



March 19, 2021

Ms. Arlene Barrera
County of Los Angeles
500 West Temple Street,
Room 525
Los Angeles, CA 90012

Mr. Anil Gandhi
City of Downey
11111 Brookshire Avenue
Downey, CA 90241

Mr. Howard Gest
Burhenn & Gest LLP
624 S. Grand Avenue,
Suite 2200
Los Angeles, CA 90017

Ms. Carmen Magaña
City of Santa Clarita
23920 Valencia Blvd.
Santa Clarita, CA 91355

Mr. Andrew Mowbray
City of Pomona
505 South Garey Avenue
Pomona, CA 91766

Ms. June Overholt
City of Glendora
116 East Foothill Blvd.
Glendora, CA 91741-3380

Mr. Adam Pirrie
City of Claremont
207 Harvard Avenue
Claremont, CA 91711

Ms. Hannah Shin-Heydorn
City of Signal Hill
2175 Cherry Avenue
Signal Hill, CA 90755

Ms. Natalie Sidarous
State Controller's Office
Local Government Programs
and Services Division
3301 C Street, Suite 740
Sacramento, CA 95816

And Parties, Interested Parties, and Interested Persons (See Mailing List)

Re: Draft Proposed Decision, Schedule for Comments, and Notice of Hearing
Municipal Storm Water and Urban Runoff Discharges, 19-0304-I-04, 20-0304-I-06,
20-0304-I-08, 20-0304-I-09, 20-0304-I-10, 20-0304-I-11, and 20-0304-I-13
Los Angeles Regional Quality Control Board Order No. 01-182,
Permit CAS004001, Part 4F5c3
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-2012
City of Claremont, Claimant
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006
City of Downey, Claimant
Fiscal Years: 2008-2009, 2009-2010, 2010-2011, 2011-2012
City of Glendora, Claimant
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-2012
City of Pomona, Claimant
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009
City of Santa Clarita, Claimant
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
City of Signal Hill, Claimant
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
County of Los Angeles, Claimant

J:\MANDATES\IRC\2020\0304 (Municipal Storm Water and Urban Runoff Discharges)\20-0304-I-08 consolidated with 19-0304-I-04, 20-0304-I-06, 09, 10, 11, 13\Correspondence\draftPDtrans.docx

Messrs. Gandhi, Gest, Mowbray, and Pirrie, and Mss. Barrera, Magaña, Overholt, Shin-Heydorn, and Sidarous
March 19, 2021
Page 2

Dear Messrs. Gandhi, Gest, Mowbray, and Pirrie, and Mss. Barrera, Magaña, Overholt, Shin-Heydorn, and Sidarous:

The Draft Proposed Decision for the above-captioned matter is enclosed for your review and comment.

Written Comments

Written comments may be filed on the Draft Proposed Decision not later than **5:00 p.m. on April 9, 2021**. Please note that all representations of fact submitted to the Commission must be signed under penalty of perjury by persons who are authorized and competent to do so and must be based upon the declarant's personal knowledge, information, or belief. (Cal. Code Regs., tit. 2, § 1187.5.) Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but shall not be sufficient in itself to support a finding unless it would be admissible over an objection in civil actions. (Cal. Code Regs., tit. 2, § 1187.5.) The Commission's ultimate findings of fact must be supported by substantial evidence in the record.¹

You are advised that comments filed with the Commission are required to be electronically filed (e-filed) in an unlocked legible and searchable PDF file, using the Commission's Dropbox. (Cal. Code Regs., tit. 2, § 1181.3(c)(1).) Refer to http://www.csm.ca.gov/dropbox_procedures.php on the Commission's website for electronic filing instructions. If e-filing would cause the filer undue hardship or significant prejudice, filing may occur by first class mail, overnight delivery or personal service only upon approval of a written request to the executive director. (Cal. Code Regs., tit. 2, § 1181.3(c)(2).)

If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

Hearing

This matter is set for hearing on **Friday, May 28, 2021**, at 10:00 a.m. via Zoom. The Proposed Decision will be issued on or about May 14, 2021.

Please notify Commission staff not later than the Wednesday prior to the hearing that you or a witness you are bringing plan to testify and please specify the names of the people who will be speaking for inclusion on the witness list and so that detailed instructions regarding how to participate as a witness in this meeting on Zoom can be provided to them. When calling or emailing, please identify the item you want to testify on and the entity you represent. The Commission Chairperson reserves the right to impose time limits on presentations as may be necessary to complete the agenda.

