. in the City of Industry Council Chamber, 15651 East Stafford Street, California.

FLAG SALUTE

The flag salute was led by Mayor Tim Spohn.

ROLL CALL

PRESENT: Tim Spohn, Mayor
Jeff Parriott, Mayor Pro Tem
Roy Haber, Council Member
Pat Marcellin, Council Member

ABSENT: John P. Ferrero, Council Member

STAFF PRESENT: Kevin Radecki, City Manager; Michele Vadon, City Attorney; Cecelia Dunlap, Deputy City Clerk; John Ballas, City Engineer; and Brian James, Planning Director.

MOTION BY COUNCIL MEMBER HABER, AND SECOND BY COUNCIL MEMBER MARCELLIN TO GRANT COUNCIL MEMBER FERRERO AN EXCUSED ABSENCE. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

PUBLIC COMMENTS

There were no public comments.

CONSENT CALENDAR

MOTION BY COUNCIL MEMBER HABER, AND SECOND BY COUNCIL MEMBER MARCELLIN THAT THE RECOMMENDATIONS BE ACCEPTED FOR THE FOLLOWING ITEMS LISTED ON THE CONSENT CALENDAR. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

1. REVIEW OF ACTIONS FOR CITY GOODS AND SERVICES

RECEIVED AND FILED.

CITY COUNCIL REGULAR MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
APRIL 9, 2015
PAGE 2

CONSIDERATION OF ORDINANCE NO. 788 - AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF INDUSTRY, CALIFORNIA, AMENDING CHAPTERS 2.08 (CITY MANAGER) AND 2.12 (CITY CLERK AND CITY TREASURER-BONDS) OF TITLE 2 OF THE INDUSTRY MUNICIPAL CODE, AND ADDING CHAPTER 2.14 (CITY ATTORNEY) TO TITLE 2 OF THE INDUSTRY MUNICIPAL CODE (FIRST READING)

City Manager Radecki presented a staff report to the City Council.

MOTION BY MAYOR PRO TEM PARRIOTT, AND SECOND BY COUNCIL MEMBER HABER TO WAIVE FURTHER READING AND INTRODUCE ORDINANCE NO. 788. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

CONSIDERATION OF RESOLUTION NO. CC 2015-04 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF INDUSTRY, CALIFORNIA, ADOPTING A CITY MANAGER POLICY REGARDING TERMINATION OF MANAGEMENT-LEVEL CITY OFFICIALS OR EMPLOYEES FOLLOWING A MUNICIPAL ELECTION

City Manager Radecki presented a staff report to the City Council.

MOTION BY COUNCIL MEMBER MARCELLIN, AND SECOND BY COUNCIL MEMBER HABER TO ADOPT RESOLUTION NO. CC 2015-04. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

CONSIDERATION OF ORDINANCE NO. 789 - AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF INDUSTRY, CALIFORNIA, AMENDING SECTION 2.08.070 OF THE INDUSTRY MUNICIPAL CODE PERTAINING TO THE POWERS AND DUTIES OF THE CITY MANAGER (FIRST READING)

City Attorney Vadon presented a staff report to the City Council.

MOTION BY COUNCIL MEMBER HABER, AND SECOND BY MAYOR PRO TEM PARRIOTT TO WAIVE FURTHER READING AND INTRODUCE ORDINANCE NO. 789. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

CONSIDERATION OF DEVELOPMENT PLAN APPLICATION NO. 14-10 SUBMITTED BY OC ENGINEERING, ON BEHALF OF GREAT DRAGON LLC TO ALLOW CONSTRUCTION OF A 107,000 SQUARE FOOT INDUSTRIAL BUILDING LOCATED AT 18639 RAILROAD STREET

Planning Director James presented a staff report to the City Council.

