

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING MONDAY, June 6, 2016 – 4:00 p.m.

NOTICE TO THE PUBLIC

This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.cityoflosalamitos.org once the agenda has been publicly posted.

Any written materials relating to an item on this agenda submitted after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 3191 Katella Ave., Los Alamitos CA 90720, during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made. Assisted listening devices may be obtained from the City Clerk at the meeting for individuals with hearing impairments.

Persons wishing to address the Committee on any item on the agenda will be called upon at the time the agenda item is called or during the Committee's consideration of the item and may address the Committee for up to three minutes.

1. CALL TO ORDER

2. ROLL CALL

Mayor Murphy
Council Member Edgar

3. DISCUSSION ITEMS

A. Rich Kikuchi, Managing Partner at Lance, Soll & Lunghard, LLP, will discuss the following items:

- Audit Responsibilities and Process (**Attachment 1**)
- Auditor Communication Letter (**Attachment 2**)

B. Review and discuss the following items pertaining to the City Attorney's request for an increase in fees:

- Memo from Cary S. Reisman dated May 10, 2016 (**Attachment 3**)
- Proposed First Amendment to Professional Services Agreement with Wallin, Kress, Reisman & Kranitz, LLP (**Attachment 4**)

4. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at the following locations: Los Alamitos City Hall, 3191 Katella Ave.; Los Alamitos Community Center, 10911 Oak Street; and, Los Alamitos Museum, 11062 Los Alamitos Blvd.; not less than 24 hours prior to the meeting.

Jason Al-Imam
Jason Al-Imam, Administrative Services Director

6/2/16
Date



Audit Responsibilities and Process

June 6, 2016

Focused
on YOU



Audit Responsibilities and Process

- LSL has been engaged by the City to perform a *financial audit* and to assist in preparing your Comprehensive Annual Financial Report (CAFR).
- Testing of account balances
- Consider your current internal controls
- Internal controls are those policies and procedures in place to safeguard the assets of the City and to detect and correct any material errors arising in the accounting system of the City.

Types of Public Sector Audits

- In the public sector, audits are often classified in one of the following categories:
 - **Financial audits** are designed to assure the reliability of financial reports,
 - **Program audits** are conducted to establish whether government programs and activities are meeting stated goals and objectives,
 - **Compliance audits** are conducted to determine compliance with prescribed guidelines,
 - **Internal audits** are conducted based on direction from an audit committee and are internal control focused.



The Financial Audit and Reasonable Assurance

- The goal of the financial audit is to obtain reasonable – not absolute – assurance that the financial statements are fairly presented.
- The concept of **reasonable assurance** means that auditors do not attempt to ensure that all data contained in financial statements are 100 percent accurate; rather, they seek to affirm (on a test basis) that the financial statements are free from **material misstatement**.



Statement of Auditing Standards (SAS) 114

- “our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects,”

Internal Controls

- Auditors gain an understanding of a government's internal controls as part of the effort to obtain evidence to support an opinion on the fair presentation of the financial statements.

Statement of Auditing Standards (SAS) 114

- “As part of our audit, we will consider the internal control of the City. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.”



Consideration of Fraud in a Financial Audit

The auditor's planned scope and timing of the audit includes obtaining the information needed to identify risks of material misstatement due to fraud.

In accordance with (SAS 99) we annually consider fraud risks which may materially affect the financial statements or result in a material noncompliance

Ex: Interviews, analytical procedures in planning, risk factors (incentives/pressures, opportunities, attitudes)

Summary

- LSL has been engaged to perform a financial audit
- SAS 114 requires communication with those in charge with governance
- Los Alamitos
 - Weaknesses are: Size of the finance department
 - Strengths are: Knowledge, hiring of part-time Accounting Manager, monitoring
- Considerations: Audit Committee and additional procedures



May 10, 2016

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

We are engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos (the City) and the Single Audit for the year ended June 30, 2016. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we will consider the internal control of the City. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with Uniform Guidance, we will examine, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the City's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.



