

STATE OF CALIFORNIA  
COMMISSION ON STATE MANDATES  
1414 K STREET, SUITE 315  
SACRAMENTO, CA 95814  
(916) 323-3562

<b>RECEIVED</b> For Official Use Only	
OCT 17 2002	
COMMISSION ON STATE MANDATES	
Claim No	02-9635802-I-47

## INCORRECT REDUCTION CLAIM FORM

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**Local Agency or School District Submitting Claim**

City of Tustin

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**Contact Person**

Annette Chinn, Cost Recovery Systems (916) 939-7901

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**Address**

City of Tustin  
300 Centennial Way  
Tustin, CA 92680

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**Representative Organization to be Notified**

Cost Recovery Systems  
705-2 East Bidwell Street, #294  
Folsom, California 95630  
(916) 939-7901

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This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office Pursuant to section 17561 of the Government Code. This incorrect reduction claim is filed pursuant to section 17561(b) of the Government Code.

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**CLAIM IDENTIFICATION: Specify Statute or Executive Order**

Investment Reporting, Ch. 783, Statutes of 1995

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<i>Fiscal Year</i>	<i>Amount of the Incorrect Reduction</i>
1995-96	\$19,082
1996-97	\$37,952
1997-98	\$43,007
1998-99	\$32,550

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**IMPORTANT: PLEASE SEE INSTRUCTIONS AND FILING REQUIREMENTS FOR COMPLETING AN INCORRECT REDUCTION CLAIM ON THE REVERSE SIDE.**

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**Name and Title of Authorized Representative**

Annette Chinn, President, Cost Recovery Systems, Inc.

**Telephone No.**

(916) 939-7901

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**Signature of Authorized Representative****Date**

October 9, 2002

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 COMMISSION ON STATE MANDATES  
 1414 K STREET, SUITE 315  
 SACRAMENTO, CA 95814  
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Claim No.

## INCORRECT REDUCTION CLAIM FORM

**Local Agency or School District Submitting Claim**

City of Tustin

**Contact Person**

Annette Chinn, Cost Recovery Systems (916) 939-7901

**Address**

City of Tustin  
 300 Centennial Way  
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**CLAIM IDENTIFICATION: Specify Statute or Executive Order**

Investment Reporting, Ch. 783, Statutes of 1995

<u>Fiscal Year</u>	<u>Amount of the Incorrect Reduction</u>
1995-96	\$18,626
1996-97	\$37,137
1997-98	\$42,007

**IMPORTANT: PLEASE SEE INSTRUCTIONS AND FILING REQUIREMENTS FOR COMPLETING AN INCORRECT REDUCTION CLAIM ON THE REVERSE SIDE.**

**Name and Title of Authorized Representative**

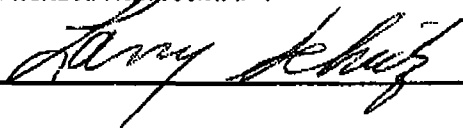
**Telephone No.**

Larry Schutz, Assistant Finance Director

(714) 573-3062

**Signature of Authorized Representative**

**Date**



October 9, 2002

**City of Tustin**  
**Incorrect Reduction Claim**

**Investment Reporting Chapter 783, Statutes of 1995**

The State Controller's Office (SCO) incorrectly reduced the claims of the City of Tustin for costs associated with implementing the requirements of Chapter 783, Statutes of 1995. The city's claims were complete and were prepared in accordance with the parameters and guidelines and claiming instructions issued by the State for this program.

The City understands that the reductions made by the State Controller's Office to its claims are not unique to our agency, but have been made to numerous agencies submitting claims for this program. Tustin's concerns and issues mirror those brought forward by the County of Los Angeles in their Incorrect Reduction Claim submitted before the Commission on State Mandates on August 31, 2000.

We disagree with the interpretation of the State Controller's office regarding the reasons for their reductions (see attached State Controller's October 12, 2001 letter) and agree with the interpretations made by the Commission appointed expert consultant, Ms. Connie Jamison.

**Summary of the Claims**

The SCO incorrectly reduced the claims for Tustin's costs for the investment reporting requirements of Chapter 783/95 in the following amounts:

Fiscal Year of Claim	Amount Claimed	Amount Paid	Reduction
1995-96	\$21,691	\$2,609	(\$19,082)
1996-97	\$41,468	\$3,516	(\$37,952)
1997-98	\$47,699	\$4,692	(\$43,007)
1998-99	\$36,418	\$3,868	(\$32,550)

**Statement of the Dispute**

The claims prepared for the City of Tustin included costs associated with the data entry of investment transactions and the time to prepare and utilize subsidiary ledgers of investments. These costs were identified as allowable activities in the Parameters and Guidelines. Use and development of these ledgers are necessary to prepare the city's quarterly investment reports.

According to the SCO's interpretation (See attached letters from SCO dated September 21, 2001, and October 12, 2001) these costs are considered ineligible.

The City disagrees with the SCO's interpretation the activities disallowed constitute the treasurers fiduciary duties and are therefore not reimbursable. We agree with the conclusions made by Ms. Connie Jamison, the COSM's appointed expert consultant. (See attached report from Ms. Jamison).

### **Claimed Costs are Reimbursable.**

In order to render the quarterly investment reports, information from transactions occurring throughout the reporting period must be accumulated and compiled.

1) Government Code Section 53646(b) 4) permits this.

“... A subsidiary ledger of investments may be used in accordance with accepted accounting practices.”

2) The SCO’s Investment Reporting Claiming Instructions also allow this activity:

“(2) Ongoing Costs

(a) Accumulate and compile data necessary to prepare the quarterly reports of investment, as required in Government Codes Section 53646, subdivision (b)(1), (2), (3), and/or (e).

3) The parameters and guidelines for this mandate also note that:

“...to the extent that subsidiary ledgers are necessary to accumulate and compile the data necessary to prepare the quarterly report under section 53646, subdivision (b)(1), (2) and (3) and/or subdivision (3), it is reimbursable”.

### **Authority**

The Commission has the authority pursuant to Government Code, Section 17551(b) to “hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985...[when] the SCO has incorrectly reduced the payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.”

We request that the Commission promptly order the SCO to restore these claims.

### **Status of Agencies Appeal to the SCO.**

We were advised that this matter would be decided “in mass” since the issue was one effecting almost all local agencies. To date, no additional payments have been made to the City for the claims noted above. Recent conversations with SCO staff indicate that the issue has not yet been resolved and awaits decision from the Commission on State Mandates.

### **Conclusion**

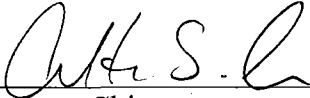
The costs included in the City’s claims complied with State Statute, Parameter and Guidelines, and the SCO claiming instructions. The claims were properly documented and submitted to the State Controller’s Office.

We request that the SCO be directed to restore all reductions made to the City of Tustin’s Investment Reporting claims as noted above.

## CERTIFICATION

I sign and certify under penalty of perjury that the statements made in this document are true and correct of my own knowledge, or as to all other matters, I believe them to be true and corrected based upon information and belief.

Executed on October 9, 2002, in Tustin, California.



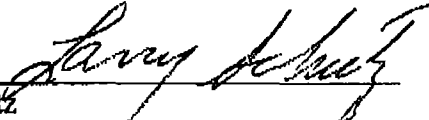
\_\_\_\_\_  
Annette Chinn

President, Cost Recovery Systems, Inc.

### CERTIFICATION

I sign and certify under penalty of perjury that the statements made in this document are true and correct of my own knowledge, or as to all other matters, I believe them to be true and corrected based upon information and belief.

Executed on October 9, 2002, in Tustin, California.



Larry Schutz  
City of Tustin, Assistant Finance Director

List of Attachments:

- 1) State Controller Claiming Instructions for Investment Reporting
- 2) State Statutes
- 3) Copy of Original Claim(s)
- 4) Commission on State Mandates Expert Consultant Report (Connie Jamison's Report)
- 5) State Controller's Response Letters to Expert Consultant Report

# INVESTMENT REPORTS

## 1. Summary of Chapters 783/95, 156/96, and 749/96

Government Code § 53646, subdivisions (a), (b), and (e), as added and amended by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996, requires the treasurer or chief fiscal officer to render an annual statement of investment policy and a quarterly report of investments, containing specified information to the legislative body and oversight committee, as specified.

On March 27, 1997, the Commission on State Mandates determined that Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996 resulted in state mandated costs that are reimbursable pursuant to Part 7 (commencing with Government Code § 17500) of Division 4 of Title 2.

## 2. Eligible Claimants

Any city, county, city and county, or special district incurring increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

## 3. Appropriations

These claiming instructions are issued following the adoption of the program's parameters and guidelines by the Commission on State Mandates. Funding for payment of initial claims covering fiscal period January 1, 1996 through June 30, 1996, and fiscal years 1996-97 and 1997-98, may be made available in a future appropriations act subject to the approval of the Legislature and the Governor.

To determine if this program is funded in subsequent fiscal years, refer to the schedule, "Appropriations for State Mandated Cost Programs," in the "Annual Claiming Instructions for State Mandated Costs" issued in September of each year to city fiscal officers, county auditors, and special district administrators.

## 4. Types of Claims

### A. Reimbursement and Estimated Claims

A claimant may file a reimbursement and/or an estimated claim. A reimbursement claim details the cost actually incurred for a prior fiscal year. An estimated claim shows the cost to be incurred for the current fiscal year.

### B. Minimum Claim

Government Code § 17564(a), provides that no claim shall be filed pursuant to Government Code § 17561 unless such a claim exceeds \$200 per program per fiscal year.

## 5. Filing Deadline

### A. Initial Claims

Initial claims must be filed within 120 days from the issuance date of claiming instructions. Accordingly:

- (1) Reimbursement claims detailing the actual cost incurred for the period 1/1/96 to 6/30/96 and the 1996/97 fiscal year must be filed with the State Controller's Office and postmarked by May 20, 1998. If the reimbursement claim is filed after the deadline of May 20, 1998, the approved claim must be reduced by a late penalty of



10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

- (2) Estimated claims for cost to be incurred during the 1997/98 fiscal year must be filed with the State Controller's Office and postmarked by May 20, 1998. Timely filed estimated claims are paid before late claims. If a payment is received for the estimated claim, a 1997/98 reimbursement claim must be filed by November 30, 1998.

#### B. Annually Thereafter

Refer to the item "Reimbursable State Mandated Cost Programs" contained in the cover letter for mandated cost programs issued annually in September, which identifies the fiscal years for which claims may be filed. If an "x" is shown for the program listed under "19\_\_/19\_\_ Reimbursement Claim," and/or "19\_\_/19\_\_ Estimated Claim," claims may be filed as follows:

- (1) An estimated claim filed with the State Controller's Office must be postmarked by November 30 of the fiscal year in which the cost will be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30 of the following fiscal year. If the local agency fails to file a reimbursement claim, monies received for the estimated claim must be returned to the State. If no estimated claim was filed, the agency may file a reimbursement claim detailing the actual cost incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. For information regarding appropriations for reimbursement claims, refer to the schedule, "Appropriation for State Mandated Cost Programs," in the previous fiscal year's annual claiming instructions.

- (2) A reimbursement claim detailing the actual cost must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which the cost will be incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

#### 6. Reimbursable Components

For each eligible claimant, the direct and indirect cost of labor, supplies, and services incurred for the following mandated components are reimbursable:

##### A. Statement of Investment Policy

Prepare and submit the annual statement of investment policy and changes to:

- (1) The legislative body and any oversight committee for consideration at a public meeting, effective January 1, 1996.
- (2) The county board of supervisors and any oversight committee for review and approval at a public meeting, effective January 1, 1997.

##### B. Quarterly Report of Investments

- (1) Implementation Costs

Develop or modify existing policies and procedures for accumulating and compiling data to prepare the quarterly report of investments, as required in Government Code § 53646, subdivisions (b)(1), (2), (3), and/or (e).

