



**BOARD OF DIRECTORS REGULAR MEETING AGENDA  
SEPTEMBER 6, 2018 | 7PM  
456 WEST OLIVE AVENUE | WEST CONFERENCE ROOM  
SUNNYVALE, CA 94088**

*INFORMATION AND ACTION MAY BE TAKEN ON THE AGENDA ITEMS LISTED BELOW.*

1. Call to order 7:00 PM
2. Consent Agenda
  - a. Board Meeting Minutes: August 2018
3. Committee Reports & Presentation
  - a. Affordable Housing – ADUs (Sinks, Klein, Showalter, Grilli) 7:05 PM
    - i. Senator Bob Wieckowski
    - ii. SCCAPO-Aarti Shrivastava (Cupertino)
  - b. Census 2020 – Santa Clara County 8:00 PM
  - c. District Elections (information) 8:15 PM
4. New Business
  - a. Nominating Committee 8:30 PM
  - b. Audit (Information) 8:35 PM
5. Legislative Action Committee (action if needed – Sinks) 8:50 PM
  - a. Ballot Measures (Prop 1, 2, 3, 5, 10)
6. Executive Director Report – Andi Jordan 8:55 PM
7. Public Comment
8. Adjournment until October 11, 2018, 7PM, Sunnyvale City Hall 9:00 PM



**BOARD OF DIRECTORS**  
**DRAFT MEETING MINUTES**  
AUGUST 9, 2018 | 7 PM  
SUNNYVALE CITY HALL | WEST CONFERENCE ROOM  
56 W OLIVE AVE | SUNNYVALE, CA 94086

President Rod Sinks called the meeting to order at 7:00 PM.

Attending:

Voting members present:

Campbell – Jeffrey Cristina  
Cupertino – Rod Sinks  
Gilroy – Peter Leroé-Muñoz  
Los Altos –Jeannie Bruins  
Los Altos Hills – Gary Waldeck  
Los Gatos – Rob Rennie  
Milpitas – Anthony Phan  
Monte Sereno – absent  
Morgan Hill – Steve Tate  
Mountain View – Pat Showalter  
Palo Alto – Greg Scharff  
San Jose – Charles “Chappie” Jones  
Santa Clara – Debi Davis  
Saratoga – Manny Cappello  
Sunnyvale – Larry Klein

Marico Sayoc, LAC Chair  
Steve Preminger, SCC  
Diana Miller, SCC  
Lisa Oakley, President, Saratoga Senior Center  
Andi Jordan, Executive Director  
Omar Chatty (arrived 8:45pm)

Consent Agenda consisting of Draft Minutes June 14, 2018 Board of Directors Meeting  
Year End Management Report FY 2017-2018 was approved unanimously with a motion from Manny  
Cappello and a second by Larry Klein.

Committee Reports

Legislative Action Committee: Marico Sayoc presented the LAC report and requested the Board act to  
approve the items.

Legislative Action Committee recommends these items:

- Support the Bay Area Air Quality & Management District's (BAAQMAD) Diesel Free by 2033 with the exception of public safety equipment already in service.
- Oppose SB 237 which is a anti community choice aggregate bill
- Oppose (NO) on Proposition 6
- Send letter to Cal-Recycling on SB 1383 rulemaking

Rob Rennie motioned to approve the Legislative Action Committee recommendations, Steve Tate seconded. The Board approved support of Diesel Free by 33 (with the exception of public vehicles already in operation) and sending letter to Cal-Recycling by 13-0-1 vote (Campbell, Jeffrey Cristina abstaining; Monte Sereno absent);

The Board approved opposing SB 237, Opposing Proposition 6 unanimously (14-0-0, Monte Sereno Absent).

**Age-Friendly Cities:** Committee Chair Manny Cappello introduced Diana Miller, Santa Clara County Office on Aging and Lisa Oakley, Board President of Saratoga Senior Center. Santa Clara County is the first County in the Nation to have all cities and the County receive the Age Friendly Communities designation. Miller created a matrix so the cities could see where all of the cities are in the process. Oakley distributed and gave an overview of Saratoga's Age Friendly Action Plan and AARP's overview "Elements of an Action Plan. Oakley offered advice and assistance based on Saratoga's work, noting that each city is different, and may handle the charge differently. She recommended creating an Aging Commission, and using AARP as a resource. Oakley is willing to meet and work with any city. .

#### **SCC Office of Emergency Services - Collaborating Agencies' Disaster Relief Efforts**

**ALERTSCC** Patty Eaton, Santa Clara County Office of Emergency Services, gave an overview of Emergency Preparedness: Disaster Preparedness, Response, Recovery, Mitigation. Santa Clara County's alert and warning systems are broadcast with EVERBRIDGE when an imminent threat to the public.

Santa Clara County utilizes an opt-in system. To receive emergency alerts, text your zip code to 888777 for text alerts only. Or register at [www.AlertSCC.org](http://www.AlertSCC.org).

Eaton discussed 2 bills of interest regarding emergency alerts:

- State Senate Bill 833: mandatory statewide system for alerts, requires all jurisdictions to be trained,
- State Senate Bill 821: authorize county to automatically enrol residents in alert & notification system. (AlertSCC would become opt-out instead of opt-in.

