



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and City Council
City of Montclair, California

We have performed the procedures enumerated below, which were agreed to by the City of Montclair (City), solely to assist the City in evaluating the City Manager's compensation for the 2010, 2011, 2012, and 2013 calendar years, to determine the nature of the City Manager's compensation and other payments reported for those periods, and to determine that changes to compensation for selected management positions, for the period of January 1, 2010 through July 31, 2015 were approved by the City's personnel committee. The City's management is responsible for the compensation and other payments described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the attached procedures, either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings are included in the attached schedule.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Van Lant & Fankhanel, LLP

August 27, 2015

Schedule of Agreed-upon Procedures

1. Obtain Payroll Register reports (listing of checks issued) directly from the City's payroll records, for the City Manager position, for the 2010, 2011, 2012, and 2013 calendar years, including totals for each year. In addition, obtain the related "Pay Type Register" summarizing the hours and types of pay for each year listed above.

Results:

We obtained the above reports directly from the City's payroll records. The information included in this schedule is derived from those reports.

2. Agree the total amounts reported in the Pay Type Registers to the totals reported in the Payroll Registers for each year.

Results:

No exceptions were noted as a result of our procedures.

3. Obtain the City Manager's Employment Agreement (Agreement), including amendments, for the applicable years. Verify City Council's approval of the Agreement.

Results:

We obtained and reviewed a copy of the above agreement dated July 1, 2010 (Agreement No. 10-90). We verified the agreement was signed by the Mayor, the City Clerk, the City Attorney, and the City Manager. We also obtained a copy of the Agenda for the City Council meeting held on August 2, 2010, and verified the above agreement was included on the Consent Calendar for that meeting.

Various provisions in the above agreement refer to the agreement between the City and executive management employees. We obtained and reviewed a copy of Agreement No. 12-79 with executive management employees, August 2010 Revision (MOU), in addition to the separate employment agreement with the City Manager. We noted the MOU was signed by the City Manager, the Mayor, and the Personnel Committee.

4. Compare the City Manager's compensation amounts reported in the Payroll Registers and Pay Type Registers to the approved compensation listed in the City Manager's Agreement and related MOU. Prepare a schedule, by calendar year, listing out the various types of compensation, as compared to the amounts approved by the City Council, noting any differences.

Schedule of Agreed-upon Procedures (continued)

Results:

Our results are presented in **Appendix A** (attached). The information at Appendix A was obtained from the Pay Type Registers for the applicable periods, the City Manager's Employment Agreement, and the related MOU. The summary at the beginning of Appendix A indicates the City Manager's total compensation, for the calendar years 2010 through 2013, was approximately \$124,000 less than the authorized compensation.

5. Obtain the "Accounts Payable, Checks by Date" report directly from the City's accounts payable software, which lists all other payments made by check and/or direct deposit, to the City Manager or for his benefit, for the above calendar years. Review the report to determine the amount and nature of the payments, and to determine if any of the payments represent additional compensation to the City Manager.

Results:

We obtained and reviewed the above report directly from the City's accounts payable records. According to the information in the report, there were 31 accounts payable checks issued to the City Manager during the period of 2010 through 2013, totaling \$10,983. Of this amount, \$6,699 represented reimbursement for electronic equipment purchases, in accordance with the City's Employee Purchase Program (EPP). The City's EPP allows employees to use accumulated leave to purchase electronic equipment. This program is available to all employees. We verified that a total of \$6,699 was reported as EPP reductions in the City Manager's unused leave balances (as reported in the Pay Type Registers).

The remaining accounts payable checks, totaling \$4,284, represented reimbursements for various costs, including approved travel, conference attendance, memberships, Redevelopment Board meeting attendance, and reimbursement for equipment purchased for the City, according to the descriptions in the above report, and discussions with City staff. No additional compensation was noted.

6. For the following selected management positions, obtain the "Employee History Report" generated from the City's Human Resources software, which lists changes to the selected employees' salaries, hourly rates, etc., for the period of January 1, 2010 through July 30, 2015. Review the reports for unapproved changes, and verify that any pay increases represent approved step increases.
 - Edward C. Starr, Jr., City Manager
 - Marilyn Staats, Deputy City Manager/Executive Director Office of Economic Development
 - Donald L. Parker, CPA, Finance Director

Schedule of Agreed-upon Procedures (continued)

- Michael C. Hudson, Public Works Director, City Engineer
- Steve Lustro, Community Development Director
- Marcia Richter, Human Services Director
- Michael deMoet, Chief of Police, Executive Director, Office of Public Safety

Results:

Based on our review of the activity listed in the above-mentioned Employee History Reports, no exceptions were noted.