¹ Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

Messrs. Gandhi, Gest, Mowbray, and Pirrie, and Mss. Barrera, Magaña, Overholt, Shin-
Heydorn, and Sidarous

March 19, 2021

Page 3

If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the
Commission's regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Heather Halsey". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Heather Halsey
Executive Director

Hearing Date: May 28, 2021

J:\MANDATES\IRC\2020\0304 (Municipal Storm Water and Urban Runoff Discharges)\20-0304-I-08 consolidated with 19-0304-I-04, 20-0304-I-06, 09, 10, 11, 13\IRC\Draft PD.docx

ITEM ____
CONSOLIDATED INCORRECT REDUCTION CLAIM
DRAFT PROPOSED DECISION

Los Angeles Regional Quality Control Board Order No. 01-182,
Permit CAS004001, Part 4F5c3

Municipal Storm Water and Urban Runoff Discharges

19-0304-I-04, 20-0304-I-06, 20-0304-I-08, 20-0304-I-09, 20-0304-I-10, and 20-0304-I-11,
and 20-0304-I-13

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-
2009, 2009-2010, 2010-2011, 2011-2012, City of Claremont, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, City of Downey, Claimant

Fiscal Years: 2008-2009, 2009-2010, 2010-2011, 2011-2012, City of Glendora, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-
2009, City of Pomona, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-
2009, City of Santa Clarita, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-
2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013,
City of Signal Hill, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-
2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, County of Los Angeles, Claimant

EXECUTIVE SUMMARY

Overview

This Consolidated Incorrect Reduction Claim (IRC) filed pursuant to Government Code section 17558.7(b) challenges the State Controller's (Controller's) reduction of reimbursement claims filed by the cities of Claremont, Downey, Glendora, Pomona, Santa Clarita, and Signal Hill, and the County of Los Angeles (claimants) for the *Municipal Stormwater and Urban Runoff Discharges* program for fiscal years ranging from 2002-2003 through 2012-2013 (audit period). This IRC and Decision are limited to the issue of whether local return revenues received by the claimants from the Los Angeles County Metropolitan Transportation Authority under the Proposition A and Proposition C local return programs, which were used to fund the costs of the mandated program, are required to be identified as offsetting revenues.

The Controller made reductions based on offsetting local return program revenues which were not identified and deducted from the claims. The revenues at issue are the Proposition A and Proposition C local return funds that the claimants used to pay for the installation and maintenance of trash receptacles under the mandate. The reductions made on this basis and contested by the claimants are as follows (with corresponding fiscal years noted):

City of Claremont:	\$166,345 (fiscal years 2002-2003 through 2011-2012) ¹
City of Downey:	\$186,921 (fiscal years 2002-2003 through 2005-2006) ²
City of Glendora:	\$79,856 (fiscal years 2008-2009 through 2011-2012) ³
City of Pomona:	\$264,515 (fiscal years 2002-2003 through 2011-2012) ⁴
City of Santa Clarita:	\$ 177,692 (fiscal years 2002-2003 through 2008-2009) ⁵
City of Signal Hill:	\$101,656 (fiscal years 2002-2003 through 2007-2008) ⁶
County of Los Angeles:	\$6,129,851 (fiscal years 2002-2003 through 2012-2013) ⁷

Staff finds that the Controller’s reductions, based on offsetting revenues from the Proposition A and C local return programs, are correct as a matter of law and recommends that the Commission on State Mandates (Commission) deny this Consolidated IRC.

Procedural History

On November 5, 2020, the County of Los Angeles filed its IRC *Municipal Stormwater and Urban Runoff Discharges*, 20-0304-I-08 with the intent to consolidate on behalf of other similarly situated claimants.⁸ On December 10, 2020, Commission staff issued the Notice of Complete Incorrect Reduction Claim with Intent to Consolidate, Schedule for Comments, and Notice of Tentative Hearing Date, which requested the Controller to provide a list of all claims reduced under the *Municipal Stormwater and Urban Runoff Discharges* Program. On

¹ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 1.

² Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 1.

³ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 1.

⁴ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, page 8.

⁵ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 45. The Controller’s reduction of \$177,692 includes \$153,320 in revenues from the claimant’s Transit System Fund. The Transit System Fund includes Proposition A and Proposition C local return funds, as well as other transit funds and fees received, as identified on page 45 of Exhibit F, City of Santa Clarita’s Notice of Intent, filed February 9, 2021. These consolidated IRCs pertain only to the Controller’s determination that Proposition A and Proposition C local return funds are offsetting revenues; no IRC was filed disputing the other Transit System Fund revenues.

⁶ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 1.

⁷ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 1.

⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 1.

January 11, 2021 the Controller provided a list of claims reduced and filed a request for a three-month extension of time to comment on *Municipal Storm Water and Urban Runoff Discharges*, 20-0304-I-06. On January 13, 2021, Commission staff partially approved the Controller’s request for extension to March 4, 2021 and issued the Notice of Claimant’s Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim which provided claimants 30 days to join the consolidated claim so long as either they had already timely filed an IRC or were filing the Notice within three-years of notice of the reduction.⁹

City of Claremont: The reimbursement claims for fiscal years 2002-2003 through 2010-2011 are dated September 24, 2011 and marked received September 28, 2011.¹⁰ The reimbursement claim for fiscal year 2011-2012 is dated January 22, 2013.¹¹ The Controller issued the final audit report on October 20, 2017.¹² The claimant filed its IRC *Municipal Storm Water and Urban Runoff Discharges*, 20-0304-I-06 on October 16, 2020. The Controller did not file comments on the IRC. The City of Claremont filed its Notice of Intent to Join a Consolidated IRC (Notice of Intent) on February 10, 2021.¹³

⁹ Cal. Code. Regs., tit. 2 § 1185.4.