**(2) Ongoing Costs**

- (a) Accumulate and compile data necessary to prepare the quarterly reports of investments, as required in Government Code § 53646, subdivision (b)(1), (2), (3), and/or (e).
- (b) Render a quarterly report of investments to the chief executive officer, the internal auditor, and the legislative body of the local agency as required in Government Code § 53646, subdivision (b)(1).

**7. Reimbursement Limitations****A. Reimbursement claims may be filed for costs incurred, as follows:**

- (1) Pursuant to Chapter 783, Statutes of 1995, costs are reimbursable on or after January 1, 1996. See 6.A.(1) above.
- (2) Pursuant to Chapter 156, Statutes of 1996, costs are reimbursable on or after July 12, 1996. See 6.B.(2)(b) above. Permit the use of a statement, in lieu of the report, for any investment in an insured account.
- (3) Pursuant to Chapter 749, Statutes of 1996, costs are reimbursable on or after January 1, 1997. See 6.A.(2) above.

**B. Any offsetting savings or reimbursement the claimant received from any source (e.g., service fees collected, federal funds, other state funds etc.) as a result of this mandate shall be identified and deducted so only the net local cost is claimed.****8. Claiming Forms and Instructions**

The diagram "Illustration of Claim Forms" provides a graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for forms INR-1 and INR-2 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated or reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

**A. Form INR-2, Component/Activity Cost Detail**

This form is used to segregate the detailed costs by claim component. A separate form INR-2 must be completed for each cost component being claimed. Costs reported on this form must be supported as follows:

**(1) Salaries and Benefits**

Identify the employee(s), and/or show the classification of the employee(s) involved. Describe the mandated functions performed by each employee and specify the actual time spent, the productive hourly rate, and related fringe benefits.

Source documents required to be maintained by the claimant may include, but are not limited to, employee time records that show the employee's actual time spent on this mandate.

**(2) Office Supplies**

Only expenditures that can be identified as a direct cost of this mandate may be claimed. List the cost of materials consumed or expended specifically for the purpose of this mandate.

Source documents required to be maintained by the claimant may include, but are not limited to, invoices, receipts, purchase orders, and other documents evidencing the validity of the expenditures.

(3) Contracted Services

Contracting costs are reimbursable to the extent that the function to be performed requires special skill or knowledge that is not readily available from the claimant's staff or the service to be provided by the contractor is cost effective.

Give the name(s) of the contractor(s) who performed the services. Describe the activities performed by each named contractor, actual time spent on this mandate, inclusive dates when services were performed, and itemize all costs for services performed. Attach consultant invoices with the claim.

Source documents required to be maintained by the claimant may include, but are not limited to, contracts, invoices, and other documents evidencing the validity of the expenditures.

(4) Fixed Assets

Compensation for fixed asset costs are reimbursable utilizing the procedure provided in the Office and Management Budget Circular A-87 (OMB A-87). Example: Compensation for the use of equipment. The claimant may be compensated for the equipment use through a use allowance or depreciation. A use allowance may be computed at an annual rate not to exceed 6 2/3% of acquisition cost. This is reported and claimed through the agency's service-wide cost allocation plan under the cost element "Use Allowance". Charges for use allowance or depreciation must be supported by adequate property records. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portion than in the later portions of its useful life, the straight line method of depreciation shall be used. However, the method of computing depreciation must be consistently applied for any specific class of assets for all affected programs.

List the cost of fixed assets acquired specifically for the purpose of this mandate. If a fixed asset is acquired for the subject state mandate, but is utilized in some way not directly related to the program, only the pro-rated portion of the asset which is used for purposes of the program is reimbursable.

Source documents required to be maintained by the claimant may include, but are not limited to, invoices, receipts, purchase orders and other documents evidencing the validity of the purchases.

(5) Training

Only the cost for a reasonable number of employees attending the training is reimbursable. Special training must be justified in writing by the claimant. Give the class title, dates, location, and name(s) of the employee(s) attending training classes associated with the mandate. Reimbursable costs may include salaries and benefits for time spent, the registration fee, transportation, lodging, and per diem. Reimbursement for travel expenses, lodging, and per diem will be reimbursed in accordance with the travel rules of the local jurisdiction.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. When no funds are appropriated for the initial claim at the time the claim was filed, supporting documents must be retained for two years from the date of initial payment of the claim. Such documents shall be made available to the State Controller's Office on request.

WEST'S ANNOTATED CALIFORNIA CODES  
GOVERNMENT CODE  
TITLE 5. LOCAL AGENCIES  
DIVISION 2. CITIES, COUNTIES AND OTHER AGENCIES  
PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES  
CHAPTER 4. FINANCIAL AFFAIRS  
ARTICLE 2. DEPOSIT OF FUNDS

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Current through end of 1999-2000 Reg. Sess.  
and 1st Ex. Sess. and Nov. 7, 2000, election.

now

§ 53646 Investment policy statement review and approval; legislative body or oversight committee; reports

(a)(1) In the case of county government, the treasurer shall annually render to the board of supervisors and any oversight committee a statement of investment policy, which the board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the board at a public meeting.

(2) In the case of any other local agency, the treasurer or chief fiscal officer of the local agency shall annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.

(b)(1) The treasurer or chief fiscal officer shall render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency. The quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report. Except as provided in subdivisions (e) and (f), this report shall include the type of investment, issuer, date of maturity par and dollar amount invested on all securities, investments and moneys held by the local agency, and shall additionally include a description of any of the local agency's funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation.

(2) The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.

(3) The quarterly report shall include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

(4) In the quarterly report, a subsidiary ledger of investments may be used in accordance with accepted accounting practices.

(c) Pursuant to subdivision (b), the treasurer or chief fiscal officer shall report whatever additional information or data may be required by the legislative body of the local agency.

(d) The legislative body of a local agency may elect to require the report specified in subdivision (b) to be made on a monthly basis instead of quarterly.

(e) For local agency investments that have been placed in the Local Agency Investment Fund, created by Section 16429.1, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the Financial Code, or in Federal Deposit Insurance Corporation-insured

accounts in a bank or savings and loan association, in a county investment pool, or any combination of these, the treasurer or chief fiscal officer may supply to the governing body, chief executive officer, and the auditor of the local agency the most recent statement or statements received by the local agency from these institutions in lieu of the information required by paragraph (1) of subdivision (b) regarding investments in these institutions.

(f) The treasurer or chief fiscal officer shall not be required to render a quarterly report, as required by subdivision (b), to a legislative body or any oversight committee of a school district or county office of education for securities, investments, or moneys held by the school district or county office of education in individual accounts that are less than twenty-five thousand dollars (\$25,000).

(g) Except as provided in subdivisions (h) and (i), each city, county, or city and county shall submit copies of its second and fourth quarter reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year. Any city, county, or city and county not required to submit a report pursuant to subdivision (h) or (i) shall file with the commission a certification within 60 days of the end of the second and fourth quarters of the calendar year stating the distribution and amount of its investment portfolio and that it is therefore not subject to this reporting requirement. This subdivision shall become inoperative on January 1, 2007.

(h) A city shall not be required to submit a quarterly report to the commission if, during the entire reporting period, the city has maintained 100 percent of its investment portfolio in (1) the treasury of the county in which it is located for investment by the county treasurer pursuant to Section 53684, (2) the Local Agency Investment Fund created by Section 16429.1, (3) National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the Financial Code, or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, or (4) in any combination of these.

(i) A county or city and county shall not be required to submit a quarterly report to the commission if, during the entire reporting period, the county has maintained 100 percent of its investment portfolio in (1) the Local Agency Investment Fund created by Section 16429.1, (2) National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the Financial Code, or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, or (3) in any combination of these.

#### CREDIT(S)

##### 1997 Main Volume

(Added by Stats.1995, c. 783 (S.B.564), § 3. Amended by Stats.1996, c. 156 (S.B.864), § 10, eff. July 12, 1996; Stats.1996, c. 749 (S.B.109), § 8.)

##### 2001 Electronic Pocket Part Update

(Amended by Stats.1997, c. 825 (A.B.287), § 36, eff. Oct. 9, 1997; Stats.1998, c. 82 (A.B.1898), § 1; Stats.2000, c. 687 (A.B.943), § 2.)

<General Materials (GM) - References, Annotations, or Tables>

#### HISTORICAL AND STATUTORY NOTES

##### 1997 Main Volume

Section 4 of Stats.1984, c. 1226, provides:

"It is the intent of the Legislature that the provisions of Section 3 of this act apply to all local agencies, whether chartered or not."

53606. The bonds purchased, which were issued by the purchaser, may be canceled either in satisfaction or sinking fund obligations or otherwise. When canceled, they are no longer outstanding, unless in its discretion, the legislative body holds them uncanceled. While held uncanceled, the bonds may be resold.

53607. The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

53608. The legislative body of a local agency may deposit for safekeeping with a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the local agency is invested pursuant to this article or pursuant to other legislative authority. The local agency shall take from such financial institution a receipt for securities so deposited. The authority of the legislative body to deposit for safekeeping may be delegated by the legislative body to the treasurer of the local agency; the treasurer shall not be responsible for securities delivered to and received for by a financial institution until they are withdrawn from the financial institution by the treasurer.

53609. Notwithstanding the provisions of this chapter or any other provisions of this code, funds held by a local agency pursuant to a written agreement between the agency and employees of the agency to defer a portion of the compensation otherwise receivable by the agency's employees and pursuant to a plan for such deferral as adopted by the governing body of the agency, may be invested in the types of investments set forth in Sections 53601 and 53602 of this code, and may additionally be invested in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, life insurance policies, annuities, mortgages, deeds of trust, or other security interests in real or personal property. Nothing herein shall be construed to permit any type of investment prohibited by the Constitution.

Deferred compensation funds are public pension or retirement funds for the purposes of Section 17 of Article XVI of the Constitution.



CONTROLLER OF CALIFORNIA  
P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS REMITTANCE ADVICE IS FOR INFORMATION PURPOSE ONLY.  
THE WARRANT COVERING THE AMOUNT SHOWN WILL BE MAILED  
DIRECTLY TO THE PAYEE.

CITY FINANCE OFFICER  
CITY OF TUSTIN  
300 CENTENNIAL WAY  
TUSTIN CA 92680

WARRANT AMT: \*\*\*\*\*3,516.00

PAYEE: TREASURER, CITY OF TUSTIN  
FUND NAME: GENERAL FUND

ISSUE DATE: 10/14/1999

CLAIM SCHEDULE NBR: MA90407A

REIMBURSEMENT OF STATE MANDATED COSTS

QUESTIONS PLEASE CALL LINDA LOHMAN AT 916-324-0255

ACL : 9999

PROG : INVESTMENT REPORTS CH 783/95

1996/1997 ACTUAL PAYMENT

CLAIMED AMT: 41,468.00

TOTAL ADJUSTMENTS: (SEE BELOW)

37,952.00

TOTAL APPROVED CLAIMED AMT:

3,516.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

100.000000

PRORATA BALANCE DUE:

.00

APPROVED PAYMENT AMOUNT:

3,516.00

PAYMENT OFFSETS -NONE

NET PAYMENT AMOUNT:

3,516.00

ADJUSTMENTS ITEMIZED:

=====

INDIRECT COSTS OVERSTATED

8,253.00-

COST NOT MANDATED

4,061.00-

EXCESSIVE TIME

25,638.00-





**Claim for Payment  
Pursuant to Government Code Section 17561  
INVESTMENT REPORTS**

**For State Controller Use Only**

(19) Program Number: 00161  
 (20) Date Filed \_\_\_/\_\_\_/\_\_\_  
 (21) LRS Input \_\_\_/\_\_\_/\_\_\_

<b>(01) Claimant Identification Number</b>		9830936	<b>(22) INR-1 (03)</b>	2
<b>(02) Claimant Name</b>		City of Tustin	<b>(23) INR-1 (04)(1)(f)</b>	13,522
<b>Mailing Address</b>		300 Centennial Way	<b>(24) INR-1 (04)(2)(f)</b>	3,191
<b>Street Address or P.O. Box</b>				
<b>City</b>		Tustin		
<b>State</b>	CA	<b>Zip Code</b>		92680
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	<b>(25) INR-1, (06)</b>	36.1
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	<b>(26)</b>	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	<b>(27)</b>	
	(05) Amended <input type="checkbox"/>	(11) Amended <input checked="" type="checkbox"/>	<b>(28)</b>	
<b>Fiscal Year of Cost</b>	(06)	(12) 1995-96	<b>(29)</b>	
<b>Total Claimed</b>	(07)	(13) \$21,691	<b>(30)</b>	
<b>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</b>		(14) \$456 **	<b>(31)</b>	
<b>Less: Estimated Claim Payment Received</b>		(15)	<b>(32)</b>	
<b>Net Claimed Amount</b>		(16) \$21,235	<b>(32)</b>	
<b>Due from State</b>	(08)	(17) \$21,235	<b>(33)</b>	
<b>Due to State</b>	(09)	(18)	<b>(34)</b>	

**(38) CERTIFICATION OF CLAIM**

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 783, Statutes of 1995, Chapter 156 and 749, Statutes of 1996; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 783, Statutes of 1995 and Chapters 156 and 749, Statutes of 1996 set forth on the attached statements.

