



BETTY T. YEE
California State Controller

March 30, 2017

Bruce Moe, Finance Director
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266

Dear Mr. Moe:

The State Controller's Office performed a desk review of costs claimed by the City of Manhattan Beach 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, 2012. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to reviewing both the one-time costs claimed and the city's contract with its waste hauler.

The city claimed \$656,156 for the mandated program. Our review found that the entire amount is unallowable. The costs are unallowable because the city claimed ineligible one-time costs and did not incur the ongoing costs claimed, 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 findings via email on February 21, 2017. We did not receive a response from the city.

This final letter report contains an adjustment to costs claimed by the city. If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCFrm.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

JVB/as

Attachments

RE: S17-MCC-9006

cc: Henry Mitzner, Controller
City of Manhattan Beach
Shawn Igoe, Utilities Manager
City of Manhattan Beach
Julie Bondarchuk, Senior Accountant
City of Manhattan Beach
Anna Luke-Jones, Senior Management Analyst
City of Manhattan Beach
Helga Foushanes, Finance Executive Secretary
City of Manhattan Beach
Chris Hill, Principal Program Budget Analyst
Local Government Unit, California Department of Finance
Steven Pavlov, Finance Budget Analyst
Local Government Unit, California Department of Finance
Anita Dagan, Manager
Local Government Programs and Services Division
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2002, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ -	\$ (6.74)	
Number of transit receptacles	× 56	× -	× (56)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 58,881</u>	-	<u>\$ (58,881)</u>	Finding 2
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:				
Unit cost rate	\$ 6.74	\$ -	\$ (6.74)	
Number of transit receptacles	× 56	× -	× (56)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 58,881</u>	-	<u>\$ (58,881)</u>	Finding 2
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:				
Unit cost rate	\$ 6.74	\$ -	\$ (6.74)	
Number of transit receptacles	× 56	× -	× (56)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 58,881</u>	-	<u>\$ (58,881)</u>	Finding 2
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:				
Unit cost rate	\$ 6.74	\$ -	\$ (6.74)	
Number of transit receptacles	× 56	× -	× (56)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 58,881</u>	-	<u>\$ (58,881)</u>	Finding 2
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	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
One-time activities:				
Salaries	\$ 1,323	\$ -	\$ (1,323)	
Benefits	+ 372	+ -	+ (372)	
Indirect costs	+ 769	+ -	+ (769)	
Total one-time costs	<u>2,464</u>	<u>-</u>	<u>(2,464)</u>	Finding 1
Ongoing activities:				
Unit cost rate	6.74	-	(6.74)	
Number of transit receptacles	× 61	× -	× (61)	
Annual number of trash pickups	× 156	× -	× (156)	
Total ongoing costs	<u>64,138</u>	<u>-</u>	<u>(64,138)</u>	Finding 2
Total program costs	<u>\$ 66,602</u>	<u>-</u>	<u>\$ (66,602)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ -	\$ (6.74)	
Number of transit receptacles	× 61	× -	× (61)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 64,138</u>	<u>-</u>	<u>\$ (64,138)</u>	Finding 2
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		
<u>July 1, 2008, through June 30, 2009</u>				
One-time activities:				
Salaries	\$ 1,397	\$ -	\$ (1,397)	
Benefits	+ 473	+ -	+ (473)	
Indirect costs	+ 904	+ -	+ (904)	
Total one-time costs	<u>2,774</u>	<u>-</u>	<u>(2,774)</u>	Finding 1
Ongoing activities:				
Unit cost rate	6.74	-	(6.74)	
Number of transit receptacles	× 67	× -	× (67)	
Annual number of trash pickups	× 156	× -	× (156)	
Total ongoing costs	<u>70,447</u>	<u>-</u>	<u>(70,447)</u>	Finding 2
Total program costs	<u>\$ 73,221</u>	<u>-</u>	<u>\$ (73,221)</u>	
Less amount paid by the State		<u>-</u>		
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	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Ongoing activities:				
Unit cost rate	\$ 6.78	\$ -	\$ (6.78)	
Number of transit receptacles	× 67	× -	× (67)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 70,865</u>	-	<u>\$ (70,865)</u>	Finding 2
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:				
Unit cost rate	\$ 6.80	\$ -	\$ (6.80)	
Number of transit receptacles	× 67	× -	× (67)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 71,074</u>	-	<u>\$ (71,074)</u>	Finding 2
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:				
Unit cost rate	\$ 7.15	\$ -	\$ (7.15)	
Number of transit receptacles	× 67	× -	× (67)	
Annual number of trash pickups	× 156	× -	× (156)	
Total program costs	<u>\$ 74,732</u>	-	<u>\$ (74,732)</u>	Finding 2
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, 2012</u>				
One-time activities	\$ 5,238	\$ -	\$ (5,238)	Finding 1
Ongoing activities	+ 650,918	+ -	+ (650,918)	Finding 2
Total program costs	<u>\$ 656,156</u>	-	<u>\$ (656,156)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		