¹⁰ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, pages 11, 12, 14, 18, 20, 22, 24, 26, 28, 30.

¹¹ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 32.

¹² Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 3. The Controller refers to its review of the reimbursement claims filed by the cities of Claremont and Pomona and the County of Los Angeles as “reviews” or “desk reviews” (instead of audits) and its reports thereon as “final letters” or “final letter reports” (instead of final audit reports). While Government Code section 17558.5 authorizes the Controller to audit or review a reimbursement claim filed by a local agency or school district and to make adjustments thereto, the Controller’s underlying authority, as prescribed by Government Code 12410, is to “superintend the fiscal concerns of the state,” including auditing “the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.” Furthermore, section 1185.1(c) of the Commission’s regulations refers to the deadline for filing an incorrect reduction claim as no later than three years after the date the claimant first receives from the Controller “a final state audit report, letter, or other written notice of adjustment to a reimbursement claim, which complies with Government Code section 17558.5(c).” For the sake of simplicity and because whether it is called an “audit” or a “desk review” the requirements of 1185.1(c) are met so long as notice that complies with 17558.5(c) is given, this decision refers to the Controller’s audits and reviews of the claimants’ reimbursement claims as “audits” and the final reports and letters issued thereon as “final audit reports.”

¹³ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 1.

City of Downey: The reimbursement claims for fiscal years 2002-2003 through 2005-2006 are dated September 21, 2011.¹⁴ On June 30, 2017, the Controller issued the final audit report.¹⁵ The claimant filed its IRC *Municipal Stormwater and Urban Runoff Discharges*, 19-0304-I-04 on June 30, 2020. The Controller did not file comments on the IRC. The City of Downey filed its Notice of Intent to Join on February 4, 2021.¹⁶

City of Glendora: The reimbursement claims for fiscal years 2008-2009 and 2009-2010 were filed September 28, 2011.¹⁷ The reimbursement claims for fiscal years 2010-2011 and 2011-2012 were filed February 11, 2013.¹⁸ On August 9, 2018, the Controller issued the final audit report.¹⁹ The City of Glendora filed its Notice of Intent to Join on January 28, 2021.²⁰

City of Pomona: The reimbursement claims for fiscal years 2002-2003 through 2010-2011 were filed August 1, 2011.²¹ The reimbursement claim for fiscal year 2011-2012 was filed February 15, 2013.²² On May 21, 2018, the Controller issued its final audit report.²³ The City of Pomona filed its Notice of Intent to Join on February 10, 2021.²⁴

City of Santa Clarita: The reimbursement claims for fiscal years 2002-2003 through 2008-2009 were filed September 28, 2011.²⁵ On August 28, 2018, the Controller issued a final audit report.²⁶ The City of Santa Clarita filed its Notice of Intent to Join on February 9, 2021.²⁷

¹⁴ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 33, 41, 43, 45.

¹⁵ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 4.

¹⁶ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 1.

¹⁷ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, pages 20, 22.

¹⁸ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, 24, 26.

¹⁹ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 3.

²⁰ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 1.

²¹ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, pages 13, 17, 19, 21, 23, 25, 28, 30, 32.

²² Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, page 34.

²³ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, page 2.

²⁴ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, page 1.

²⁵ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, pages 2, 3, 7, 11, 15, 19, 23, 28.

²⁶ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 33.

²⁷ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 1.

City of Signal Hill: The reimbursement claims for fiscal years 2002-2003 through 2009-2010 were filed September 28, 2011.²⁸ The reimbursement claim for fiscal year 2010-2011 was filed February 15, 2012.²⁹ The reimbursement claim for fiscal year 2011-2012 was filed February 15, 2013.³⁰ The reimbursement claim for fiscal year 2012-2013 was filed February 13, 2014.³¹ The Controller issued the final audit report on June 25, 2018.³² The City of Signal Hill filed its Notice of Intent to Join on February 9, 2021.³³

County of Los Angeles: The reimbursement claims for fiscal years 2002-2003 through 2008-2009 are dated September 26, 2012.³⁴ The reimbursement claim for fiscal year 2009-2010 is dated September 22, 2011.³⁵ The reimbursement claim for fiscal year 2010-2011 is dated December 15, 2011.³⁶ The reimbursement claim for fiscal year 2011-2012 is dated February 11, 2013.³⁷ The reimbursement claim for fiscal year 2012-2013 is dated February 4, 2014.³⁸ The Controller issued the final audit report on November 6, 2017.³⁹ The County filed its IRC with intent to consolidate on November 5, 2020.⁴⁰

Commission staff issued the Draft Proposed Decision on March 19, 2021.⁴¹

Commission Responsibilities

Government Code section 17561(d) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state-mandated costs if the Controller determines that the claim is excessive or unreasonable.

²⁸ Exhibit G, City of Signal Hill's Notice of Intent to Join, filed February 9, 2021, pages 24, 31, 38, 45, 52, 59, 66, 73.

