



CITY OF FAIRFIELD

Founded 1856

Incorporated December 12, 1903

City Manager's Office

July 21, 2020

Home of
Travis Air Force Base

COUNCIL

Mayor

Harry T. Price
707 428.7395

Vice-Mayor

Pam Bertani
707 429 6298

Councilmembers

707 429 6298

Catherine Moy

Chuck Timm

Rick Vaccaro

• • •

City Manager

Stefan T. Chalwin
707 428.7400

• • •

City Attorney

Gregory W. Stepanicich
707.428.7419

• • •

City Clerk

Karen L. Rees
707 428 7384

• • •

City Treasurer

Arvinda Krishnan
707 428 7036

DEPARTMENTS

City Manager's Office

707 428 7400

• • •

Community Development

707 428 7461

• • •

Finance

707 428 7036

• • •

Fire

707 428 7375

• • •

Human Resources

707 428 7394

• • •

Parks & Recreation

707.428.7465

• • •

Police

707 428 7362

• • •

Public Works

707 428 7485

Honorable Donna L. Stashyn
Presiding Judge of the Superior Court
600 Union Avenue
Fairfield, CA 94533

Dear Judge Stashyn:

This letter is in response to the Grand Jury request dated May 29, 2020 regarding Fairfield Measure P. The Grand Jury's Findings and Recommendations are listed below along with our response:

Finding 1 - There is no clear detailed accounting structure that allows tracking Measure P dollars from collection to expenditure for specific purchases or programs, resulting in a lack of transparency to the public.

Recommendation 1 - Develop a system to track Measure P dollars from collection to disbursement so that the public can easily see how and where these funds are applied.

City Response to Finding and Recommendation 1 - The City partially agrees with the finding and recommendation.

Unlike a Special Revenue Tax, which can only be used for a specific project or purpose, Measure P is a General Tax that can be used to support any municipal purpose. As such, Measure P revenues are deposited into the City's General Fund and represents approximately 17% of General Fund Revenues. Expenses in the General Fund include approximately 65% for police, fire, emergency response and public safety programs; 4% for maintenance of streets and streetlights; 7% for parks and recreation services; and 24% for all other general services.

The City's accounting structure does track the collection of Measure P revenues. Additionally, the City's accounting structure provides for *all* expenditure tracking. However, for general revenues (such as property tax, sales tax, and Measure P), the City does not attempt to link (or attach) specific expenditures to specific revenue source as that is not a requirement of General Taxes.

Letter to the Honorable Donna L. Stashyn
Re: Response to May 29, 2020, Grand Jury Request
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Measure P, as a General Tax, is deposited in the City's General Fund where the City charges all the services outlined in the ballot measure. Similarly, there are no expenditures within the General Fund that cannot be paid for by Measure P.

The City will continue to track the collection of Measure P revenues, however, in an effort to achieve greater transparency, the City will implement a tracking system on expenditures (disbursements) that demonstrates Measure P's contributions to the various City services.

Finding 2 – Most Measure P progress reports distributed to the public are based on interim budget data, and revenue projections, which can potentially confuse the public.

Recommendation 2 – Enhance public transparency and consistency by directing the Fairfield Taxpayers Committee to base any reporting on actual year-end data rather than forecast data.

City Response to Finding and Recommendation 2 - The City partially disagrees with the finding.

The City agrees with the recommendation.

The Fairfield Taxpayers Committee Measure P Progress Report dated February 22, 2016 contained year-end actual revenue collection data as well as budgeted figures. The most recent Progress Report done in August 2019 presented budgeted figures. Going forward, if the Committee chooses to present an Annual Report, City staff will provide the Committee with actual year-end data to encourage more consistency and transparency.

Finding 3 – The Fairfield Taxpayers Committee requests information from the City Finance Department to prepare public reports. There is no established process for City Staff to verify the information is presented is accurately before publication.

Recommendation 3 – The City establish a protocol to validate the accuracy of financial data before it is published by the Fairfield Taxpayers Committee.

City Response to Finding and Recommendation 3 - The City disagrees with the finding and recommendation.

The current protocol to validate accuracy of the financial data is to email reports to the Finance Department and City Manager in advance of its release. City staff reviews and provides a response with suggested edits/corrections, if applicable. Additionally, the Fairfield Taxpayers Committee uses data provided by the Finance Department staff through a variety of reports presented throughout the year at the quarterly Measure P Oversight Committee public meetings.

Finding 4 – The annual Transaction and Use Tax Ordinance Compliance and Internal Control Audit Report does not include sufficient procedures directed at obtaining knowledge of noncompliance with the collection, management, and expenditure of Measure P Revenues pursuant to the ordinance.