**Signature of Authorized Representative**

**Date**

*Larry Schutz*

May 20, 1999

Larry Schutz

Assistant Finance Director

Type of Print Name

Title

**Name of Contact Person for Claim**

**Telephone Number**

**Annette S. Chinn (CRS)**

**(916) 939-7901**

CRS COPY

<b>Claim for Payment Pursuant to Government Code Section 17561 INVESTMENT REPORTS</b>			<b>For State Controller Use Only</b>	
			(19) Program Number:	00161
			(20) Date Filed	___/___/___
			(21) LRS Input	___/___/___
<b>(01) Claimant Identification Number</b>			9830936	(22) INR-1 (03)
<b>(02) Claimant Name</b>			City of Tustin	2
<b>Mailing Address</b>			300 Centennial Way	(23) INR-1 (04)(1)(f)
<b>Street Address or P.O. Box</b>				13,522
<b>City</b>			Tustin	(24) INR-1 (04)(2)(f)
<b>State</b>			CA	3,191
<b>Zip Code</b>			92680	(25) INR-1, (06)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(26)	36.1
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(27)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input checked="" type="checkbox"/>	(29)	
<b>Fiscal Year of Cost</b>	(06)	(12) 1995-96	(30)	
<b>Total Claimed</b>	(07)	(13) \$21,691	(31)	
<b>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</b>	(14)	\$456 **	(32)	
<b>Less: Estimated Claim Payment Received</b>	(15)		(33)	
<b>Net Claimed Amount</b>	(16)	\$21,235	(34)	
<b>Due from State</b>	(08)	(17) \$21,235		
<b>Due to State</b>	(09)	(18)		
<b>(38) CERTIFICATION OF CLAIM</b>				
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I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996.				
The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 783, Statutes of 1995 and Chapters 156 and 749, Statutes of 1996 set forth on the attached statements.				
<b>Signature of Authorized Representative</b>			<b>Date</b>	
			May 20, 1999	
Larry Schutz			Assistant Finance Director	
Type of Print Name			Title	
Name of Contact Person or Claim			Telephone Number	
Annette S. Chinn (CRS)			(916) 939-7901	

\*\* NOTE: Late fee was adjusted to deduct the prior amount claimed for \$17,134



**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-2**

**(01) Claimant:** City of Tustin                      **(02) Fiscal Year Costs Were Incurred:** 1995-96

**(03) Reimbursable Components: Check only one box per form to identify the component being claimed**

- Statement of Investment Policy  
 Quarterly Reports of Investment

**(04) Description of Expenses: Complete columns (a) through (f)**

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Fixed Assets	Total Salaries & Benefits
<b><u>George W. Jeffries, Treasurer</u></b> Responsible for researching and reviewing State Statutes to determine what changes to the City's Investment Policy would be required. Attended meetings and seminars to be trained on the new requiriements. Met with staff and brokers to update Investment Policy and ensure compliance. Drafted and edited new Policy language.	\$49.23		104.00	\$5,120				\$5,120
<b><u>Ronald A. Nault, Finance Director</u></b> Responsible for reviewing and editing the Annual Statement of Investment Policy. Attended meetings with the City Treasurer with brokers to update investment policy. Implemented the Investment policies and procedures and presented new Policy to the	\$51.30	26.0%	130.00	\$6,668	\$1,734			\$8,402
<b>(05) Total</b>			<b>234.00</b>	<b>\$11,788</b>	<b>\$1,734</b>			<b>\$13,522</b>

**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-2**

**(01) Claimant:** City of Tustin                      **(02) Fiscal Year Costs Were Incurred:** 1995-96

**(03) Reimbursable Components: Check only one box per form to identify the component being claimed**

- Statement of Investment Policy  
 Quarterly Reports of Investment

**(04) Description of Expenses: Complete columns (a) through (f)**

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Fixed Assets	Total Salaries & Benefits
<u><b>Lynn Lake, Senior Account Clerk</b></u> Responsible for entering data into their investment tracking system and balancing subsidiary ledgers required for preparation of the Quarterly Investment Report and showing all detail as required by the State.	\$19.96	40.0%	65.00	\$1,297	\$519			\$1,816
<u><b>Ronald A. Nault, Finance Director</b></u> Responsible for reviewing and presenting the Quarterly Report to the City Council for their review & approval.	\$51.30	26.0%	10.00	\$513	\$133			\$646
<u><b>Larry Schutz, Assistant Finance Director</b></u> Responsible for reviewing and ensuring the information in the subsidiary ledgers and the quarterly reports is accurate for presentation to the City Council. Supervision, audits and internal control procedures.	\$31.87	30.0%	6.00	\$191	\$57			\$249
<u><b>City Auditors</b></u> Contracted to review policy and audit investment policy and quarterly reports to ensure compliance with all State laws. (\$60/hr x 8 hrs = \$480)						\$480		
<b>(05) Total</b>			<b>81.00</b>	<b>\$2,001</b>	<b>\$710</b>	<b>\$480</b>		<b>\$2,711</b>

**INDIRECT COST RATE PROPOSAL**

**City of Tustin**

**Finance**

**Fiscal Year**

**1995-96**

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
<b>Salaries &amp; Benefits</b>				
Salaries & Wages	\$316,269		\$34,694	\$281,575
Overtime	\$35,494			\$35,494
Benefits 35.0%	\$110,815		\$12,156	\$98,659
<b>Total</b>	<b>\$462,578</b>		<b>\$46,851</b>	<b>\$415,727</b>
<b>Services &amp; Supplies</b>				
Accounting & Auditing	\$8,386			\$8,386
Audit Committee Expense	\$2,065			\$2,065
Telephone	\$6,380		\$6,380	
Office Equip Maint	\$96		\$96	
Departmental Supplies	\$4,004		\$4,004	
Expendable Equip / Furn	\$86		\$86	
Printing Expenses	\$1,725		\$1,725	
Computer Maintenance & Supplies	\$26,336		\$26,336	
Vehicle Mileage Allowance	\$1,878		\$1,878	
Meetings	\$670		\$670	
Training & Expense	\$1,376		\$1,376	
Tuition Reimb	\$370		\$370	
Memberships & Subscriptions	\$2,188	\$2,188		
<b>Total</b>	<b>\$55,560</b>	<b>\$2,188</b>	<b>\$42,921</b>	<b>\$10,451</b>
<b>Capital Expenditures</b>				
<b>Total</b>				
<b>Total Expenditures</b>	<b>\$518,138</b>	<b>\$2,188</b>	<b>\$89,772</b>	<b>\$426,178</b>

<b>Cost Plan Costs</b>				
City wide overhead = 5.77% of allowable direct cost/expenditures	\$24,590		\$24,590	
<b>Total</b>	<b>\$24,590</b>		<b>\$24,590</b>	

<b>Total/Alloc Indirect Costs</b>	<b>\$542,728</b>	<b>\$2,188</b>	<b>\$114,362</b>	<b>\$426,178</b>
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**ICRP RATE = 36.1%**  
(Rate is Based on Salaries)

$$\frac{\$114,362}{\$317,069} = \frac{\text{Total Allowable Indirect Costs}}{\text{Total Direct Salaries}}$$





FINANCE-FMB424  
TIME 19:29:02

City of Tustin  
EXPENDITURE SUMMARY REPORT (BY FUND)  
FROM 06/01/96 TO 06/30/96  
FISCAL YEAR 07/01/95 THRU 06/30/96

PAGE 0010  
DATE 09/19/96  
100.0% OF YEAR COMPLETE

FUND DIV OBJT DESCR	MONTHLY EXP	APPROPRIATION	YTD EXPND.	ENCUMBRANCE	UNENC BALANCE	%
010 GENERAL FUND						
2020 FINANCE						
DEPT: ADMINISTRATION						
5100 SALARIES AND WAGES						
5101 REDEVELOPMENT	2,271.33	0.00	20,139.28	0.00	20,139.28	0.0
5107 FLEX DOLLARS	312.62	0.00	2,522.21	0.00	2,522.21	0.0
5108 HOLIDAY	1,374.24	0.00	11,381.07	0.00	11,381.07	0.0
5110 FULL-TIME EMPLOYEE-MISC	23,552.06	329,723.00CR	258,359.89	0.00	71,363.11	78.3
5122 VACATION EXPENSE	4,952.63	0.00	23,867.44	0.00	23,867.44	0.0
5124 PART-TIME OR TEMPORARY	4,785.58	16,980.00CR	33,764.40	0.00	16,784.40	198.8
5147 C O L A	0.00	0.00	800.00	0.00	800.00	0.0
5150 REGULAR OVERTIME	0.00	3,000.00CR	929.78	0.00	2,070.22	30.9
OBJECT SUBTOTAL	37,148.46	349,703.00CR	351,764.07	0.00	2,061.07	100.5
5200 SUPPLEMENTAL BENEFITS						
5210 LIFE INSURANCE	126.15	1,319.00CR	1,218.63	0.00	100.37	92.3
5220 HEALTH INSURANCE	4,442.35	42,372.00CR	44,653.44	0.00	2,281.44	105.3
5240 WORKERS COMPENSATION	76.65	742.00CR	730.39	0.00	11.61	98.4
5250 UNEMPLOYMENT BENEFITS	149.18	1,387.00CR	1,397.67	0.00	10.57	109.7
5270 P E R S	4,785.27	50,057.00CR	52,759.52	0.00	2,702.52	105.3
5275 MEDICARE INS	235.30	1,400.00CR	1,853.88	0.00	453.88	132.4
5285 CITY PAID DEFERRED COMP	892.82	7,799.00CR	8,201.84	0.00	402.84	105.1
OBJECT SUBTOTAL	10,707.72	105,076.00CR	110,815.37	0.00	5,739.37	105.4
6000 CONTRACTUAL SERVICES						
6014 ACCOUNTING & AUDITING	2,620.00	11,000.00CR	8,386.18	0.00	2,613.82	76.2
OBJECT SUBTOTAL	2,620.00	11,000.00CR	8,386.18	0.00	2,613.82	76.2
6100 NON-PROFESSIONAL						
6106 AUDIT COMMITTEE EXPENSE	200.00	1,750.00CR	2,064.51	0.00	314.51	117.9
OBJECT SUBTOTAL	200.00	1,750.00CR	2,064.51	0.00	314.51	117.9
6300 FACILITIES EXPENSE						
6355 TELEPHONE	4,269.27	8,900.00CR	6,380.15	0.00	2,519.85	71.6
OBJECT SUBTOTAL	4,269.27	8,900.00CR	6,380.15	0.00	2,519.85	71.6
6400 GENERAL OFFICE EXPENSE						
6445 OFFICE EQUIPMENT - MAINT	0.00	0.00	96.00	0.00	96.00	0.0
OBJECT SUBTOTAL	0.00	0.00	96.00	0.00	96.00	0.0
6500 DEPARTMENTAL OPERATIONS						
6510 DEPARTMENTAL SUPPLIES	710.49	4,000.00CR	4,004.33	0.00	4.33	100.1
6526 EXPENDABLE EQPT/FURNITUR	0.00	0.00	86.19	0.00	86.19	0.0
6550 PRINTING EXPENSES	600.37	1,500.00CR	1,725.41	0.00	225.41	115.0
OBJECT SUBTOTAL	1,310.86	5,500.00CR	5,815.93	0.00	315.93	105.7

