

COMMISSION ON STATE MANDATES  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

(916) 323-3562  
CSM 2(2/91)

**INCORRECT REDUCTION CLAIM FORM**

For Official Use Only
<b>RECEIVED</b> SEP 19 2002 COMMISSION ON STATE MANDATES
Claim No. <u>02-9635802-I-20</u>

Local Agency or School District Submitting Claim

**CITY OF HUNTINGTON BEACH**

Contact Person

**J. BRADLEY BURGESS/NICOLE ZIEBA**

Telephone No.

(916) 485-8102

Address

4320 Auburn Blvd., Suite 2000, Sacramento, CA 95841

Representative Organization to be Notified

**LEAGUE OF CALIFORNIA CITIES**

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 17551(b) of the Government Code.

CLAIM IDENTIFICATION: Specify Statute or Executive Order

Investment Reports, Chapter 783, Statutes of 1995, *et al.*

<u>Fiscal Year*</u>	<u>Amount of the Incorrect Reduction</u>
1995-96	\$1,293
1996-97	\$20,285

TOTAL \$21,578

\*More than one fiscal year may be claimed.

**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.

ARNOLD BOSS SR ACCOUNTANT (714) 536 5238  
Signature of Authorized Representative

8/26/02  
Date

*Arnold Boss*

*8/26/02*

# **City of Huntington Beach Incorrect Reduction Claim**

Investment Reports  
Chapter 783, Statutes of 1995, *et al.*

The State Controller's Office (hereinafter "SCO") incorrectly reduced the claim of the City of Huntington Beach (hereinafter "City") for reimbursement of the City's costs of implementing the requirements of Chapter 783, Statutes of 1995, *et al.* The City's claim complied with the Parameters and Guidelines and Claiming Instructions for Chapter 783, Statutes of 1995, and is supported by substantial documentation and evidence. The SCO's reduction of this claim is arbitrary, capricious, and contrary to law.

## **I. SUMMARY OF THE CLAIM**

The State Controller's Office incorrectly reduced the claim of the City of Huntington Beach for reimbursement of the City's costs of implementing the requirements of Chapter 783, Statutes of 1995, commonly referred to as Investment Reports. The SCO reduced the Investment Report Claim filed by the City for the 1995-96 and 1996-97 fiscal years.

The Commission on State Mandates (CSM) 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, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561." The City of Huntington Beach is a local agency as defined in Government Code, Section 17518.

## **II. STATEMENT OF ISSUES IN DISPUTE**

The following is a list of issues associated with this claim:

1. The amount claimed by the City for reimbursement of the costs of the mandate imposed by Chapter 783, Statutes of 1995 fairly represents the actual costs incurred by the City in carrying out the mandated activities. These costs were properly claimed under the Parameters and Guidelines for Chapter 783, Statutes of 1995 adopted by the CSM, and the Claiming Instructions as prepared by the SCO. Reimbursement of these costs is mandated under Article XIII B, Section 6 of the California Constitution.

a. The SCO has incorrectly reduced the claim by the amount claimed for the preparation and adoption of the Annual Investment Policy.

b. The SCO has incorrectly reduced the claim by the amount claimed for the performance of the subsidiary ledger functions including reconciling accounts, verifying

interest rates and bank statements, and adjusting current market value, which are included in the agency's investment report.

c. The SCO reduced the claim by the amount of the software used to track the City's investments (fixed income module and extended investment module).

d. The SCO reduced the claim's Indirect Cost Rate based upon the incorrectly reduced claim.

2. The adjustments to the City's reimbursement claims by the SCO's Local Reimbursements Section have no force or effect in law since:

a. The SCO did not audit the claims or records of the City prior to denial of payment to verify the actual amount of the mandated costs, as is required by Government Code, Section 17561(d)(1)(A), and

b. There is inadequate documentation to support the "claim adjustment" for each fiscal year, and

c. The adjustments made by the SCO are not supported by the evidence, and are arbitrary, capricious and contrary to law, and

d. The incorrect reduction claim has been timely filed, and

e. Because the SCO has enforced and is seeking to enforce its adjustment in contravention to the requirements of Government Code, Section 17561 of the Constitution of the State of California, the burden of proof is upon the SCO to establish a legal basis for its actions. The City has met its burden of going forward on this claim through its compliance with Title 2, California Code of Regulations, Section 1185.

3. The Commission on State Mandates has authority to hear this claim and direct restoration of the amounts claimed by the City which were incorrectly reduced. This claim provides sufficient information for the CSM to direct the Controller to reverse the reductions previously made and to direct the Controller to pay the City.

### **III. BRIEF HISTORY AND BACKGROUND OF INVESTMENT REPORTS**

The test claim on the subject legislation, Government Code, Section 53646, subdivisions (a), (b) and (e) as added by Chapter 783, Statutes of 1995, and amended by Chapters 156 and 749, Statutes of 1996, was filed by the County of Santa Clara and the City of Newport Beach on December 23, 1996. The matter was heard as an undisputed test claim, and the Statement of Decision was adopted by the Commission on State Mandates at its hearing on March 27, 1997. A true and correct copy of the Statement of Decision is attached hereto as Exhibit 1 and incorporated herein by reference.

At that hearing of the Commission on State Mandates, the following findings were made:

Subdivision (a) of Government Code section 53646 provides that the local agency treasurer or chief fiscal officer, as applicable, "... shall annually render ..." to the local legislative body and any investment oversight committee "...a statement of investment policy...". In the case of counties, the investment policy is to be "reviewed and approved" at a public meeting. Changes to the investment policy are required to undergo the same process. No such requirement for an annual investment policy or for its review and approval (or consideration) existed in immediate prior law – the Chapter 59, Statutes of 1993, version of section 53646. The requirements of subdivision (a), therefore, constitute a new program or higher level of service in an existing program.

Subdivision (b) of section 53646 requires the treasurer or [sic] chief fiscal officer "...to render a quarterly investment report having specified content to the chief executive officer, the internal auditor, and the legislative body of the local agency....".

Subdivision (e) of section 53646 provides that the quarterly report required by subdivision (b) may be presented in somewhat abbreviated fashion for those investments [sic] which have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation – insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of those forms of investment. The reports under subdivision (e), while abbreviated, are still required. Under the immediate prior law, the Chapter 59, Statutes of 1993, version of section 53646, quarterly investment reporting was discretionary; therefore, the requirements of subdivisions (b) and (e) of section 53646 constitute a new program or higher level of service in an existing program.

Subdivisions (c) and (d) of Government Code section 53646 are *not* part of this test claim.

Government Code section 53646 offers local agencies two levels of detail in making the required quarterly reports. Subdivision (e) provides for simpler reporting method for those local agency investments which have been placed in the Local Agency Investment Fund 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 those investment vehicles. The more complex reporting requirements found in subdivision (b) apply to local agencies which cannot place all of their investments in the Local Agency Investment Fund or in the other accounts specified in subdivision (e). Local agencies which are able to use the investment methods listed in subdivision (e) exclusively should therefore be expected to have lower costs of compliance with the reporting requirements of section 53646 than those agencies which must invest some or all of their surplus funds in other financial institutions or instruments. The Government Code imposes limits on local government bank deposits [footnote omitted], and the State Treasurer has the statutory authority to limit local agency deposits in the Local Agency Investment Fund [footnote omitted]; so it is recognized that the number of local agencies eligible to report exclusively under subdivision (e) will be limited.

There are no federal requirements which are comparable to the state requirements found in Government Code section 53646, subdivisions (a), (b), and (e).

Finally, the term "local agency" as it applies to section 53646 is not the same as that term is used in Government Code section 17518 pertaining to the Commission on State Mandates [footnote omitted]. For purposes of section 53646, Government Code section 53630, subdivision (a) defines "local agency" to mean "...county, city, city and county, including a chartered city or county, a community college district, or other public agency or corporation in this state." The "local agency" definition as found in section 53646, subdivision (a), is to be used for the purposes of this test claim.

Thereafter, Parameters and Guidelines were adopted by the Commission at its hearing on November 27, 1997, a true and correct copy of which is attached hereto as Exhibit 2.

The State Controller's Office issued Claiming Instructions, a true and correct copy of which is attached hereto as Exhibit 3. The initial claims for actual costs for the period January 1, 1996 through June 30, 1996, and the 1996-97 fiscal year were due on May 20, 1998. The reimbursement claim for fiscal year 1997-98 was due on November 30, 1998.

#### IV. THE CITY'S CLAIM AND THE SCO'S REDUCTIONS

The City of Huntington Beach filed a claim for reimbursement for January 1, 1996 through June 30, 1996 on or about May 20, 1998; and filed a reimbursement claim for fiscal year 1996-1997 on or about May 20, 1998. The amount of the claims filed and the SCO's reductions are as follows:

<b>YEAR</b>	<b>CLAIMED AMOUNT</b>	<b>SCO'S REDUCTIONS</b>	<b>NET REIMBURSEMENT</b>
1995-96	\$ 1,293	\$ 1,293	\$ 0
1996-97	\$ 22,542	\$ 20,285	\$ 2,257
<b>TOTAL</b>	<b>\$ 23,835</b>	<b>\$ 21,578</b>	<b>\$ 2,237</b>

The City of Huntington Beach requested complete copies of the SCO's files, together with "copies of any and all documents, claims, audit notes, desk review notes, audit reports, work papers, correspondence, claims receipts, remittance advice, and any and all documents contained within the files pertaining to the following reimbursement claims". A true and correct copy of said letter is attached hereto and incorporated herein as Exhibit 4.

The SCO only provided copies of the claims filed by the City of Huntington Beach, together with its notes thereon. True and correct copies of the documents provided by the SCO are attached hereto and incorporated herein as Exhibit 5.