¹See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2002, through June 30, 2012

BACKGROUND—

The California Regional Water Quality Control Board, Los Angeles Region (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 Commission also determined that the period of reimbursement for the mandated activities begins July 1, 2002, and continues until a new National Pollutant Discharge Elimination System (NPDES) permit issued by the Board is adopted. On November 8, 2012, the Board adopted a new NPDES permit, Order No. R4-2012-0175, which became effective on December 28, 2012.

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 1—
Ineligible one-time costs**

For fiscal year (FY) 2006-07 and FY 2008-09, the city claimed \$5,238 for the one-time activity of installing transit stop receptacles. We found that none of the costs claimed are allowable because the city claimed reimbursement for the replacement of recycling receptacles at existing transit stops.

Reimbursement for one-time activities is limited to one trash receptacle per transit stop. As there were existing trash receptacles at the transit stops, adding recycling receptacles is not a reimbursable activity. In addition, reimbursement for damaged or missing trash receptacles is allowable as an ongoing cost and is reimbursable only through the Commission-adopted reasonable reimbursement methodology.

The parameters and guidelines (section IV.) identify allowable one-time costs as follows:

- A. Install *Trash* Receptacles (one-time per transit stop, reimbursed using actual costs) [Emphasis added]:
 - 1. Identify locations of all transit stops within the jurisdiction required to have a *trash receptacle* pursuant to the Permit [Emphasis added].
 - 2. Select receptacle and pad type, evaluate proper placement of receptacle and prepare specifications and drawings.
 - 3. Prepare contracts, conduct specification review process, advertise bids, and review and award bids.
 - 4. Purchase or construct receptacles and pads and install receptacles and pads
 - 5. Move (including replacement if required) receptacles and pads to reflect changes in transit stops, including costs of removal and restoration of property at former receptacle location and installation at new location.
- B. Maintain *Trash* Receptacles (on-going, reimbursed using the reasonable reimbursement methodology) [Emphasis added]:
 - 4. Replace individual damaged or missing receptacles and pads. The cost to purchase and install replacement receptacles and pads and dispose of or recycle replaced receptacles and pads are reimbursable.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012, with the adoption of a new permit.

FINDING 2— Ongoing maintenance costs not incurred

The city claimed \$650,918 in ongoing maintenance costs for the period of July 1, 2002, through June 30, 2012. We found that none of the costs claimed are allowable because the city claimed reimbursement for costs it did not incur.

On May 2, 2002, the city entered into agreement with USA Waste of California, Inc., for the collection, transportation, recycling, processing and disposal of solid waste and other services. The agreement was extended with amended and restated agreements through June 30, 2018.

Section 3.6.4 of the agreement states:

3.6.4. Street and Park Litter Containers

Company shall collect and dispose of materials in Refuse Containers, or divert material in Recycling Containers, all Solid Waste deposited in City's Street and Park Litter Containers as necessary to prevent overflow *at no additional cost* at all existing locations. [Emphasis added]

Based on this agreement provision, the city did not incur any ongoing maintenance costs of the transit stop trash receptacles for the period of July 1, 2002, through June 30, 2012.

The parameters and guidelines, Section IV. Reimbursable Activities, state:

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012, with the adoption of a new permit.