**READYSCC** Ivan Williams, Santa Clara County Office of Emergency Services, discussed the READY Santa Clara County Community Preparedness app which allows families to create Family Emergency Plan, provides emergency services information and shelters, evacuations maps and routes. The app may be downloaded in Apple or Google. [READYSCC – Santa Clara County]

San Francisco Bay Conservation & Development Commission update by Pat Showalter. Showalter gave an update on behalf of Showalter and Greg Scharff, representatives from Santa Clara County serving on BCDC. Showalters presentation was modified from Larry Goldzband "A Rising Bay, Wet Shorelines, and Increasing Expectations: BCDC's Planning & Regulatory Responses to Rising Sea Level" presentation which is available on the cities association website. The importance of the San Francisco Bay:

- Largest West Coast estuary
- Pacific Flyway
- Habitat for more than 500 species
- Incomparable recreational & scenic resource
- Bay Area GDP 18th largest
- Tourism!
- Bay Area attracts workers to Silicon Valley
- Port of Oakland 5th busiest
- >40% of CA refinery capacity within BCDC jurisdiction

The challenge is how to 9 counties, 66 cities, over 150 public agencies with some kind of authority. Goals remain to Minimize Bay Fill and Maximize feasible public access.

Uncertainty & Predictability regarding rising sea levels:

- How to reduce Rising Sea Level uncertainty?
- Scientific uncertainty: how much water, how quickly, and where will it go?
- Ecological uncertainty: how will marshes react?
- Financial uncertainty: who will invest during uncertain times, and how?
- Legal uncertainty: who owns what when the water rises?
- Regulatory uncertainty: how to create consistency?
- Planning uncertainty: how not to scare the public?

**Deadline 2030-** Models have shown that if wetlands are established by 2030 they MAY be able to keep up with rising sea level.

Presentation available on Cities Association website.

Executive Director Report - Jordan noted that the December General Membership Dinner would be held Friday, December 7<sup>th</sup> at Picchetti Winery, Cupertino. (This is a change due to venue availability.)

Joys & Challenges:

- Rod Sinks, Cupertino reported that Cupertino has had a major breakthrough with a major employer in Cupertino to work together to create regional solutions around transportation. [news](#)
- Larry Klein, Sunnyvale passed an ordinance that firearms sales are available to 21 and older now. [news](#)
- Greg Scharff reported:
  - Palo Alto outlawed idling cars, but will not enforce it. [news](#)
  - Council voted 5-4 to reduce the Comprehensive Plan's Citywide Cumulative Cap on Office/R&D Development.
- Jeannie Bruins, Los Altos, reported that the voter initiative "Save our Parks" in which all leases and sales must go to the voters for approval. Bruins announced that she will be serving on the MTC search committee to find a replacement for Steve Heminger.
- Anthony Phan, Milpitas discussed Milpitas action to increase Transient Occupancy Tax up to 14%. [news](#)
- Debi Davis, Santa Clara, reported that Santa Clara has put [cannabis tax](#) on the ballot.
- Rob Rennie, Los Gatos, reported that a 1/8<sup>th</sup> cent sales tax increase is on the ballot. Citizens had requested the measure and are now opposing it. [news](#)
- Pat Showalter discussed the 2016 Rent Stabilization implementation which has been difficult and too costly to repeal, not enough signatures.
- Steve Tate, Morgan Hill, announced that Morgan Hill has 3 items on the ballot:

- Cannabis tax,
- TOT – 11%
- Change the Clerk from elected to appointed

Public Comment – Omar Chatty made remarks about MTC search to replace Steve Heminger and asked that Council Member Bruins work to find a replacement that serves the people.

Meeting adjourned at 9PM and will meet next on Thursday, September 6, 2018 at 7PM.

\*schedule change for September meetings due to LCC Annual Conv

Respectfully submitted,

Andi Jordan  
Executive Director



## RESOLUTION NO. 2018-003

### Resolution Endorsing the Diesel Free By '33 Statement of Purpose

WHEREAS, climate change, caused by the emission of greenhouse gases including carbon dioxide and black carbon, represents a profound threat to the Bay Area's air quality, public health, environment, water supplies, and economy; and

WHEREAS, diesel engines emit significant amounts of black carbon, a short-lived climate pollutant that is contributing significantly to global climate change; and

WHEREAS, the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report estimates that black carbon is the third most important individual contributor to warming after carbon dioxide and methane (IPCC 2013); and

WHEREAS, The California Air Resources Board concludes that *"Diesel exhaust includes over 40 substances that are listed by the United States Environmental Protection Agency as hazardous air pollutants and by the CARB as toxic air contaminants. Fifteen of these substances are listed by the World Health Organization as carcinogenic to humans, or as a probable or possible human carcinogen"* [California Air Resources Board Scientific Review Panel on: California Air Resources Board's report titled "Proposed Identification of Diesel Exhaust as a Toxic Air Contaminant." 1998]; and

WHEREAS, the California Environmental Protection Agency's Office of Environmental Health Hazard Assessment has determined that exposure to diesel exhaust can have significant health effects, including damage to lung tissue and increased risk of cancer; and