CITY COUNCIL REGULAR MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
APRIL 9, 2015
PAGE 3

CONSIDERATION OF RESOLUTION NO. CC 2015-05 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF INDUSTRY, CALIFORNIA, ADOPTING THE MITIGATED NEGATIVE DECLARATION AND MITIGATION MONITORING AND REPORTING PROGRAM PREPARED IN CONJUNCTION WITH DEVELOPMENT PLAN NO. 14-10 TO ALLOW THE CONSTRUCTION OF A 107,000 SQUARE FOOT INDUSTRIAL BUILDING LOCATED AT 18639 RAILROAD STREET IN THE CITY OF INDUSTRY, WITHIN THE "M"-INDUSTRIAL ZONE, AND MAKING FINDINGS IN SUPPORT THEREOF

MOTION BY MAYOR PRO TEM PARRIOTT, AND SECOND BY COUNCIL MEMBER HABER TO ADOPT RESOLUTION NO. CC 2015-05. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

CONSIDERATION OF RESOLUTION NO. CC 2015-06 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF INDUSTRY, CALIFORNIA, ADOPTING DEVELOPMENT PLAN NO. 14-10 TO ALLOW THE CONSTRUCTION OF A 107,000 SQUARE FOOT INDUSTRIAL BUILDING LOCATED AT 18639 RAILROAD STREET IN THE CITY OF INDUSTRY, WITHIN THE "M"-INDUSTRIAL ZONE, AND MAKING FINDINGS IN SUPPORT THEREOF

MOTION BY COUNCIL MEMBER HABER, AND SECOND BY COUNCIL MEMBER MARCELLIN HABER TO ADOPT RESOLUTION NO. CC 2015-06. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

CONSIDERATION OF AN INVOICE SUBMITTED BY THE ALAMEDA CORRIDOR-EAST CONSTRUCTION AUTHORITY (ACE) FOR ADDITIONAL WORK NEEDED FOR CITY-REQUESTED IMPROVEMENTS TO RELOCATE THE VERIZON FACILITIES IN CONJUNCTION WITH THE NOGALES STREET GRADE SEPARATION PROJECT AT THE UNION PACIFIC RAILROAD LOS ANGELES SUBDIVISION PER THE BETTERMENT AGREEMENT WITH THE ALAMEDA CORRIDOR-EAST CONSTRUCTION AUTHORITY, IN THE AMOUNT OF \$77,545.36

City Engineer Ballas provided a staff report to the City Council.

MOTION BY COUNCIL MEMBER HABER, AND SECOND BY MAYOR PRO TEM PARRIOTT TO APPROVE THE PAYMENT. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

CONSIDERATION OF A PROPOSAL SUBMITTED BY R.F. DICKSON COMPANY, INC. FOR CONTRACT NO. CITY-1423, CITY OF INDUSTRY STREET AND PARKING LOT

CITY COUNCIL REGULAR MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
APRIL 9, 2015
PAGE 4

SWEEPING, IN THE AMOUNT OF \$1,007,736.00 FOR A FIVE-YEAR PERIOD

City Engineer Ballas provided a staff report to the City Council.

MOTION BY MAYOR PRO TEM PARRIOTT, AND SECOND BY COUNCIL MEMBER HABER TO APPROVE THE PROPOSAL SUBMITTED BY R.F. DICKSON COMPANY, INC. IN THE AMOUNT OF \$1,007,736.00. MOTION CARRIED 4-0, WITH COUNCIL MEMBER FERRERO ABSENT.

CLOSED SESSION

Deputy City Clerk Dunlap announced there was a need for Closed Session as follows:

- A. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2): Two Potential Cases

- B. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
Pursuant to Government Code Section 54956.9(d)(1)
Case: 8 Net, Inc. v. City of Industry et al.
Los Angeles Superior Court Central District
Case No. BC554379

There were no public comments on the Closed Session item.

Mayor Spohn recessed the meeting into Closed Session at 9:12 a.m.

RECONVENE CITY COUNCIL MEETING

Mayor Spohn reconvened the meeting at 10:20 a.m. All members of the City Council were present, except for Council Member Ferrero, who was absent.

With regard to Closed Session item A, Case One, by a 3-0 vote, with one abstention, the City Council agreed to waive the attorney-client privilege with regard to the KPMG Report Contract for General Maintenance and Miscellaneous Services, of invoices review.

With regard to Closed Session item A, Case Two, by a 4-0 vote, the City Council agreed to waive attorney-client privilege with regard to the PKF Report on the Industry Hills Expo Center.

CITY COUNCIL REGULAR MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
APRIL 9, 2015
PAGE 5

The City Council took no reportable action with regard to Closed Session item B.

