



City of Riverbank

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October 1, 2012

The Honorable Ricardo Cordova
Presiding Judge
Superior Court – Stanislaus County
P.O. Box 3488
Modesto, CA 95353

Subject: Response to the Stanislaus County Civil Grand Jury Report

Dear Judge Cordova,

The City of Riverbank has reviewed the findings and recommendations of the 2011-2012 Stanislaus County Grand Jury Report concerning the City of Riverbank System Development Funds and has provided its response below.

RESPONSE TO FINDINGS

F1. City staff has responded to the public with many documents in an attempt to roll forward 25 years of activity in Acct. 145-Overpass, without the benefit of a full and complete financial history. The public is left with the impression that funds have been misappropriated or misused. The City's CPA could have provided a more complete and accurate roll-forward for far less money and time spent.

Respondent agrees that it has responded to the public with many documents in an attempt to roll forward 25 years of activity without the benefit of a complete financial history. Respondent disagrees that anyone other than a few members of the public are left with the impression that funds have been misappropriated or misused. There was no misappropriation of funds since the money was used to achieve the same goal as originally directed back in 1999. Respondent cannot agree or disagree that its CPA could have provided a more economical and complete roll-forward since many different GASB regulations have been in place over the 25 year period.

F2. The 2011-12 SCCGJ finds that prior to 1999, the lack of proper and basic accounting policies and procedures, the lack of staff understanding of the fundamentals of accounting processes and an inept accounting software conversion all contributed to the Acct.145-Overpass beginning balance cleanup of \$296,497 executed in the 1996-1997 financial statements.

Respondent agrees with this finding.

F3. The City of Riverbank continues to achieve an Unqualified (highest status) audit ranking. No internal control findings or recommendations are being reported by the auditors, an indication that appropriate GASB financial policy and procedural standards are being followed.

Respondent agrees with this finding.

F4. The additional revenue posted to Acct.145-Overpass in the years 1998-99, 2001-02 and 2002-03 was proper.

Respondent agrees with this finding.

F5. The total fees collected per Res. 87-68, \$397,355 and resulting interest earned over the 25 years has never provided sufficient funds for the City to complete the Overpass Project. Past and current city officials and staff have allowed Acct. 145-Overpass to remain in existence for 25 years without constructing a capital improvement.

Respondent agrees with this finding.

F6. The 2011-12 SCCGJ concludes that the revenues in Acct. 145-Overpass have not been transferred or spent for general fund purposes or to fund other undisclosed projects. However, in 2008-09 the City of Riverbank began utilizing Account 145-Overpass for the Santa Fe Underpass Project. The core purpose (to mitigate the railroad and traffic issue and to connect the East and West sectors of the City) may be the same, however the actual projects are different. This multi-use of funds is not in compliance with AB 1600.

Respondent agrees with this finding.

F7. The City of Riverbank, California Code of Ordinances for Building Regulations related to development fees and projects, established initially in 1967, do not reference and are not in compliance with AB 1600.

Respondent agrees with this finding.

F8. Clearly, there is a need for the City of Riverbank to provide safe access between the East and West ends of town and to overcome the railroad dissection of the City.

Respondent agrees with this finding.

F9. During the January 9, 2012, council meeting, the City Council asked for an opinion from the City Attorney regarding the proper procedures to address the use or disposition of the balance in Acct.145-Overpass. As of June 2012, the Mayor has not received a written opinion.

Respondent agrees with this finding.

F10. Though General and Specific Plans have been approved by the current City Council in open and public meetings a review of the March 20, 2012, Downtown Specific Plan does not tie in the Plan together with the Funds established and collected for the City's SDF projects. Consequently, several sections of AB 1600 appear to be disregarded and or not utilized for 1) full and clear disclosure to the

citizens of the city 2) powers granted to the City Council; and 3) responsibilities and action that need to be taken by the City Council.

Respondent agrees that these sections appear to be not fully utilized, while disagreeing that they have been disregarded.

RESPONSE TO RECOMMENDATIONS

R1. The 2011-12 SCCGJ suggests that the City of Riverbank review its need for a Treasurer; finds the creation and assignments of the city's volunteer Finance/Budget Committee is a positive action to involve more members of the public in financial decisions, especially in these tough financial times. However, there are powers, responsibilities and duties granted to a Treasurer that may provide a higher level of over-sight compliance.

Respondent agrees with the recommendation. The City's Finance Director currently serves as the City's Treasurer. For more than ten years, the City has received an Unqualified (Highest Ranking) Audit Report. The City Council has reviewed its need for a separate Treasurer position, as well as an elected Treasurer position, and determined that an appointed Finance Director/Treasurer best meets the needs of the City of Riverbank at the current time. This action is consistent with the vote of the people who, in 1978, authorized the City to move from an elected Treasurer position to an appointed position. In addition, the city has taken the additional step of appointing a Budget Advisory Committee to review city financial issues.

R2. Obtain the requested opinion from the City Attorney per the City Council request of January 9, 2012. Provide a copy of the opinion to the SCCGJ.

Respondent agrees with this recommendation.

R3. Complete the System Development Report. Insure that the report is in full compliance with AB 1600, and treat the SDF Report as a living document. This document can serve as a current and historical record of the status for each fund/project, creating accountability for city staff, the foundation for adherence to GASB 54, full disclosure to the public along with being a historical document for current and future staff and elected officials.

Respondent agrees with this recommendation.

R4. Provide a copy of this first "catch-up" SDF Report to the SCCGJ by October 29, 2012.

Respondent agrees with this recommendation.

R5. The current City Council is now charged with the responsibility of understanding and correcting the action or lack of performance by prior city officials. A first step is an understanding of AB 1600. This education process should be completed by the Mayor, all City Council members, finance staff, City Manager, Development Services Director, Planning Commission and any other participant in city government responsible for compliance with AB 1600.

Respondent agrees with this recommendation.

R6. The City of Riverbank should review, correct and amend its Code of Ordinances related to Building Regulations for System Development Fee Projects for accuracy and compliance with AB 1600.

Respondent agrees with this recommendation.

R7. AB 1600 requires that the City Council pass by resolution, the SDF Report. The resulting approval or re-approval, of each SDF fund should be included as part of the resolution. The city's financial records should reflect each action.

Respondent agrees with this recommendation.

R8. If the City Council passes a resolution to abandon the East/West Access RR crossing project, obviously, R7 no longer applies and the process of refund should be executed per AB 1600.

Respondent agrees in theory to this recommendation. However, with the passage of time and the lack of a full and complete financial history, this recommendation will be extremely difficult to apply in practice.

R9. Utilize the Finance/Budget Committee to review AB 1600 for the benefit of understanding the fiscal reporting responsibilities for the SDF funds. In addition, the committee can help prepare the city for compliance with GASB 54. Compliance with AB 1600 could reduce audit costs associated with GASB 54. The City's Certified Public Accounting Firm can provide the specifics of GASB 54 requirements as it relates to the City of Riverbank's financial reporting responsibilities.

Respondent agrees with this recommendation.

R10. It is suggested that city staff and the City Council rely heavily on the advice of the City's CPA and City Attorney to guide the city through the approval of each SDF Fund and the amendments to the SDF Fund City Ordinance for compliance with AB 1600 and GASB 54.

Respondent agrees with this recommendation.

If you have any questions regarding the City's response or would like additional information, please contact me at 209-863-7115.

Sincerely,



for Thomas P. Hallinan

Thomas P. Hallinan
City Attorney

cc: Jill Anderson, City Manager, City of Riverbank