WHEREAS, the California Air Resources Board estimates that on-road and off-road mobile sources powered by diesel engines comprise 54% of the state of California's total black carbon emissions; and

WHEREAS, the negative public health and environmental effects from climate change will fall most heavily on the communities and populations that are already most heavily impacted by air pollution, other environmental hazards, and economic inequality; and

WHEREAS, many alternatives to diesel-fueled vehicles and equipment are already commercially available, with purchase costs comparable to traditional diesel technologies; and

WHEREAS, *Cities Association of Santa Clara County* recognizes a city's role as a leader in the fight against global climate change; and

WHEREAS, the Bay Area Air Quality Management District has established a challenge to engage with public agencies to reduce diesel emissions in local communities throughout California and beyond, reflected in the *Diesel Free By '33 Statement of Purpose*;

NOW, THEREFORE BE IT RESOLVED, the Cities Association of Santa Clara County endorses the *Diesel Free By '33 Statement of Purpose (with the exception of public safety equipment already in use)*, reflecting a goal of eliminating diesel pollution by December 31, 2033

AYES: 13 (Cupertino/Sinks, Gilroy/Leroe-Muñoz, Los Altos/Bruins, Los Altos Hills/Waldeck, Los Gatos/Rennie, Milpitas/Phan, Morgan Hill/Tate, Mountain View/Showalter, Palo Alto/Scharff, San José/Jones, Santa Clara/Davis, Saratoga/Cappello, Sunnyvale/Klein

NOES: 0

ABSENT: 1 (Monte Sereno/Craig)

ABSTAIN: 1 (Campbell/Cristina)



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Rod Sinks, President

ATTEST:



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Andi Jordan, Executive Director

DATE: August 9, 2018

**Subject:** Thank you for Supporting No on Prop 6

**Date:** Friday, August 17, 2018 at 4:55:19 PM Pacific Daylight Time

**From:** No on Prop 6

**To:** Andi Jordan



## Stop the Attack on Bridge & Road Safety

Hello,

Thank you for supporting the **No on Prop 6** campaign.

Organizations like the California Professional Firefighters, California Association of Highway Patrolmen, American Society of Civil Engineers, paramedics, first responders and yours urge **NO on Prop 6** because it will stop critical transportation projects and make our bridges and roads less safe.

Here's how you can help:

1. Follow us on [Twitter](#) and promote **#NoProp6**
2. Follow us on [Facebook](#)

To confirm, we will be listing Cities Association of Santa Clara County on our coalition list and materials. If this is NOT how you would like to be listed, please contact us at [info@noprop6.com](mailto:info@noprop6.com).



We look forward to further engaging with you and thank you for your support as we **Stop the Attack on Bridge and Road Safety**.

Paid for by No on Prop 6: Stop the Attack on Bridge & Road Safety, sponsored by business, labor, local governments and transportation advocates

Who funded this ad? <http://NoProp6.com/>



This email was sent to [executive\\_director@citiesassociation.org](mailto:executive_director@citiesassociation.org)  
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No Prop 6 · 1121 L St Ste 910 · Sacramento, CA 95814-3974 · USA



P.O. Box 3144  
Los Altos, CA 94024  
408-766-9534  
www.citiesassociation.org

August 17, 2018

The Honorable Marc Berman  
State Capitol, Suite 117  
Sacramento, CA 95814

VIA EMAIL: [assemblymember.berman@assembly.ca.gov](mailto:assemblymember.berman@assembly.ca.gov)

Re: SB 237 (Hertzberg)-- OPPOSE

Dear Assemblymember Berman:

We are writing on behalf of the Cities Association of Santa Clara County, an association of the 15 cities of Santa Clara County. Our recent achievements include the formation of Silicon Valley Clean Energy, which was created from our initiative.

We must respectfully convey our strong opposition to SB 237, which would eliminate the cap on direct access for non-residential electric customers by July 1, 2019, allowing all nonresidential electricity consumers to migrate away from investor-owned utilities (IOUs) and community choice aggregators (CCAs) to contract for the cheapest power they can obtain.

California last authorized unlimited direct access in AB 1890 (Brulte, 1996). When spot market electricity prices spiked in 2000, costs for utility customers increased, certain direct access providers reaped excess profits, and direct access customers were dumped back to utility service *en masse*. Direct access providers cut and ran when their customers, and the state, needed stability most.

Today, expanding direct access creates even greater risks. Even though direct access providers are subject to the RPS and other laws, they do not develop their own resources. They seek out short-term procurement contracts for excess capacity and energy from projects built under long-term contracts with other service providers. That procurement strategy is based on the fact that ESPs serve their customers under short-term contracts that range from month-to-month agreements up to three years, with customers able to switch back-and-forth between ESPs and to IOU service when the economics are favorable.

The transient nature of both ESPs' procurement practices and customer base is at odds with California's commitment to clean energy and equity. Without a consistent, long-term foundation, the ESP business model fails to foster the type of lasting commitments that

resource planners and renewable energy developers need to obtain financing, drive new resource development, and recover costs.