²⁹ Exhibit G, City of Signal Hill's Notice of Intent to Join, filed February 9, 2021, page 80.

³⁰ Exhibit G, City of Signal Hill's Notice of Intent to Join, February 9, 2021, page 87.

³¹ Exhibit G, City of Signal Hill's Notice of Intent to Join, filed February 9, 2021, page 94.

³² Exhibit G, City of Signal Hill's Notice of Intent to Join, filed February 9, 2021, page 5.

³³ Exhibit G, City of Signal Hill's Notice of Intent to Join, filed February 9, 2021, page 1.

³⁴ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, pages 168, 178, 191, 194, 197, 203.

³⁵ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 206.

³⁶ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 209.

³⁷ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 212.

³⁸ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 218.

³⁹ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 148.

⁴⁰ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020.

⁴¹ Exhibit H, Draft Proposed Decision, issued March 18, 2021.

Government Code section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of parameters and guidelines, de novo, without consideration of legal conclusions made by the Controller in the context of an audit.⁴² The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6 of the California Constitution.⁴³ The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitution and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."⁴⁴

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.⁴⁵

The Commission must also review the Controller's audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with the claimant.⁴⁶ In addition, sections 1185.1(f)(3) and 1185.2(d) and (e) of the Commission's regulations require that any assertions of fact by the parties to an IRC be supported by documentary evidence. The Commission's ultimate findings of fact must be supported by substantial evidence in the record.⁴⁷

⁴² *City of Sacramento v. State of California* (1990) 50 Cal.3d 51, 64, 71, fn. 15; *County of San Diego v. State of California* (1997) 15 Cal.4th 68, 109.

⁴³ *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

⁴⁴ *County of Sonoma v. Commission on State Mandates* (2000), 84 Cal.App.4th 1264, 1281, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

⁴⁵ *Johnston v. Sonoma County Agricultural Preservation and Open Space District* (2002) 100 Cal.App.4th 973, 983-984; *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

⁴⁶ *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

⁴⁷ Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

Claims filed with the Commission which challenge reductions made by the Controller for the same mandate may be consolidated, provided certain requirements are met. Under Government Code section 17558.7(b) and section 1185.3 of the Commission's regulations, an individual claimant may seek to consolidate incorrect reduction claims on behalf of a class of claimants if all of the following apply:

- (1) The method, act, or practice that the claimant alleges led to the reduction has led to similar reductions of other parties' claims, and all of the claims involve common questions of law or fact.
- (2) The common questions of law or fact among the claims predominate over any matter affecting only an individual claim.
- (3) The consolidation of similar claims by individual claimants would result in consistent decision making by the Commission.
- (4) The claimant filing the consolidated claim would fairly and adequately protect the interests of the other claimants.⁴⁸

The Commission may also consolidate incorrect reduction claims, in part or in whole, as necessary to ensure the complete, fair, or timely consideration of any such claims.⁴⁹

A claimant seeking to file a consolidated incorrect reduction claim must notify the Commission of its intent to do so at the time of filing.⁵⁰ Under Government Code section 17558.7(b) and section 1185.3 of the Commission's regulations, the Commission shall request that the Controller provide, within 30 days, the Commission and the claimant with a list of claimants for whom the Controller has reduced similar claims under the same mandate, and the date each claimant was notified of the adjustment. Upon receipt of this list from the Controller, the claimant may notify, and the Commission shall notify, the claimants on the list and other interested parties of the claimant's intent to file a consolidated incorrect reduction claim.⁵¹ Within 30 days of receiving the Commission's notice, any other eligible claimant shall file a notice of intent to join the consolidated incorrect reduction claim.⁵²

Any claimant that joins a consolidated incorrect reduction claim may opt out and not be bound by any determination made on the consolidated claim by filing a written notice of its intent to opt out not later than 15 days after service of the Controller's comments on the consolidated claim.⁵³ A claimant that opts out of a consolidated claim shall file an individual IRC no later than one

⁴⁸ Government Code section 17558.7(b), California Code of Regulations, title 2, section 1185.3.

⁴⁹ California Code of Regulations, title 2, section 1185.6.

⁵⁰ California Code of Regulations, title 2, section 1185.3(b).

⁵¹ Government Code section 17558.7(d), California Code of Regulations, title 2, section 1185.3(f).

⁵² Government Code section 17558.7(e), California Code of Regulations, title 2, section 1185.4(a).

⁵³ Government Code section 17558.7(f), California Code of Regulations, title 2, section 1185.5.

year after opting out or within the three-year limitations period specified in section 1185.1(c) of the Commission’s regulations.⁵⁴ If a claimant opts out and an individual IRC for the claimant is already on file with the Commission, the individual filing is automatically reinstated.⁵⁵

Claims

The following chart provides a brief summary of the claims and issues raised and staff’s recommendation.