Recommendation 4 – Expand the scope of the annual audit to include additional procedures directed primarily toward obtaining knowledge of noncompliance relating to accounting matters.

City Response to Finding and Recommendation 4 – The City partially agrees with finding and recommendation.

The City's financial statements are audited annually in accordance with the auditing standards generally accepted in the U.S. and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the U.S. The City's independent auditors review the financial statements of all governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City. This annual audit includes a review of the General Fund, which encompasses all general revenues and expenditures, including Measure P. In addition to the City's annual audit, the auditors perform and issue an "Independent Auditors' Report" specific to Measure P on "Compliance with Ordinance 2012-20 (Measure P Transactions and Use Tax). To date, auditors have found nothing that caused them to believe that the City has failed to comply with all provisions of Ordinance.

However, since the City will be implementing a tracking tool for Measure P expenditures, the annual audit will include a review of these expenditures.

Finding 5 – The Fairfield Taxpayers Committee qualifications specify that prospective members should be taxpayers, but "taxpayer" is not defined.

Recommendation 5 – Amend Resolution No. 2013-31 to define "taxpayer".

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The recommendation is not warranted.

Fairfield Taxpayers Committee qualifications include that members be residents as well as taxpayers in the City of Fairfield. "Taxpayer" can be defined as "one that pays or is liable for a tax".

Taxpayer. (n.d). in *Merriam-Webster*. Retrieved from <https://www.merriam-webster.com/dictionary/taxpayer>

I trust that the information provided adequately responds to the Grand Jury's Findings and Recommendations.

Sincerely,



STEFAN T. CHATWIN
City Manager

STC/mtb

Attachments

- 2019-2020 Grand Jury Report Entitled: Fairfield Measure P

Attachment

GRAND JURY



Hall of Justice
600 Union Ave
Fairfield, California 94533
(707) 435-2575
Fax: (707) 435-2566

cdclower@solano.courts.ca.gov

May 19, 2020

Sent via email

Harry T. Price, Mayor
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

RE: 2019-2020 Grand Jury Report Entitled: **Fairfield Measure P**

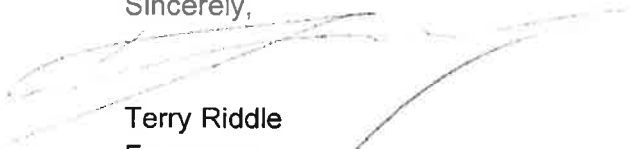
Enclosed please find a copy of the above-named report by the 2019-2020 Solano County Grand Jury. This report is provided to you in advance of public release as provided for in Penal Code §933.05(f). Please note that Penal Code §933.05(f) specifically prohibits any disclosure of the contents of this report by a public agency, its departments, officers or governing body prior to its release to the public, which will occur on **Friday, May 22, 2020**.

You are required to respond in writing to the Presiding Judge and to provide an electronic copy in pdf form to the Grand Jury regarding the Findings and Recommendations contained in the report pursuant to Penal Code §933.05. This section of the Penal Code is very specific as to the format of the responses. The Penal Code §933 (c) is also specific about the deadline for responses. You are required to submit your response to the Grand Jury by **Monday, August 17, 2020**, on signed letterhead. Each final report, together with the required responses will be filed with the clerk of the court and forwarded to the State Archivist for retention in perpetuity §933 (b). If no response is received from the agencies or elected officials a notation will be included on the filed report.

The electronic copy should be sent to the Grand Jury office at cdclower@solano.courts.ca.gov.

Responses are public records. Should you have any questions, please contact Cheryl Clower, Administrative Assistant to the Grand Jury at (707) 435-2575.