SB 237 also lacks any commitment to California’s communities, including our most disadvantaged populations. While IOUs and CCAs serve all customers in their communities, including low-income residential customers, ESPs serve only commercial and industrial customers. Moreover, utilities and CCAs serve their communities with programs that extend beyond clean energy to support a range of local priorities including programs that accelerate electric vehicle adoption, incentives that support rebuilding in fire ravaged areas, expanded energy efficiency programs, local solar programs and robust job training programs. These efforts are all put at risk by this proposed legislation.

The expansion of direct access would also remove critical information from public view and prevent meaningful public oversight. The procurement transactions executed by ESPs are not subject to CPUC approval or local government approval. ESPs routinely assert claims of confidentiality with respect to basic information that is publicly disclosed by IOUs, publicly-owned utilities, and CCAs. SB 237 would result in less transparency in energy markets and more information being deemed confidential trade secrets that cannot be shared with the public or the Legislature.

Increasing direct access pushes the State towards a Texas-like environment where promotional electricity marketing, poor energy efficiency records, and resistance to climate policy prevail. California has not chosen that path. It has chosen to lead on climate and clean energy and to support its most vulnerable communities. Continuing on such a path requires the rejection of SB 237.

Thank you for taking the time to consider our comments.

Sincerely,



Rod Sinks  
President  
Vice Mayor, City of Cupertino



Marico Sayoc  
Chair, Legislative Action Committee  
Council Member, Town of Los Gatos



P.O. Box 3144  
Los Altos, CA 94024  
408-766-9534  
www.citiesassociation.org

August 17, 2018

The Honorable Anna Caballero  
State Capitol, Room 2117  
Sacramento, CA 95814

VIA EMAIL: [assemblymember.caballero@assembly.ca.gov](mailto:assemblymember.caballero@assembly.ca.gov)

Re: SB 237 (Hertzberg)-- OPPOSE

Dear Assemblymember Caballero:

We are writing on behalf of the Cities Association of Santa Clara County, an association of the 15 cities of Santa Clara County. Our recent achievements include the formation of Silicon Valley Clean Energy, which was created from our initiative.

We must respectfully convey our strong opposition to SB 237, which would eliminate the cap on direct access for non-residential electric customers by July 1, 2019, allowing all nonresidential electricity consumers to migrate away from investor-owned utilities (IOUs) and community choice aggregators (CCAs) to contract for the cheapest power they can obtain.

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408-766-9534  
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August 17, 2018

The Honorable Kansen Chu  
State Capitol, Suite 255  
Sacramento, CA 95814

VIA EMAIL: [assemblymember.chu@assembly.ca.gov](mailto:assemblymember.chu@assembly.ca.gov)

Re: SB 237 (Hertzberg)-- OPPOSE

Dear Assemblymember Chu:

We are writing on behalf of the Cities Association of Santa Clara County, an association of the 15 cities of Santa Clara County. Our recent achievements include the formation of Silicon Valley Clean Energy, which was created from our initiative.

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August 17, 2018

The Honorable Ash Kalra  
State Capitol, Suite 319  
Sacramento, CA 95814

VIA EMAIL: [assemblymember.kalra@assembly.ca.gov](mailto:assemblymember.kalra@assembly.ca.gov)

Re: SB 237 (Hertzberg)-- OPPOSE

Dear Assemblymember Kalra:

We are writing on behalf of the Cities Association of Santa Clara County, an association of the 15 cities of Santa Clara County. Our recent achievements include the formation of Silicon Valley Clean Energy, which was created from our initiative.

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August 17, 2018

The Honorable Evan Low  
State Capitol, Suite 220  
Sacramento, CA 95814

VIA EMAIL: [assemblymember.low@assembly.ca.gov](mailto:assemblymember.low@assembly.ca.gov)

Re: SB 237 (Hertzberg)-- OPPOSE

Dear Assemblymember Low:

We are writing on behalf of the Cities Association of Santa Clara County, an association of the 15 cities of Santa Clara County. Our recent achievements include the formation of Silicon Valley Clean Energy, which was created from our initiative.

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August 17, 2018

The Honorable Mark Stone  
State Capitol, Suite 220  
Sacramento, CA 95814

VIA EMAIL: [assemblymember.stone@assembly.ca.gov](mailto:assemblymember.stone@assembly.ca.gov)

Re: SB 237 (Hertzberg)-- OPPOSE

Dear Assemblymember Stone:

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We must respectfully convey our strong opposition to SB 237, which would eliminate the cap on direct access for non-residential electric customers by July 1, 2019, allowing all nonresidential electricity consumers to migrate away from investor-owned utilities (IOUs) and community choice aggregators (CCAs) to contract for the cheapest power they can obtain.

California last authorized unlimited direct access in AB 1890 (Brulte, 1996). When spot market electricity prices spiked in 2000, costs for utility customers increased, certain direct access providers reaped excess profits, and direct access customers were dumped back to utility service *en masse*. Direct access providers cut and ran when their customers, and the state, needed stability most.

Today, expanding direct access creates even greater risks. Even though direct access providers are subject to the RPS and other laws, they do not develop their own resources. They seek out short-term procurement contracts for excess capacity and energy from projects built under long-term contracts with other service providers. That procurement strategy is based on the fact that ESPs serve their customers under short-term contracts that range from month-to-month agreements up to three years, with customers able to switch back-and-forth between ESPs and to IOU service when the economics are favorable.