Issue	Description	Staff Recommendation
Did the claimants timely file the IRCs and Notices of Intent to Join the Consolidated IRC?	At the time the final audit reports were issued, section 1185.1(c) of the Commission’s regulations required IRCs to be filed no later than three years after the claimant first receives a final state audit report, letter, or other written notice of adjustment to a reimbursement claim, which complies with the notice requirements of Government Code section 17558.5(c). A notice of intent to join a consolidated IRC is subject to the three-year limitations period specified in section 1185.1(c). ⁵⁶ Additionally, all Notices of Intent must be filed within 30 days of the Notice of the Opportunity to Join a Consolidated IRC. ⁵⁷	<i>Timely filed</i> –The IRCs and Notices of Intent to Join a Consolidated IRC were all filed within three years of the respective final audit reports and within 30 days of the Notice of the Opportunity to Join a Consolidated IRC and are therefore timely.
Is the Controller’s determination, that the Proposition A and Proposition C local return	Section VIII of the Parameters and Guidelines provides that revenues or reimbursement received from	<i>Correct as a matter of law</i> – The Proposition A and Proposition C local return funds used by the claimants

⁵⁴ Government Code section 17558.7(f), California Code of Regulations, title 2, section 1185.5(b).

⁵⁵ California Code of Regulations, title 2, section 1185.5(c).

⁵⁶ California Code of Regulations, title 2, section 1185.4(d).

⁵⁷ Government Code section 17558.7(d), California Code of Regulations, title 2, section 1185.3(f).

Issue	Description	Staff Recommendation
<p>funds used to install and maintain trash receptacles as required by Part 4F5C3 of the <i>Municipal Stormwater and Urban Runoff Discharges</i> program are offsetting revenues that should have been identified and deducted from the reimbursement claims, correct as a matter of law?</p>	<p>any “federal, state, or non-local source” must be identified and deducted from the claim.⁵⁸</p> <p>The Controller found that the claimants failed to identify and deduct as offsetting revenues the funds received from the Los Angeles County Metropolitan Transportation Authority under the Proposition A and Proposition C local return programs.</p> <p>The claimants contend that Proposition A and Proposition C are local sales and use taxes and an offset of those funds is both unconstitutional and inconsistent with the Parameters and Guidelines.⁵⁹ The claimants further assert that an offset constitutes an invalid retroactive application of the Parameters and Guidelines.⁶⁰</p>	<p>to pay for the mandated activities are offsetting revenues that should have been identified and deducted from their reimbursement claims. Article XIII B, section 6 of the California Constitution requires that the state provide reimbursement only when a local government is mandated to spend its own proceeds of taxes subject to the appropriations limit of article XIII B.⁶¹</p> <p>Proposition A and Proposition C are transactions and use taxes levied by the Los Angeles County Metropolitan Transportation Authority. The funds distributed to the claimants through the Proposition A and Proposition C local return programs are not the claimants’ “proceeds of taxes” because the claimants do not have the authority to levy the taxes, nor are the tax revenues distributed to the claimants subject to the claimants’ appropriations limits.</p>

⁵⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 138 (Parameters and Guidelines).

⁵⁹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 10.

⁶⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 10.

⁶¹ See *Dept. of Finance v. Commission on State Mandates* (2016) 1 Cal.5th 749, 762-763; *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 486–487.

Issue	Description	Staff Recommendation
		<p>Moreover, the Controller’s reduction of those funds in accordance with the Parameters and Guidelines does not constitute a retroactive application of the law. The requirement in section VIII of the Parameters and Guidelines that reimbursement received from any “non-local source” be identified and deducted from the claim simply restates the requirement under article XIII B, section 6 that mandate reimbursement is only required to the extent that the local government expends its own proceeds of taxes. A rule that merely restates or clarifies existing law “does not operate retrospectively even if applied to transactions predating its enactment because the true meaning of the [rule] remains the same.”⁶²</p>

Staff Analysis

A. The Claimants Timely Filed the IRCs and Notices of Intent to Join the Consolidated IRC.

At the time the final audit reports were issued, section 1185.1(c) of the Commission’s regulations required an incorrect reduction claim to be filed with the Commission no later than three years after the date the claimant first receives from the Controller “a final state audit report, letter, or other written notice of adjustment to a reimbursement claim, which complies with Government Code section 17558.5(c).” A notice of intent to join a consolidated incorrect reduction claim is subject to the three-year statute of limitations specified in section 1185.1(c).⁶³ This means that the claimant must either already have a timely filed IRC pending or else file the Notice of Intent

⁶² *Western Security Bank v. Superior Court* (1997) 15 Cal.4th 232, 243.

⁶³ California Code of Regulations, title 2, section 1185.4(d).

within three years from the first notice of reduction. Additionally, all Notices of Intent must be filed within 30 days of the Notice of the Opportunity to Join a Consolidated IRC.⁶⁴

Based on the analysis in the Decision below, staff finds that the IRCs and Notices of Intent to Join were timely filed by the cities of Claremont, Downey, Glendora, Pomona, Santa Clarita, and Signal Hill, and the County of Los Angeles within three years of the respective final audit reports and within 30 days of the Notice of the Opportunity to Join a Consolidated IRC.