For the 1995-96 fiscal year, the SCO eliminated all costs for Sympro software, stating that software was not mandated. However, traditionally the Commission has allowed software costs if same is reasonably necessary to perform the mandated activities. The same costs were reduced for the 1996-97 fiscal year, as were costs for training staff on the new Sympro software. Customarily the Commission has also recognized the need to train staff on new systems so that the new system can be used effectively. The SCO eliminated all costs associated with training staff on the Sympro software. These costs bear a rational relationship to mandated activities.

For 1996-97 fiscal year, time for the individuals who assisted in the preparation and adoption of the Annual Investment Policy, was reduced to an arbitrary rate of 25% of costs claimed. There is no rational reason or justification for the reduction of these costs, and in particular, no justification for the rate used to compute the new cost. The SCO took it upon themselves to create an "appropriate" rate. However, the Annual Investment Policy is required to be developed and adopted as stated in the legislation, as well as the Statement of Decision and Parameters and Guidelines. In all of these documents, there is no specific methodology or rate that a City is mandated to use to comply with the legislation and, therefore, the methodology used by the City of Huntington Beach is appropriate at the rate originally claimed.

For the 1996-97 fiscal year, the SCO also unilaterally and arbitrarily reduced costs of salaries for the City Treasurer and Deputy City Treasurer for the activities described as: "Staff prepared and rendered quarterly reports of investment to city council, per mandated requirements." These duties are clearly related to the mandate. The SCO has disallowed the true and correct costs associated with these requisite duties. The only explanation given is "excessive time" and "daily/monthly accounting functions not mandated". Yet, neither the legislation, Statement of Decision nor Parameters & Guidelines state a minimum or maximum allowable timeframe to complete these duties. Therefore, the SCO's decision to disallow these costs is arbitrary and capricious.

Also, investment reporting compliance is not a simple matter of reporting a few numbers on four occasions each year. Rather, detailed investment reporting, accumulation and compilation mandates are imposed as a result of this test claim legislation.

In the Commission's Statement of Decision on the test claim, rendered March 27, 1997, the Commission cited pertinent law which requires that:

"...this report shall include the type of investment, issue, 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 the 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."

The Commission further noted that Government Code, Section 53646(b)(2) and (b)(3) requires that:

(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.

The Statement of Decision also recognizes that the legislation contemplated the use of subsidiary ledgers of investments in accordance with accepted accounting practices.

In order to render the required investment reports, data from transactions occurring throughout the reporting period must be accumulated and compiled. To this end, the legislation permits the utilization of subsidiary ledgers, in accord with generally accepted accounting principles. In some locales, such as the City of Huntington Beach, given the number of transactions, it is performed with a software program.

Property taxes are received in April and December of each year. These funds, together with receipts from the State, must be managed in such a way that they will provide necessary funding for the budget throughout the year. The State of California notifies cities three months in advance when the city may expect to receive certain funds, but not the amount that is to be received. Thus, it is important to do cash flow forecasting, as required under the mandate, and be fully invested to maximize returns. As a result, when deposits are received, if the cash is not immediately needed, it is invested.

This mandate requires that there be liquidity projections on a six month basis. In order to perform a liquidity projection, disbursements must be matched with receipts. Because the total amount of the State's payments are unknown, estimates of the receipts are done with historical data. This information is used in cash forecasting and for investment decisions, including maturities.

In order to make sure there is appropriate cash flow, maturities must be checked and verified on a daily basis. This is because when making investments, they are made on a daily basis, and thus maturities are critical.

The Investment Report is not a point in time document. Rather, it shows the entire portfolio at this point in time and demonstrates that one is in compliance not only with one's own investment policy, but also with the Government Code. If the portfolio is not in compliance on a given date, the out of compliance condition must be reported. The requirement is to be in compliance with the Annual Investment Policy at all times, not just on the date on which the report is due. If this were a point in time document, there would be no requirement to be in compliance on all dates of the quarter; the portfolio would merely have to be in compliance on the last day of the quarter. Thus, the requirement to be in compliance mandates daily monitoring.

It is possible to be out of compliance because of a change in credit ratings of the investments made. If an instrument is purchased and the credit rating changes, the portfolio could be out of compliance. During the past two years, several major companies, including Pacific Gas & Electric, Enron and Edison International have all seen their credit ratings substantially reduced. Also, the portfolio can be out of compliance if there is an instrument with too long a maturity.

Also, the mandate requires that one report not just the cost of the investment, but also the par value and the market value. Book value is the cost of the investment. Par value is the value upon maturity. Market value is the value which is received if the investment is sold at that time, prior to maturity. The test claim legislation requires the portfolio to reflect market value, even if there is no intention of selling the instrument prior to maturity. If



the book value is greater than market value, there is a "loss"; if the book value is less than market value, there is a "profit". Additionally, if an instrument is purchased at a value that is different from par, the difference must be amortized to the maturity or call date, and the yield must be computed to the maturity or call date.

When the claims were paid, the SCO did not send work papers or audit reports to justify the reason or methodology for the disallowances. Remittance advice simply stated "claim adjustment." No further detail was provided. It was not until the City received a copy of the SCO's files in June 2002 did it understand the reason for the reductions. However, there is still no justification included for the methodology used in computing the disallowances.

Given the reductions made, request was made to the SCO to reinstate the costs which were reduced. Attached hereto as Exhibit 6 is a true and correct copy of said letter. As of this date, no restoration of the reduced costs has been made by the SCO.

## V. CONCLUSION

In conclusion, it is the contention of the City of Huntington Beach that the actions of the SCO are arbitrary, capricious, contrary to law and without justification. The Commission on State Mandates should find that the claims submitted by the City were in compliance with the Parameters and Guidelines and appropriate Claiming Instructions, that the claims were supported by proper documentation, and that the costs claimed by the City are all reimbursable pursuant to Article XIII B, Section 6 of the California Constitution, and direct the SCO to pay the entirety of the City's claims as allowable pursuant to the Parameters and Guidelines.

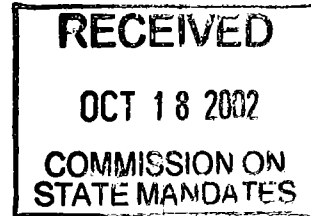
## VI. CERTIFICATION

I certify by my signature below that that the statements made herein are true and correct of my own knowledge, or as to all other matters, I believe them to be true and correct based upon my information and belief.

Executed this 26th day of August at Huntington Beach, California.

Arnold Ross  
[Name]

S R account  
[Title]



**CERTIFICATION**

**City of Huntington Beach**

**Incorrect Reduction Claim –  
Investment Reports (Chapter 783, Statutes of 1995, et al.)**

I declare under penalty of perjury that the statements made herein are true and correct of my own knowledge, or as to all other matters, I believe them to be true and correct based upon my information and belief.

Executed this 17th day of October, 2002, at Huntington Beach, California.

Arnold Ross

[Signature]

ARNOLD ROSS

[Name – Please Print]

SR ACCOUNTANT

[Title]

**COMMISSION ON STATE MANDATES**

1300 I Street, Suite 950  
Sacramento, California 95814  
(916) 323-3562

March 31, 1997

Mr. Steve Conrad  
SB 90 Coordinator  
County of Santa Clara  
County Gov't. Center, E. Wing  
70 W. Hedding, 2<sup>nd</sup> Floor  
San Jose, CA 95110

Mr. Dick Kurth  
Deputy Director  
City of Newport Beach  
3300 Newport Beach, PO Box 1768  
Newport Beach, CA 92659-1768

*AND INTERESTED PARTIES* (See Attached Mailing List)

RE: Investment Reports  
CSM-96-358-02

Filed by the County of Santa Clara and the City of Newport Beach  
Government Code Section 53646, subdivisions (a), (b), and (e),  
as added by Chapter 783, Statutes of 1995 and amended by Chapters 156  
and 749, Statutes of 1996  
Filed on December 23, 1996; Statement of Decision adopted on March 27,  
1997.

The Commission on State Mandates has adopted the attached Statement of Decision on this undisputed test claim. Therefore, the first step in the mandates reimbursement process has been completed.

State law provides that reimbursement, if any, is subject to Commission approval of parameters and guidelines for reimbursement of the mandated program; approval of a statewide cost estimate; a specific legislative appropriation for such purpose; a timely-filed claim for reimbursement; and subsequent review of the claim by the State Controller's Office.

Because this is an undisputed test claim, I'd like to review the responsibilities of all parties and the Commission during the parameters and guidelines phase. Strict compliance with these timelines is essential for the Commission to approve a statewide cost estimate within six months (now seven months because of the one month delay to review the federal issue).

- **Claimant's Submission of Proposed Parameters and Guidelines.** Within 30 days of adoption of a statement of decision on a test claim, the successful claimant is responsible for submitting proposed parameters and guidelines. See Government Code section 17557 and Title 2, California Code of Regulations (CCR) sections 1183.1 et seq for guidance in preparing and filing a timely submission.

March 31, 1997

Page 2

- **Review of Proposed Parameters and Guidelines.** Within ten days of receipt of completed proposed parameters and guidelines, the Commission shall send a copy to the Department of Finance, Office of the State Controller, affected state agencies, and interested parties who are on the mailing list described in section 1181.2 of the Commission's regulations. All recipients shall be given an opportunity to provide written comments or recommendations to the Commission within 30 days of service. The claimant and other interested parties may submit written rebuttals. (See CCR § 1183.11.)
- **Adoption of Parameters and Guidelines.** After review of the proposed parameters and guidelines and all comments, Commission staff shall recommend the adoption of the claimant's proposed parameters and guidelines or adoption of an amended, modified, or supplemented version of the claimant's original submission. (See CCR § 1183.12.)