The transient nature of both ESPs' procurement practices and customer base is at odds with California's commitment to clean energy and equity. Without a consistent, long-term foundation, the ESP business model fails to foster the type of lasting commitments that

resource planners and renewable energy developers need to obtain financing, drive new resource development, and recover costs.

SB 237 also lacks any commitment to California’s communities, including our most disadvantaged populations. While IOUs and CCAs serve all customers in their communities, including low-income residential customers, ESPs serve only commercial and industrial customers. Moreover, utilities and CCAs serve their communities with programs that extend beyond clean energy to support a range of local priorities including programs that accelerate electric vehicle adoption, incentives that support rebuilding in fire ravaged areas, expanded energy efficiency programs, local solar programs and robust job training programs. These efforts are all put at risk by this proposed legislation.

The expansion of direct access would also remove critical information from public view and prevent meaningful public oversight. The procurement transactions executed by ESPs are not subject to CPUC approval or local government approval. ESPs routinely assert claims of confidentiality with respect to basic information that is publicly disclosed by IOUs, publicly-owned utilities, and CCAs. SB 237 would result in less transparency in energy markets and more information being deemed confidential trade secrets that cannot be shared with the public or the Legislature.

Increasing direct access pushes the State towards a Texas-like environment where promotional electricity marketing, poor energy efficiency records, and resistance to climate policy prevail. California has not chosen that path. It has chosen to lead on climate and clean energy and to support its most vulnerable communities. Continuing on such a path requires the rejection of SB 237.

Thank you for taking the time to consider our comments.

Sincerely,



Rod Sinks  
President  
Vice Mayor, City of Cupertino



Marico Sayoc  
Chair, Legislative Action Committee  
Council Member, Town of Los Gatos



P.O. Box 3144  
Los Altos, CA 94024  
408-766-9534  
www.citiesassociation.org

August 16, 2018

Mr. Scott Smithline, Director  
California Department of Resources Recycling and Recovery (CalRecycle)  
PO Box 4025  
Sacramento, CA 95812-4025

VIA EMAIL: [SLCP.Organics@calrecycle.gov](mailto:SLCP.Organics@calrecycle.gov)

**RE: CalRecycle proposed regulations under SB1383**

Dear Mr. Smithline:

On behalf of the Cities Association of Santa Clara County, an association of the 15 cities of Santa Clara County, we write to express our concern regarding the current draft of SB 1383 Regulations and wish to provide comments.

The proposed regulations:

- Fail to acknowledge variations in climate, organics generation, markets, and financial resources and block cities from designing diversion programs tailored to match those local variations.
- Require resources that exceed benefits and the propose mandatory process steps are not directly related to the desired outcome
- Are punitive to residents and businesses, which ultimately weakens the ambitious goals of SB 1383
- Dictate that local jurisdictions procure specified amounts of recycled organic waste products and use an inappropriate metric for quantifying the amount required which is flawed. Why not simply require jurisdictions' purchases of landscape material include recycled content?

The Cities Association of Santa Clara County has long been on the forefront of advocating and creating policies for our communities that champion the environment. We are supportive of efforts for recycling and waste reduction but feel the draft in its current form does not achieve the goal of organics diversion.

Thank you for taking the time to consider our comments.

Sincerely,

Rod Sinks  
President  
Vice Mayor, City of Cupertino

Marico Sayoc  
Legislative Action Committee Chair  
Council Member, Town of Los Gatos





## **Board of Directors Meeting – Agenda Report**

- Meeting Date:** September 6, 2018
- Subject:** 3a: Committee Reports Affordable Housing (Sinks, Grilli, Showalter, Klein)  
3b: Census 2020 – Santa Clara County  
3c: District Elections - Donald Larkin, City Attorney, Morgan Hill  
Brian Doyle, City of Santa Clara (invited)
- Attachments:** 3a: handouts at meeting  
3b: attachment  
3c: none





**REQUEST TO PRESENT TO THE BOARD OF DIRECTORS**

Return to [executive\\_director@citiesassociation.org](mailto:executive_director@citiesassociation.org) at least 2 weeks prior to the Board Meeting for consideration.

**NAME OF ORGANIZATION:**

Name of Contact Person: Steve Preminger

Phone: (408) 299-6468

Email: [steve.preminger@ceo.sccgov.org](mailto:steve.preminger@ceo.sccgov.org)

Presenters: David Campos, Deputy County Executive

**REQUEST (WHAT WILL BE PRESENTED?):**

Update from 2020 Census Complete Count Committee

**RELEVANCE TO THE CITIES ASSOCIATION:**

The 2020 census success depends on the cooperation and participation from all 15 cities. Federal and other funding is based on this census and the result is the basis for funding allocations for the next 10 years. Also, political representation is at stake.

**WHAT ACTION IS REQUESTED OF THE CITIES ASSOCIATION?**

Hear from the presentation ways all cities can engage in the 2020 census, including bringing in partner organizations and individuals willing to support this.

