



MEMORANDUM

To: Honorable Mayor and Members of the City Council
From: Howard W. Brown, Jr., City Manager 
CC: City Department Directors
Date: May 20, 2016
Re: **Bi-Monthly Update and Report (Week Ending Saturday, May 21, 2016)**

Administration

- On Wednesday, May 18, 2016, Reporter, Dave Downey (Enterprise – Riverside) and I were in contact regarding the scandal in Beaumont, California.
- LAUSD is hosting the Bell Walk & Roll Festival on Saturday, May 21, 2016 from 9:00 am – 2:00 pm at Corona Avenue School; free to the public.
- I met with the ALDI property owner and grocery store representatives about the Conditional Use Permit for Shoe City – Aldi Redevelopment project, at the corner of Gage and Atlantic Streets.
- Met with representatives from HDL Associates about sales tax. Sales tax is 2.4% higher compared to the same time period last year. I have attached a more detailed City of Bell Sales Tax Update, for your review.
- The auditors have provided a notice of what to expect during the upcoming audit year. The auditors expect to complete the audit on or before December 31, 2016.
- Mr. Henry Garcia, from RMG Management will be present to formally present the Bell 2020 Strategic Plan for adoption by the Council; this item will be reviewed and adopted on Wednesday, May 25, 2016.

Human Resources:

- There will be a closed session item regarding union negotiations on Wednesday, May 25, 2016.

Community Development:

- The Community Development Department has been meeting with several applicants for conditional use permits/agreements:

- Northgate Market is requesting a conditional use permit for an instructional tasting (comparable to a wine tasting). This item will be presented to the City Council on Wednesday, May 25, 2016.
- Aldi Grocery store and Shoe City is requesting a conditional use permit to operate a grocery store with beer and wine license. This item will be presented to the City Council on Wednesday, May 25, 2016.
- The Arroyo-Seco contract is on the agenda for Wednesday, May 25, 2016 for City Council approval. This agreement is to enter into an exclusive negotiation agreement between the city and Arroyo-Seco to redevelop property located at Gage and Atlantic Avenue, also referred to as the Werlein property.
- The City is requesting City Council approval to add additional funds to the existing tree trimming contract with West Coast Arborists (WCA). This item will be on the agenda for Wednesday, May 25, 2016. Representatives from WCA will be present at this meeting.
- The City is requesting a contract renewal for our CDBG Consultant LDM and Associates. We are pleased with LDMA and will be respectfully asking the Council to renew their agreement.

Police Department

- **July 4th Fireworks Plan** – There is a plan in place to change the ordinance to allow the City to collect a surcharge from the fireworks sales to pay for the overtime needed for patrols, three days before the 4th of July and three days after. The city will be working with the LA County Fire Department to conduct extra patrols in areas of concern. Community meetings will be held to discuss the dangers of fireworks. The Council and the public will be informed of the dates, time, and location.

Community Services Department

- On March 9, 2016, a number of Cal Poly Pomona students made a presentation about painting murals on certain city streets, such as Randolph Street. Residents in the community have been assisting them with these temporary murals.
- The City of Bell won an opportunity for a music band to play during our Summer Concerts in the Park series, from the Los Angeles County Arts Commission. This is the second consecutive year we won a concert request. **The band will be playing on Thursday, August 25, 2016 at Treder Park (*the Concerts in the Park Flyer will be coming out soon*).**

Finance Department

The Finance Department is assisting Dave Bass, the Budget Consultant with preparing the proposed FY 2016 – 2017 Operating Budget.

Q4 2015



City of Bell Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Bell In Brief

Bell's receipts from October through December were 7.1% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 2.9%.

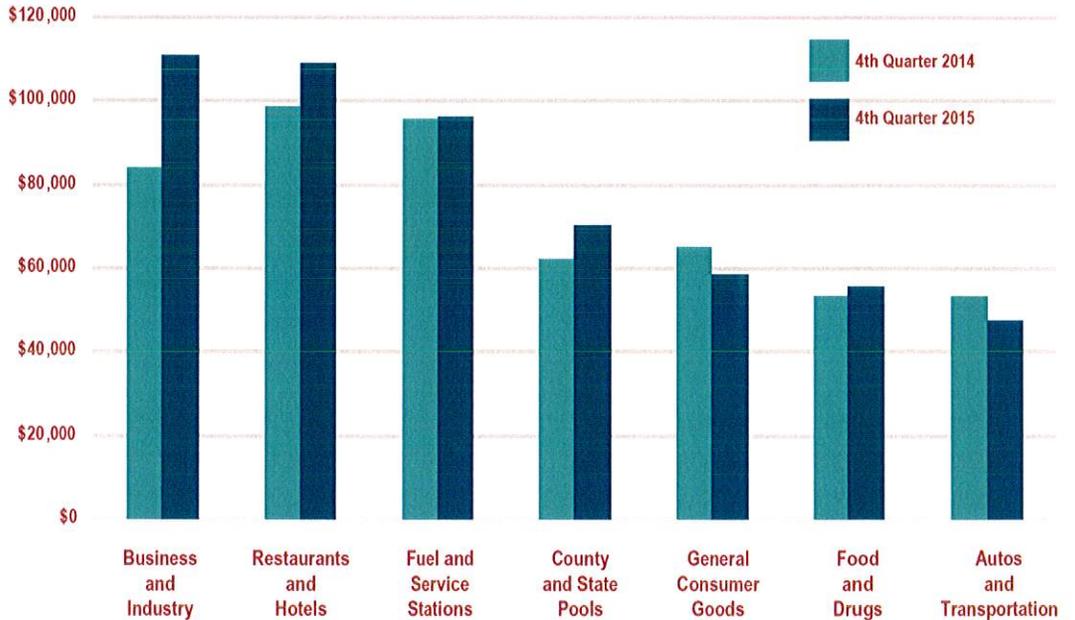
A new business addition helped boost sales for business-industry. Quick-service restaurants showed solid gains when compared to the same period in the prior year.