To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, the budgetary comparison schedules for the general fund and major special revenue funds, the schedule of changes in net pension liability and related ratio, the schedule of employer contributions, the schedule of investment returns, the schedule of proportionate share of the Net Pension Liability, and the schedule of contributions which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the combining and individual fund statements and schedules which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory and statistical sections which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to issue our report on approximately December 15, 2016.

This information is intended solely for the use of the governing board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Solt & Lughard, LLP

Wallin, Kress, Reisman & Kranitz, LLP

MEMO

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To: Mayor and City Council
City of Los Alamitos

CC: Bret Plumlee, City Manager
Jason Al-Imam, Administrative Services Director

From: Cary S. Reisman, City Attorney 

Re: City Attorney Request for Increase

Date: May 10, 2016

Wallin, Kress, Reisman & Kranitz, LLP was retained by the City in April of 2013. We committed to refrain from requesting an increase in our fees for at least two years. Our retainer is \$6,000.00 per month, and covers up to 40 hours per month. Our hourly rate for excess retainer hours and special services not reimbursed by a third party is \$225.00, and for reimbursed services is \$250.00. We are entitled to reimbursement for 50% of total expenses incurred for training and conferences, but with a maximum of \$600.00 per year. We currently don't charge for travel time within Orange and Los Angeles Counties.

Last year, we requested a 4% increase in our retainer rate, a 4.44% increase in our hourly rate for excess retainer time and a \$600 per year increase in reimbursement for training and conferences, as well as a few other changes. The City Council rejected the retainer and hourly rate increase requests as well as the meetings increase request, but did not reject some of the other changes. Due to the relatively minor nature of the other requests, we did not implement any of them (other than the clarification regarding West-Comm).

We now request the following modifications for the fourth fiscal year of our five year contract for City Attorney services:

- Increase the monthly retainer rate by 6% to \$6,360.00 per month.
- Increase the hourly rate for excess retainer time by 6.67% to \$250.00 per hour.
- Increase the hourly rate for hours reimbursed by third parties by 6% to \$265.00 per hour (last year requested \$260.00, and not disapproved but not implemented).
- Increase the reimbursement for training and conferences to 50% of total incurred, with a maximum of \$1,200.00 per year (same request as last year).

City Attorney Request for Increase

May 10, 2016

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- Pay for travel time (no more than one hour total per meeting) for all non-routine meetings (not rejected last year but not implemented).
- Clarify that West-Comm hours are non-routine services (not rejected last year and implemented, but not formally).

Training and conference expenses (primarily League of California Cities conferences) are split between Bradbury and Los Alamitos, with Bradbury subject to a maximum of \$1,500.00. Lisa covers her own expenses. The cost of League of California Cities (LCC) functions (and hotel rates for out of town travel) has increased significantly since we commenced serving the City to the point where registration for the City Attorney's conference alone (before travel, lodging and meals) costs \$625.00). The conferences last two and one half days each, and I do not charge attorneys' fees to the cities for my time attending. However, the training benefits both cities equally and the cost should fairly be allocated between the two cities equally. In part because I would have exceeded my travel budget for 2015-2016 (and in part because I could not take the three days off required for an out of town conference), I did not attend the LCC Annual conference in San Jose in 2015.

We are requesting limited pay for certain travel time: up to one hour total per meeting for all special meetings (City Council or otherwise). With local freeway conditions, total travel time routinely takes a minimum of two, and frequently two and a half hours. Special meetings may take as little as ½ hour or hour, resulting in an effective compensation rate of \$50.00 to \$75.00 per hour. We would continue to attend Regular City Council Meetings, Planning Commission Meetings and Staff Monthly Agenda meetings with no pay for travel time, and would continue to not bill for mileage for other local travel (L.A. and Orange County).

Finally, I am including a proposed formal modification to our Retainer Agreement to clarify that West-Comm hours are non-routine Services. The retainer agreement is unclear on that point. We have been billing them as special services (and most of them have been labor related anyway) based upon verbal authorization from Interim City Manager Greg Korduner and the Council's acquiescence.

Thank you for your anticipated fair treatment of these reasonable requests.