**MATERIALS TO BE SENT TO SUPPORT PRESENTATION:**

yes.



## **Board of Directors Meeting – Agenda Report**

**Meeting Date:** September 6, 2018

**Subject:** 4a: Nominating Committee (information)  
4b: Audit Report

**Attachments:** 4a: no attachment  
4B: attachment – City of San José office of the Auditor

**TO:** BOARD OF DIRECTORS  
CITIES ASSOCIATION OF SANTA  
CLARA COUNTY

**FROM:** Sharon W. Erickson,  
City Auditor

**SUBJECT:** EXPENDITURE REVIEW, FISCAL  
YEARS ENDING JUNE 30, 2017 & 2018

**DATE:** August 31, 2018

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## SUMMARY

The Office of the City Auditor has performed an expenditure review of the Cities Association of Santa Clara County (Association) for the fiscal years ending June 30, 2017 and 2018. We also reviewed the controls in place to protect Association assets. Based on our review, we found that the Association has not always accurately reported its expenditures or financial position to its Executive Board due to accounting entries being miscategorized, omitted, or recorded in the wrong accounting period. The errors causing the inaccuracies appear to be resolved. Controls are in place to protect Association assets, however, the Board is evaluating options to reorganize the Association, including reviewing potential IRS filing requirements. Several controls documented in Association bylaws or in past expenditure reviews have not been consistently practiced. We made two recommendations to improve financial reporting and reinstitute stronger financial controls. The Executive Director agreed with the recommendations.

## BACKGROUND

The Association is a collaboration of the fifteen cities of Santa Clara County. It was formed in 1990 to improve cooperation among city governments in addressing issues of common interest and its Board is composed of a representative from each member city. Within the last two years, the Association has had three Executive Directors. The current Executive Director was hired in July 2017.

## SCOPE AND METHODOLOGY

The Office of the City Auditor was asked to review the Association's revenues and expenditures to determine whether they are being accurately reported to the Board of Directors (Board) and whether controls are in place to protect Association assets. In order to address these questions, we:

- Reviewed financial reports provided to the Executive Board, and compared reports to those currently available in the Association's internal accounting software, Quickbooks, for the same reporting period.
- Reviewed Association bank statements and Association-prepared bank reconciliations.

- Compared payroll tax reports prepared by the Association's outside payroll firms with payroll entries recorded in Quickbooks.
- Compared revenues entered and reported in Quickbooks to the Association's member dues schedule.
- Reviewed transaction detail for selected asset, revenue, and expense categories.
- Reviewed procedures for bank reconciliations and budget practices for membership events.
- Reviewed the Audit Control Log within Quickbooks, sampling edited transactions for reasonableness and support.
- Interviewed the Association's Executive Director.
- Reviewed IRS filing requirements for tax-exempt organizations.

We conducted this performance audit in accordance with generally accepted government auditing standards.<sup>1</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### *Prior Year Expenditure Reviews*

An expenditure review was last issued in November 2015 and covered the fiscal years ending June 30, 2014 and 2015. The Office of the City Auditor has periodically issued expenditure reviews since 1996.<sup>2</sup> Based on prior reviews, we have found that the Association had accurately reported its expenditures to its Board and had controls in place to protect Association assets. In past reports, we have made recommendations to improve controls, such as:

- Establishing a policy whereby the Board Treasurer reviews the monthly bank reconciliation.
- Adjusting accounting procedures to ensure more timely reporting of payroll expenditures and proper accounting of capital expenditures.
- Improving procedures surrounding expense reimbursements.

We have also recommended the Executive Director make minor adjusting journal entries to report more accurately Association activity. The Association agreed with and implemented each of our recommendations in past reports.

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<sup>1</sup> A performance audit differs from a financial statement audit. As a result, we do not express an opinion on the attached unaudited financial statements.

<sup>2</sup> Prior year reports can be found on the City Auditor's website at <http://www.sanjoseca.gov/index.aspx?NID=307>.

## **ACCURACY OF REPORTED REVENUES AND EXPENDITURES**

The Executive Director submits monthly Association financial reports to the Executive Board,<sup>3</sup> a subset of the full Board. The reports generally include a balance sheet, profit and loss statement, and budget reports, and are generated from the Association's Quickbooks files. We found that these reports have not always been accurate due to items being miscategorized, omitted, or recorded in the wrong accounting period, resulting in several reports understating expenses and assets. For example, the February 2018 profit and loss statement provided to the Executive Board reported employee wages as a negative revenue amount of over \$6 thousand dollars. Prior to the start of this review, the Executive Director contracted a bookkeeper due to repeated crashing of the Association's Quickbooks software and difficulty in reconciling transactions which occurred prior to her tenure. The bookkeeper resolved most of the errors.

Executive Board Members have been kept apprised of the accounting challenges and have discussed contracting a bookkeeper on a regular basis considering that current and planned Association initiatives will continue to require greater Executive Director attention. The Executive Director expressed preference during this review for bookkeeping assistance given the competing priorities of the Association and reservations with being responsible for processing, recording, and reporting on transactions, including editing those which occurred prior to her tenure. We recommend that the Board contract a bookkeeper to assist the Executive Director in maintaining Association accounting records and providing accurate financial reports to the Executive Board.