Sincerely,


Terry Riddle
Foreperson
2019-2020 Grand Jury

TLR/cdc



SOLANO COUNTY GRAND JURY
2019-2020

Fairfield Measure P

Fairfield Measure P

Solano County Grand Jury 2019-2020

I. SUMMARY

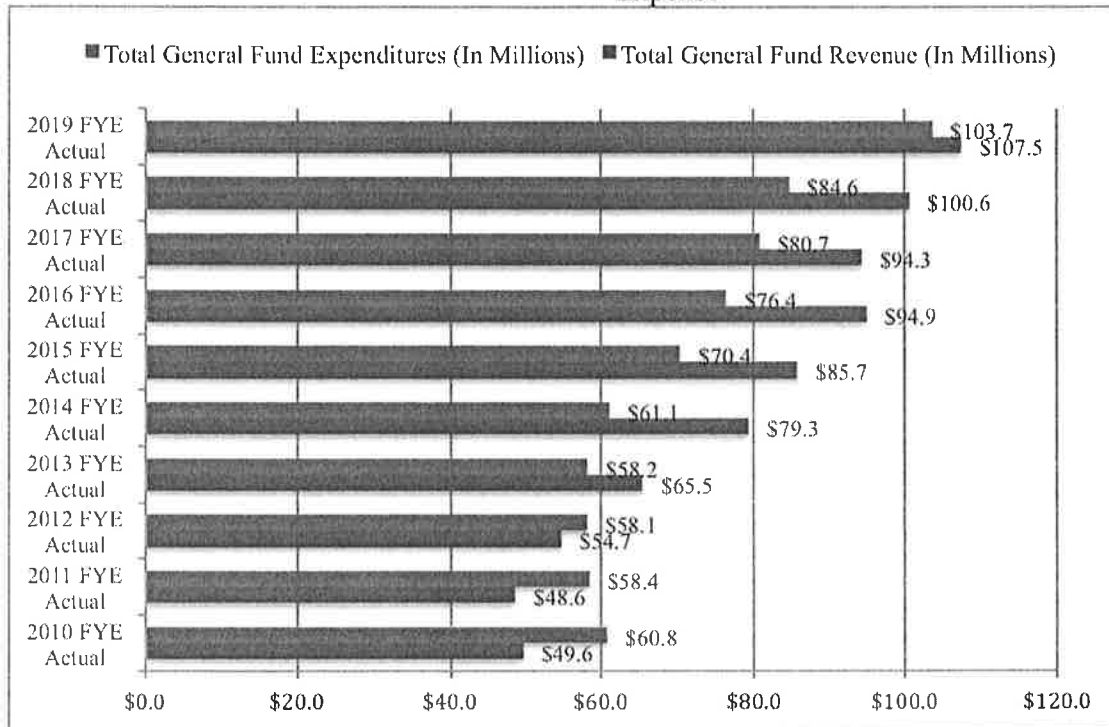
In 2012, the voters of the City of Fairfield passed Measure P, a ballot measure establishing a one percent sales tax for five years. Fairfield voters extended the measure in 2016 for an additional fifteen years. It directed the City to create the Fairfield Taxpayers Committee to ensure transparency and oversight of the revenue generated. The Grand Jury found that the sources of this additional revenue can be clearly identified but the City's accounting system currently cannot specifically track how this revenue is spent.

II. INTRODUCTION

Voters of the City of Fairfield approved Measure P in 2012, which enacted a one percent sales tax for five years. In 2016 voters confirmed the extension of the measure for an additional fifteen years, through March 31, 2033. These revenues have allowed the City to recover from budget shortfalls resulting from the 2008 economic downturn. The City Council passed a resolution which established the Fairfield Taxpayers Committee to review the use of revenues collected pursuant to Measure P and set forth terms, guidelines and duties of the Committee. The Grand Jury investigated how the revenues are collected and spent and how the Fairfield Taxpayers Committee performs its oversight function.

A 10-year review of the City of Fairfield's Comprehensive Annual Financial Report (CAFR) for the General Fund's (GF) total revenues and total expenditures is depicted in the chart below. The values are for Fiscal Year End (FYE) 2010 through 2019 and are expressed in millions. The budget shortfall in the GF is evident in the graph for FYE 2010 through 2012 when expenditures exceeded revenues.

Chart #1 – Historical General Fund Revenues vs Expenses



III. METHODOLOGY

Interviews

- City of Fairfield staff
- Measure P Fairfield Taxpayers Committee member
- Solano County Taxpayers' Association member

Review

- Documents and data provided by City of Fairfield staff
- 2012 and 2016 Measure P ballot measure
- City of Fairfield Ordinance No. 2012-20, Ordinance No. 2016-18 and Resolution No. 2013-31
- Measure P Fairfield Taxpayers Committee annual reports produced in March 2015, February 2016, and September 2019
- Measure P information available on City of Fairfield's website
- Brochures prepared by Fairfield Taxpayers Committee for public distribution
- City of Fairfield, California Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2014
- City of Fairfield, California CAFR for the Fiscal Year ended June 30, 2015
- City of Fairfield, California CAFR for the Fiscal Year ended June 30, 2016
- City of Fairfield, California CAFR for the Fiscal Year ended June 30, 2017
- City of Fairfield, California CAFR for the Fiscal Year ended June 30, 2018
- City of Fairfield, California Fiscal Year 2016-17 Budget in Brief