ADJOURNMENT

There being no further business, the City Council adjourned.



JEFF PARRIOTT, MAYOR PRO TEM



CECELIA DUNLAP,
DEPUTY CITY CLERK

CITY OF INDUSTRY
ADOPTED ANNUAL BUDGET
FISCAL YEAR 2011-12

	ACTUAL 2009-10	ADOPTED BUDGET 2010-11	REVISED BUDGET 2010-11	ADOPTED BUDGET 2011-12
FINANCE				
PROFESSIONAL SERVICES	6,900	5,000	-	-
SALARIES - STAFF	204,149	123,600	31,827	-
OFFICE SUPPLIES	561	1,000	500	300
REPAIR AND EQUIPMENT MTC.	11,393	20,000	6,000	10,000
EQUIPMENT RENTAL/LEASE	1,442	18,000	8,000	10,900
TRAVEL AND MEETINGS	5,574	-	4,000	-
VEHICLE EXPENSES	42	100	-	-
DUES, SUBSCRIPTION, BOOKS,	1,835	1,000	25	500
BUILDING MAINTENANCE	1,876	1,800	1,800	1,660
TELEPHONE	3,532	3,600	2,600	1,000
MISCELLANEOUS	510	500	500	500
ACCOUNTING- AUDIT PREP	231,042	204,000	304,000	320,000
AUDIT SERVICES	97,190	105,000	95,000	95,000
CONTRACT ACCOUNTING	505,587	505,000	505,000	525,000
FURNITURE/FIXTURES & EQUI	-	225,000	175,000	25,000
TOTAL	<u>1,071,633</u>	<u>1,213,600</u>	<u>1,134,252</u>	<u>989,860</u>

PROGRAM COMMENTARY

THE CITY OF INDUSTRY CONTRACTS ITS FINANCE DEPARTMENT WITH MOORE STEPHENS WURTH FRAZER AND TORBET, LLC. THE FINANCE DEPARTMENT PROVIDES FINANCIAL AND BUDGETARY SUPPORT TO THE CITY.

INDUSTRY URBAN -DEVELOPMENT AGENCY
ADOPTED ANNUAL BUDGET
FISCAL YEAR 2011-12

ADMINISTRATIVE ACCOUNT	ACTUAL 2009-10	ADOPTED BUDGET 2010-11	REVISED BUDGET 2010-11	ADOPTED BUDGET 2011-12
SALARIES-STAFF	746,636	616,000	690,000	665,000
SALARIES-BOARD	54,511	54,340	54,540	54,510
INSURANCE	78,439	50,000	100,000	30,000
TELEPHONE	4,280	7,000	4,800	4,000
TRAVEL & VEHICLE EXPENSE	5,771	7,000	14,000	12,000
PAYROLL TAXES	9,180	10,250	12,250	12,250
P.E.R.S.	246,413	228,000	228,000	226,000
GROUP DENTAL/MEDICAL/LTC/	663,322	650,000	650,000	680,000
OFFICE SUPPLIES & POSTAGE	3,975	7,000	3,500	3,500
EQUIP RENTAL/MAINTENANCE	1,114	4,000	-	1,000
DUES & SUBSCRIPTIONS	31,964	7,000	2,700	3,000
CONF/MEETINGS/LUNCHEONS	15,573	16,000	13,000	10,000
MISCELLANEOUS	254	1,000	500	500
LEGAL ADVERTISING, PRINTI	1,629	4,000	-	-
BUILDING MAINTENANCE	20,062	22,000	20,500	22,000
ACCOUNTING FEES	312,640	316,000	336,000	300,000
LEGAL COUNSEL	535,434	600,000	600,000	700,000
PROFESSIONAL SERVICES	421,154	558,000	548,000	339,000
BUILDING LEASE/STORAGE PY	94,361	87,200	86,500	87,200
AUDIT SERVICES	215,087	184,000	227,000	215,000
GENERAL ENGINEERING	564,653	550,000	552,000	200,000
TOTAL	4,026,452	3,978,990	4,143,290	3,564,960

PROGRAM COMMENTARY

THE ADMINISTRATIVE ACCOUNT BUDGET REPRESENTS THE FUNDING NECESSARY FOR THE DAILY OPERATIONS OF THE REDEVELOPMENT AGENCY. THIS BUDGET ACCOUNTS FOR EXPENSES RELATED TO STAFF AND CONSULTANTS HIRED BY THE AGENCY. THE AGENCY REIMBURSES THE CITY FOR VARIOUS BENEFITS AND OTHER OVERHEAD EXPENSES. THIS BUDGET IS ALLOCATED OUT TO THE THREE PROJECT AREAS OF THE AGENCY.