An "undisputed" test claim may be transformed into a "disputed" test claim, for purposes of adoption of the statewide cost estimate, at any stage in the mandates reimbursement process. If there is opposition, in whole or in part, by the State Department of Finance, the State Controller, any other affected state agency, the test claimant, the Commission, or interested party, this undisputed test claim may become a disputed test claim. (See CCR § 1181.1 (q).)

Please note that the statement of decision for *Investment Reports*, CSM-96-358-02, was adopted on March 27, 1997. Pursuant to Government Code 17557 and Title 2, CCR sections 1183.1 et seq, the County of Santa Clara and City of Newport Beach, as joint claimants, are responsible for submitting proposed parameters and guidelines by April 29, 1997.

If you have any questions or concerns, please contact me, or Steve Zimmerman, the program analyst assigned to this mandate.

Sincerely,



PAULA HIGASHI

Executive Director

Attachments: Statement of Decision  
Mailing List

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BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

Test Claim on:

*Investment Reports*

Government Code Section 53646, subdivisions  
(a), (b) and (e) as added by Chapter 783,  
Statutes of 1995; as amended by Chapters 156  
and 749, Statutes of 1996;

By the County of Santa Clara and  
the City of Newport Beach, Claimants.

No. CSM-96-358-02

*Investment Reports*

STATEMENT OF DECISION

The attached Statement of Decision of the Commission on State Mandates is hereby  
adopted in the above entitled matter.

This Decision shall become effective on March 27, 1997.



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PAULA HIGASHI, Executive Director

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

IN RE TEST CLAIM ON:

Government Code Section 53646, subdivisions (a), (b) and (e) as added by Chapter 783, Statutes of 1995; as amended by Chapters 156 and 749, Statutes of 1996;

Filed on December 23, 1996;

By the County of Santa Clara and the City of Newport Beach, Claimants.

NO. CSM - 96-358-02

*Investment Reports*

PROPOSED STATEMENT OF  
DECISION PURSUANT TO  
GOVERNMENT CODE SECTION  
17500 ET SEQ.; TITLE 2,  
CALIFORNIA CODE OF  
REGULATIONS, DIVISION 2,  
CHAPTER 2.5, ARTICLE 7.

**PROPOSED STATEMENT OF DECISION**

**Issue:** Do the provisions of Government Code section 53646, subdivisions (a), (b) and (e), as added by Chapter 783, Statutes of 1995, and amended by Chapters 156 and 749, Statutes of 1996, impose a new program or a higher level of service in an existing program upon local agencies within the meaning of section 6, article XIII B of the California Constitution and Government Code section 17514 by requiring specified quarterly reports of investments and an annual statement of investment policy?

This test claim was heard by the Commission on State Mandates (Commission) on February 27, 1997, and on March 27, 1997, in Sacramento, California, during two regularly scheduled hearings.

On February 27, 1997, Allan Burdick appeared on behalf of the County of Santa Clara and Glen Everroad appeared on behalf of the City of Newport Beach.

On March 27, 1997, Allan Burdick appeared on behalf of the County of Santa Clara, Glen Everroad appeared on behalf of the City of Newport Beach, and Jim Apps represented the Department of Finance.

The record on the test claim included (1) a letter from the Department of Finance stating that the test claim legislation may have resulted in a reimbursable state mandated program concerning the preparation of quarterly investment reports and the rendering of an annual statement of investment

policy; (2) A-letter from the State Treasurer's Office concurred with the claimants that the new legislation referenced in the test claim does result in additional workload for local agencies.

At both hearings, evidence both oral and documentary was introduced, the test claim was submitted, and the vote was taken.

The law applicable to the Commission's determination of a reimbursable state mandated program is Government Code section 17500 and following, and section 6, article XIII B of the California Constitution and related case law.

### BACKGROUND AND FINDINGS OF FACT

The claimants allege that the provisions of Government Code section 53646, subdivisions (a), (b), and (e), as added Chapter 783, Statutes of 1995, and amended by Chapters 156 and 749, Statutes of 1996, impose a new program or higher level of service within the meaning of section 6, article XIII B of the California Constitution and section 17514 of the Government Code by requiring specified quarterly reports of investments and an annual statement of investment policy.

Former Government Code section 53646, as amended by Chapter 59/93, read:

"The treasurer ~~shall~~ *may* render to the depository and to the auditor, controller, secretary, or corresponding officer of the local agency a statement showing the amount of accrued interest for each depository for the preceding quarter if so required by the legislative body of the local agency."

(Addition made by Chapter 59/93 is in *italics*, deletion in ~~strikethrough~~.)

The test claim legislation, Chapter 783, Statutes of 1995, repealed the 1993 version of Government code section 53646 and replaced it with the following (including the amendments made by Chapters 156 and 749, Statutes of 1996):

"(a) ~~¶(1)~~ *In the case of county government, the treasurer or chief fiscal officer shall annually render to the legislative body of the local agency board of supervisors and any oversight committee a statement of investment policy, which the legislative body of the local agency board shall consider-review and approve at a public meeting. Any changes change in the policy shall also be considered-reviewed and approved by the legislative body of the local agency 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 subdivision (e), 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 part 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. [Subdivision (c) was not part of this test claim.]

"(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. [Subdivision (d) was not part of this test claim.]

"(e) ~~If a~~ For local agency ~~has investments that have been placed all of its investments~~ in the Local Agency Investment Fund, created by Section 16429.1, ~~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.*"

(Additions made by Chapters 156/96 and 749/96 in *italics*, deletions in ~~strikethrough~~.)

#### THE COMMISSION FINDS THAT:

Subdivision (a) of Government Code section 53646 provides that the local agency treasurer or chief fiscal officer, as applicable, "... shall annually render ..." to the local legislative body and any investment oversight committee "... a statement of investment policy ...". In the case of counties, the investment policy is to be "reviewed and approved" at a public meeting, while for other local agencies the investment policy is to be "considered" at a public meeting. Changes to the investment policy are required to undergo the same process. No such requirement for an annual investment policy or for its review and approval (or consideration) existed in immediate prior law -- the Chapter 59, Statutes of 1993, version of section 53646. The requirements of subdivision (a), therefore, constitute a new program or higher level of service in an existing program.

Subdivision (b) of section 53646 requires the treasurer or chief fiscal officer "... to render a quarterly investment report having specified content to the chief executive officer, the internal auditor, and the legislative body of the local agency ...".



Subdivision (e) of section 53646 provides that the quarterly report required by subdivision (b) may be presented in somewhat abbreviated fashion for those investment which have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of those forms of investment. The reports under subdivision (e), while abbreviated, still are required. Under the immediate prior law, the Chapter 59, Statutes of 1993, version of section 53646, quarterly investment reporting was discretionary; therefore, the requirements of subdivisions (b) and (e) of section 53646 constitute a new program or higher level of service in an existing program.

Subdivisions (c) and (d) of Government Code section 53646 are *not* part of this test claim.

Government Code section 53646 offers local agencies two levels of detail in making the required quarterly reports. Subdivision (e) provides for a simpler reporting method for those local agency investments which have been placed in the Local Agency Investment Fund 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 those investment vehicles. The more complex reporting requirements found in subdivision (b) apply to local agencies which cannot place all of their investments in the Local Agency Investment Fund or in the other accounts specified in subdivision (e). *Local agencies which are able to use the investment methods listed in subdivision (e) exclusively should therefore be expected to have lower costs of compliance with the reporting requirements of section 53646* than those agencies which must invest some or all of their surplus funds in other financial institutions or instruments. The Government Code imposes limits on local government bank deposits<sup>1</sup>, and the State Treasurer has the statutory authority to limit local agency deposits in the Local Agency Investment Fund<sup>2</sup>; so it is recognized that the number of local agencies eligible to report exclusively under subdivision (e) will be limited.

There are no federal requirements which are comparable to the state requirements found in Government Code section 53646, subdivisions (a), (b), and (e).

Finally, the term "local agency" as it applies to section 53646 is not the same as that term is used in Government Code section 17518 pertaining to the Commission on State Mandates<sup>3</sup>. For purposes of section 53646, Government Code section 53630, subdivision (a), defines "local agency" to mean "... county, city, city and county, including a chartered city or county, a community college district, or other public agency or corporation in this state." The "local

<sup>1</sup> Government Code section 53638 limits local agency deposits in banks, savings and loans and credit unions so as not to exceed shareholders' equity, net worth or unimpaired capital and surplus (as applicable), with specified exceptions. Claimants also cited limitations on deposits statewide as found in Financial Code section 856; that section, however, was repealed by Chapter 1063, Statutes of 1996.

<sup>2</sup> Government Code section 16429.1 creates the Local Agency Investment Fund in the State Treasury for the deposit of local agency funds. Section 16429.1 also provides that deposits into that Fund may be limited by the State Treasurer if "... the deposit would adversely affect the state's portfolio." Further, the Local Agency Investment Board (created by section 16429.2 of the Government Code) may determine whether quasi-governmental agencies may participate in the Fund.

<sup>3</sup> Government Code section 17518 includes "any city, county, special district, authority, or other political subdivision of the state" as a "local agency. Section 17519 includes school districts, community college districts and county superintendents of schools as "school districts," not as "local agencies".

agency" definition as found in section 53630, subdivision (a), is to be used for purposes of this test claim.

### CONCLUSION

Based on the foregoing findings, the Commission approves the test claim and determines that:

The provisions of Government Code section 53646, subdivisions (a), (b) and (e), as added by Chapter 783, Statutes of 1995, and amended by Chapters 156 and 749, Statutes of 1996, impose a new program or a higher level of service in an existing program upon specified local agencies within the meaning of section 6, article XIII B of the California Constitution and Government Code section 17514 by requiring those agencies to perform the following activities:

- To render an annual statement of investment policy pursuant to Government Code section 53646, subdivision (a).
- To render quarterly reports of investments, as specified, pursuant to Government Code section 53646, subdivisions (b) and (e).