Enclosure

CSR:da

FIRST AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT
(City of Los Alamitos/Wallin, Kress, Reisman & Kranitz, LLP)

1. IDENTIFICATION

THIS FIRST AMENDMENT ["First Amendment"] TO THE PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into by and between the City of Los Alamitos, a California municipal corporation ("City"), and Wallin, Kress, Reisman & Kranitz, LLP, a California limited liability partnership ("Consultant").

2. RECITALS

- 2.1 City and Consultant entered into a five year agreement for city attorney and litigation services commencing April 16, 2013.
- 2.2 Consultant has requested, and City agrees, to the following modifications to the Agreement to reflect inflation and to clarify matters in the Agreement.
- 2.3 Except as modified herein, the Agreement shall remain in full force and effect.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, City and Consultant agree as follows:

3. MODIFICATIONS

- 3.1 It is hereby clarified that services performed for West Cities Police Communications (West-Comm) are Special Services.
- 3.2 The "Approved Fee Schedule" of the Agreement is modified in accordance with the "Amended Fee Schedule," a copy of which is attached hereto as Exhibit B1 and incorporated herein by this reference.

4. EFFECTIVE DATE

The modifications herein shall become effective on July 1, 2016.

First Amendment to Professional Services Agreement
City of Los Alamitos/Wallin, Kress, Reisman & Kranitz, LLP

TO EFFECTUATE THIS AGREEMENT, the parties have caused their duly authorized representatives to execute this First Amendment on the dates set forth below.

“City”
City of Los Alamitos

“Consultant”
Wallin, Kress, Reisman & Kranitz, LLP

By _____
Richard Murphy, Mayor

By: _____
Cary S. Reisman, Partner

Date: June ___, 2016

Date: June ___, 2016

Attest:

By _____
Windmera Quintanar, City Clerk

Date: June ___, 2016

EXHIBIT B-1
AMENDED FEE SCHEDULE

A. Retainer Services. Consultant shall provide up to 40 hours worth of routine services for the sum of \$6,360.00 a month. Routine services shall include, but not be limited to, attendance at City Council and Commission meetings, staff meetings, preparing and reviewing contracts, resolutions and ordinances.

B. Routine Services Beyond Retainer. All routine services beyond 40 hours per month shall be billed at the rate of \$240.00 per hour.

C. Non-Routine Services. Non-routine services shall be billed the rate of \$240.00 per hour and shall not count against the Retainer hours. Non-routine services include matters such as labor negotiations and complex employment matters, complex CEQA and water or toxics law issues, civil, criminal and administrative litigation, major code revisions, General Plan Amendments, and franchise negotiations.

D. Travel Time. Consultant may bill for up to one hour of attorney time incurred in travelling to each non-routine meeting (i.e., other than regular City Council and Planning Commission meetings, monthly staff agenda meetings, and regular West-Comm meetings). Such billings shall be included in and considered part of the retainer if the maximum number of retainer hours has not otherwise been expended. Otherwise they may be billed as routine services beyond retainer.

E. Reimbursable Legal Services. All legal services provided to the City for which the City receives reimbursement from a developer or other third party shall be billed at the rate of \$265.00 per hour.

F. Cost Reimbursement and Exceptions. The City shall reimburse Consultant as soon as possible for all reasonable and necessary out-of-pocket expenses incurred by Consultant in providing legal services hereunder. Authorized reimbursable expenses include attendance of the City Attorney at the annual League of California Cities City Attorneys Conference (up to a maximum of \$1,200.00 per year), mileage and travel expenses for travel outside of Los Angeles and Orange Counties, voluminous printing and copying jobs contracted to an outside provider, faxes in excess of 100 pages, court fees, computerized research time (e.g., Lexis or Westlaw), extraordinary mail or delivery costs (e.g., courier, overnight and express delivery), actual fees and expenses (no mark-up) for consultants and court reporters retained by Consultant, and similar costs relating to the Services that are generally chargeable to a client. However, no separate charge shall be made by Consultant for phones, secretarial, word processing, or normal fax and copying services. Mileage expenses for travel outside of Los Angeles and Orange Counties shall be paid at the same rate as the City uses to reimburse its employees for mileage.