- City of Fairfield, California Fiscal Year 2017-18 Budget in Brief
- City of Fairfield, California Fiscal Year 2019-20 Budget in Brief
- City of Fairfield, California Mid-Cycle Update to Fiscal Year 2017-18 and 2018-19 Budgets
- City of Fairfield, California Popular Annual Financial Report, Fiscal Year Ended June 30, 2017
- City of Fairfield, California Fiscal Year 2016-17 Measure P Report through March 31, 2017
- City of Fairfield, California Monthly Interim Financial Report for the Month ended May 31, 2019
- December 9, 2014 Vavrinek, Trine, Day & Co., LLP *Independent Auditors' Report on Compliance with Ordinance 2012-20 (Measure P Sales Tax)*.
- December 2, 2019 Eide Bailly *Independent Auditor's Report on Compliance with Ordinance 2012-20 (Measure P Transactions and Use Tax)*.
- Auditing industry article entitled *Audits: Roles and Responsibilities for Elected Officials*
- City of Fairfield Financial Reporting Policies

Attended

- Measure P Fairfield Taxpayers Committee meeting in November 2019

IV. STATEMENT OF FACTS

In November 2012, the citizens of the City of Fairfield approved ballot Measure P that asked:

“To address the City of Fairfield’s Fiscal Emergency, offset significant budget cuts and state financial takeaways, and maintain City services, including neighborhood police patrols, firefighters, 9-1-1 response times, crime, drug and gang prevention programs, maintenance of streets, medians and street lights, parks and recreation services, and other general services, shall an ordinance be adopted to enact a one cent sales tax for five years, with citizen’s oversight, annual independent audits and all funds spent only in Fairfield?”

Following approval of the ballot measure, on November 6, 2012, the City Council adopted Ordinance No. 2012-20, known as the Fairfield Transactions and Use Tax Ordinance, to implement Measure P. The ordinance added a new Article VII to Chapter 18 (Taxation) of the Fairfield Municipal Code to describe the mechanism for collecting the newly adopted retail transactions and use tax and to enact other provisions of the ballot measure, including the following:

“By no later than December 31 of each year, the City’s independent auditors shall complete a Transactions and Use Tax Ordinance Compliance and Internal Control Audit Report. Such report shall review whether the tax revenues collected pursuant to this ordinance are collected, managed and expended in accordance with the requirements of this ordinance (Section 18.84).”

And,

“By no later than June 30, 2013, the City Council shall establish a Fairfield Taxpayers Committee to review the expenditure of revenues collected pursuant to this ordinance. The Committee shall consist of at least five members appointed by the City Council. The Committee members shall be residents and taxpayers in the City. The terms of Committee members and their specific duties shall be established by resolution of the City Council. (Section 18.85)”

In February 2013, the City Council passed Resolution No. 2013-31 that established the Fairfield Taxpayers Committee to review the use of revenues collected pursuant to Ordinance 2012-20, and set five-year terms, guidelines, and established duties of the committee. It should be noted that this Resolution incorrectly refers to Ordinance No. 2012-12¹ in some of the recitals. The Resolution required the establishment of a five-member oversight board designated as the Fairfield Taxpayers Committee composed of Fairfield residents and taxpayers.

Per the Resolution, the Fairfield Taxpayers Committee’s purpose is to ensure transparency and oversight of the revenue generated by Measure P. The Resolution defines the powers and duties of the Committee as follows:

“The Fairfield Taxpayers Committee will ensure transparency and oversight of the revenue generated by Measure P. Enterprise and other funds generated independent of Measure P are outside the purview of the Fairfield Taxpayers Committee.

Fairfield Taxpayers Committee duties will consist of reviewing the annual independent audit (performed by an independent auditor on the Measure P generated revenue and expenses during the previous fiscal year), as well as reviewing any other City financial reports necessary to advise the City Council.

The duties of the Fairfield Taxpayers Committee do not include decision-making or advisory responsibilities regarding spending priorities, funding source decisions or financing plans. The Fairfield Taxpayers Committee serves in an advisory-only role to the City Council limited to the use of Measure P revenues.”

Therefore, the only duties of the Fairfield Taxpayers Committee consist of reviewing the annual independent audit on the Measure P generated revenue and expenses and briefing the City Council on the use of Measure P revenues.