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

IN RE TEST CLAIM ON:

Government Code Section 53646,  
Subdivisions (a), (b), and (e), as added and  
amended by Chapter 783, Statutes of 1995;  
Chapter 156, Statutes of 1996; Chapter 749,  
Statutes of 1996; and

Filed by The County of Santa Clara and  
The City of Newport Beach

CSM-96-358-02

*Investment Reports*

Adoption of Parameters and Guidelines  
Pursuant to Government Code Section  
17557 and Title 2, CCR, Section  
1183.12.

PARAMETERS AND GUIDELINES

The attached Parameters and Guidelines are hereby adopted by the Commission on State  
Mandates on November 20, 1997.

Date: November 21, 1997

  
\_\_\_\_\_  
PAULA HIGASHI  
Executive Director

## Parameters and Guidelines

Government Code Section 53646, Subdivisions (a), (b), and (e)  
Chapter 783, Statutes of 1995  
Chapter 156, Statutes of 1996  
Chapter 749, Statutes of 1996

### *Investment Reports*

#### I. Summary of the Source of the Mandates

Chapter 783, Statutes of 1995, repealed the 1993 version of Government Code section 53646, and replaced it with a new section. Chapter 156, Statutes of 1996, an urgency bill, and Chapter 749, Statutes of 1996, amended subdivisions (a) and (e) of section 53646. Government Code section 53646 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.

#### II. Commission on State Mandates Decision

On March 27, 1997, the Commission on State Mandates determined that the provisions of Government Code section 53646, subdivisions (a), (b) and (e), as added by Chapter 783, Statutes of 1995, and amended by Chapters 156 and 749, Statutes of 1996, impose a new program or a higher level of service in an existing program upon specified local agencies and school districts within the meaning of section 6, article XIII B of the California Constitution and section 17514 of the Government Code by requiring those agencies to perform the following activities:

- To render an annual statement of investment policy pursuant to Government Code section 53646, subdivision (a).
- To render quarterly reports of investments, as specified, pursuant to Government Code section 53646, subdivisions (b) and (e).

#### III. Eligible Claimants

The eligible claimants are any county, city, city and county or other public agency or political subdivision of the state, including school districts as defined in Government Code section 17519.

#### IV. Period of Reimbursement

Government Code section 17557 states that a test claim must be submitted on or before December 31st following a given fiscal year to establish eligibility for that fiscal year. The

County of Santa Clara and the City of Newport Beach filed the test claim for this state mandated program on December 23, 1996, establishing eligibility for fiscal year 1995-96. However, the test claim statutes were not in effect on July 1, 1995. Therefore, reimbursement claims may be filed for costs incurred, as follows:

Costs incurred pursuant to Chapter 783, Statutes of 1995, are reimbursable on or after January 1, 1996.

Costs incurred pursuant to Chapter 156, Statutes of 1996, an urgency statute, are reimbursable on or after July 12, 1996.

Costs incurred pursuant to Chapter 749, Statutes of 1996, are reimbursable on or after January 1, 1997.

Actual costs for one fiscal year shall be included in each claim. Estimated costs for the subsequent year may be included on the same claim, if applicable. Pursuant to section 17561, subdivision (d)(1) of the Government Code, all claims for reimbursement of costs shall be submitted within 120 days from the date on which the State Controller issues claiming instructions.

If the total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed, except as otherwise allowed by Government Code Section 17564.

## V. Reimbursable Costs

### A. Scope of Mandate

Eligible claimants shall be reimbursed for the costs incurred to render an annual statement of investment policy and quarterly investment reports, as specified in Section V.B. Reimbursable Activities.

### B. Reimbursable Activities

For each eligible claimant, the direct and indirect costs of labor, supplies, and services incurred for the following mandate components are reimbursable, as follows:

#### 1. Statement of Investment Policy

Prepare and submit the annual statement of investment policy<sup>1</sup>, and changes to:

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

<sup>1</sup> In counties with Treasury Oversight Committees, costs to prepare annual statements of investment policy are allowable administrative costs, payable from proceeds of the investments as provided in Government Code section 27135.

<sup>2</sup> For the period from January 1, 1996, through December 31, 1996, counties are eligible for reimbursement for the costs incurred to carry out this activity.

## 2. Quarterly Report of Investments

### a. Implementation Costs

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

### b. Ongoing Costs

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

## VI. Claim Preparation

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a listing of each item for which reimbursement is claimed under this mandate.

Claim detail should include the following:

### A. Salaries and Benefits

Claimed reimbursement for employee costs should be supported by name, position, productive hourly rate, hours worked, fringe benefits amount, and a brief description of assigned unit and function relative to the mandate.

The source documents required to be maintained by the claimant may include, but are not limited to, employee time cards and/or cost allocation reports.

### B. Services and Supplies

The claimant should identify all direct costs for materials, services and supplies which have been purchased, leased, consumed or expended for purposes of compliance with the mandate.

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

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<sup>3</sup> Chapter 156, Statutes of 1996, an urgency statute, amended subdivision (e), effective July 12, 1996. The amendment permitted the use of a statement, in lieu of the report, for any investment in an insured account. This resulted in two reimbursement beginning dates: from January 1, 1996 if the agency placed all of its investment in insured accounts; from July 12, 1996, if less than all of an agency's investments were placed in insured accounts.

### C. Contract Services

List costs incurred for contract services and/or legal counsel for the development and operation of the mandated program. Contracting costs are reimbursable to the extent that the function performed requires special skills or knowledge that is not readily available from claimant's staff. Use of contract services must be justified by the claimant.

### D. Training

Include the costs of training of personnel. Specialized training must be justified by the claimant.

### E. Fixed Assets

List the cost of fixed assets that have been acquired specifically for the purposes of this mandate. If a fixed asset is acquired for the investment reports program but is utilized in some way not directly related to the program, only the pro-rata portion of the asset which is used for purposes of the mandated program is reimbursable.

The source documents to be maintained by the claimant may include, but are not limited to, contracts, charges, invoices and statements.

### F. Allowable Overhead Costs

Government Code section 17564, subdivision (b), provides that claims for indirect costs shall be filed in the manner prescribed by the State Controller's Office.

## VII. Supporting Data

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the mandate. All documentation in support of claimed costs shall be made available to the State Controller or his/her agent, as may be requested, and all reimbursement claims are subject to audit during the period specified in Government Code section 17558.5, subdivision (a).

## VIII. Offsetting Savings and Other Reimbursement

Any offsetting savings that the claimant experiences as a direct result of this statute must be deducted from the costs claimed. Additionally, reimbursement for this mandate received from any source (e.g., service fees collected, federal funds, other state funds, etc.) shall be identified and deducted from this claim.

## IX. Required Certification

An authorized representative of the claimant will be required to provide a certification of the claim, as specified in the State Controller's claiming instructions, for those costs mandated by the state contained therein.

# Commission on State Mandates

## Mailing List

21-Nov-97

CSM/SB# and Claim Title CSM 96-358-02

Claim of County of Santa Clara

Government Code Sec.

Chapters 783/95

Originated: 23-Dec-96

Issue Investment Reports

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## 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.

**B. Form INR-1, Claim Summary**

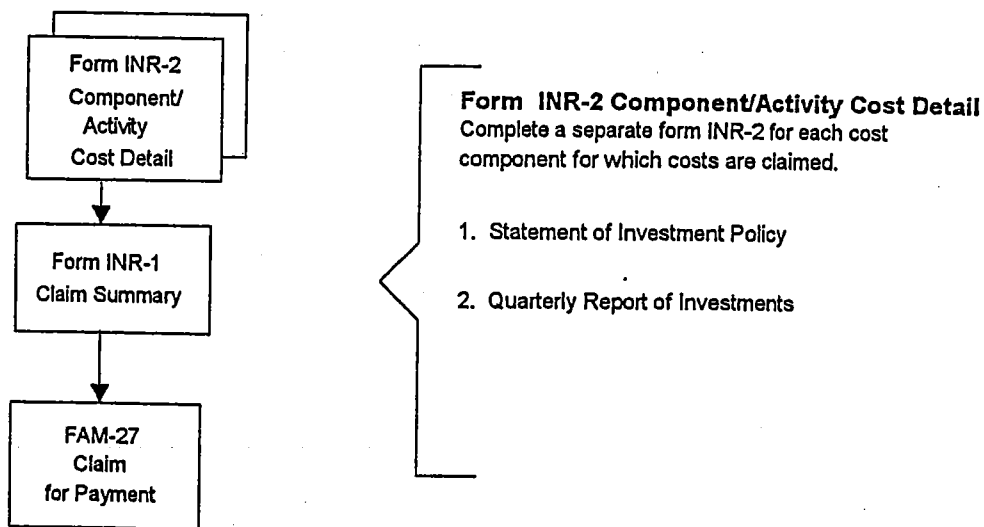
This form is used to summarize direct cost by cost component and compute allowable indirect cost for the mandate. Direct costs summarized on this form are derived from form INR-2 and carried forward to form FAM-27. The claimant must give the number of investment reports prepared during the fiscal year of the claim.

Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. If an indirect cost rate greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim. If more than one department is involved in the mandated program, each department must have its own ICRP.