B. The Controller’s Determination, That Proposition A and Proposition C Local Return Funds Are Offsetting Revenue that Should Have Been Identified and Deducted from the Reimbursement Claims, Is Correct as a Matter of Law.

The Controller determined that the claimants received revenues from the Los Angeles County Metropolitan Transportation Authority’s (Metro’s) Proposition A and Proposition C local return programs and used those funds to perform the mandated activities of installing and maintaining transit-stop trash receptacles.⁶⁵ The Controller reasoned that under section VIII of the Parameters and Guidelines, Proposition A and Proposition C local return funds are unreported offsets that must be deducted from the reimbursement claims.⁶⁶

1. Proposition A and Proposition C local return funds constitute reimbursement from a non-local source within the meaning of the Parameters and Guidelines.

Section VIII of the Parameters and Guidelines addresses offsetting revenues as follows:

Any offsetting revenue the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate

⁶⁴ Government Code section 17558.7(d), California Code of Regulations, title 2, section 1185.3(f).

⁶⁵ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 18-19; Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, pages 12-13; Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, pages 44-46; Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, pages 19-20; Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 153-154.

⁶⁶ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 18-19; Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, pages 12-13; Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, pages 44-46; Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, pages 19-20; Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 153-154.

received from any federal, state or non-local source shall be identified and deducted from this claim.⁶⁷

The claimants assert that Proposition A and Proposition C local return funds do not fall within section VIII because Proposition A and Proposition C are local taxes and therefore not a “federal, state, or non-local source.”⁶⁸ According to the claimants, the Controller does not dispute that “Proposition A is a local sales tax imposed on local citizens,” citing to the fact that the Controller did not comment on, or seek modification of, the Parameters and Guidelines before they were adopted.⁶⁹ While the Parameters and Guidelines do not expressly require that funds from the Proposition A or Proposition C local return programs be identified as offsetting revenue, they do state that “reimbursement for this mandate received from any federal, state or *non-local source* shall be identified and deducted from this claim.”⁷⁰

2. Proposition A and Proposition C local return tax revenues are not the claimants’ “proceeds of taxes” within the meaning of article XIII B of the California Constitution because the taxes are not levied by the claimants nor subject to the claimants’ appropriations limit.

Article XIII B, section 6 was specifically designed to protect the tax revenues of local governments from state mandates that would require expenditure of tax revenues which are subject to limitation. The California Supreme Court, in *County of Fresno v. State of California*,⁷¹ explained:

Section 6 was included in article XIII B in recognition that article XIII A of the Constitution severely restricted the taxing powers of local governments. (See *County of Los Angeles I, supra*, 43 Cal.3d at p. 61.) The provision was intended to preclude the state from shifting financial responsibility for carrying out governmental functions onto local entities that were ill equipped to handle the task. (*Ibid.*; see *Lucia Mar Unified School Dist. v. Honig* (1988) 44 Cal.3d 830, 836, fn. 6.) Specifically, it was designed to protect the tax revenues of local governments from state mandates that would require expenditure of such revenues. Thus, although its language broadly declares that the “state shall provide a subvention of funds to reimburse ... local government for the costs [of a state-mandated new] program or higher level of service,” read in its textual and

⁶⁷ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 138 (Parameters and Guidelines).

⁶⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 16.

⁶⁹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 16-17.

⁷⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 138 (Parameters and Guidelines), emphasis added.

⁷¹ *County of Fresno v. State of California* (1991) 53 Cal.3d 482.

historical context section 6 of article XIII B requires subvention only when the costs in question can be recovered *solely from tax revenues*.⁷²

Neither Proposition A nor Proposition C are the claimants' "local taxes" because they are neither levied by the claimants nor subject to the claimants' appropriations limits. As such, any costs incurred by the claimants in performing the mandated activities that are funded by Proposition A or Proposition C, non-local taxes, are excluded from mandate reimbursement under article XIII B, section 6.

The power of a local government to tax is derived from the Constitution, upon the Legislature's authorization.⁷³ "The Legislature may not impose taxes for local purposes but may authorize local governments to impose them."⁷⁴ In other words, a local government's taxing authority is derived from statute.

Metro, as the successor to the Los Angeles County Transportation Commission, is authorized by statute to levy the Proposition A and Proposition C transactions and use taxes throughout Los Angeles County.⁷⁵ Under the Proposition A and Proposition C ordinances, twenty-five percent of Proposition A taxes and twenty percent of Proposition C taxes, respectively, are allocated to the local return programs funds for the cities and the County to use for public transit purposes.⁷⁶ Permissible uses include bus stop improvements and maintenance projects, which include the installation, replacement and maintenance of trash receptacles.⁷⁷

The claimants do not dispute receiving Proposition A and Proposition C tax revenues through the local return programs during the audit period and using those funds for the eligible purposes of installing and maintaining trash receptacles at transit stops. Nonetheless, the claimants' receipt of revenues, from taxes that are levied neither by nor for the claimants, does not alter the nature of those funds as Metro's "proceeds of taxes" and subject to Metro's appropriations limit.

