



BETTY T. YEE
California State Controller

January 4, 2016

Karen Johnston, Finance Director
City of Palmdale
38300 Sierra Highway, Suite A
Palmdale, CA 93550

Dear Ms. Johnston:

The State Controller's Office performed a desk review of costs claimed by the City of Palmdale for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program (Los Angeles Regional Water Quality Control Board, Order No. 01-182, Permit CAS004001, Part 4F5c3) for the period of July 1, 2002, through June 30, 2014. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to verifying the city's eligibility for reimbursement.

The city claimed \$406,227 for the mandated program. Our review found that none of the costs claimed are allowable. The costs are unallowable because the city is not an eligible claimant, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the city.

We informed you of the review finding via email on December 14, 2015. We did not receive a response from the city.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). The IRC must be filed within three years following the date of this report. You may obtain IRC information at the Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

Karen Johnston, Finance Director

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January 4, 2016

JVB/ljs

Attachments

RE: S16-MCC-9012

cc: Evelyn Suess, Principal Program Budget Analyst
Mandates Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2002, through June 30, 2014

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Annual number of trash pickups	× 1,798	× -	× (1,798)
Total program costs	<u>\$ 12,119</u>	-	<u>\$ (12,119)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Annual number of trash pickups	× 1,798	× -	× (1,798)
Total program costs	<u>\$ 12,119</u>	-	<u>\$ (12,119)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Annual number of trash pickups	× 1,798	× -	× (1,798)
Total program costs	<u>\$ 12,119</u>	-	<u>\$ (12,119)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Annual number of trash pickups	× 1,798	× -	× (1,798)
Total program costs	<u>\$ 12,119</u>	-	<u>\$ (12,119)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Annual number of trash pickups	× 3,422	× -	× (3,422)
Total program costs	<u>\$ 23,064</u>	-	<u>\$ (23,064)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Annual number of trash pickups	× 3,422	× -	× (3,422)
Total program costs	<u>\$ 23,064</u>	-	<u>\$ (23,064)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Annual number of trash pickups	× 3,422	× -	× (3,422)
Total program costs	<u>\$ 23,064</u>	-	<u>\$ (23,064)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.78	\$ -	\$ 6.78
Annual number of trash pickups	× 3,245	× -	× (3,245)
Total program costs	<u>\$ 22,001</u>	-	<u>\$ (22,001)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.80	\$ -	\$ 6.80
Annual number of trash pickups	× 9,100	× -	× (9,100)
Total program costs	<u>\$ 61,880</u>	-	<u>\$ (61,880)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 7.15	\$ -	\$ 7.15
Number of trash pickups	× 9,048	× -	× (9,048)
Total program costs	<u>\$ 64,693</u>	-	<u>\$ (64,693)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2012, through June 30, 2013</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 7.31	\$ -	\$ 7.31
Annual number of trash pickups	× 9,048	× -	× (9,048)
Total program costs	<u>\$ 66,141</u>	-	<u>\$ (66,141)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2013, through June 30, 2014</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 7.32	\$ -	\$ 7.32
Annual number of trash pickups	× 10,088	× -	× (10,088)
Total program costs	<u>\$ 73,844</u>	-	<u>\$ (73,844)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>Summary: July 1, 2002, through June 30, 2014</u>			
Total program costs	<u>\$ 406,227</u>	\$ -	<u>\$ (406,227)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

¹ See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2002, through June 30, 2014

BACKGROUND—

The Los Angeles Regional Water Quality Control Board adopted a 2001 storm water permit (Permit CAS004001) that requires local jurisdictions to:

Place trash receptacles at all transit stops within its jurisdiction that have shelters no later than August 1, 2002, and at all other transit stops within its jurisdiction no later than February 3, 2003. All trash receptacles shall be maintained as necessary.

On July 31, 2009, the Commission on State Mandates (Commission) determined that part 4F5c3 of the permit imposes a state mandate reimbursable under Government Code section 17561 and adopted the Statement of Decision. The Commission further clarified that each local agency subject to the permit and not subject to a trash total maximum daily load is entitled to reimbursement.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on March 24, 2011. In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

FINDING— Ineligible claimant

For fiscal year (FY) 2002-03 through FY 2013-14, the city claimed reimbursement of \$406,227 for costs of the Municipal Storm Water and Urban Runoff Discharges Program. We found that none of the costs claimed are allowable because the city is not a permittee identified in the Los Angeles Regional Water Quality Control Board Order No. 01-182, Permit CAS004001. As such, the city is not subject to the Los Angeles Regional Water Quality Control Board Permit or any of its requirements. While the City of Palmdale is located within Los Angeles County, it is under jurisdiction of the Lahontan Regional Water Quality Control Board, which has different storm water requirements.

The parameters and guidelines (Section II. Eligible Claimants) specify that reimbursement is limited to:

Local agency permittees identified in the Los Angeles Regional Water Quality Control Board Order No. 01-182, Permit CAS004001, that are *not* subject to a trash TMDL are eligible to claim reimbursement for the mandated activities.

Recommendation

We recommend that the city ensure that it file reimbursement claims only for mandated programs for which it is an eligible claimant.