During the review, we recommended that the Executive Director make additional adjusting journal entries in the Association's Quickbooks files. This included corrections to accurately record employee expenses and interest income, and record annual depreciation expense for the current and prior fiscal years. The Executive Director agreed and made the recommended journal entries. See appendices A and B for the revised balance sheets and profit and loss statements for the fiscal years ending June 30, 2017 and 2018 generated from the Association's Quickbooks files.

## **CONTROLS TO PROTECT ASSOCIATION ASSETS**

Based on our review, we have found that there are controls to protect Association assets, however, we also found that several controls documented in the Association's bylaws or in past expenditure reviews have not been consistently practiced.

The Association's primary assets are its checking account and investments in the California Local Agency Investment Fund (LAIF). The Executive Director reconciles the checking account monthly, and provides monthly financial reports to the Executive Board. The content of the financial reports can vary, but they generally include a balance sheet, profit and loss statement, and budget reports. Budget reports monitor the Association's performance to Board-approved operating and membership event budgets. Although Association bylaws require the Treasurer or Secretary to review and initial monthly bank reconciliations, we did not observe this in practice. Additional controls noted in past reviews but not observed during this review include not providing monthly activity reports to the Executive Board showing all monthly activity (including

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<sup>3</sup> The Executive Board consists of the President, First and Second Vice Presidents, Secretary/Treasurer, the Chair of the Association's Legislative Action Committee, the Immediate Past President of the Board, and the Santa Clara County/Cities' Managers Liaison.

expense reimbursements to members of the Association); and the performance of quarterly LAIF reconciliations. The Executive Director has agreed with our recommendation to reinstitute these controls.

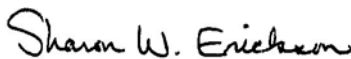
#### *Compliance with IRS Filing Requirements*

The Association is currently organized as an Unincorporated Association.<sup>4</sup> As such, the Association may be required to file Form 990<sup>5</sup> with the IRS. The Association has not been filing the form which may expose the Association to “Failure to File” penalties. At the time of our review, the Board was evaluating options to reorganize the Association, potentially to operate under a Joint Powers Agreement, as an official non-profit, or as an instrumentality of another government unit. This would include determining whether the Association is required to comply with IRS filing requirements, and if so, what actions are necessary to account for the years in which the Association did not file. The Board expects to make its decision by the end of the current fiscal year.

## **CONCLUSION**

Based on our expenditure review, we found prior reports provided to the Executive Board included errors that have since been corrected. We recommend that the Board contract a bookkeeper to assist the Executive Director in maintaining Association accounting records and providing accurate financial reports to the Executive Board. Although we found controls are in place to protect Association assets, several controls documented in Association bylaws or prior reviews have not been consistently practiced. We recommend that the Executive Director reinstitute these controls.

We reviewed this memorandum with the Executive Director of the Association and thank her for her cooperation and assistance during our review.

  
Sharon W. Erickson  
City Auditor

SE: lg  
18-05

Audit staff: Joseph Rois  
Juan Barragan

Attachments

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<sup>4</sup> California Corporations Code 18035 defines an Unincorporated Association as “an unincorporated group of two or more persons joined by mutual consent for a common lawful purpose, whether organized for profit or not.”

<sup>5</sup> Per IRS Form 990 Instructions, “Form 990 is an annual information return required to be filed with the IRS by most organizations exempt from income tax under section 501(a), and certain political organizations and nonexempt charitable trusts.” <https://www.irs.gov/pub/irs-pdf/i990.pdf>

**APPENDIX A**

**CITIES ASSOCIATION OF SANTA CLARA COUNTY**

BALANCE SHEET

As of June 30, 2018

	TOTAL	
	AS OF JUN 30, 2018	AS OF JUN 30, 2017 (PY)
<b>ASSETS</b>		
Current Assets		
Bank Accounts		
Checking - Union Bank	3.77	3,802.23
<b>Total Bank Accounts</b>	<b>\$3.77</b>	<b>\$3,802.23</b>
Accounts Receivable		
Accounts Receivable	0.00	0.00
<b>Total Accounts Receivable</b>	<b>\$0.00</b>	<b>\$0.00</b>
Other Current Assets		
Accrued Interest	44.60	44.60
LAIF Funds	56,630.28	53,518.00
Undeposited Funds	0.00	0.00
Venue Deposit	1,000.00	0.00
<b>Total Other Current Assets</b>	<b>\$57,674.88</b>	<b>\$53,562.60</b>
<b>Total Current Assets</b>	<b>\$57,678.65</b>	<b>\$57,364.83</b>
Fixed Assets		
Accumulated Depreciation	-1,926.59	-1,649.78
Machinery and Equipment	2,203.41	2,203.41
<b>Total Fixed Assets</b>	<b>\$276.82</b>	<b>\$553.63</b>
<b>TOTAL ASSETS</b>	<b>\$57,955.47</b>	<b>\$57,918.46</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	0.00	0.00
<b>Total Accounts Payable</b>	<b>\$0.00</b>	<b>\$0.00</b>
Credit Cards		
First National Bank of Omaha	-794.48	
<b>Total Credit Cards</b>	<b>\$ -794.48</b>	<b>\$0.00</b>
Other Current Liabilities		
Accrued Expenses	0.00	0.00
Accrued Payroll	0.00	0.00
Payroll Liabilities	0.00	0.00
FICA		
Company	0.00	0.00
<b>Total FICA</b>	<b>0.00</b>	<b>0.00</b>
Payroll Taxes Payable	0.00	0.00
SDI	0.00	0.00
State Withholding	0.00	0.00
<b>Total Payroll Liabilities</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Other Current Liabilities</b>	<b>\$0.00</b>	<b>\$0.00</b>