Reimbursement under article XIII B, section 6 is only required to the extent that a local government must incur "increased actual expenditures of limited tax proceeds that are counted against the local government's spending limit."⁷⁸ Because the Proposition A and Proposition C

⁷² *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 487, emphasis in original.

⁷³ California Constitution, article XIII, section 24(a).

⁷⁴ *County of Placer v. Corin* (1980) 113 Cal.App.3d 443, 450 ["Taxes are levied by the Legislature, or by counties and municipalities under their delegated power, for the support of the state, county, or municipal government"].

⁷⁵ Public Utilities Code section 130350 (Stats. 1976, ch. 1333).

⁷⁶ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

⁷⁷ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 53 (Local Return Guidelines).

⁷⁸ *County of Sonoma v. Commission on State Mandates* (2000) 84 Cal.App.4th 1264, 1283; *County of Los Angeles v. Commission on State Mandates* (2003) 110 Cal.App.4th 1176, 1185.

local return funds are not the claimants’ “proceeds of taxes levied by or for that entity,” they are not the claimants’ “appropriations subject to limitation.”⁷⁹

3. The advancement of Proposition A or Proposition C funds to pay for the installation and maintenance of the trash receptacles does not alter the nature of those funds, nor does the deduction of those funds as offsetting revenues from the costs claimed constitute a retroactive application of the law.

The claimants argue that because the Local Return Guidelines permit the claimants to use Proposition A and Proposition C funds on mandated activities and then, upon reimbursement from the state, apply those funds to other transit projects, the claimants cannot now be penalized for doing so through retroactive application of the Parameters and Guidelines.⁸⁰ The claimants allege that the Controller’s application of the Parameters and Guidelines is both incorrect as a matter of law and arbitrary and capricious.⁸¹ Whether the Controller correctly interpreted the Parameters and Guidelines in finding that Proposition A and Proposition C are non-local sources of funds that must be deducted from the reimbursement claims is purely a question of law subject to the de novo standard of review and to which the arbitrary and capricious standard does not apply.⁸²

Where, as here, a local government funds mandated activities with *other than* its own proceeds of taxes (e.g., revenue from a tax levied by a separate local government entity), those amounts must be offset against its reimbursement claims. Because the claimants used “non-local source” funds to install and maintain transit-stop trash receptacles, they were required to identify and deduct those funds from their claims. The fact that the Commission did not adopt the Parameters and Guidelines for the *Municipal Stormwater and Urban Runoff Discharges* program until well into the audit period⁸³ does not alter the analysis, nor does the claimants’ ability under the Local Return Guidelines to expend Proposition A or Proposition C funds on the installation and maintenance of transit stop trash receptacles prior to mandate reimbursement. A rule that merely restates or clarifies existing law “does not operate retrospectively even if applied to transactions predating its enactment because the true meaning of the [rule] remains the same.”⁸⁴

Conclusion

Based on the forgoing analysis, staff finds that the IRCs and Notices of Intent to Join a Consolidated IRC were timely filed and the Controller’s determination, that Proposition A and

⁷⁹ California Constitution, article XIII B, section 8.

⁸⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 18-19.

⁸¹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

⁸² *City of Sacramento v. State of California* (1990) 50 Cal.3d 51, 64, 71, fn. 15; *County of San Diego v. State of California* (1997) 15 Cal.4th 68, 109.

⁸³ The Parameters and Guidelines for the *Municipal Stormwater and Urban Runoff Discharges* program were adopted March 24, 2011. The claimants’ reimbursement claims range from fiscal years 2002-2003 through 2012-2013.

⁸⁴ *Western Security Bank v. Superior Court* (1997) 15 Cal.4th 232, 243.

Proposition C local return funds are offsetting revenues that should have been identified and deducted from the reimbursement claims, is correct as a matter of law. Accordingly, the Commission denies this Consolidated IRC.

Staff Recommendation

Staff recommends that the Commission adopt the Proposed Decision to deny this Consolidated IRC. Staff further recommends that the Commission authorize staff to make any technical, non-substantive changes to the Proposed Decision following the hearing.

BEFORE THE
COMMISSION ON STATE MANDATES
STATE OF CALIFORNIA

IN RE CONSOLIDATED INCORRECT
REDUCTION CLAIM

Los Angeles Regional Quality Control Board
Order No. 01-182; Permit CAS004001
Part 4F5c3

Fiscal Years: 2002-2003, 2003-2004, 2004-
2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-
2012, City of Claremont, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-
2005, 2005-2006, City of Downey, Claimant

Fiscal Years: 2008-2009, 2009-2010, 2010-
2011, 2011-2012, City of Glendora, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-
2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-
2012, City of Pomona, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-
2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, City of Santa Clarita, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-
2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-
2012, 2012-2013, City of Signal Hill,
Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-
2005, 2005-2006, 2006-2007, 2007-2008,
2008-2009, 2009-2010, 2010-2011, 2011-
2012, 2012-2013, County of Los Angeles,
Claimant

Case Nos.: 19-0304-I-04, 20-0304-I-06,
20-0304-I-08, 20-0304-I-09, 20-0304-I-10,
20-0304-I-11, and 20-0304-I-13

*Municipal Stormwater and Urban Runoff
Discharges*

DECISION PURSUANT TO
GOVERNMENT CODE SECTION 17500
ET SEQ.; CALIFORNIA CODE OF
REGULATIONS, TITLE 2, DIVISION 2,
CHAPTER 2.5, ARTICLE 7.