CITY OF INDUSTRY
PERSONNEL SERVICES AND STAFFING SUMMARY
FY 2009-10 and 2010-11 ANNUAL BUDGET

DIVISION CITY TREASURER						DIVISION NUMBER 561
OBJECT CODE	EXPENSE CLASSIFICATION	2007-08 ACTUAL	2008-09 ADOPTED	2008-09 REVISED	2009-10 ADOPTED	2010-11 ADOPTED
5515	Salaries - Staff	118,480	121,693	121,693	122,000	122,000
	Total Salaries	118,480	115,890	121,693	122,000	122,000
OBJECT CODE	SALARIES BY CLASSIFICATION	2007-08 ACTUAL	2008-09 ADOPTED	2008-09 REVISED	2009-10 ADOPTED	2010-11 ADOPTED
5515	City Treasurer	0.50	0.50	0.50	0.50	0.50
5515	Deputy Treasurer	0.50	0.50	0.50	0.50	0.50
5515	Accountant	0.03	0.00	0.00	0.00	0.00
	Total By Classification	1.03	1.03	1.00	1.00	1.00

**CITY OF INDUSTRY
PERSONNEL SERVICES AND STAFFING SUMMARY
FY 2009-10 and 2010-11 ANNUAL BUDGET**

DIVISION FINANCE						DIVISION NUMBER 562
OBJECT CODE	EXPENSE CLASSIFICATION	2007-08 ACTUAL	2008-09 ADOPTED	2008-09 REVISED	2009-10 ADOPTED	2010-11 ADOPTED
5515	Salaries - Staff	178,330	252,486	222,486	162,000	
	Total Salaries	178,330	252,486	222,486	162,000	
OBJECT CODE	SALARIES BY CLASSIFICATION	2007-08 ACTUAL	2008-09 ADOPTED	2008-09 REVISED	2009-10 ADOPTED	2010-11 ADOPTED
5515	Chief Financial Officer	0.50	0.50	0.50	0.50	0.50
5515	Controller	0.00	0.00	0.00	0.50	0.00
5515	Assistant Chief Financial Officer	0.00	0.50	0.50	0.50	0.00
5515	Assistant to CFO	0.40	0.25	0.25	0.00	0.00
5515	Senior Accountant	0.87	0.50	0.00	0.00	0.00
5515	Account Clerk	1.50	0.00	0.00	0.00	0.00
	Total By Classification	3.27	1.75	1.25	1.50	0.50

INDUSTRY URBAN-DEVELOPMENT AGENCY
PERSONNEL SERVICES AND STAFFING SUMMARY
FY 2009-10 and 2010-11 ANNUAL BUDGET

DIVISION ADMINISTRATIVE ACCOUNT						DIVISION NUMBER 300
OBJECT CODE	EXPENSE CLASSIFICATION	2007-08 ACTUAL	2008-09 ADOPTED	2008-09 REVISED	2009-10 ADOPTED	2010-11 ADOPTED
6001	Salaries - Staff*	723,266	806,369	806,369	727,000	526,000
5011	Salaries - Board	50,860	54,511	54,511	54,540	54,540
	Total Salaries	774,116	860,880	860,880	781,540	580,540
		Number of Positions				
OBJECT CODE	SALARIES BY CLASSIFICATION	2007-08 ACTUAL	2008-09 ADOPTED	2008-09 REVISED	2009-10 ADOPTED	2010-11 ADOPTED
5011	Board	5.00	5.00	5.00	5.00	5.00
6001	Executive Director	0.90	0.75	0.75	0.50	0.50
5001	Controller	-	0.50	0.50	-	-
5001	Assistant to Executive Director	1.00	1.00	1.00	1.00	1.00
5001	Redevelopment Prj.Coordinator	1.00	1.00	1.00	1.00	1.00
5001	Administrative Aide	1.00	1.00	1.00	0.50	0.50
5001	Treasurer	0.50	0.50	0.50	0.50	0.50
5001	Deputy Treasurer	0.50	0.50	0.50	0.50	0.50
5001*	Reimbursements	3.25	2.30	2.30	2.50	2.50
	Total By Classification	13.15	12.65	12.65	11.50	11.50