Accounting adjustments that inflated year-ago returns were responsible for the drop in home furnishings. A business closure negatively impacted receipts for used automotive dealers.

The City realized an 11.3% gain from receipt of its share of the countywide use tax pool.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.4% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Kaman Industrial Technology
Bell Chevron	La Barca Restaurant
Bell Thrift Store	Las Playitas Auto Sales
Bellwood Auto Body	McDonalds
Carl's Jr	Northgate Market
Culichi Town	O'Reilly Auto Parts
CVS	Shell
George T Hall Co	Smart & Final
GNLD International	Tacos El Gavilan
Golden State Enterprises	Tesoro Refining & Marketing
Hometown Buffet	Vernon Sanitation Supply
Individual Foodservice	WSS
Jack in the Box	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,332,176	\$1,445,703
County Pool	164,576	189,649
State Pool	1,136	1,583
Gross Receipts	\$1,497,888	\$1,636,935
Less Triple Flip*	\$(374,472)	\$(409,234)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

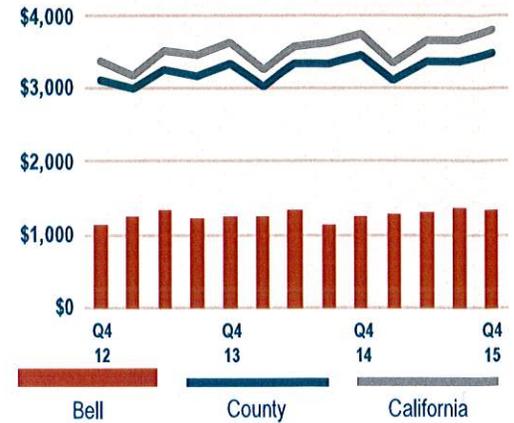
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

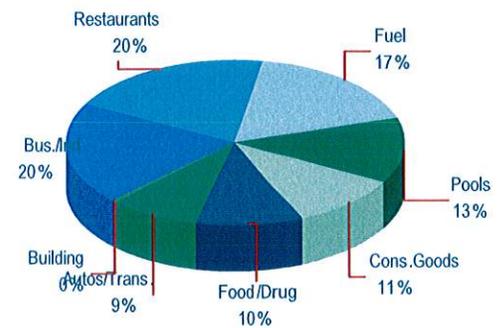
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Bell This Quarter



BELL TOP 15 BUSINESS TYPES

Business Type	Bell		County	HdL State
	Q4 '15	Change	Change	Change
Auto Repair Shops	13,891	15.4%	6.7%	5.7%
Automotive Supply Stores	9,144	-3.9%	5.2%	5.3%
Casual Dining	44,211	9.6%	8.7%	6.1%
Drug Stores	— CONFIDENTIAL —	—	2.8%	1.1%
Drugs/Chemicals	— CONFIDENTIAL —	—	8.1%	5.8%
Food Service Equip./Supplies	57,518	7.6%	-10.5%	3.9%
Grocery Stores Liquor	26,640	10.2%	0.8%	0.5%
Heavy Industrial	8,883	-27.7%	-5.1%	-6.0%
Light Industrial/Printers	9,901	14.0%	15.2%	5.3%
Quick-Service Restaurants	56,711	12.5%	6.0%	7.8%
Service Stations	96,266	0.5%	-10.0%	-10.5%
Shoe Stores	10,274	2.8%	6.3%	4.9%
Specialty Stores	9,706	-13.0%	7.2%	4.2%
Used Automotive Dealers	25,784	-14.7%	7.6%	10.2%
Variety Stores	12,741	32.2%	11.6%	10.0%
Total All Accounts	480,614	6.4%	1.6%	2.4%
County & State Pool Allocation	70,192	12.2%	7.2%	10.8%
Gross Receipts	550,806	7.1%	2.3%	3.5%



CPAs AND ADVISORS

May 20, 2016

To the Honorable Mayor and Members of the City Council
Bell, 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 Bell (the City), the City of Bell Housing Authority 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 Bell, 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 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 31, 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,

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".