(Adopted May 28, 2021)

DECISION

The Commission on State Mandates (Commission) heard and decided this Consolidated Incorrect Reduction Claim (IRC) during a regularly scheduled hearing on May 28, 2021. [Witness list will be included in the adopted Decision.]

The law applicable to the Commission’s determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code sections 17500 et seq., and related case law.

The Commission [adopted/modified] the Proposed Decision to [approve/partially approve/deny] the IRC by a vote of [vote will be included in the adopted Decision], as follows:

Member	Vote
Lee Adams, County Supervisor	
Jeannie Lee, Representative of the Director of the Office of Planning and Research	
Gayle Miller, Representative of the Director of the Department of Finance, Chairperson	
Sarah Olsen, Public Member	
Spencer L. Walker, Representative of the State Treasurer	
Jacqueline Wong-Hernandez, Representative of the State Controller, Vice Chairperson	

Summary of the Findings

This Consolidated Incorrect Reduction Claim (IRC) alleges that the State Controller’s Office (Controller) incorrectly reduced reimbursement claims filed by the cities of Claremont, Downey, Glendora, Pomona, Santa Clarita, and Signal Hill, and the County of Los Angeles for costs claimed to implement the *Municipal Stormwater and Urban Runoff Discharges* program. This IRC and Decision are limited to the to the issue of whether local return revenues received by the claimants from the Los Angeles County Metropolitan Transportation Authority under the Proposition A and Proposition C local return programs, which were used to fund the costs of the mandated program, are required to be identified as offsetting revenues.

The Controller found that the claimants failed to identify and deduct as offsetting revenues the Proposition A and Proposition C local return funds received from the Los Angeles County Metropolitan Transportation Authority under the Proposition A and Proposition C local return programs that the claimants used to pay for the installation and maintenance of trash receptacles at transit stops as required by the mandated program.

The Commission finds that the IRCs and Notices of Intent to Join a Consolidated IRC (Notice of Intent to Join) were timely filed.

The Commission further finds that the Controller’s determination, that Proposition A and Proposition C local return funds are offsetting revenues that should have been identified and deducted from the reimbursement claims, is correct as a matter of law. Proposition A and Proposition C are transactions and use taxes levied by the Los Angeles County Metropolitan Transportation Authority (Metro) and subject to Metro’s spending limitation. These taxes are not levied by or for the cities and County and are not subject to the cities’ or County’s appropriation limits. However, a portion of the Proposition A and Proposition C tax revenues are distributed to the claimant cities and county through the Proposition A and Proposition C local return programs for use on eligible transportation projects. Under article XIII B, section 6 of the California Constitution, the state is required to provide reimbursement only when a local

government is mandated to spend its own proceeds of taxes subject to the appropriations limit of article XIII B.⁸⁵ The Proposition A and Proposition C local return funds distributed to the claimants are not the claimants’ “proceeds of taxes” because the claimants do not levy the taxes, nor are the taxes subject to the claimants’ appropriations limits.

Accordingly, the Commission denies this Consolidated IRC.

COMMISSION FINDINGS

I. Chronology

08/01/2011	The City of Pomona filed its reimbursement claims for fiscal years 2002-2003 through 2010-2011. ⁸⁶
09/21/2011	The City of Downey filed its reimbursement claims for fiscal years 2002-2003, 2003-2004, 2004-2005, and 2005-2006. ⁸⁷
09/22/2011	The County of Los Angeles filed its reimbursement claim for fiscal year 2009-2010. ⁸⁸
09/28/2011	The City of Claremont filed its reimbursement claims for fiscal years 2002-2003 through 2010-2011. ⁸⁹ The City of Glendora filed its reimbursement claims for fiscal years 2008-2009 and 2009-2010. ⁹⁰ The City of Santa Clarita filed its reimbursement claims for fiscal years 2002-2003 through 2008-2009. ⁹¹ The City of Signal Hill filed its reimbursement claims for fiscal years 2002-2003 through 2009-2010. ⁹²
12/15/2011	The County of Los Angeles filed its reimbursement claim for fiscal year 2010-2011. ⁹³

⁸⁵ *Dept. of Finance v. Commission on State Mandates* (2016) 1 Cal.5th 749, 762-763; *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 486-487.

⁸⁶ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, pages 13, 17, 19, 21, 23, 25, 28, 30, 32.

⁸⁷ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 33, 41, 43, 45.

⁸⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 206.

⁸⁹ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, pages 11, 12, 14, 18, 20, 22, 24, 26, 28, 30.

⁹⁰ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, pages 20, 22.

⁹¹ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, pages 2, 3, 7, 11, 15, 19, 23, 28.

⁹² