



**ADMINISTRATION  
DEPARTMENT**

**City of Guadalupe  
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September 11, 2018

**RECEIVED**

**SEP 17 2018**

The Honorable Patricia L. Kelly  
Presiding Judge, Santa Barbara Superior Court  
1100 Anacapa Street  
Santa Barbara, CA 93101

BY: \_\_\_\_\_

Re: Grand Jury Report titled "Guadalupe Fiscal Reform"

Dear Judge Kelly:

This letter is the response of the Guadalupe City Council and the City's Mayor to the Santa Barbara Grand Jury report titled "Guadalupe Fiscal Reform." This response is submitted in compliance with Penal Code Section 933. A copy of this response is being sent concurrently to the Grand Jury.

The Grand Jury report sets forth seven (7) findings and three (3) recommendations. The City Council of the City of Guadalupe is required to respond to all seven (7) findings and all three (3) recommendations.

**Finding 1**

*The General Fund balance of the City of Guadalupe has improved slightly over the period 2015-16 to 2017-18 compared to the period 2012-13 to 2014-15 fiscal years.*

**Response to Finding 1**

Agree.

**Finding 2**

*The total primary government balance – the sum of the General Fund balance and the Enterprise Fund balance – has also improved because of better financial results from the City of Guadalupe's enterprises.*

**Response to Finding 2**

Agree.

### **Finding 3**

*The ratio of current assets to current liabilities in the City of Guadalupe General Fund averaged 3.5 over the period 2015-16 to 2016-17, which is an improvement over the period 2012-13 to 2014-15.*

### **Response to Finding 3**

Agree.

### **Finding 4**

*Guadalupe does not generate enough General Fund revenue from the sources on which most cities rely (property, sales and transient occupancy taxes) to provide basic administrative and safety services while maintaining a positive General Fund balance.*

### **Response to Finding 4**

Disagree partially. The three tax measures approved by Guadalupe voters in November 2014 combined with increased permit fees from the 800-home Pasadera development have steadily helped to sustain administrative and safety services and move the General Fund to a positive balance.

### **Finding 5**

*Inadequate General Fund revenue necessitates continuous transfers from Guadalupe's Enterprise Funds. Given the slow growth of population and of per capita income in Guadalupe and the limited new investment in housing and business, it is unlikely that public revenue can eliminate the dependence of the General Fund on transfers from the Enterprise Funds.*

### **Response to Finding 5**

Disagree partially. Population is expected to grow as 170 homes have been occupied since the February 2015 groundbreaking of the 800 home Pasadera development. Per capita income will increase due to the diverse nature of the new homebuyers. When the commercial portion of the development begins, the City will see increased sales tax, property tax, utility user tax, business license and permit fees.

### **Finding 6**

*Following the March 13, 2018 Guadalupe City Council meeting, at which the Draft City Audit of 2016-17 was discussed, the City may have used restricted monies from Measure A and Gas Tax funds to finance its General Fund and other fund deficits.*

### **Response to Finding 6**

Disagree wholly. This finding is based solely on an inaccurate impromptu statement made by the

City's independent auditor, who subsequently clarified his statement. The auditor was critical of the City's practice of pooling all monies from all funds together in one combined account, although all of the individual funds are separately accounted for. For a City with the limited financial and other resources available to it, keeping restricted and other funds literally separated in individual accounts is not efficient or practical.

#### **Recommendation 6a**

That the City Council of Guadalupe analyze the Measure A, Gas Tax, and Enterprise Funds to determine if those fund(s) were used to loan monies outside the Cost Allocation plans for 2016-17 and 2017-18, to the General Fund, Library Fund, Wastewater Treatment Fund and Solid Waste Fund.

#### **Response to Recommendation**

Has been implemented. The City has determined the monies were loaned from the Water Operating Fund and the Lighting District Fund.

#### **Recommendation 6b**

That once the amounts in Recommendation 6a are determined, the City Council of Guadalupe pass a resolution and a repayment plan to repay any questioned funds.