**C. Form FAM-27, Claim for Payment**

This form contains a certification that must be signed by an authorized representative of the local agency. All applicable information from form INR-1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

**Illustration of Claim Forms**



**CLAIM FOR PAYMENT**  
 Pursuant to Government Code Section 17561  
**INVESTMENT REPORTS**

*For State Controller Use Only*

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

LABEL HERE	(01) Claimant Identification Number		Reimbursement Claim Data		
	(02) Mailing Address		(22) INR-1, (03)		
	Claimant Name		(23) INR-1, (04)(1)(f)		
	County of Location		(24) INR-1, (04)(2)(f)		
	Street Address or P. O.. Box		(25) INR-1, (06)		
	City	State	Zip Code	(26)	
	Type of Claim	Estimated Claim	Reimbursement Claim	(27)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(28)		
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)		
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)		
Fiscal Year of Cost	(06) 19__/19__	(12) 19__/19__	(31)		
Total Claimed	(07)	(13)	(32)		
Less: 10% Late Penalty, but not to exceed \$1000		(14)	(33)		
Less: Estimated Claim Payment		(15)	(34)		
Net Claimed Amount		(16)	(35)		
Due from State	(08)	(17)	(36)		
Due to State		(18)	(37)		

**(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, Chapters 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 other than from the claimant, nor any grant or payment received, 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 amounts 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, Chapters 156 and 749, Statutes of 1996 set forth on the attached statements.

Signature of Authorized Representative \_\_\_\_\_ Date \_\_\_\_\_

Type or Print Name \_\_\_\_\_ Title \_\_\_\_\_

(39) Name of Contact Person for Claim \_\_\_\_\_ Telephone Number \_\_\_\_\_ Ext. \_\_\_\_\_

**INVESTMENT REPORTS**  
**Certification Claim Form**  
**Instructions**

**FORM**  
**FAM-27**

- (01) Leave blank.
- (02) A set of mailing labels with the claimant's I.D. number and address has been enclosed with the claiming instructions. The mailing labels are designed to speed processing and prevent common errors that delay payment. Affix a label in the place shown on form FAM-27. Cross out any errors and print the correct information on the label. Add any missing address items, except county of location and a person's name. If you did not receive labels, print or type your agency's mailing address.
- (03) If filing an original estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing an original estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended or combined claim, enter an "X" in the box on line (05) Amended. Leave boxes (03) and (04) blank.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of estimated claim. If estimate exceeds the previous fiscal year's actual costs by more than 10%, complete form INR-1 and enter the amount from line (11). If more than one form INR-1 is completed due to multiple department involvement in this mandate, add line (11) of each form INR-1.
- (08) Enter the same amount as shown in line (07).
- (09) If filing an original reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing an original reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended or a combined claim on behalf of districts within the county, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of reimbursement claim from form INR-1, line (11). If more than one form INR-1 is completed due to multiple department involvement in this mandate, add line (11) of each form INR-1.
- (14) Filing Deadline. Initial Claims of Chs. 783/95, 156/96, and 749/96. If the reimbursement claim for the period 1/1/96 to 6/30/96 or fiscal year 1996/97 is filed after May 20, 1996, the claim must be reduced by a late penalty. Enter the product of multiplying line (13) by the factor 0.10 (10% penalty) or \$1,000, whichever is less.
- Filing Deadline. Annually Thereafter. If the reimbursement claim is filed after November 30 following the fiscal year in which costs were incurred, the claim must be reduced by a late penalty. Enter the product of multiplying line (13) by the factor 0.10 (10% penalty) or \$1,000, whichever is less.
- (15) If you are filing a reimbursement claim and have previously filed an estimated claim for the same fiscal year, enter the amount received for the estimated claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16) Net Claimed Amount is positive, enter that amount on line (17) Due from State.
- (18) If line (16) Net Claimed Amount is negative, enter that amount in line (18) Due to State.
- (19) to (21) Leave blank.
- (22) to (37) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (25) for the reimbursement claim [e.g., INR-1, (03), means the information is located on form INR-1, line (03)]. Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, (i.e., no cents). Indirect cost percentage should be shown as a whole number and without the percent symbol (i.e., 7.548% should be shown as 8). The claim cannot be processed for payment unless this data block is correct and complete.
- (38) Read the statement "Certification of Claim." If the statement is true, the claim must be dated, signed by the agency's authorized representative and must include the person's name and title, typed or printed. Claims cannot be paid unless accompanied by a signed certification.
- (39) Enter the name of the person and telephone number that this office should contact if additional information is required.

**SUBMIT A SIGNED ORIGINAL AND A COPY OF FORM FAM-27, AND A COPY OF ALL OTHER FORMS AND SUPPORTING DOCUMENTS TO:**

*Address, if delivered by  
U. S. Postal Service:*

OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursement Section  
 Division of Accounting and Reporting  
 P.O. Box 942850  
 Sacramento, CA 94250

*Address, if delivered by  
other delivery service:*

OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursement Section  
 Division of Accounting and Reporting  
 3301 C Street, Suite 601  
 Sacramento, CA 95816

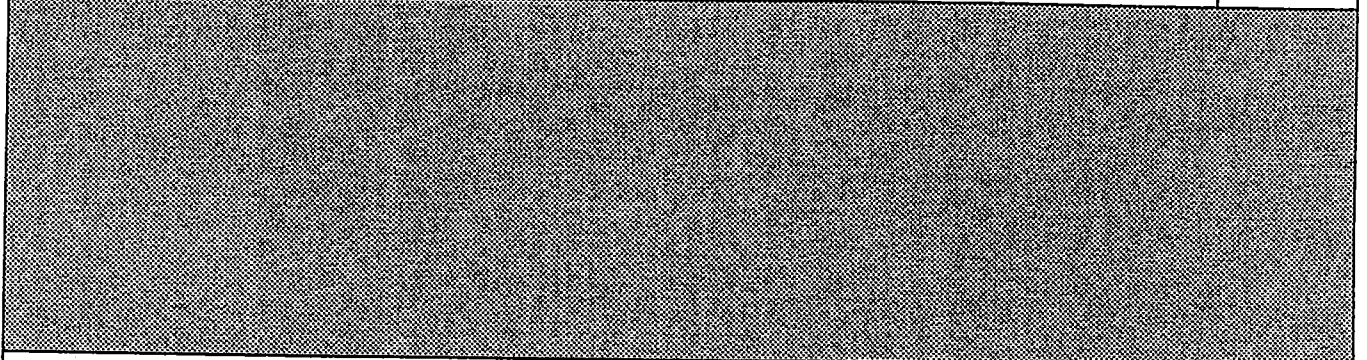


<b>MANDATED COSTS INVESTMENT REPORTS CLAIM SUMMARY</b>	<b>FORM INR-1</b>
--	-----------------------

(01) Claimant	(02) Type of Claim	Fiscal Year
	Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	19 __/19 __

**Claim Statistics**

(03) Number of investment reports prepared during the fiscal year	
---	--



(04) Reimbursable Components:	(a) Salaries	(b) Benefits	(c) Services and Supplies	(d) Training	(e) Fixed Assets	(f) Total
1. Statement of Investment Policy						
2. Quarterly Report of Investments						
(05) Total Direct Costs						

**Indirect Costs**

(06) Indirect Cost Rate	[From ICRP]	%
(07) Total Indirect Costs	[Line (06) x ((line (05)(f) - (line (05)(d) + line (05)(e))))]	
(08) Total Direct and Indirect Costs	[Line (05)(f) + line (07)]	

**Cost Reduction**

(09) Less: Offsetting Savings, if applicable	
(10) Less: Other Reimbursements, if applicable	
(11) Total Claimed Amount	[Line (08) - (Line (09) + Line (10))]

**INVESTMENT REPORTS  
CLAIM SUMMARY  
Instructions**

**FORM  
INR-1**

- (01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A form INR-1 should be completed for each department.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year for which costs were incurred or are to be incurred.
- Form INR-1 must be filed for a reimbursement claim. Do not complete form INR-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form INR-1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Enter the number of investment reports that were prepared during the fiscal year..
- (04) Reimbursable Components. For each reimbursable component, enter the totals from form INR-2, line (05) columns (d), (e), (f), (g), and (h) to form INR-1, block (04) columns (a), (b), (c), (d), and (e) in the appropriate row. Total each row.
- (05) Total Direct Costs. Total columns (a) through (f).
- (06) Indirect Cost Rate. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. If an indirect cost rate of greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim. If more than one department is reporting costs, each must have their own ICRP for the program.
- (07) Total Indirect Costs. Enter the result of multiplying the Indirect Cost Rate, line (06) by Total Direct Costs, line (05)(f) reduced by the sum of Contracted Services, line (05)(d), and Fixed Assets, line (05)(e).
- (08) Total Direct and Indirect Costs. Enter the sum of Total Direct Costs, line (05)(f) and Total Indirect Costs, line (07).
- (09) Less: Offsetting Savings, if applicable. Enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (10) Less: Other Reimbursements, if applicable. Enter the amount of other reimbursements received from any source, (i.e., service fees collected, federal funds, other state funds, etc.) which reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (11) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (09) and Other Reimbursements, line (10) from Total Direct and Indirect Costs, line (08). Enter the remainder on this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim, or line (13) for the Reimbursement Claim.