CITY OF INDUSTRY
PERSONNEL SERVICES AND STAFFING SUMMARY
FY 2008-09 ANNUAL BUDGET

DIVISION CITY TREASURER					DIVISION NUMBER 561
OBJECT CODE	EXPENSE CLASSIFICATION	2006-07 ACTUAL	2007-08 ADOPTED	2007-08 REVISED	2008-09 ADOPTED
5515	Salaries - Staff	114,356	115,890	115,890	121,693
	Total Salaries	114,356	115,890	115,890	121,693
OBJECT CODE	SALARIES BY CLASSIFICATION	2006-07 ACTUAL	2007-08 ADOPTED	2007-08 REVISED	2008-09 ADOPTED
5515	City Treasurer	0.50	0.50	0.50	0.50
5515	Deputy Treasurer	0.50	0.50	0.50	0.50
5515	Accountant	0.03	0.00	0.00	0.00
	Total By Classification	1.03	1.03	1.00	1.00

CITY OF INDUSTRY
PERSONNEL SERVICES AND STAFFING SUMMARY
FY 2008-09 ANNUAL BUDGET

DIVISION FINANCE		DIVISION NUMBER 662			
OBJECT CODE	EXPENSE CLASSIFICATION	2006-07 ACTUAL	2007-08 ADOPTED	2007-08 REVISED	2008-09 ADOPTED
5515	Salaries - Staff	201,518	142,394	142,394	252,486
	Total Salaries:	201,518	142,394	142,394	252,486
OBJECT CODE	SALARIES BY CLASSIFICATION	2006-07 ACTUAL	2007-08 ADOPTED	2007-08 REVISED	2008-09 ADOPTED
5515	Chief Financial Officer	0.50	0.50	0.50	0.50
5515	Controller	0.00	0.00	0.00	0.50
5515	Assistant Chief Financial Officer	0.00	0.50	0.50	0.50
5515	Assistant to CFO	0.40	0.25	0.25	0.00
5515	Senior Accountant	0.87	0.50	0.50	0.50
5515	Account Clerk	1.50	0.00	0.00	0.00
	Total By Classification	3.27	1.75	1.75	2.00

INDUSTRY URBAN-DEVELOPMENT AGENCY
PERSONNEL SERVICES AND STAFFING SUMMARY
FY 2008-09 ANNUAL BUDGET

DIVISION ADMINISTRATIVE ACCOUNT					DIVISION NUMBER	300
OBJECT CODE	EXPENSE CLASSIFICATION	2006-07 ACTUAL	2007-08 ADOPTED	2007-08 REVISED	2008-09 ADOPTED	
5001	Salaries - Staff*	728,420	736,261	736,261	806,369	
5011	Salaries - Board	50,400	51,912	51,912	54,511	
	Total Salaries	778,820	788,173	788,173	860,880	
		Number of Positions				
OBJECT CODE	SALARIES BY CLASSIFICATION	2006-07 ACTUAL	2007-08 ADOPTED	2007-08 REVISED	2008-09 ADOPTED	
5011	Board	5.00	5.00	5.00	5.00	
5001	Deputy Executive Director	0.90	0.90	0.90	0.75	
5001	Controller	0.00	0.00	0.00	0.50	
5001	Assistant to Executive Director	1.00	1.00	1.00	1.00	
5001	Redevelopment Prj.Coordinator	1.00	1.00	1.00	1.00	
5001	Administrative Aid	1.00	1.00	1.00	1.00	
5001	Treasurer	0.50	0.50	0.50	0.50	
5001	Deputy Treasurer	0.50	0.50	0.50	0.50	
5001*	Reimbursements	3.80	3.25	3.25	2.30	
	Total By Classification	13.70	13.15	13.15	12.55	

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>