FINANCE-FMB424  
 TIME 19:29:02

City of Justin  
 EXPENDITURE SUMMARY REPORT (BY FUND)  
 FROM 06/01/96 TO 06/30/96  
 FISCAL YEAR 07/01/95 THRU 06/30/96

PAGE 0011  
 DATE 09/19/96  
 100.0% OF YEAR COMPLETE

FUND DIV OBJT DESCR	MONTHLY EXP	APPROPRIATION	YTD EXPND.	ENCUMBRANCE	UNENC BALANCE	%
010 GENERAL FUND						
2020 FINANCE						
DEPT: ADMINISTRATION						
8000 COMPUTER OPERATIONS						
8010 COMPUTER MAINTENANCE	115.45	25,000.00CR	24,046.23	0.00	953.77	96.1-
8015 COMPUTER PAPER-FORMS	995.60	4,000.00CR	2,135.31	0.00	1,864.69	53.3-
8020 COMPUTER OPERATIONS	154.50	3,300.00CR	154.50	0.00	3,145.50	4.6-
OBJECT SUBTOTAL	1,265.55	32,300.00CR	26,336.04	0.00	5,963.96	81.5-
8200 TRANSPORTATION EXPENSES						
8240 VEHICLE MILEAGE/ALLWNCE	167.36	1,900.00CR	1,878.14	0.00	21.86	98.8-
OBJECT SUBTOTAL	167.36	1,900.00CR	1,878.14	0.00	21.86	98.8-
8300 TRAINING & DEVELOPMENT						
8310 MEETINGS	0.00	1,200.00CR	670.00	0.00	530.00	55.8-
8315 TRAINING EXPENSE	0.00	1,100.00CR	1,375.53	0.00	275.53-	125.0-
8325 TUITION REIMBURSEMENT	369.62	800.00CR	369.62	0.00	430.38-	46.2-
8330 MEMBERSHIPS & SUBSCRPTNS	79.95	2,000.00CR	2,188.96	0.00	188.96-	109.4-
8335 TRAVEL EXPENSE	0.00	500.00CR	0.00	0.00	500.00	0.0-
OBJECT SUBTOTAL	449.57	5,600.00CR	4,604.11	0.00	995.89	82.2-
<b>DIVISION TOTAL</b>	<b>58,138.79</b>	<b>521,729.00CR</b>	<b>518,140.50</b>	<b>0.00</b>	<b>3,588.50</b>	<b>99.3-</b>

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**City of Tustin**  
**CITY WIDE OVERHEAD CALCULATION:**  
**Based on Actual FY 1996-97 data**

Department	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
City Council	\$80,391	\$80,391		
City Clerk	\$262,120			\$262,120
City Attorney	\$258,167		\$258,167	
City Manager	\$402,642		\$402,642	
Finance	\$594,239		\$594,239	\$594,239
Personnel Services	\$318,883		\$318,883	
Community Development	\$1,740,541			\$1,740,541
Public Works	\$5,637,565			\$5,637,565
Police	\$10,724,036			\$10,724,036
Fire	\$3,408,841			\$3,408,841
Parks & Recreation	\$1,351,759			\$1,351,759
Non-Departmental	\$2,511,829			\$2,511,829
<b>Totals:</b>	<b>\$27,291,013</b>	<b>\$80,391</b>	<b>\$1,573,931</b>	<b>\$26,230,930</b>

$$\frac{\text{Total Allowable Indirect}}{\text{Total City Expenditures}} = \frac{\$1,573,931}{\$27,291,013} =$$

5.77% city wide overhead rate  
based on dollars of total expenditure

**Claim for Payment  
Pursuant to Government Code Section 17561  
INVESTMENT REPORTS**

(19) Program Number: 00161  
 (20) Date Filed \_\_\_\_/\_\_\_\_/\_\_\_\_  
 (21) LRS Input \_\_\_\_/\_\_\_\_/\_\_\_\_

<b>(01) Claimant Identification Number</b>		9830936	(22) INR-1 (03)	4
<b>(02) Claimant Name</b>		City of Tustin	(23) INR-1 (04)(1)(f)	26,568
<b>Mailing Address</b>		300 Centennial Way	(24) INR-1 (04)(2)(f)	5,896
<b>Street Address or P.O. Box</b>				
<b>City</b>	Tustin			
<b>State</b>	CA	<b>Zip Code</b>	92680	
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(25) INR-1, (06)	33.2
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input checked="" type="checkbox"/>	(28)	
<b>Fiscal Year of Cost</b>	(06)	(12) 1996-97	(29)	
<b>Total Claimed</b>	(07)	(13) \$41,468	(30)	
<b>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</b>	(14)	\$815 **	(31)	
<b>Less: Estimated Claim Payment Received</b>	(15)		(32)	
<b>Net Claimed Amount</b>	(16)	\$40,653	(32)	
<b>Due from State</b>	(08)	(17) \$40,653	(33)	
<b>Due to State</b>	(09)	(18)	(34)	

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**Signature of Authorized Representative**

**Date**

*Larry Schutz*

May 20, 1999

Larry Schutz

Assistant Finance Director

Type of Print Name

Title

**Name of Contact Person for Claim**

**Telephone Number**

**Annette S. Chinn (CRS)**

**(916) 939-7901**

**Claim for Payment  
Pursuant to Government Code Section 17561  
INVESTMENT REPORTS**

*For State Controller Use Only*

(19) Program Number: 00161  
 (20) Date Filed \_\_\_/\_\_\_/\_\_\_  
 (21) LRS Input \_\_\_/\_\_\_/\_\_\_

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<b>(02) Claimant Name</b>		City of Tustin	(23) INR-1 (04)(1)(f)	4
<b>Mailing Address</b>		300 Centennial Way	(24) INR-1 (04)(2)(f)	26,568
<b>Street Address or P.O. Box</b>				
<b>City</b>		Tustin		
<b>State</b>	CA	<b>Zip Code</b>		5,896
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(25) INR-1, (06)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)	33.2
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input checked="" type="checkbox"/>	(28)	
<b>Fiscal Year of Cost</b>	(06)	(12) 1996-97	(29)	
<b>Total Claimed</b>	(07)	(13) \$41,468	(30)	
<b>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</b>		(14) \$815 **	(31)	
<b>Less: Estimated Claim Payment Received</b>		(15)	(32)	
<b>Net Claimed Amount</b>		(16) \$40,653	(32)	
<b>Due from State</b>	(08)	(17) \$40,653	(33)	
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**Signature of Authorized Representative**

**Date**

May 20, 1999

Larry Schutz

Assistant Finance Director

Type of Print Name

Title

**Name of Contact Person for Claim**

**Telephone Number**

**Annette S. Chinn (CRS)**

**(916) 939-7901**

\*\* NOTE: Late fee was adjusted to deduct the prior amount claimed for \$33,319

**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-1**

<b>(01) Claimant</b> City of Tustin	<b>(02) Type of Claim</b> Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	<b>Fiscal Year</b> 1996-97 <small>(see FAM-27 for estimate)</small>
--	--	---

**Claim Statistics**

<b>(03) Number of Investment Reports prepared during the fiscal year</b>	<b>4</b>
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<b>Direct Costs</b>	<b>Object Accounts</b>				
<b>(04) Reimbursable Components</b>	(a) Salaries	(b) Benefits	(c) Services and Supplies	(d) Fixed Assets	(e) Total
1. Statement of Investment Policy	\$23,118	\$3,451			\$26,568
2. Quarterly Report of Investments	\$4,002	\$1,414	\$480		\$5,896
<b>(05) Total Direct Costs</b>	<b>\$27,120</b>	<b>\$4,865</b>	<b>\$480</b>		<b>\$32,464</b>

**Indirect Costs**

<b>(06) Indirect Cost Rate (applied to salaries)</b>	<small>(from ICRP) (Applied to Salaries)</small>	<b>33.2%</b>
<b>(07) Total Indirect Costs</b>	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	<b>\$9,004</b>
<b>(08) Total Direct and Indirect Costs</b>	<small>Line (05)(d) + line (07)</small>	<b>\$41,468</b>

**Cost Reductions**

<b>(09) Less: Offsetting Savings, if applicable</b>	
<b>(10) Less: Other Reimbursements, if applicable</b>	
<b>(11) Total Claimed Amount</b>	<small>Line (08) - (line(09) + Line(10))</small> <b>\$41,468</b>

**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-2**

**(01) Claimant:** City of Tustin                      **(02) Fiscal Year Costs Were Incurred:** 1996-97

**(03) Reimbursable Components: Check only one box per form to identify the component being claimed**

- Statement of Investment Policy  
 Quarterly Reports of Investment

**(04) Description of Expenses: Complete columns (a) through (f)**

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Fixed Assets	Total Salaries & Benefits
<b>George W. Jeffries, Treasurer</b> Responsible for researching and reviewing State Statutes to determine what changes to the City's Investment Policy would be required. Attended meetings and seminars to be trained on the new requirements. Met with staff and brokers to update Investment Policy and ensure compliance. Drafted and edited new Policy language.	\$49.23		200.00	\$9,846				\$9,846
<b>Ronald A. Nault, Finance Director</b> Responsible for reviewing and editing the Annual Statement of Investment Policy. Attended meetings with the City Treasurer with brokers to update investment policy. Implemented the Investment policies and procedures and presented new Policy to the	\$53.09	26.0%	250.00	\$13,272	\$3,451			\$16,722
<b>(05) Total</b>			<b>450.00</b>	<b>\$23,118</b>	<b>\$3,451</b>			<b>\$26,568</b>

**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-2**

**(01) Claimant:** City of Tustin                      **(02) Fiscal Year Costs Were Incurred:** 1996-97

**(03) Reimbursable Components: Check only one box per form to identify the component being claimed**

- Statement of Investment Policy  
 Quarterly Reports of Investment

**(04) Description of Expenses: Complete columns (a) through (f)**

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Fixed Assets	Total Salaries & Benefits
<b><u>Lynn Lake, Senior Account Clerk</u></b> Responsible for entering data into their investment tracking system and balancing subsidiary ledgers required for preparation of the Quarterly Investment Report and showing all detail as required by the State.	\$20.46	40.0%	125.00	\$2,558	\$1,023			\$3,581
<b><u>Ronald A. Nault, Finance Director</u></b> Responsible for reviewing and presenting the Quarterly Report to the City Council for their review & approval.	\$53.09	26.0%	20.00	\$1,062	\$276			\$1,338
<b><u>Larry Schutz, Assistant Finance Director</u></b> Responsible for reviewing and ensuring the information in the subsidiary ledgers and the quarterly reports is accurate for presentation to the City Council. Supervision, audits and internal control procedures.	\$31.87	30.0%	12.00	\$382	\$115			\$497
<b><u>City Auditors</u></b> Contracted to review policy and audit investment policy and quarterly reports to ensure compliance with all State laws. (\$60/hr x 8 hrs = \$480)						\$480		
<b>(05) Total</b>			<b>157.00</b>	<b>\$4,002</b>	<b>\$1,414</b>	<b>\$480</b>		<b>\$5,416</b>