#### **Response to Recommendation**

Has been implemented. At the June 12, 2018 Council meeting Council approved Resolution 2018-29 "Resolution of the City Council of the City of Guadalupe Authorizing Loans from the Water Operating Fund and the Guadalupe Lighting District Fund to the General Fund to Cover the General Fund's Negative Cash Balance on 6/30/17." The pay back schedule consists of a ten year loan of \$315,000 with a variable interest rate based on the LAIF rate in June of each year.

#### **Finding 7**

*The City of Guadalupe is considering several recommendations to improve its financial condition, in light of material deficiencies found in previous audits.*

#### **Response to Finding 7**

Agree.

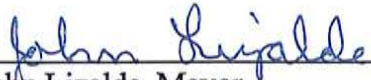
#### **Recommendation 7**


*That the Guadalupe City Council formally consider, in an open session of the City Council, all recommendations it has received to improve its financial condition and to issue a written statement to the public about its decisions on each recommendation.*

**Response to Recommendation**

Has been implemented. The 18-19 Budget was adopted by Council at the July 31, 2018 on Resolution 2018-47.

Sincerely,

  
\_\_\_\_\_  
John Lizalde, Mayor

  
\_\_\_\_\_  
Ariston Julian, Mayor Pro Tem

\_\_\_\_\_  
Tony Ramirez, Council Member

  
\_\_\_\_\_  
Gina Rubalcaba, Council Member

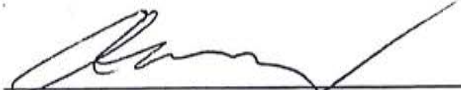
  
\_\_\_\_\_  
Virginia Ponce, Council Member

**Response to Recommendation**

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Sincerely,

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John Lizalde, Mayor

  
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Tony Ramirez, Council Member

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Ariston Julian, Mayor Pro Tem

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Gina Rubalcaba, Council Member

\_\_\_\_\_  
Virginia Ponce, Council Member

**RESOLUTION NO. 2018-57**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GUADALUPE ADOPTING A RESPONSE TO THE SANTA BARBARA COUNTY GRAND JURY REPORT ENTITLED "GUADALUPE FISCAL REFORM"**

**WHEREAS**, the Santa Barbara County Grand Jury released a report entitled "Guadalupe Fiscal Reform" on titled with seven (7) findings and three (3) recommendation; and

**WHEREAS**, the City Council of the City of Guadalupe is required to response to all seven (7) findings (nos. 2, 8, and 9) and all three (3) of the recommendations; and

**WHEREAS**, the City Council has 90 days to respond to this report, each finding, and the recommendations; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Guadalupe as follows:

**SECTION 1:** Staff's responses are approved and adopted by the City Council as the official response of the City Council to the above-mentioned Santa Barbara Grand Jury.

**SECTION 2:** The City Council authorizes staff to submit the attached final response with the signatures of each member of the City Council to Judge Patricia Kelly and the Santa Barbara Grand Jury.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Guadalupe on the 11<sup>th</sup> day of September 2018 by the following vote.

<b>Motion:</b>	<b>TONY RAMIREZ / GINA RUBALCABA</b>
<b>AYES:</b>	<b>4</b> <b>COUNCILMEMBERS: Ramirez, Lizalde, Rubalcaba, Julian</b>
<b>NOES:</b>	<b>0</b>
<b>ABSENT:</b>	<b>1</b> <b>COUNCILMEMBERS: Ponce</b>
<b>ABSTAIN:</b>	<b>0</b>

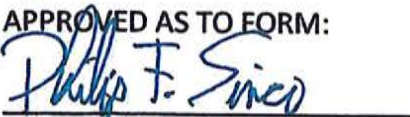
I, **Joice Earleen Raguz**, City Clerk of the City of Guadalupe DO HEREBY CERTIFY that the foregoing Resolution, being Resolution No. 2018-58, has been duly signed by the Mayor and attested by the City Clerk, all at a regular meeting of the City Council, held September 11, 2018, and that same was approved and adopted.

**ATTEST:**

  
\_\_\_\_\_  
Joice Earleen Raguz, City Clerk

  
\_\_\_\_\_  
John Lizalde, Mayor

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Philip F Sinco, City Attorney