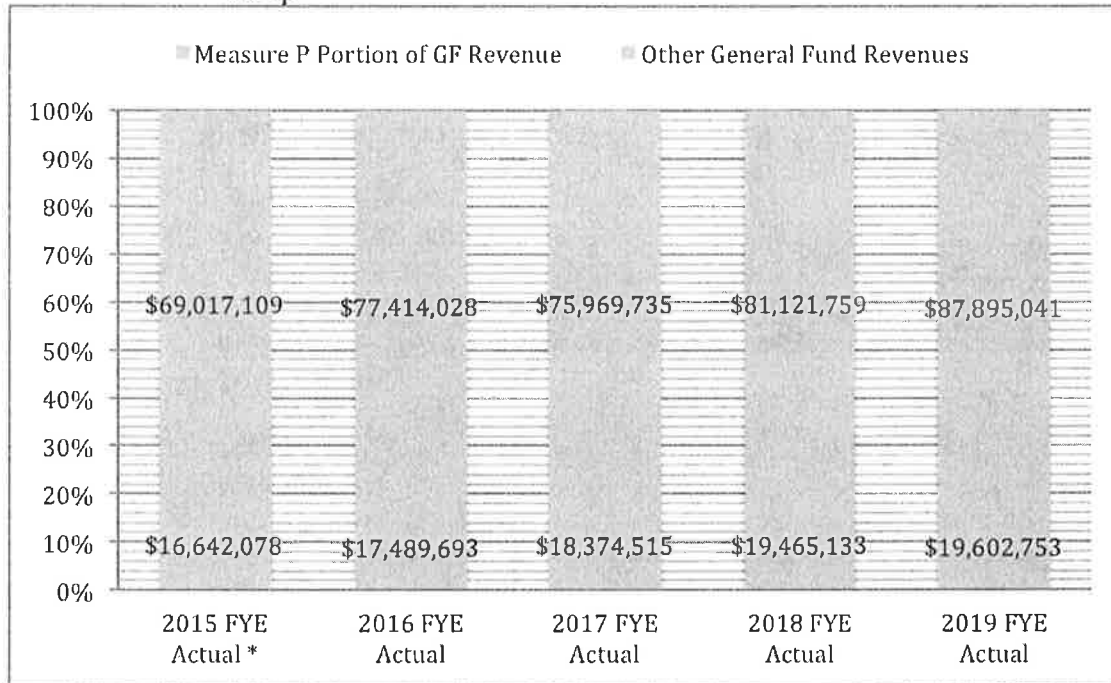
To be appointed to the Fairfield Taxpayers Committee an individual must be a taxpayer and a resident of the City of Fairfield. Residency may be verified annually by the City Clerk’s office through voter registration or utility bills. There are no criteria in the Resolution for defining what constitutes a taxpayer or for establishing any age requirements for Committee membership.

¹ Ordinance No. 2012-12 is a City of Fairfield ordinance authorizing an amendment to the contract between the City of Fairfield and the Board of Administration of the California Public Employees’ Retirement System.

Measure P became effective on April 1, 2013 and was set to expire on March 31, 2018. The revenues generated, which constituted approximately 19 percent of the total General Fund, could be used for any municipal purpose. This allowed the City to shore up its financial reserves, address long-term liabilities and immediate needs, as well as provide for additional funding to meet community needs.

The following chart shows that Measure P revenue constitutes approximately 19 percent of total General Fund revenue for FYE 2015-2019. The values are primarily based on the respective City of Fairfield’s Comprehensive Annual Financial Reports (CAFR). In the initial years Measure P funds were simply included with the sales taxes or sales and transaction taxes total. With FYE 2016 Measure P funds were reported in a separate line item entitled Transaction and Use Taxes (Measure P).

Chart #2 –Relationship of Measure P Revenue to Total General Fund Revenue



* The 2015 value is from the Measure P Fairfield Taxpayers Committee Progress Report dated February 22, 2016

Recognizing the importance of the funds collected by Measure P, in November 2016, Fairfield voters extended Measure P through March 31, 2033. The ballot proposed:

“To renew expiring funding without increasing tax rates, shall the Ordinance be adopted extending the existing one percent sales tax for fifteen years to preserve approximately \$16 million in local annual funding for the City of Fairfield that the state cannot take away to support neighborhood police patrols, firefighting and rapid 9-1-1 emergency response, crime prevention programs, fixing potholes and repairing neighborhood streets, parks and recreation, and other general services, with mandatory audits and independent oversight.”

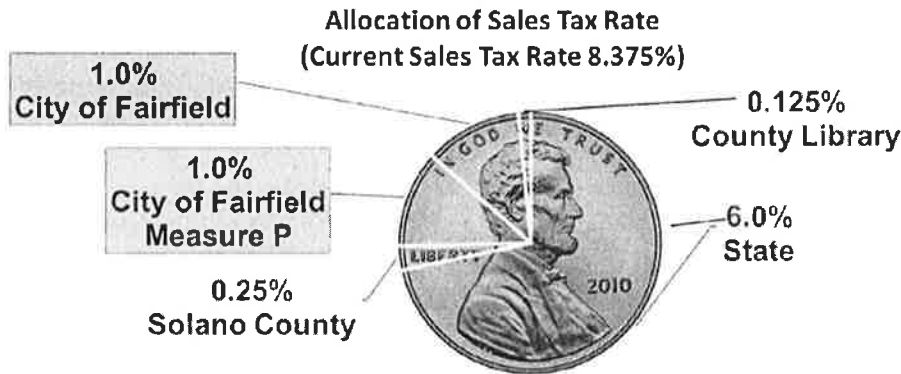
The City adopted Ordinance No. 2016-18 on November 8, 2016 extending the term of Measure P. The Ordinance also renewed the requirement for completion of an independent auditor's report to review whether the tax revenues collected pursuant to Measure P are collected, managed and expended in accordance with the requirements of the Ordinance (Section 18.84).