<b>MANDATED COSTS</b> <b>INVESTMENT REPORTS</b> <b>COMPONENT/ACTIVITY COST DETAIL</b>	<b>FORM</b> <b>INR-2</b>
---	-----------------------------

(01) Claimant	(02) Fiscal Year Costs Were Incurred
---------------	--------------------------------------

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

Statement of Investment Policy

Quarterly Report of Investments

(04) Description of Expenses: Complete columns (a) through (h)

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses			Object Accounts				
(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Training	(h) Fixed Assets	

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Services and Supplies	(g) Training	(h) Fixed Assets

(05) Total <input type="checkbox"/> Subtotal <input type="checkbox"/> Page: _____ of _____	
--	--

<b>INVESTMENT REPORTS</b> <b>COMPONENT/ACTIVITY COST DETAIL</b> Instructions	<b>FORM</b> <b>INR-2</b>
--	-----------------------------

- (01) Enter the name of the claimant.
- (02) Enter the fiscal year in which costs were incurred.
- (03) Reimbursable Components. Check the box which indicates the cost component being claimed. Check only one box per form. A separate form INR-2 shall be prepared for each component which applies.
- (04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the component activity box "checked" in line (03), enter the employee names, position titles, a brief description of their activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contracted services, training performed require special skills or knowledge that are not readily available from the claimant's staff. If a piece of equipment acquired for the Investment Reports program is also utilized for other programs, only a prorated cost of the equipment is reimbursable. For audit purposes, all supporting documents must be retained by the claimant for a period of not less than two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

Object/ Subobject	Columns								Submit these supporting documents
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Salaries	Employee Name	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked					
Benefits	Title	Benefit Rate		Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used		Cost = Unit Cost x Quantity				
Training	Employee Name Title Name of Class		Dates Attended			Registration Fee			
Contracted Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Itemized Cost of Services Performed		Invoice
Fixed Assets	Description of Equipment Purchased Equipment I D	Unit Cost	Quantity Used				Itemized Cost of Fixed Asset Purchased		Invoice

- (05) Total line (04), columns (d), (e), (f), (g), and (h) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed for the component/activity, number each page. Enter totals from line (05), columns (d), (e), (f), (g), and (h) to form INR-1, block (04), columns (a), (b), (c), (d), and (e).

April 19, 2002

**COPY**

Mr. Richard J. Chivaro  
Chief Counsel  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-0001

Re: Public Records Act Request

Dear Mr. Chivaro:

Pursuant to the California Public Records Act, Government Code, Section 6250 et seq., I am herewith requesting copies of any documents; claims, audit notes, desk review notes, audit reports, work papers, correspondence, claims receipts, audit reports, and any and all documents contained within the files pertaining to the following reimbursement claims:

**Marin County – Investment Report Claim, Chapter 783, Statutes of 1995**

Fiscal years: 1995-96  
1996-97  
1997-98  
1998-99

**Yuba County – Investment Report Claim, Chapter 783, Statutes of 1995**

Fiscal years: 1995-96  
1996-97  
1997-98  
1998-99

**City of Huntington Beach – Investment Report Claim, Chapter 783, Statutes of 1995**

Fiscal years: 1995-96  
1996-97  
1997-98  
1998-99

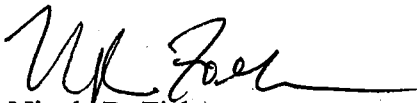
**City of Palm Desert – Investment Report Claim, Chapter 783, Statutes of 1995**

Fiscal years: 1995-96  
1996-97  
1997-98  
1998-99

Pursuant to Government Code, Section 6256, you have only ten days within which to respond to this request. We are willing to pay the direct costs of duplication as stated in Government Code, Section 6253(b), and would request that you notify us of your charges for same.

I anxiously await your response.

Sincerely,



Nicole R. Zieba  
Manager

/rz

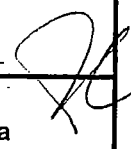
cc: Ginny Brummels  
Jim Spano

**CLAIM FOR PAYMENT  
Pursuant to Government Code Section 17561  
INVESTMENT REPORTS**

**For State Controller Use Only**


(19) Program Number 00161

(20) Date Filed \_\_\_\_ / \_\_\_\_ / \_\_\_\_

(21) Signature Present 

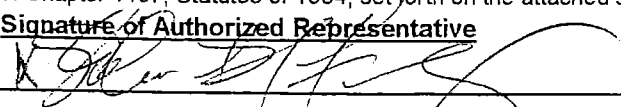
(01) Claimant Identification Number <b>9830376</b>		<b>Reimbursement Claim Data</b>	
(02) Mailing Address <b>2000 Main Steet</b>		(22) INR-1, (03)	<b>4</b>
Claimant Name <b>City of Huntington Beach</b>		(23) INR-1, (04)(01)(f)	
County of Location <b>Orange</b>		(24) INR-1, (04)(2)(f)	<b>1,293</b>
Street Address or P.O. Box <b>2000 Main Street</b>		(25) INR-1, (06)	<b>10</b>
City <b>Huntington Beac</b>	State <b>CA</b>	Zip Code <b>92648</b>	(26)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost	(06)	(12) <b>1995/96</b>	(31)
Total Claimed Amount	(07)	(13) <b>\$1,293</b>	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(33)
LESS: Estimated Claim Payment Received		(15) <b>&lt; 1293 &gt;</b>	(34) <b>9890 /</b>
Net Claimed Amount		(16) <b>\$1,293</b>	(35)
Due from State	(08)	(17) <b>\$1,293</b>	(36)
Due to State		(18) <b>-0-</b>	(37)

**(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, Chapters 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 through 1096, inclusive.  7/13/95

I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996

The amount for estimated and/or reimbursement claims are payment of estimated and/or actual costs for the mandated program of Chapter 1107, Statutes of 1984, set forth on the attached statements.

<u>Signature of Authorized Representative</u> 	<u>Date</u> <b>May 20, 1998</b>
<b>Robert J. Franz</b>	<b>Deputy City Administrator</b>
Print or type name	Title
<b>Terry Birgel, D.M. Griffith &amp; Assoc., LTD.</b>	<b>(626) 564-0401</b>
(39) Name of Contact Person for Claim	Telephone Number

**CLAIM FOR PAYMENT  
Pursuant to Government Code Section 17561  
INVESTMENT REPORTS**

**For State Controller Use Only**

(19) Program Number 00161  
(20) Date Filed \_\_\_ / \_\_\_ / \_\_\_  
(21) Signature Present \_\_\_\_\_

(01) Claimant Identification Number <b>9830376</b>		<b>Reimbursement Claim Data</b>	
(02) Mailing Address <b>2000 Main Street</b>		(22) INR-1, (03)	<b>4</b>
Claimant Name <b>City of Huntington Beach</b>		(23) INR-1, (04)(01)(f)	
County of Location <b>Orange</b>		(24) INR-1, (04)(2)(f)	<b>1,293</b>
Street Address or P.O. Box <b>2000 Main Street</b>		(25) INR-1, (06)	<b>10</b>
City <b>Huntington Beach</b>	State <b>CA</b>	Zip Code <b>92648</b>	(26)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost	(06)	(12) <b>1995/96</b>	(31)
Total Claimed Amount	(07)	(13) <b>\$1,293</b>	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(33)
LESS: Estimated Claim Payment Received		(15)	(34)
Net Claimed Amount		(16) <b>\$1,293</b>	(35)
Due from State	(08)	(17) <b>\$1,293</b>	(36)
Due to State		(18)	(37)

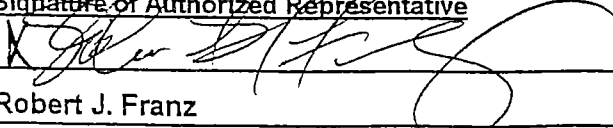
**(38) CERTIFICATION OF CLAIM**

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, Chapters 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 through 1096, inclusive.

I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996

The amount for estimated and/or reimbursement claims are payment of estimated and/or actual costs for the mandated program of Chapter 1107, Statutes of 1984, set forth on the attached statements.

Signature of Authorized Representative



**Robert J. Franz**

Print or type name

**Terry Birgel, D.M. Griffith & Assoc., LTD.**

(39) Name of Contact Person for Claim

Date

**May 20, 1998**

**Deputy City Administrator**

Title

**(626) 564-0401**

Telephone Number



**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-1**

(01) Claimant: City of Huntington Beach	(02) Type of Claim:	Fiscal Year
	Reimbursement <input checked="" type="checkbox"/>	1995/96
	Estimated <input type="checkbox"/>	

**Claim Statistics**

(03) Number of investment reports prepared during the fiscal year.	4
--	---

(04) Reimbursable Component:	(a) Salaries	(b) Benefits	(c) Services and Supplies	(d) Fixed Assets	(e) Total
1. Statement of Investment Policy					
2. Quarterly Report of Investments			\$1,293		\$1,293
(05) Total Direct Costs			\$1,293		\$1,293

**Indirect Costs**

(06) Indirect Cost Rate	[From ICRP]	10.00%
(07) Total Indirect Costs	[Line (06) x (line (05)(a))]	
(08) Total Direct and Indirect Costs	[Line (05)(e) + line (07)]	\$1,293

**Cost Reductions**

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(11) Total Claimed Amount:	[Line (08) - (Line (09) + Line (10))]	\$1,293

**MANDATED COSTS  
INVESTMENT REPORTS  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
INR-2**

(01) Claimant: City of Huntington Beach

(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 Report of Investments

(04) Description of Expense: Complete columns (a) through (h)

**Object Accounts**

(a) Employee Name, Job Classification, Functions Performed and Description of Expense	(b) Hourly Rate or Unit Cost	(c) Benefit Rate	(d) Hours Worked or Quantity	(e) Services and Supplies	(f) Salaries	(g) Benefits	(h) Total Sal & Bens	(i) Fixed Assets
<p>SymPro Software (See attached) Annual maintenance of SymPro software, which is used to compile data and render quarterly reports of investment, per mandated requirements.</p> <p><i>Software is not mandated for tracking investment transactions</i></p>				<del>\$1,293</del>				

(05) Total [ ] Subtotal [ ] Page: \_\_\_ of \_\_\_

1,293

PURCHASE ORDER



95/96

# City of Huntington Beach

2000 MAIN STREET  
HUNTINGTON BEACH, CALIFORNIA 92648  
(714) 536-5221

Billing Inquiries: (714) 536-5448 / 374-1568

Please send invoices Attn: Accounts Payable  
746322634

PURCHASE ORDER  
This number must  
appear on  
Package and Invoice

2218924

DATE 06/28/96

SYNPRO INC  
5532 CLAREMONT AVE  
OAKLAND CA

94618-0000

TREASURER'S  
2000 MAIN ST.  
HUNTINGTON BEACH, CA 92648  
ATT: BETTE BARILLA

F.O.B. DESTINATION YES	DELIVERY WITHIN 365 DAYS	CONFIRM NO	PLUS FRT. PREPAY & ADD. NO	TERMS: CHECK WITH ORDER
---------------------------	--------------------------------	---------------	-------------------------------	----------------------------

QUANTITY	UNIT	DESCRIPTION	AMOUNT
		DBFI MAINTENANCE & SUPPORT AGENT FIXED INCOME MODULE	90
		DBADD MAINTENANCE & SUPPORT AGENT AGREEMENT FOR 2/28/96 THROUGH 2/27/97	30
		RC TAX	8

TERMS AND CONDITIONS ON REVERSE FORM A PART OF THIS ORDER.