**INDIRECT COST RATE PROPOSAL**

**City of Tustin**

**Finance**

**Fiscal Year**

**1996-97**

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
<b>Salaries &amp; Benefits</b>				
Salaries & Wages	\$338,419		\$37,336	\$301,083
Overtime	\$66,906			\$66,906
Benefits	29.9% \$101,054		\$11,149	\$89,905
<b>Total</b>	<b>\$506,379</b>		<b>\$48,485</b>	<b>\$457,894</b>
<b>Services &amp; Supplies</b>				
Acctg & Auditing & Prof Consult.	\$39,109			\$39,109
Audit Committee Expense	\$2,039			\$2,039
Telephone	\$6,469		\$6,469	
Office Equip Maint	\$78		\$78	
Departmental Supplies	\$4,320		\$4,320	
Expendable Equip / Furn				
Printing Expenses	\$11		\$11	
Computer Maintenance & Supplie:	\$27,850		\$27,850	
Vehicle Mileage Allowance	\$1,845		\$1,845	
Meetings	\$968		\$968	
Training & Expense	\$3,180		\$3,180	
Tuition Reimb				
Memberships & Subscriptions	\$1,991	\$1,991		
<b>Total</b>	<b>\$87,860</b>	<b>\$1,991</b>	<b>\$44,721</b>	<b>\$41,148</b>
<b>Capital Expenditures</b>				
<b>Total</b>				
<b>Total Expenditures</b>	<b>\$594,239</b>	<b>\$1,991</b>	<b>\$93,206</b>	<b>\$499,042</b>

<b>Cost Plan Costs</b>				
City wide overhead = 5.77% of allowable direct cost/expenditures	\$28,795		\$28,795	
<b>Total</b>	<b>\$28,795</b>		<b>\$28,795</b>	

<b>Total Alloc. Indirect Costs</b>	<b>\$623,034</b>	<b>\$1,991</b>	<b>\$122,000</b>	<b>\$499,042</b>
------------------------------------	------------------	----------------	------------------	------------------

**ICRP RATE = 33.2%**  
(Rate is Based on Salaries)

$$\frac{\$122,000}{\$367,989} = \frac{\text{Total Allowable Indirect Costs}}{\text{Total Direct Salaries}}$$



City of Justin  
EXPENDITURE SUMMARY REPORT (BY FUND)  
FROM 06/01/97 TO 06/30/97  
FISCAL YEAR 07/01/96 THRU 06/30/97

FUND DIV OBJT DESCR	MONTHLY EXP	APPROPRIATION	YTD EXPND.	ENCUMBRANCE	UNENC BALANCE	%
<b>010 GENERAL FUND</b>						
<b>2020 FINANCE DEPT: ADMINISTRATION</b>						
<b>5100 SALARIES AND WAGES</b>						
5101 REDEVELOPMENT	3,161.90	0.00	25,155.47	0.00	25,155.47-	0.0
5102 WATER-WAGES TRANSFERS	3,955.63	0.00	31,295.04	0.00	31,295.04-	0.0
5107 FLEX DOLLARS	442.46	0.00	3,612.48	0.00	3,612.48-	0.0
5108 HOLIDAY	1,017.32	0.00	13,758.11	0.00	13,758.11-	0.0
5109 JURY DUTY	0.00	0.00	150.12	0.00	150.12-	0.0
5110 FULL-TIME EMPLOYEE-MISC	19,409.64	330,989.00CR	233,764.18	0.00	97,224.82-	70.6-
5122 VACATION EXPENSE	1,542.53	0.00	30,685.08	0.00	30,685.08-	0.0
5124 PART-TIME OR TEMPORARY	8,710.36	53,000.00CR	65,635.78	0.00	12,635.78-	123.8-
5150 REGULAR OVERTIME	0.00	1,500.00CR	1,258.33	0.00	241.67	83.8-
5152 OVERTIME-PART TIME EMPLO	0.00	0.00	11.87	0.00	11.87-	0.0
OBJECT SUBTOTAL	38,239.84	385,489.00CR	405,326.46	0.00	19,837.46-	105.1-
<b>5200 SUPPLEMENTAL BENEFITS</b>						
5210 LIFE INSURANCE	111.54	1,324.00CR	1,265.11	0.00	58.89	95.5-
5220 HEALTH INSURANCE	3,365.76	50,424.00CR	42,169.76	0.00	8,254.24	83.6-
5240 WORKERS COMPENSATION	73.33	745.00CR	805.21	0.00	60.21-	108.0-
5250 UNEMPLOYMENT BENEFITS	138.23	1,392.00CR	1,576.59	0.00	184.59-	113.2-
5270 P E R S	3,916.57	45,020.00CR	43,675.96	0.00	1,344.04	97.0-
5275 MEDICARE INS	169.90	1,947.00CR	2,312.96	0.00	365.96-	118.7-
5285 CITY PAID DEFERRED COMP	848.59	7,896.00CR	9,248.34	0.00	1,352.34-	117.1-
OBJECT SUBTOTAL	8,623.32	108,748.00CR	101,053.93	0.00	7,694.07	92.9-
<b>6000 CONTRACTUAL SERVICES</b>						
6010 PROFESSIONAL & CONSLTNG	6,000.00	35,000.00CR	30,390.00	0.00	4,610.00	86.8-
6014 ACCOUNTING & AUDITING	100.00	9,300.00CR	8,718.50	0.00	581.50	93.7-
OBJECT SUBTOTAL	6,100.00	44,300.00CR	39,108.50	0.00	5,191.50	88.2-
<b>6100 NON-PROFESSIONAL</b>						
6106 AUDIT COMMITTEE EXPENSE	0.00	2,500.00CR	2,038.79	0.00	461.21	81.5-
OBJECT SUBTOTAL	0.00	2,500.00CR	2,038.79	0.00	461.21	81.5-
<b>6300 FACILITIES EXPENSE</b>						
6355 TELEPHONE	4,632.08	7,000.00CR	6,469.44	0.00	530.56	92.4-
OBJECT SUBTOTAL	4,632.08	7,000.00CR	6,469.44	0.00	530.56	92.4-
<b>6400 GENERAL OFFICE EXPENSE</b>						
6445 OFFICE EQUIPMENT - MAINT	0.00	0.00	78.00	0.00	78.00-	0.0
OBJECT SUBTOTAL	0.00	0.00	78.00	0.00	78.00-	0.0
<b>6500 DEPARTMENTAL OPERATIONS</b>						
6510 DEPARTMENTAL SUPPLIES	104.26	4,000.00CR	4,319.61	0.00	319.61-	107.9-
6540 SPECIAL EQUIP - MAINT	0.00	0.00	0.00	0.00	0.00	0.0

FINANCE-FMB424  
 TIME 19:09:15

City of Tustin  
 EXPENDITURE SUMMARY REPORT (BY FUND)  
 FROM 06/01/97 TO 06/30/97  
 FISCAL YEAR 07/01/96 THRU 06/30/97

PAGE 0009  
 DATE 09/29/97  
 100.0% OF YEAR COMPLETE

FUND DIV OBJT DESCR	MONTHLY EXP	APPROPRIATION	YTD EXPND.	ENCUMBRANCE	UNENC BALANCE	%
010 GENERAL FUND						
2020 FINANCE						
DEPT: ADMINISTRATION						
6550 PRINTING EXPENSES	0.00	2,000.00CR	10.78	0.00	1,989.22	0.5-
OBJECT SUBTOTAL	104.26	6,000.00CR	4,330.39	0.00	1,669.61	72.1-
8000 COMPUTER OPERATIONS						
8010 COMPUTER MAINTENANCE	1,995.00	25,000.00CR	25,078.91	0.00	78.91-	100.3-
8015 COMPUTER PAPER-FORMS	0.00	4,000.00CR	2,770.95	0.00	1,229.05	69.2-
8020 COMPUTER OPERATIONS	0.00	0.00	0.00	0.00	0.00	0.0
OBJECT SUBTOTAL	1,995.00	29,000.00CR	27,849.86	0.00	1,150.14	96.0-
8200 TRANSPORTATION EXPENSES						
8240 VEHICLE MILEAGE/ALLWNC	150.00	1,900.00CR	1,845.33	0.00	54.67	97.1-
OBJECT SUBTOTAL	150.00	1,900.00CR	1,845.33	0.00	54.67	97.1-
8300 TRAINING & DEVELOPMENT						
8310 MEETINGS	147.21	1,500.00CR	967.90	0.00	532.10	64.5-
8315 TRAINING EXPENSE	495.00	1,500.00CR	3,179.53	0.00	1,679.53-	211.9-
8330 MEMBERSHIPS & SUBSCRPTNS	119.00	2,500.00CR	1,990.92	0.00	509.08	79.6-
OBJECT SUBTOTAL	761.21	5,500.00CR	6,138.35	0.00	638.35-	111.6-
9800 OTHER EQUIPMENT						
9830 COMPUTING HARDWARE	0.00	14,000.00CR	0.00	0.00	14,000.00	0.0
OBJECT SUBTOTAL	0.00	14,000.00CR	0.00	0.00	14,000.00	0.0
DIVISION TOTAL	60,605.71	604,437.00CR	594,239.05	0.00	10,197.95	98.3-

*PA 2*

**City of Tustin**  
**CITY WIDE OVERHEAD CALCULATION:**  
**Based on Actual FY 1996-97 data**

Department	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
City Council	\$80,391	\$80,391		
City Clerk	\$262,120			\$262,120
City Attorney	\$258,167		\$258,167	
City Manager	\$402,642		\$402,642	
Finance	\$594,239		\$594,239	\$594,239
Personnel Services	\$318,883		\$318,883	
Community Development	\$1,740,541			\$1,740,541
Public Works	\$5,637,565			\$5,637,565
Police	\$10,724,036			\$10,724,036
Fire	\$3,408,841			\$3,408,841
Parks & Recreation	\$1,351,759			\$1,351,759
Non-Departmental	\$2,511,829			\$2,511,829
<b>Totals:</b>	<b>\$27,291,013</b>	<b>\$80,391</b>	<b>\$1,573,931</b>	<b>\$26,230,930</b>

$$\frac{\text{Total Allowable Indirect}}{\text{Total City Expenditures}} = \frac{\$1,573,931}{\$27,291,013} =$$

5.77% city wide overhead rate  
based on dollars of total expenditure

<b>Claim for Payment</b> <b>Pursuant to Government Code Section 17561</b> <b>INVESTMENT REPORTS</b>	<b>For State Controller Use Only</b>
	(19) Program Number: 00161
	(20) Date Filed ____/____/____
	(21) LRS Input ____/____/____

(01) Claimant Identification Number	9830936	(22) INR-1 (03)	
(02) Claimant Name	City of Tustin	(23) INR-1 (04)(1)(f)	4
Mailing Address	300 Centennial Way	(24) INR-1 (04)(2)(f)	28,153
Street Address or P.O. Box			
City	Tustin		
State	CA		
Zip Code	92680		6,331

Type of Claim	Estimated Claim	Reimbursement Claim	(25) INR-1, (06)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input checked="" type="checkbox"/>	(28)
Fiscal Year of Cost	(06)	(12) 1997-98	(29)
Total Claimed	(07)	(13) \$47,699	(30)
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)	(14)	\$1,000 **	(31)
Less: Estimated Claim Payment Received	(15)		(32)
Net Claimed Amount	(16)	\$46,699	(32)
Due from State	(08)	(17) \$46,699	(33)
Due to State	(09)	(18)	(34)

**(38) CERTIFICATION OF CLAIM**

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 783, Statutes of 1995, Chapter 156 and 749, Statutes of 1996; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 783, Statutes of 1995 and Chapters 156 and 749, Statutes of 1996 set forth on the attached statements.