Appendix A

The following table is a summary of the City Manager's Compensation for the calendar years 2010 through 2013. These amounts were derived from the detailed schedules provided below:

Year	Actual Compensation	Approved Compensation	Variance
2010	\$ 184,207.73	\$ 214,003.63	\$ (29,795.90)
2011	189,781.47	249,377.38	(59,595.91)
2012	181,395.98	240,991.88	(59,595.90)
2013	<u>306,562.79</u>	<u>281,265.05</u>	<u>25,297.74</u>
Total	<u>\$ 861,947.97</u>	<u>\$ 985,637.94</u>	<u>\$ (123,689.97)</u>

City Manager's Compensation – 2010

Type of Compensation	Actual Compensation	Approved Compensation	Variance
Regular Pay	\$ 159,904.03	\$ 187,899.93	\$ (27,995.90) (a)
Leave Buy Back	14,823.45	14,823.45	- (b)
Employee Purchase Program	1,680.25	1,680.25	- (c)
Auto Allowance	<u>7,800.00</u>	<u>9,600.00</u>	<u>(1,800.00) (d)</u>
Total	<u>\$ 184,207.73</u>	<u>\$ 214,003.63</u>	<u>\$ (29,795.90)</u>

(a) The City Manager's Employment Agreement provided for a base monthly salary of \$18,333, as of July 2010. However, it also included a provision allowing the City Manager to suspend receiving the portion that represented an increase over his previous salary as the Deputy City Manager (monthly salary of \$13,667). According to the Agreement, the option to suspend the additional pay was for a period not to exceed 12 months after the date the increased salary was effective. This provision was included as a result of the City's financial crisis at the time. The City Manager elected to suspend

Appendix A (continued)

receiving the additional salary during the last half of the 2010 calendar year, and also the entire 2011 and 2012 calendar years. The Agreement provided that the suspended pay would be restored to the City Manager during the 2011-12 fiscal year. However, none of the suspended pay was actually restored to the City Manager until the 2013 calendar year, and then only a portion of it.

- (b) This includes 48 hours of sick leave buy back and 140 hours of vacation leave buy back, as authorized by the MOU. The City used hourly rates based on the City Manager's former salary to calculate these amounts, rather than the increased rates approved in the Employment Agreement.
- (c) This represents a reduction in the City Manager's unused leave balances for reimbursement of electronic equipment purchases, in accordance with the City's Employee Purchase Program, which is available to all City employees.
- (d) The Agreement provided for an automobile allowance of \$950 per month. The City Manager elected to continue receiving the reduced allowance of \$650 per month.

City Manager's Compensation – 2011

Type of Compensation	Actual Compensation	Approved Compensation	Variance
Regular Pay	\$ 164,004.09	\$ 220,000.00	\$ (55,995.91) (a)
Leave Buy Back	14,823.45	14,823.45	- (b)
Employee Purchase Program	3,153.93	3,153.93	- (c)
Auto Allowance	7,800.00	11,400.00	(3,600.00) (d)
Total	\$ 189,781.47	\$ 249,377.38	\$ (59,595.91)

- (a) See 2010 schedule for a description of this item.
- (b) See 2010 schedule for a description of this item.
- (c) See 2010 schedule for a description of this item.
- (d) See 2010 schedule for a description of this item.

Appendix A (continued)

City Manager's Compensation – 2012

Type of Compensation	Actual Compensation	Approved Compensation	Variance
Regular Pay	\$ 164,004.10	\$ 220,000.00	\$ (55,995.90) (a)
Leave Buy Back	7,727.12	7,727.12	- (b)
Employee Purchase Program	1,864.76	1,864.76	- (c)
Auto Allowance	7,800.00	11,400.00	(3,600.00) (d)
Total	<u>\$ 181,395.98</u>	<u>\$ 240,991.88</u>	<u>\$ (59,595.90)</u>

(a) See 2010 schedule for a description of this item.

(b) Includes 48 hours of sick leave and 50 hours of management leave (approved by Personnel Committee).

(c) See 2010 schedule for a description of this item.

(d) See 2010 schedule for a description of this item.

City Manager's Compensation – 2013

Type of Compensation	Actual Compensation	Approved Compensation	Variance
Regular Pay	\$ 247,097.74	\$ 220,000.00	\$ 27,097.74 (a)
Leave Buy Back	49,865.05	49,865.05	- (b)
Employee Purchase Program	-	-	- (c)
Auto Allowance	9,600.00	11,400.00	(1,800.00) (d)
Total	<u>\$ 306,562.79</u>	<u>\$ 281,265.05</u>	<u>\$ 25,297.74</u>

(a) The actual compensation amount includes \$29,255.43 in retro pay to restore amounts suspended in prior years.

Appendix A (continued)

- (b) This includes the following: 48 hours of unused sick leave, 140 hours of unused vacation for the 2012/13 fiscal year, and 70 hours of unused vacation for the 2013/14 fiscal year (total authorized amount is 140 hours per fiscal year), 100 hours of management leave (verified authorization with a copy of a Memo to the Personnel Committee, dated June 17, 2013, signed by the Mayor and additional Council Member), and 226.92 hours of sick leave (at a rate of 2 sick leave hours for every hour of pay). The compensation for 226.92 hours of unused sick leave (at a rate of 2 for 1) actually represents conversion of sick leave to the City's 457 Deferred Compensation Plan, which is in accordance with provisions in the MOU, for employees with sufficient years in the system and a planned retirement date within three years. In this case, the City Manager's contract was set to expire on June 30, 2014, which is within the three-year period required by the MOU.
- (c) See 2010 schedule for a description of this item.
- (d) See 2010 schedule. For 2013, the actual auto allowance paid was increased from \$650 per month to \$800 per month, which is still below the authorized allowance of \$950 per month, as indicated in the Employment Agreement.