The Ordinance (Section 18.85) also provides that:

“The City Council shall continue the Fairfield Taxpayers Committee established in 2013 to review the expenditure of revenues collected pursuant to this ordinance. The Committee shall consist of at least five members appointed by the City Council. The Committee members shall be residents and taxpayers in the City. The terms of the Committee members and their specific duties established by Resolution No. 2013-31 on February 19, 2013 shall continue in full force and effect; provided, however, that the City Council may amend Resolution No. 2013-31 by resolution of the City Council.”

Measure P Impact on City of Fairfield

Measure P is a transaction and use tax and is implemented in the same manner as a sales tax. The State Board of Equalization manages the collection and distribution of the tax-generated revenue and distributes funds to the City monthly. The graphic below displays how sales and use tax is distributed. The City of Fairfield retains the entire amount of Measure P revenue.



HdL Companies is the service provider selected by the City to manage and track the collection and distribution process between the City and the State. This company provides quarterly projected sales and transaction tax revenues (Accrual Basis) for the City. These projections are used to post values to the general ledger and also form the basis of the regular reports provided to the Fairfield Taxpayers Committee by the City.

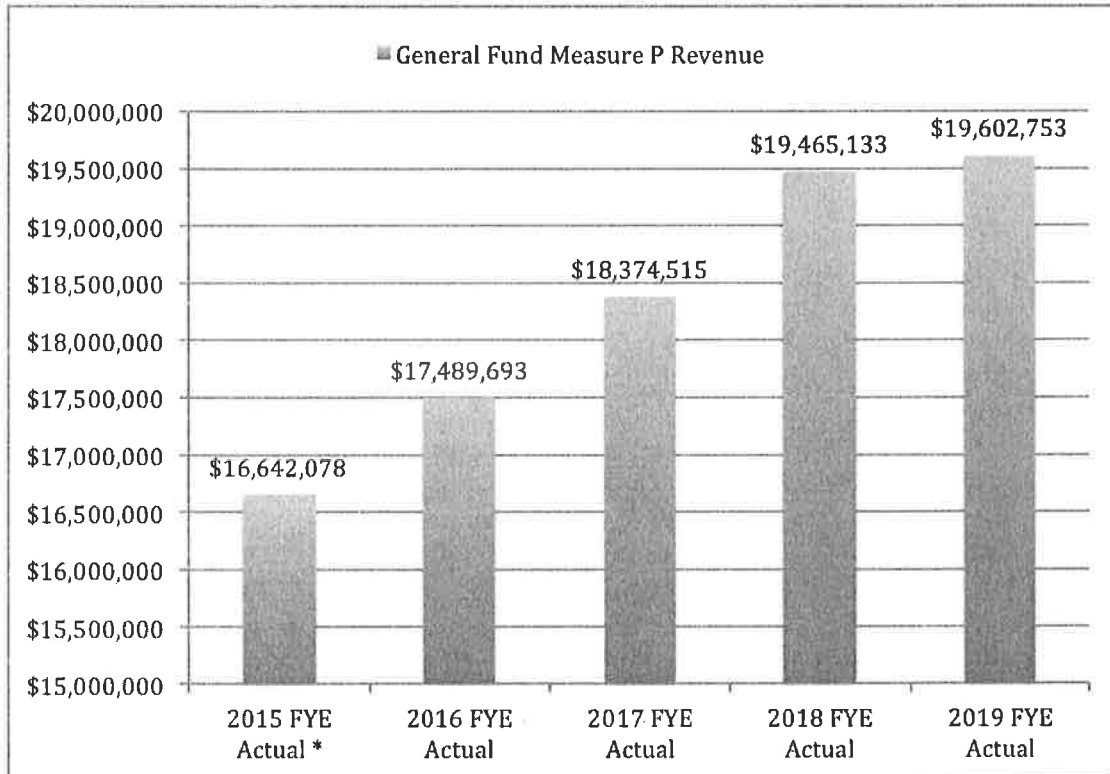
The funds go into the City General Fund along with those collected from other revenue sources and can be used for any municipal purpose. The City Manager's Office and Finance Department, with support from each of the operating departments, manage the budget process. Public hearings and community workshops are conducted on the proposed budgets to review all appropriations and sources of funding. This is the only mechanism for public participation in deciding how Measure P funds should be used. The City is able to track the sources of revenue,

but since they are co-mingled in the General Fund, the City accounting system, as currently configured, cannot identify Measure P funds that are allocated to individual cost centers for specific uses or projects. Therefore, there is currently no straightforward way to track revenues generated by Measure P to their specific uses in City operations.