Signature of Authorized Representative	Date
 Larry Schutz	May 20, 1999
Type of Print Name	Title
Assistant Finance Director	

Name of Contact Person for Claim	Telephone Number
Annette S. Chinn (CRS)	(916) 939-7901

Claim for Payment Pursuant to Government Code Section 17561 INVESTMENT REPORTS			For State Controller Use Only	
			(19) Program Number: 00161	
			(20) Date Filed ____/____/____	
			(21) LRS Input ____/____/____	
(01) Claimant Identification Number 9830936			(22) INR-1 (03)	4
(02) Claimant Name City of Tustin			(23) INR-1 (04)(1)(f)	28,153
Mailing Address 300 Centennial Way			(24) INR-1 (04)(2)(f)	6,331
Street Address or P.O. Box			(25) INR-1, (06)	45.9
City Tustin			(26)	
State CA Zip Code 92680			(27)	
			(28)	
Type of Claim	Estimated Claim	Reimbursement Claim	(29)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(30)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(31)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input checked="" type="checkbox"/>	(32)	
Fiscal Year of Cost	(06)	(12) 1997-98	(33)	
Total Claimed	(07)	(13) \$47,699	(34)	
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14) \$1,000 **	(35)	
Less: Estimated Claim Payment Received		(15)	(36)	
Net Claimed Amount		(16) \$46,699	(37)	
Due from State	(08)	(17) \$46,699	(38)	
Due to State	(09)	(18)	(39)	
<b>(38) CERTIFICATION OF CLAIM</b>				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 783, statutes of 1995, Chapter 156 and 749, Statutes of 1996; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 783, Statutes of 1995 and Chapters 156 and 749, Statutes of 1996 set forth on the attached statements.</p>				
Signature of Authorized Representative			Date	
_____			May 20, 1999	
Larry Schutz			Assistant Finance Director	
Type of Print Name			Title	
Name of Contact Person for Claim			Telephone Number	
Annette S. Chinn (CRS)			(916) 939-7901	

**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-1**

<b>(01) Claimant</b> City of Tustin	<b>(02) Type of Claim</b> Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	<b>Fiscal Year</b> 1997-98 <small>(see FAM-27 for estimate)</small>
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**Claim Statistics**

<b>(03) Number of Investment Reports prepared during the fiscal year</b>	<b>4</b>
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**Direct Costs**

(04) Reimbursable Components	(a)	(b)	(c)	(d)	(e)
	Salaries	Benefits	Services and Supplies	Fixed Assets	Total
1. Statement of Investment Policy	\$24,457	\$3,696			\$28,153
2. Quarterly Report of Investments	\$4,332	\$1,495	\$504		\$6,331
<b>(05) Total Direct Costs</b>	<b>\$28,789</b>	<b>\$5,192</b>	<b>\$504</b>		<b>\$34,485</b>

**Indirect Costs**

<b>(06) Indirect Cost Rate (applied to salaries)</b>	<small>(from ICRP) (Applied to Salaries)</small>	<b>45.9%</b>
<b>(07) Total Indirect Costs</b>	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	<b>\$13,214</b>
<b>(08) Total Direct and Indirect Costs</b>	<small>Line (05)(d) + line (07)</small>	<b>\$47,699</b>

**Cost Reductions**

<b>(09) Less: Offsetting Savings, if applicable</b>	
<b>(10) Less: Other Reimbursements, if applicable</b>	
<b>(11) Total Claimed Amount</b>	<small>Line (08) - (line(09) + Line(10))</small> <b>\$47,699</b>



**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-2**

**(01) Claimant:** City of Tustin                      **(02) Fiscal Year Costs Were Incurred:** 1997-98

**(03) Reimbursable Components: Check only one box per form to identify the component being claimed**

- Statement of Investment Policy  
 Quarterly Reports of Investment

**(04) Description of Expenses: Complete columns (a) through (f)**

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Fixed Assets	Total Salaries & Benefits
<b><u>George W. Jeffries, Treasurer</u></b> Responsible for researching and reviewing State Statutes to determine what changes to the City's Investment Policy would be required. Attended meetings and seminars to be trained on the new requirements. Met with staff and brokers to update Investment Policy and ensure compliance. Drafted and edited new Policy language.	\$49.23		208.00	\$10,240				\$10,240
<b><u>Ronald A. Nault, Finance Director</u></b> Responsible for reviewing and editing the Annual Statement of Investment Policy. Attended meetings with the City Treasurer with brokers to update investment policy. Implemented the Investment policies and procedures and presented new Policy to the	\$54.68	26.0%	260.00	\$14,217	\$3,696			\$17,913
<b>(05) Total</b>			<b>468.00</b>	<b>\$24,457</b>	<b>\$3,696</b>			<b>\$28,153</b>

**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-2**

**(01) Claimant:** City of Tustin                      **(02) Fiscal Year Costs Were Incurred:** 1997-98

**(03) Reimbursable Components: Check only one box per form to identify the component being claimed**

- Statement of Investment Policy  
 Quarterly Reports of Investment

**(04) Description of Expenses: Complete columns (a) through (f)**

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Fixed Assets	Total Salaries & Benefits
<b><u>Lynn Lake, Senior Account Clerk</u></b>	\$20.46	40.0%	65.00	\$1,330	\$532			\$1,862
<b><u>Cindy Rosenkilde, Senior Account Clerk</u></b> Responsible for entering data into their investment tracking system and balancing subsidiary ledgers required for preparation of the Quarterly Investment Report and showing all detail as required by the State.	\$20.46	40.0%	52.00	\$1,064	\$426			\$1,490
<b><u>Ronald A. Nault, Finance Director</u></b> Responsible for reviewing and presenting the Quarterly Report to the City Council for their review & approval.	\$54.68	26.0%	20.00	\$1,094	\$284			\$1,378
<b><u>Larry Schutz, Assistant Finance Director</u></b> Responsible for reviewing and ensuring the information in the subsidiary ledgers and the quarterly reports is accurate for presentation to the City Council. Supervision, audits and internal control procedures.	\$35.16	30.0%	24.00	\$844	\$253			\$1,097
<b><u>City Auditors</u></b> Contracted to review policy and audit investment policy and quarterly reports to ensure compliance with all State laws. (\$63/hr x 8 hrs = \$504)						\$504		
<b>(05) Total</b>			<b>161.00</b>	<b>\$4,332</b>	<b>\$1,495</b>	<b>\$504</b>		<b>\$5,827</b>

**Moreland & Associates**  
 CERTIFIED PUBLIC ACCOUNTANTS

558

1201 DOVE STREET, SUITE 680  
 NEWPORT BEACH, CALIFORNIA 92660  
 (714) 221-0025

570 RANCHEROS DRIVE, SUITE 260  
 SAN MARCOS, CA 92069  
 (760) 752-3390

July 1, 1998

Mr. Ron Nault  
 Finance Director  
 City of Tustin  
 300 Centennial Way  
 Tustin, CA 92780-3767

Progress billing for professional services rendered in connection with the audit of the financial statements of the City of Tustin for the year ended June 30, 1998.

<u>Level of Work Performed</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Partner	3.0	\$89	\$ 267.00
Manager	2.5	68	170.00
Senior Accountant	77.5	51	3,952.50
Assistant Accountant	46.5	46	<u>2,139.00</u>
			6,528.50
Out-of-pocket expenses			<u>88.75</u>
			<u>\$6,617.25</u>

*avg rate  
 \$63.0/hr.*

*7/1/98*

010 400 2020 6014

3308.63

600 400 9510 6014

1654.32

[Redacted] 4

827.15

[Redacted] 14

827.15

\$ 6617.25

- 1654.30

*Ron Nault  
 7/6/98*

**RECEIVE**  
 JUL - 6 1998  
 FINANCE DEPT

RDA

# CHECK REQUEST FORM

RECEIVED

JUN 2 1998

FINANCE DEPT.

To: Finance/Accounts Payable

From: *Marie*

Date: *6-2-98*

VENDOR #

VENDOR'S NAME AND ADDRESS

*9292*

George W. Jeffries & Associates, Inc.

14261 Galy Street

Tustin, CA 92780-2306

AMOUNT: \$ 2,533.33 *mk*

*CONTRACT RATE IS \$3200 MONTH FOR  
65 Hours = \$49,231.42*

DESCRIPTION: (attach back-up information)

Monthly Treasury Services per Agreement

(See Agreement File - January 1998)

SPECIAL INSTRUCTIONS:

Return check to: Teresa / Finance Department

Mail check: (mailing address if different)

Other: \_\_\_\_\_

ACCOUNT DISTRIBUTION:

Purchase Order # \_\_\_\_\_

0	1	0	2	0	3	0	0	0	0	1	1	0	9	[ 666.67 ] ✓
0	1	0	4	0	0	2	0	2	0	6	0	1	0	3200.00
FUND		TYPE		DEPT./DIV.			OBJECT			PROJECT #			\$2533.33	
<small>(400-expense; 300-revenue; 205-deposit)</small>														

APPROVED BY: *[Signature]*



# City of Tustin

300 CENTENNIAL WAY  
TUSTIN, CA 92780  
(714) 573-3000

This document is printed with a multi-colored background and artificial watermark on the reverse. Hold at angle to view

South Orange County RCBO  
13 Park Center Dr., 2nd Floor  
Costa Mesa, CA 92626

## 085715

16-66/1220

CHECK NO. **85715** DATE **06-12-98**

**\$2,533.33**

\*\*\*\*\*2,533 DOLLARS AND 33 CENTS

VOID IF NOT CASHED WITHIN 180 DAYS  
Manual signature required for checks over \$3000.00

G.W. JEFFRIES AND  
ASSOCIATES, INC  
14261 CALY STREET  
TUSTIN, CA 92780-2306

⑆085715⑆ ⑆1220066⑆ ⑆08400⑆80200⑆

### NOT NEGOTIABLE

VENDOR NAME		CITY OF TUSTIN TUSTIN, CALIFORNIA		VENDOR NUMBER	CHECK NUMBER
JEFFRIES AND		REMITTANCE ADVICE		09292	85715
DESCRIPTION	ACCOUNT NUMBER	P.O. NO.	INVOICE	DATE	AMOUNT
PREP COMP.	0100000109				666.67
SERVICES	0102020610				3,200.00

customer representative is: Marie, 573-3965.

Mail check: (mailing address if different)

Other: \_\_\_\_\_

#### ACCOUNT DISTRIBUTION:

Purchase Order # \_\_\_\_\_

010	203	0000	1109		[ 666.67 ] ✓
010	400	2020	6010		3200.00
FUND	TYPE	DEPT./DIV.	OBJECT	PROJECT #	\$2533.33

(400-expense; 300-revenue; 205-deposit)

APPROVED BY:

# INDIRECT COST RATE PROPOSAL

City of Tustin

Finance

Fiscal Year  
1997-98

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
<b>Salaries &amp; Benefits</b>				
Salaries & Wages	\$349,904		\$38,459	\$311,445
Overtime	\$37,988			\$37,988
Benefits                    28.0%	\$98,071		\$10,779	\$87,292
<b>Total</b>	<b>\$485,963</b>		<b>\$49,239</b>	<b>\$436,724</b>
<b>Services &amp; Supplies</b>				
Acctg & Auditing & Prof Consult.	\$39,589			\$39,589
Audit Committee Expense	\$1,725			\$1,725
Telephone	\$7,298		\$7,298	
Office Equip Maint	\$78		\$78	
Departmental Supplies	\$5,792		\$5,792	
Expendable Equip / Furn				
Printing Expenses	\$1,411		\$1,411	
Computer Maintenance & Supplies	\$35,199		\$35,199	
Vehicle Mileage Allowance	\$1,800		\$1,800	
Meetings	\$1,568		\$1,568	
Training & Expense	\$1,995		\$1,995	
Tuition Reimb				
Memberships & Subscriptions	\$1,890	\$1,890		
Postage	\$161		\$161	
<b>Total</b>	<b>\$98,506</b>	<b>\$1,890</b>	<b>\$55,302</b>	<b>\$41,314</b>
<b>Capital Expenditures</b>				
Computer Hardware	\$72,515	\$58,012	\$14,503	
Computer Software	\$68,323	\$54,658	\$13,665	\$0
<b>Total</b>	<b>\$140,838</b>	<b>\$112,670</b>	<b>\$28,168</b>	<b>\$0</b>
<b>Total Expenditures</b>	<b>\$725,307</b>	<b>\$114,560</b>	<b>\$132,708</b>	<b>\$478,038</b>

<b>Cost Plan Costs</b>				
City wide overhead = 5.77% of allowable direct cost/expenditures	\$27,583		\$27,583	
<b>Total</b>	<b>\$27,583</b>		<b>\$27,583</b>	

<b>Total Alloc Indirect Costs</b>	<b>\$752,890</b>	<b>\$114,560</b>	<b>\$160,291</b>	<b>\$478,038</b>
-----------------------------------	------------------	------------------	------------------	------------------

<b>ICRP RATE = 45.9%</b> <i>(Rate is Based on Salaries)</i>
--

$$\frac{\$160,291}{\$349,433} = \frac{\text{Total Allowable Indirect Costs}}{\text{Total Direct Salaries}}$$







FINANCE-FMB424  
 TIME 21:32:48

City of Tustin  
 EXPENDITURE SUMMARY REPORT (BY-FUND)  
 FROM 06/01/98 TO 06/30/98  
 FISCAL YEAR 07/01/98 THRU 06/30/99

PAGE 0011  
 DATE 10/11/98  
 100.0% OF YEAR COMPLETE

UND-DIV-OBJT-DESCR	MONTHLY EXP	APPROPRIATION	YTD-EXPND	ENCUMBRANCE	UNENC-BALANCE	%
10 GENERAL FUND						
2020 FINANCE DEPT: ADMINISTRATION						
6550 PRINTING EXPENSES	180.30	2,000.00CR	1,410.73	0.00	589.27	70.5-
OBJECT SUBTOTAL	1,203.27	6,500.00CR	7,157.94	0.00	657.94-	110.1-
8000 COMPUTER OPERATIONS						
8010 COMPUTER MAINTENANCE	2,132.29	25,000.00CR	29,785.65	0.00	4,785.65-	119.1-
8015 COMPUTER PAPER-FORMS	2,680.50	4,000.00CR	5,264.23	0.00	1,264.23-	131.6-
8020 COMPUTER OPERATIONS	0.00	0.00	148.64	0.00	148.64-	0.0
OBJECT SUBTOTAL	4,812.79	29,000.00CR	35,198.52	0.00	6,198.52-	121.3-
8200 TRANSPORTATION EXPENSES						
8240 VEHICLE MILEAGE/ALLOWNCE	150.00	1,900.00CR	1,800.00	0.00	100.00	94.7-
OBJECT SUBTOTAL	150.00	1,900.00CR	1,800.00	0.00	100.00	94.7-
8300 TRAINING & DEVELOPMENT						
8310 MEETINGS	540.00	1,500.00CR	1,567.82	0.00	67.82-	104.5-
8315 TRAINING EXPENSE	260.00	1,500.00CR	1,995.15	0.00	495.15-	133.0-
8330 MEMBERSHIPS & SUBSCRPTNS	0.00	2,500.00CR	1,889.85	0.00	610.15	75.5-
OBJECT SUBTOTAL	800.00	5,500.00CR	5,452.82	0.00	47.18	99.1-
9800 OTHER EQUIPMENT						
9830 COMPUTING HARDWARE	797.50	75,500.00CR	72,515.39	0.00	2,984.61	96.0-
9835 COMPUTER SOFTWARE	68,323.21	150,000.00CR	68,323.21	0.00	81,676.79	45.5-
OBJECT SUBTOTAL	69,120.71	225,500.00CR	140,838.60	0.00	84,661.40	62.4-
DIVISION TOTAL	138,481.53	811,227.00CR	725,309.71	0.00	85,917.29	89.4-

**City of Tustin**  
**CITY WIDE OVERHEAD CALCULATION:**  
**Based on Actual FY 1996-97 data**

Department	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
City Council	\$80,391	\$80,391		
City Clerk	\$262,120			\$262,120
City Attorney	\$258,167		\$258,167	
City Manager	\$402,642		\$402,642	
Finance	\$594,239		\$594,239	\$594,239
Personnel Services	\$318,883		\$318,883	
Community Development	\$1,740,541			\$1,740,541
Public Works	\$5,637,565			\$5,637,565
Police	\$10,724,036			\$10,724,036
Fire	\$3,408,841			\$3,408,841
Parks & Recreation	\$1,351,759			\$1,351,759
Non-Departmental	\$2,511,829			\$2,511,829
<b>Totals:</b>	<b>\$27,291,013</b>	<b>\$80,391</b>	<b>\$1,573,931</b>	<b>\$26,230,930</b>

$$\frac{\text{Total Allowable Indirect}}{\text{Total City Expenditures}} = \frac{\$1,573,931}{\$27,291,013} =$$

5.77% city wide overhead rate  
based on dollars of total expenditure

Report to the Commission on State Mandates on  
Investment Reports Incorrect Reduction Claims  
County of Los Angeles, FY 1997 & 1998

RECEIVED

SEP 18 2001

COMMISSION ON  
STATE MANDATES

Consultant's background:

In June of this year, the Commission on State Mandates hired me to review documentation pertaining to an Incorrect Reduction Claim for Investment Reports for FY 1997 and FY 1998 submitted by Los Angeles County. The attached resume describes my educational and professional credentials. In addition, as San Diego City Treasurer for 19 years, I was thoroughly familiar with the State statute in question, i.e., Section 53646 of the California Government Code, and with other statutes governing the duties and requirements of California Treasurers. Moreover, I was responsible for the preparation of monthly investment reports for the Manager and Council of the City of San Diego for the entire 19 years.

In preparation for this assignment, I reviewed all of the documents provided to me by the Commission on State Mandates:

- Los Angeles County's Incorrect Reduction Claim, including reimbursement claims with Controllers annotations
- Commission Decisions: Investment Reports, Statement of Decision and Adopted Parameters and Guidelines
- Controller's Claiming Instructions and response defending the reduction of the County's reimbursement claims
- Government Code Section 53646
- Sample copies of prior Commission decisions on incorrect reduction claims

I thoroughly read all of the correspondence contained in these documents, and briefly reviewed the monthly investment report samples provided by the County and the report of Professor Tootelian. I did not thoroughly review Professor Tootelian's report because I felt, based on the contents of the correspondence between the County and the State Controller, that his conclusions were not pertinent to the claim reduction.

I also researched and reviewed other Government Code Sections that I felt were relevant, some of which are cited in my report, and I had two telephone conversations. One was with Neil Rossi, San Diego County's Chief Deputy Treasurer, whom I know because San Diego County is a neighboring agency of the City of San Diego, my former employer. I spoke with Mr. Rossi about Government Code Section 27013, which permits counties to recover investment costs from agencies that participate in county pools. I also confirmed with him that it is standard practice in California for counties to recover such costs. The other telephone conversation was with Kay Chandler, a registered investment

advisor to several local California agencies. I know Ms. Chandler because she was a former investment officer for the City of San Diego, and she currently serves as a member of San Diego City's Investment Advisory Committee. I spoke with her about the requirements of Government Code Section 53607.

Introduction:

Los Angeles County submitted claims for reimbursement for their FY 1997 & 1998 costs to prepare investment reports required by California Government Code Section 53646. The California State Controller denied a substantial portion of these claims and Los Angeles County subsequently filed an Incorrect Reduction Claim (IRC).

Under the Parameters and Guidelines (P's & G's) adopted by the Commission on State Mandates on November 20, 1997, the costs of rendering quarterly reports of investments pursuant to subdivisions (b) and (e) of Code Section 53646 are reimbursable. The P's & G's provide that the following ongoing costs are reimbursable: 1) accumulating and compiling data necessary to prepare the quarterly reports, and 2) rendering a quarterly report to other entities as enumerated.

Findings regarding Los Angeles County's claims:

- Los Angeles County has a very large investment portfolio, nearly \$ 9 billion in FY 1998; and according to Assistant Treasurer and Tax Collector Joseph Spillane, there are approximately 180 local agencies that participate in the County's investment pool. These two facts have a significant impact on the costs of its investment program and on the concomitant costs of investment reporting. The size and structure of the portfolio results in a large number of investment transactions every day. According to the documents I reviewed, every month the County averages more than 600 purchases, sales and maturities of securities, or about 30 per day.<sup>1</sup> These take a significant amount of staff time to record, verify and reconcile with custodian reports. In addition, because of the large number of agencies participating in the County investment pool, considerable staff time is required to monitor the ever-changing cash flow requirements of each agency.<sup>2</sup> Indeed, over half of the investment pool belongs to agencies other than the County.

---

<sup>1</sup> County of Los Angeles Incorrect Reduction Claims, Tab 8: Investment Reporting Transaction Item Count; County of Los Angeles Incorrect Reduction Claims, Second Tab 2: Attachment XVII, Pooled Money Investment Account, pp. 1-21.

<sup>2</sup> County of Los Angeles Incorrect Reduction Claims, Second Tab 2: Attachment VI: Non-Trading Portfolio Participation Composition

- Los Angeles County should be reimbursed for the costs of the following investment related activities because these are also necessary to produce quarterly investment reports:
  - 1) input of all investment activities into ADS, the investment tracking software
  - 2) running required reports from ADS
  - 3) reconciling the reports generated by ADS
  - 4) compiling data as necessary to produce the investment reports for the Board of Supervisors

It is my recommendation, however, that the costs of actually compiling and assembling documents for the Report Package for the Board of Supervisors should be reimbursed for only four (4) reports per year, per CGC Section 53646. While Government Code Section 53607 requires monthly reports under certain circumstances, Section 53646 does not.

- It is my opinion that the County should not be reimbursed for the cost of producing and presenting reports of every investment transaction during the reporting period. While this is required by CGC Section 53607 for Counties that elect to delegate investment responsibility to the County Treasurer, Section 53646 requires only that the quarterly reports list investments "*held by the local agency*". It does not call for a "monthly report of ... *transactions*" as does Section 53607. I believe that the difference in wording between these two sections is significant.
- The County should be reimbursed for the cost of all activities associated with cash flow projections, i.e., assembling cash requirements of all participating agencies, as well as the County, and then periodically forecasting cash availability. This is necessary in order to affirm in the quarterly report that six (6) month cash needs can be met, as required by Section 53646.

Tracking and updating the cash flow requirements of multiple agencies requires considerable staff time, especially in the case of Los Angeles County where the number of participating agencies is so large.

- The County should be reimbursed for the costs of ascertaining whether their portfolio is in compliance with its investment policy, which the Treasurer is required to affirm under Section 53646. I do not believe, however, that they should be reimbursed for the cost of ascertaining whether *every transaction* is in compliance with their policy. While such care may be both prudent and conservative, Government Code Section 53646(b)(2) requires only that, "The quarterly report shall state compliance of the portfolio to the statement of investment policy...." It is my opinion that the use of the words "the portfolio" in conjunction with "the quarterly report" implies that the statement refers simply to *the portfolio* which accompanies the report, which is the portfolio as

of the last day of the reporting period. This is a standard convention in the industry, and even Los Angeles County does not include 20+ separate portfolios (one for every day of the month) with its monthly report. I do not agree with the County's position that the statement of compliance in CGC Section 53646 applies to every transaction during the reporting period.

- The County should be reimbursed for those ADS software expenses associated with the above activities, plus the cost of the pricing service. Such investment tracking software is absolutely essential to accurate and timely investment reporting, and the pricing service is necessary in order to comply with the requirement of Section 53646 to provide the current market value of investments held as of the date of the report. However the County needs to specify what portion of their ADS costs are related to producing the investment reports. It is not clear whether they are claiming reimbursement for all ADS costs or just a pro-rata share.
- Government Code Section 27013 permits counties to recover investment related costs from participating agencies, and the P's & G's for this mandate specifically state that such revenues should be identified and deducted from the claim. I was unable to find information in the County's claim regarding costs recovered from participating agencies for the above activities.

Findings regarding California State Controller statements:

- The Controller's staff reduced or eliminated the County's claims for reimbursement based on their assertion that "daily input" was not a mandated requirement. This misses the point. All investment transactions must be entered into the software system in order to produce timely and accurate investment reports as required under Section 53646. Whether these investment transactions are entered daily, once a week, or once a month should not be the issue. Less frequent input of the transactions would not require any less staff time or cost. All transactions must be input, regardless of when the agency chooses to do so. In fact, it would be imprudent for an agency with a portfolio as large as that of Los Angeles County to skip more than one or two days of entering such data because they would be unable to accurately determine their cash position each day.
- The Controller states that most of the activities claimed for reimbursement are part of the County's "fiduciary responsibility", and that those activities are part of day-to-day investment requirements. I agree with this assessment. However, in my opinion, it is not pertinent to the County's claim because these activities are also necessary to produce the investment reports required by Government Code Section 53646.

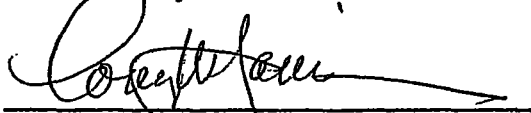
- The Controller states that GASB (the Government Accounting Standards Board) requires certain of the activities claimed for reimbursement by the County. This is also true, but again not relevant because local agency conformance with GASB is not a requirement or mandate.
- Reductions by the Office of the State Controller of the County's claims for FY 1997 and 1998 are inconsistent. Also they appear to be arbitrary since very little in the way of a rationale was provided to support the amount of the claim that the Controller determined to be allowable.
- The Controller states that investment software used by the County (ADS) is not mandated, and therefore not reimbursable. This is not credible; no large or even medium size agency could produce the required investment reports without such software. Even if it were possible to manually produce the information needed for the monthly reports, staff costs would far exceed the cost of the software.

Conclusion:

I believe that the Controller has incorrectly and arbitrarily reduced the claims of Los Angeles County for reimbursement. Los Angeles County should be reimbursed for the costs identified in this report to produce investment reports for FY 1997 and FY 1998, pursuant to the adopted Parameters and Guidelines. This includes many investment-related costs (including ADS), the cost of affirming compliance of the end-of-period portfolio with their investment policy, the cost of cash flow analysis and the cost of obtaining market pricing. The cost of staff needed to compile and assemble the actual reports for the Board and other agencies should be reimbursed for only four reports annually.

Determination of these costs may require that the County provide a more detailed breakdown of the costs of assembling their monthly reports. The County should also provide information regarding any revenue offsets of such costs, as required by the P's & G's.

Submitted by:



Conny Jamison

Attachment: Resume of Conny Jamison

September 13, 2001

## RESUME

CONNOR JAMISON

---

- 1982 - City Treasurer, City of San Diego - Appointed by City Manager, July, 1982.  
2001 Retired 2001. Responsible for a budget of \$5 million and staff of 65.  
Duties included investment of City's \$1.2 billion cash portfolio and annual issuance of short-term debt, as well as processing cash receipts of more than \$1.6 billion annually. Also responsible for Business Tax Administration and Delinquent Account Collection. Served as a Trustee of the City's \$2.8 billion defined benefit plan, \$500 million defined contribution plans, and the Funds Commission with four endowments worth \$12 million.
- 1977 - Director/owner Medmetric Corporation - Co-founded this closely held  
1996 manufacturer of medical instruments, with international sales of more than \$1 million annually.
- 1978 - Economist, City of San Diego - Managed the Research and Analysis  
1982 division of Financial Management Department. Conducted fiscal year impact studies, economic analyses, and long-range budgetary forecasts. Primary advisor to City Manager in use of debt financing for major capital improvements, including the Stadium and Police decentralization projects.
- 1973 - Research/Teaching Assistant, Department of Economics, University of  
1977 California at San Diego, in La Jolla, California.
- 1971 Planning Intern, City Planning Department, San Diego, California
- 1967 - Peace Corps Volunteer, Teacher  
1969 Republic of Korea

### EDUCATION

Ph.D., all but dissertation: Economics  
University of California at San Diego

Master of City Planning, Department of Public Administration (1972)  
San Diego State University

Bachelor of Arts: Diplomacy and World Affairs (1967)  
Occidental College, Los Angeles



**CURRENT BOARDS AND FOUNDATIONS**

Funds Commission, (\$12 million public endowment assets), Trustee Neighborhood National Bank (\$45 million assets), Board Member  
San Diego Community Foundation (\$180 million assets), Investment Committee  
San Diego Kiwanis Foundation (\$3.2 million assets), Board member & Treasurer  
Consumer Credit Counseling Service of San Diego and Imperial Counties, Board Member  
San Diego Kiwanis Club, 1998-99 President

**OTHER PROFESSIONAL MEMBERSHIPS AND ACTIVITIES**

California Municipal Treasurers Association, Past-President  
Governmental Finance Officers Association, past Board Member  
League of California Cities, Past Board member; Past-President of Fiscal Officers Division  
San Diego CERS (\$2.8 billion), Former Trustee & Investment Committee Chair  
San Diego City Employees' DC Retirement Plans (\$300 million), Former Trustee  
California Asset Management Program (\$250 million assets), Former Trustee/Secretary

**PERSONAL**

Lived and traveled extensively throughout the U.S. and overseas. Interests in addition to community activities listed above include an investment club, Hospice volunteer work, bird watching and nature conservancy programs.



**KATHLEEN CONNELL**  
**Controller of the State of California**

September 21, 2001

Paula Higashi, Executive Director  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

Leonard Kaye, Esq.  
Office of the Auditor-Controller  
Kenneth Hahn Office of Administration  
500 West Temple, Room 603  
Los Angeles, CA 90012

*And Interested Parties (See Mailing List)*

**RE: Expert Consultant Report/Prehearing Conference 2**  
**Incorrect Reduction Claim of the County of Los Angeles**  
**Investment Reports**  
**CSM 00-9635802-I-01**  
**Statutes of 1995, Chapter 783**

Dear Ms. Higashi and Mr. Kaye:

We have reviewed the expert's report, and unfortunately it does not alleviate our core concern. Our major concern from the outset has been that this claim involves financial accounting activities that are simply a part of the normal operation of a local treasurer's office. This is confirmed by reference to page four of the report, the final bullet. In that section Ms. Jamison concurs with our belief that the activities claimed are a part of the fiduciary duties of local treasurers. Since a fiduciary duty is a pre-existing legal obligation, any activities performed under such duty would not be reimbursable. Based upon that conclusion we are unable to make any changes to the adjustments made to the

Paula Higashi

-2-

September 21, 2001

County of Los Angeles' claim.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn D. Silva". The signature is fluid and cursive, with a small "for" written at the end.

SHAWN D. SILVA  
Staff Counsel

cc: Mailing List



**KATHLEEN CONNELL**  
**Controller of the State of California**

October 12, 2001

Paula Higashi, Executive Director  
Commission on State Mandates  
980 Ninth Street, Suite 300  
U.S. Bank Plaza Building  
Sacramento, CA 95814

Leonard Kaye, Esq.  
Office of the Auditor-Controller  
Kenneth Hahn Office of Administration  
500 West Temple, Room 603  
Los Angeles, CA 90012

**Re: Incorrect Reduction Claim of the County of Los Angeles**  
CSM 00-9635802-I-01  
Government Code section 53646  
Statutes of 1995, Chapter 783  
*Investment Reports*

Dear Ms. Higashi:

This letter is in response to the prehearing conference of September 27, 2001. As stated at the conference the Controller believes that the obligation to enter and manage data is not derived from the test claim legislation, but comes from the fiduciary duty of a treasurer, to the public they serve. Below we set forth the arguments and law which support this proposition.

As a county officer, a treasurer owes a fiduciary duty to the public for whom he works. This requires him to diligently manage the funds under his control, including the frequent entry of data, as based upon the statements of two expert witnesses. The logical and legal support for each element of these assertions is set forth infra. A county treasurer is a county officer, as are the county controller and auditor.<sup>1</sup> A county officer is considered a public officer<sup>2</sup>, as well as an agent of the state.<sup>3</sup> A public officer, is by definition the holder of a public office.<sup>4</sup> A public office is created for the benefit of the public and as such, constitutes a public trust.<sup>5</sup>

---

<sup>1</sup> See Government Code Section 24000 (Exhibit 1).

<sup>2</sup> See *Coulter v. Pool* (1921) 187 Cal. 181, 187 (Exhibit 2).

<sup>3</sup> See *Miller & Lux v. Batz* (1904) 142 Cal. 447, 450 (Exhibit 3).

<sup>4</sup> See *Miller v. Board of Supervisors* (1864) 25 Cal. 93, 98 (Exhibit 4).

<sup>5</sup> See *Patton v. Board of Health* (1899) 127 Cal. 388, 393-94 (Exhibit 5).

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250  
SACRAMENTO 300 Capitol Mall, Suite 1850, Sacramento, CA 95814 (916) 445-2636  
LOS ANGELES 600 Corporate Pointe, Suite 1150, Culver City, CA 90230 (310) 342-5678

Thus, the officers of a governmental body are trustees of the public weal, or well being.<sup>6</sup> As trustees, they have a fiduciary duty to the public they serve.<sup>7</sup> To meet this obligation a public officer must act with at least that degree of care and diligence that an ordinarily prudent person would use in connection with the particular transaction<sup>8</sup> in the management of his or her own affairs<sup>9</sup>, or in the care of his or her own property under the same circumstances<sup>10</sup>. In addition, California recognizes the "Prudent Investor Rule",<sup>11</sup> codifying it in 1943 as subdivision (1) of Section 2261 of the Civil Code.<sup>12</sup> Both experts who have commented, Dr. Tootelian and Ms. Carson, indicate that an entity with such a large budget and with such numerous transactions as Los Angeles County, should enter data at least weekly. As experts in business and local governmental treasury operations respectively, their statements are substantial evidence that a standard of at least weekly is what is required to meet fiduciary obligations. There is no requirement found in the test claim statutes, Statement of Decision, or Parameters & Guidelines for more frequent data entry. Therefore, the requirement for frequent data entry comes from a pre-existing, as well as co-existing, fiduciary obligation, and not the state mandate, thus those costs are not reimbursable.

Although the use of the common law may be "novel" in this situation, the status of common law is well recognized. In fact, the validity of the common law is codified in the Civil Code of California.<sup>13</sup> Courts have found this provision to mean that when California became a state, the common law was adopted and put in force except where superseded by statute.<sup>14</sup> Thus, absent a statute or constitutional provision to the contrary, the above analysis would prevail, and data input and management would not be reimbursable.

In addition, we believe that the provisions of Government Code Section 17556 are inapplicable to this case as that section, by its very own terms, applies only to claims.

Sincerely,



SHAWN D. SILVA  
Staff Counsel

Cc: Interested Parties and Affected State Agencies (See Mailing List)

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<sup>6</sup> See *Terry v. Bender* (1956) 143 Cal.App.2d 198, 206 (Exhibit 6).

<sup>7</sup> See *Nussbaum v. Weeks* (1989) 214 Cal.App.3d 1589, 1597-98 (Exhibit 7).

<sup>8</sup> See *In re Estate of Hamon* (1922) 60 Cal.App. 154, 157 (Exhibit 8).

<sup>9</sup> See *In re Estate of Whitney* (1926) 78 Cal.App. 638, 645 (Exhibit 9).

<sup>10</sup> See *Birmingham v. Wilcox* (1898) 120 Cal. 467, 472 (Exhibit 10).

<sup>11</sup> See *Estate of Talbot* (1956) 141 Cal.App.2d 309, 317 (Exhibit 11).

<sup>12</sup> See statute and historical note, statute was subsequently recodified to Probate Code Section 16040(b) (Exhibit 12).

<sup>13</sup> Section 22.2 provides that "[t]he common law of England, so far as it is not repugnant to or inconsistent with the Constitution of the United States, or the Constitution or laws of this State, is the rule of decision in all the courts of this State." (Exhibit 13.)

<sup>14</sup> See *In re Farley's Estate* (1944) 63 Cal.App.2d 130, 133 (Exhibit 14).