TOTAL \$1283.00

*Richard Madrid*  
Richard Madrid, Purchasing Manager - City of Huntington Beach

REC. NO. 40099/E11 TEL 12038800/ AMOUNT 1283.00

REC. NO. AMOUNT

REC. NO. AMOUNT

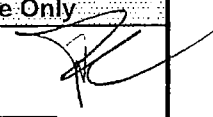


**CLAIM FOR PAYMENT  
Pursuant to Government Code Section 17561  
INVESTMENT REPORTS**

**For State Controller Use Only**

(19) Program Number 00161

(20) Date Filed \_\_\_/\_\_\_/\_\_\_

(21) Signature Present 

(01) Claimant Identification Number <b>9830376</b>		<b>Reimbursement Claim Data</b>	
(02) Mailing Address <b>2000 Main Steet</b>		(22) INR-1, (03)	<b>4</b>
Claimant Name <b>City of Huntington Beach</b>		(23) INR-1, (04)(01)(f)	<b>3,054</b>
County of Location <b>Orange</b>		(24) INR-1, (04)(2)(f)	<b>18,235</b>
Street Address or P.O. Box <b>2000 Main Street</b>		(25) INR-1, (06)	<b>10</b>
City <b>Huntington Beac</b>	State <b>CA</b>	Zip Code <b>92648</b>	(26)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost	(06) <b>1997/98</b>	(12) <b>1996/97</b>	(31)
Total Claimed Amount	(07) <b>\$20,000</b>	(13) <b>\$22,542</b>	(32)
LESS: 10%, Late Penalty, but not to exceed \$1,000 (if applicable)		(14) <b>&lt; 13287 &gt;</b>	(33) <b>9867 -</b>
LESS: Estimated Claim Payment Received		(15) <b>&lt; 5903 &gt;</b> <b>&lt; 1095 &gt;</b>	(34) <b>9890 -</b> <b>9920 -</b>
Net Claimed Amount		(16) <b>\$22,542</b>	(35)
Due from State	(08) <b>\$20,000</b>	(17) <b>2257</b> <b>\$22,542</b>	(36)
Due to State		(18)	(37)

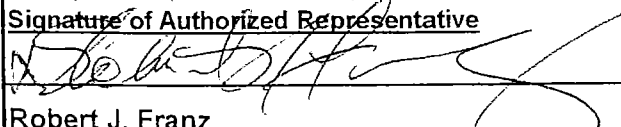
**(38) CERTIFICATION OF CLAIM**

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, Chapters 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 through 1096, inclusive.

I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996

The amount for estimated and/or reimbursement claims are payment of estimated and/or actual costs for the mandated program of Chapter 1107, Statutes of 1984, set forth on the attached statements.

**Signature of Authorized Representative**

  
\_\_\_\_\_

**Robert J. Franz**

Print or type name

**Terry Birgel, D.M. Griffith & Assoc., LTD.**

(39) Name of Contact Person for Claim

**Date**

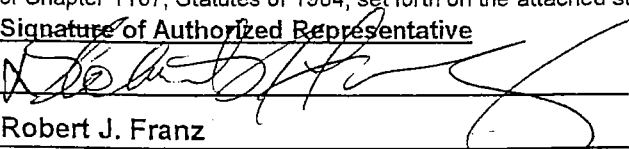
**May 20, 1998**

**Deputy City Administrator**

Title

**(626) 564-0401**

Telephone Number

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 INVESTMENT REPORTS			For State Controller Use Only	
(01) Claimant Identification Number <b>9830376</b>			(19) Program Number 00161 (20) Date Filed ___/___/___ (21) Signature Present _____	
(02) Mailing Address <b>2000 Main Street</b>			<b>Reimbursement Claim Data</b>	
Claimant Name <b>City of Huntington Beach</b>			(22) INR-1, (03)	<b>4</b>
County of Location <b>Orange</b>			(23) INR-1, (04)(01)(f)	<b>3,054</b>
Street Address or P.O. Box <b>2000 Main Street</b>			(24) INR-1, (04)(2)(f)	<b>18,235</b>
City State Zip Code <b>Huntington Beach CA 92648</b>			(25) INR-1, (06)	<b>10</b>
(26)				
(27)	Type of Claim	Estimated Claim	Reimbursement Claim	
(28)	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>		
(29)	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>		
(30)	(05) Amended* <input type="checkbox"/>	(11) Amended <input type="checkbox"/>		
(31)	(06)	(12)	(13)	(32)
(32)	Fiscal Year of Cost	1997/98	1996/97	
(33)	(07)	Total Claimed Amount	\$20,000	\$22,542
(34)	LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(33)
(35)	LESS: Estimated Claim Payment Received		(15)	(34)
(36)	Net Claimed Amount		(16)	(35)
(37)	(08)	Due from State	\$20,000	\$22,542
(38)	Due to State		(18)	(37)
<b>(38) CERTIFICATION OF CLAIM</b>				
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, Chapters 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 through 1096, inclusive.				
I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 783, Statutes of 1995, Chapters 156 and 749, Statutes of 1996				
The amount for estimated and/or reimbursement claims are payment of estimated and/or actual costs for the mandated program of Chapter 1107, Statutes of 1984, set forth on the attached statements.				
Signature of Authorized Representative			Date	
			May 20, 1998	
Robert J. Franz			Deputy City Administrator	
Print or type name			Title	
Terry Birgel, D.M. Griffith & Assoc., LTD.			(626) 564-0401	
(39) Name of Contact Person for Claim			Telephone Number	

**MANDATED COSTS  
INVESTMENT REPORTS  
CLAIM SUMMARY**

**FORM  
INR-1**

(01) Claimant: City of Huntington Beach

(02) Type of Claim:

Reimbursement

Fiscal Year

1996/97

Estimated

1997/98

**Claim Statistics**

(03) Number of investment reports prepared during the fiscal year.

4

(04) Reimbursable Component:

(a)  
Salaries

(b)  
Benefits

(c)  
Services  
and  
Supplies

(d)  
Fixed  
Assets

(e)  
Total

1. Statement of Investment Policy

\$2,299  
575

\$755  
189

\$3,054  
764

2. Quarterly Report of Investments

\$10,227  
1022

\$3,130  
313

\$4,877  
-0-

\$18,235  
1335

(05) Total Direct Costs

\$12,527  
1597

\$3,885  
502

\$4,877  
-0-

\$21,289  
2099

**Indirect Costs**

(06) Indirect Cost Rate

[From ICRP]

10.00%

(07) Total Indirect Costs

[Line (06) x (line (05)(a))]

158  
\$1,253

(08) Total Direct and Indirect Costs

[Line (05)(e) + line (07)]

2257  
\$22,542

**Cost Reductions**

(09) Less: Offsetting Savings, if applicable

(10) Less: Other Reimbursements, if applicable

(11) Total Claimed Amount:

[Line (08) - (Line (09) + Line (10))]

2257  
\$22,542

**MANDATED COSTS  
INVESTMENT REPORTS  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
INR-2**

(01) Claimant: City of Huntington Beach

(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 Report of Investments

(04) Description of Expense: Complete columns (a) through (h)

Object Accounts

(a) Employee Name, Job Classification, Functions Performed and Description of Expense	(b) Hourly Rate or Unit Cost	(c) Benefit Rate	(d) Hours Worked or Quantity	(e) Services and Supplies	(f) Salaries	(g) Benefits	(h) Total Sal & Bens	(i) Fixed Assets
S. Freidenrich, City Treasurer P. Lovelace, Deputy City Treasurer Staff prepared and submitted annual statement of investment policy to city council, per mandated requirements.  <i>Excessive time to update the annual investment policy for                      mandated changes.                      No time sheets or detailed information.                      Reduced to 25% to allow mandated activities</i>	\$44.12	33.00%	49.25		\$2,173	\$717	\$2,890	
	\$42.18	30.00%	3.00		\$127	\$38	\$165	
(05) Total [ ] Subtotal [ ]					\$2,299	\$755	\$3,054	

*25% =*

*575      189      764*



**MANDATED COSTS  
INVESTMENT REPORTS  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
INR-2**

(01) Claimant: City of Huntington Beach

(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 Report of Investments

(04) Description of Expense: Complete columns (a) through (h)