Information presented to the public by the Fairfield Taxpayers Committee concludes that Measure P is functioning as intended. In addition to stabilizing the General Fund, it has improved public safety by restoring a fire station, implementing a Homeless Intervention Team, investing in a fire training tower, and re-establishing the Fire Prevention Division, among other activities. Street and road conditions have been improved by using Measure P dollars to increase funding for maintenance of streets and roads and to repair potholes. Public safety has improved through reduced police response times and the retention of police positions threatened by budget shortfalls. Youth and senior services have also been improved or expanded, enhancing the quality of life in Fairfield.

The following chart shows the contribution of Measure P revenue to the General Fund for FYE 2015-2019.

Chart #3 –Measure P Revenue Contribution to the General Fund



* The 2015 value is taken from the Measure P Fairfield Taxpayers Committee Progress Report dated February 22, 2016

A 10-year review of the City of Fairfield’s CAFR for the General Fund’s expenditures in four key departments is presented in Chart #4 below. The values are for FYE 2010 through 2019 and

are expressed in millions. The four categories shown include those targeted for Measure P support. They are:

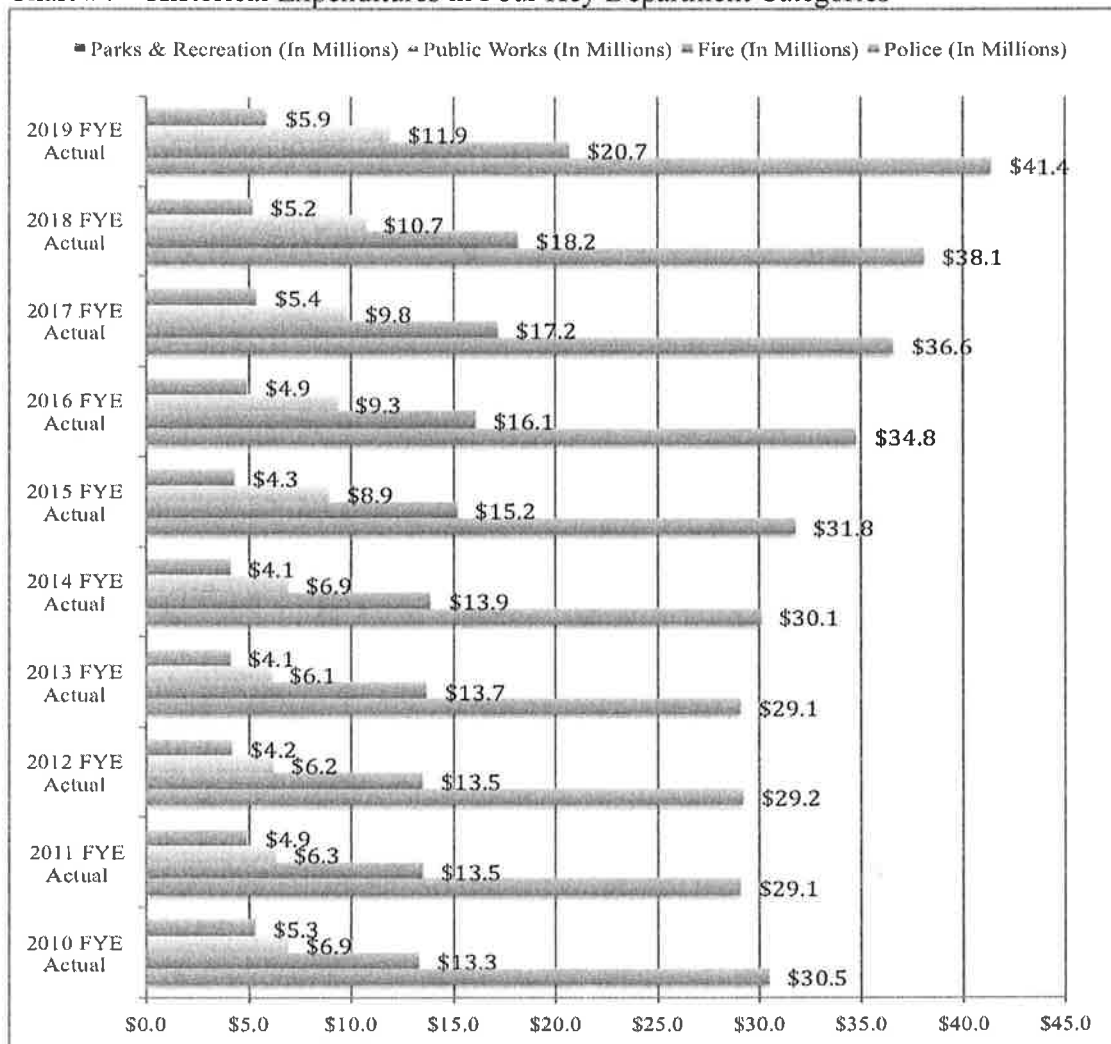
Police: Patrol, Traffic, Investigations, Administration, Dispatch, and Community Services