**APPENDIX A**

	TOTAL	
	AS OF JUN 30, 2018	AS OF JUN 30, 2017 (PY)
<b>Total Current Liabilities</b>	<b>\$ -794.48</b>	<b>\$0.00</b>
<b>Total Liabilities</b>	<b>\$ -794.48</b>	<b>\$0.00</b>
Equity		
Opening Bal Equity	-34.00	0.00
Reserves	0.00	0.00
Reserve for Equip. Replacement	0.00	0.00
Reserve for New Equip.	5,000.00	5,000.00
Reserve for Operations	35,000.00	35,000.00
Reserve for Program/Ooport.	0.00	0.00
Unreserved	0.00	0.00
<b>Total Reserves</b>	<b>40,000.00</b>	<b>40,000.00</b>
Unrestricted Fund Balance	17,918.46	11,391.60
Net Income	865.49	6,526.86
<b>Total Equity</b>	<b>\$58,749.95</b>	<b>\$57,918.46</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$57,955.47</b>	<b>\$57,918.46</b>



**APPENDIX B**  
**CITIES ASSOCIATION OF SANTA CLARA COUNTY**

PROFIT AND LOSS

July 2017 - June 2018

	TOTAL	
	JUL 2017 - JUN 2018	JUL 2016 - JUN 2017 (PY)
Income		
Directory Income	915.00	1,132.00
Dues Income	87,868.00	87,868.00
Gusto/Payroll	0.00	
<b>Total Income</b>	<b>\$88,783.00</b>	<b>\$89,000.00</b>
<b>GROSS PROFIT</b>	<b>\$88,783.00</b>	<b>\$89,000.00</b>
Expenses		
Depreciation Expense	276.81	276.81
Dues and Subscriptions	650.00	
Interest Expense	21.58	
Office		
Directory Production	961.38	1,083.92
Dues and Subscriptions	540.00	375.00
Hospitality	759.73	344.73
Insurance	821.52	
Internet - Web Hosting Services	219.66	59.85
Miscellaneous		
Bank Service Charges	71.00	51.00
<b>Total Miscellaneous</b>	<b>71.00</b>	<b>51.00</b>
Post Office Box	162.80	43.00
Postage and Delivery	173.55	223.80
Printing and Copying	723.77	
Recognition	390.22	175.02
Repairs and Maintenance		
Others		59.85
<b>Total Repairs and Maintenance</b>		<b>59.85</b>
Software Licenses	761.37	464.23
Supplies and Equipment	455.78	414.65
Telephone	443.85	544.62
<b>Total Office</b>	<b>6,484.63</b>	<b>3,839.67</b>
Office/General Administrative Expenses	117.00	
Other Miscellaneous Service Cost	12.71	
Professional Services		
Consultants	2,568.75	
Employee Expenses		
Payroll Service Fees	427.50	933.60
Payroll Taxes	6,157.95	6,046.83
Payroll Wages/Salary	69,999.96	73,370.44
<b>Total Employee Expenses</b>	<b>76,585.41</b>	<b>80,350.87</b>
<b>Total Professional Services</b>	<b>79,154.16</b>	<b>80,350.87</b>
Programs and Initiatives	1,000.00	
Project Support		1,000.00

**APPENDIX B**

	TOTAL	
	JUL 2017 - JUN 2018	JUL 2016 - JUN 2017 (PY)
<b>Total Programs and Initiatives</b>	<b>1,000.00</b>	<b>1,000.00</b>
Workers Compensation	430.00	
<b>Total Expenses</b>	<b>\$88,146.89</b>	<b>\$85,467.35</b>
NET OPERATING INCOME	<b>\$636.11</b>	<b>\$3,532.65</b>
Other Income		
General Membership Meeting	3,507.20	3,584.08
Interest Income	1,112.28	608.81
Membership Dinners - Proceeds	2,345.00	3,265.00
Membership Dinners - Sponsors	10,000.00	6,700.00
<b>Total Other Income</b>	<b>\$16,964.48</b>	<b>\$14,157.89</b>
Other Expenses		
General Meeting - catering	4,242.03	
General meeting - office supplies/signage	357.73	
Holiday party - entertainment	509.00	
Membership Dinners - Cost	11,626.34	11,163.68
<b>Total Other Expenses</b>	<b>\$16,735.10</b>	<b>\$11,163.68</b>
NET OTHER INCOME	<b>\$229.38</b>	<b>\$2,994.21</b>
NET INCOME	<b>\$865.49</b>	<b>\$6,526.86</b>