**Object Accounts**

(a) Employee Name, Job Classification, Functions Performed and Description of Expense	(b) Hourly Rate or Unit Cost	(c) Benefit Rate	(d) Hours Worked or Quantity	(e) Services and Supplies	(f) Salaries	(g) Benefits	(h) Total Sal & Bens	(i) Fixed Assets
S. Freidenrich, City Treasurer P. Lovelace, Deputy City Treasurer A. Richards, Principal Accountant Staff accumulated and compiled data; prepared and rendered quarterly reports of investment to city council, per mandated requirements.	\$44.12 \$42.18 \$35.42	33.00% 30.00% 30.00%	24.00 144.00 48.00		\$1,059 \$6,074 \$1,700	\$349 \$1,822 \$510	\$1,408 \$7,896 \$2,210	
S. Freidenrich, City Treasurer P. Lovelace, Deputy City Treasurer Staff developed and modified existing policies and procedures for accumulating and compiling data to prepare quarterly reports of investment, per mandated requirements.	\$44.12 \$42.18	33.00% 30.00%	13.00 1.00		\$574 \$42	\$189 \$13	\$763 \$55	
S. Freidenrich, City Treasurer P. Lovelace, Deputy City Treasurer (See attached) Staff were trained in the use of SymPro software pursuant to preparing and rendering quarterly reports of investment, per mandated requirements.	\$44.12 \$42.18	33.00% 30.00%	10.00 8.00	<del>\$480</del>	<del>\$441</del> <del>\$337</del>	<del>\$146</del> <del>\$101</del>	<del>\$587</del> <del>\$439</del>	
SymPro Software (See attached) Purchase/maintenance of SymPro software, which is used to compile data and render quarterly reports of investment, per mandated requirements.				\$4,387				
<p><i>Software for tracking investment activity is not mandated.</i></p> <p><i>Excessive time to prepare QTY report. Party/monthly accounting functions are not mandated. No time sheet or detailed information. Reduced to 10% to allow mandated activity.</i></p>								
(05) Total [ ] Subtotal [ ]				4,877	10,227	3,430	13,358	

PGA152  
09/09/96 10:44

CITY OF HUNTINGTON BEACH  
MATERIAL REQUISITION FORM

96/97

REQ NBR 40064 ACCOUNT E-AA-TR-120-5-40-00

APPROVALS

Requested by PATRICIA LOVELACE

Accounting         

Approved by     *Kate Federini*    

Info System         

For additional information call BETTE BARILLA

Real Property         

Phone 536-5200

Administration         

DATE 09/09/96 VENDOR # 637152713 REQUIRED

Contact         

PO # 711137 INVOICE NBR Lovelace 10/3

Phone Number         

SUGGESTED VENDOR:  
SYMPRO

SHIP TO:

00000-0000

FOB?          Delivery days          Confirm?          Freight?          Terms         

QNTY	UNIT	DESCRIPTION	UNIT PRICE	UNIT TOTAL
		REGISTRATION FOR PAT LOVELACE TO ATTEND		
		SYMPRO WINDOWS SOFTWARE UPGRADE 10/3 &		
		10/4 - RADISSON PLAZA-MANHATTAN BEACH		
				490 <sup>00</sup>

Purchases of non-budgeted items will require the approval as noted in the resolution which adopted the budget. Information Systems approval is required for all purchases of Data Processing hardware. Equipment replacement requisitions are to be accompanied by equipment report form.

TAX         

TOTAL 490<sup>00</sup>  
=====

REQ NBR	AMOUNT	REQ NBR	AMOUNT	REQ NBR	AMOUNT
1	<u>        </u>	2	<u>        </u>	3	<u>        </u>
4	<u>        </u>	5	<u>        </u>	6	<u>        </u>
7	<u>        </u>				



CITY OF HUNTINGTON BEACH  
P.O. BOX 190, HUNTINGTON BEACH, CALIFORNIA 92648

DATE	P.O. NUMBER		GROSS AMOUNT	DISCOUNT	NET AMOUNT
09-18-96	711137	LOVELACE 10/3 EAATR120540	490.00		490.00
<b>TOTALS</b>			490.00	.00	490.00

Do not cash this check unless the MICR numbering below has bled thru PINK on the reverse side - This document has an artificial watermark on the reverse side



CITY OF HUNTINGTON BEACH

P.O. BOX 190

HUNTINGTON BEACH, CALIFORNIA 92648

16-351/1220

NUMBER

374922

PAY TO THE ORDER OF

DATE

NUMBER

NET AMOUNT

SYM PRO INC  
5532 CLAREMONT AV  
DAKLAND CA  
94618

09-18-96

374922



\*\*\*\*\*490.00

CITY OF HUNTINGTON BEACH

VOID UNLESS PRESENTED FOR ENCASHMENT  
WITHIN 90 DAYS FROM DATE OF ISSUE

SANWA BANK OF CALIFORNIA  
HUNTINGTON BEACH OFFICE  
6881 WARNER AVENUE  
HUNTINGTON BEACH, CA 92647

NOT NEGOTIABLE

⑆374922⑆ ⑆122003516⑆ 209400209⑆

**Sympro, Inc.**  
 5532 Claremont Ave.  
 Oakland, CA 94618  
 (510) 655-0900

*PO# 223702*

INVOICE DATE: **12/15/96**  
 INVOICE NO.: **011312**  
 SHIP DATE: **12/15/96**  
 CUSTOMER NO.: **HUNTIN**

SOLD TO:  
 City of Huntington Beach  
 P.O. Box 711  
 2000 Main Street  
 Huntington Beach, CA 92648

SHIPPED TO:  
 City of Huntington Beach  
 P.O. Box 711  
 2000 Main Street  
 Huntington Beach, CA 92648

PAGE 1

F.O.B. POINT		CUSTOMER ORDER NO.		SHIP VIA	TERMS	SALESPERSON	OUR ORDER NO.
OAKLAND		PO					011312
ITEM NO./SERIAL NO.	UNIT	QUANTITY			UNIT PRICE	EXTENDED PRICE	
		ORDERED	BACKORDERED	SUPPLIED			
IBCFC SymPro Software	EACH	1.00	0.00	1.00	2500.000	2500.00	
		Cash Flow/Debt Module					
IBCFC SUPPORT SymPro Software	EACH	1.00	0.00	1.00	400.000	400.00	
		Cash Flow Annual Support					
Sales Total						2900.00	
Trade Discount						0.00	
Freight						0.00	
Misc. Charges						0.00	
Tax Total						199.74	
<b>TOTAL</b>						<b>3099.74</b>	

*Handwritten signature: John De... ..*

5532 Claremont Ave.  
Oakland, CA 94618  
(510) 655-0900

INVOICE DATE 02/03/97  
INVOICE NO. 012866  
SHIP DATE 02/03/97  
CUSTOMER NO. HUNTING

SOLD TO:

City of Huntington Beach  
P.O. Box 711  
2000 Main Street  
Huntington Beach, CA 92648

SHIPPED TO:

City of Huntington Beach  
P.O. Box 711  
2000 Main Street  
Huntington Beach, CA 92648

F.O.B. POINT		CUSTOMER ORDER NO.		SHIP VIA		TERMS		SALESPERSON		OUR ORDER NO.	
OAKLAND		ANNUAL MAINT				NET 30		COURSE		0113	
ITEM NO. SERIAL NO.	UNIT	QUANTITY			UNIT PRICE	EXTENDED PRICE					
		ORDERED	BACKORDERED	SHIPPED							
DBFI SUP RENEW SymPro Software	EACH	1.00	0.00	1.00	900.000	900.00	11 mos				
Fixed Income Module Renewal Maint. & Support											
DBADD SUP RENEW SymPro Software	EACH	1.00	0.00	1.00	300.000	300.00	11 mos				
Additional License Renewal Maint. & Support											
FOR THE PERIOD FEBRUARY 26, 1997 TO FEBRUARY 25, 1998											
						<p>PO # <del>221892</del> 224038 John DeLeonil</p>					
						<p>Sales Total 1200.00 Trade Discount 0.00 Freight 0.00 Misc. Charges 0.00 Tax Total 93.00</p>					

TOTAL

July 23, 2002

Mr. Walter Barnes  
Chief Deputy Controller of Finance  
State Controller's Office  
300 Capitol Mall, Suite 1850  
Sacramento, CA 95814

**COPY**

Re: City of Huntington Beach -  
*Investment Reports*  
Chapter 783, Statutes of 1995  
Fiscal Years: 1995-96, 1996-97

Dear Mr. Barnes:

By this letter, we are requesting that you restore the disallowances made to the above referenced reimbursement claim.

In the review of the Investment Report Incorrect Reduction Claim by the County of Los Angeles, the request to amend the present Parameters and Guidelines by the City of Newport Beach, as well as a review of your files of our claim, it has come to our attention that the reductions made by the State Controller's Office do not bear a rational relationship to the activities performed and the costs incurred by the City of Huntington Beach.

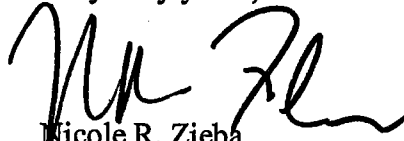
In the within claims, the Controller has reduced the time claimed for the preparation and adoption of the Annual Investment Policy. Again, we are unaware of any basis for the reduction. The costs claimed reflect the true and correct costs by the City in its preparation.

The Controller has also reduced the time claimed for the performance of subsidiary ledger functions, as well as reconciliation of accounts, verification of interest rates, and adjusting to present market value. Not only are these steps necessary to the preparation of the quarterly investment reports, but are provided for in the Parameters and Guidelines. Additionally, at the hearing on Los Angeles County's Incorrect Reduction Claim, Mr. Bill Sherwood spoke how difficult it was to price these investments to market, and the steps that the State Treasurer must go through in order to obtain such information.

The Controller has eliminated the costs for the software used to track the investments in order to generate the investment reports. The Commission has typically allowed software, as well as any related licensing fees, if the usage of the software is a reasonable method of accomplishing the mandated activities. We believe that the utilization of such software is a reasonable method of accomplishing the mandated activities, and request the restoration of these costs.

Based upon the foregoing, we respectfully request that the disallowed costs be reinstated. If we do not hear from you within 15 days that such costs have been reinstated, we will pursue other avenues to seek their restoration and payment.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Nicole R. Zieba', written in a cursive style.

Nicole R. Zieba  
Manager