Fire: Suppression, Prevention, Operations, and Administration

Public Works: Parks, Traffic, Sewer, Building, Streets, Vehicles, Engineering, Golf, Transit, and Water

Parks & Recreation: Adult, Teen, and Youth Programs, Aquatics, Facilities, Marketing & Events, Preschool, and Sports

Chart #4 – Historical Expenditures in Four Key Department Categories



Fairfield Taxpayers Committee

The Grand Jury found that the Fairfield Taxpayers Committee does not participate in the City budgeting process and does not, in fact, provide input as to the use of Measure P revenues. It depends on City staff for their estimate as to how Measure P revenues are applied. The City staff analysis is based on City Council priorities and comes down to what expenditures would be eliminated if Measure P ends.

The Fairfield Taxpayers Committee has met quarterly since November 2013 and, although no reporting is required by Resolution 2013-31, it has presented three annual progress reports to the Mayor and City Council. The committee requests data from City staff and uses it to develop these reports and brochures prepared for public distribution. However, there is no established process for City staff to verify that the information is presented accurately. The Grand Jury found the reports presented a confusing mixture of forecast figures and interim budgetary figures. They discuss the impacts of Measure P revenues and provide a percentage breakdown of where they are used. For example, the annual report presented in 2019 states that the Measure P fund allocations were: Police, 41%; Fire, 24%; Streets and Roads, 22%; Parks and Rec, 6%; City-Wide Public Safety Support, 4% and Homeless Engagement and Response Team, 3%.

In its February 22, 2016, Measure P Progress Report, the Fairfield Taxpayers Committee stated that the auditors had issued an opinion letter. In this letter, the auditors concluded:

“In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of Ordinance 2012-20, insofar as they relate to the collection, management and expenditure of Measure P sales taxes in the City General Fund. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City’s noncompliance with the above referenced terms, provisions, or conditions of the Ordinance, insofar as they relate to accounting matters.”

As reported in the 2016 Progress Report, the Fairfield Taxpayers Committee noted this finding by the auditors and discussed whether further work might be warranted to determine compliance. It concluded that given the broad latitude to expend the Measure P funds granted to the City Council, the scope of the audit was adequate.

V. FINDINGS AND RECOMMENDATIONS

FINDING 1 - There is no clear detailed accounting structure that allows tracking Measure P dollars from collection to expenditure for specific purchases or programs, resulting in a lack of transparency to the public.

RECOMMENDATION 1 - Develop a system to track Measure P dollars from collection to disbursement so that the public can easily see how and where these funds are applied.

FINDING 2 –Most Measure P progress reports distributed to the public are based on interim budget data, and revenue projections, which can potentially confuse the public.

RECOMMENDATION 2 - Enhance public transparency and consistency by directing the Fairfield Taxpayers Committee to base any reporting on actual year-end data rather than forecast data.

FINDING 3 – The Fairfield Taxpayers Committee requests information from the City Finance Department to prepare public reports. There is no established process for City staff to verify that the information is presented accurately before publication.

RECOMMENDATION 3 – The City establish a protocol to validate the accuracy of financial data before it is published by the Fairfield Taxpayers Committee.

FINDING 4- The annual Transaction and Use Tax Ordinance Compliance and Internal Control Audit Report does not include sufficient procedures directed at obtaining knowledge of noncompliance with the collection, management, and expenditure of Measure P revenues pursuant to the ordinance.

RECOMMENDATION 4– Expand the scope of the annual audit to include additional procedures directed primarily toward obtaining knowledge of noncompliance relating to accounting matters.

FINDING 5 – The Fairfield Taxpayers Committee qualifications specify that prospective members should be taxpayers, but “taxpayer” is not defined.

RECOMMENDATION 5 – Amend Resolution No. 2013-31 to define “taxpayer.”

REQUIRED RESPONSES (ALL FINDINGS)

Fairfield Mayor
Fairfield City Council

COURTESY COPIES

Clerk of the Solano County Board of Supervisors
Chair of the Fairfield Taxpayers Committee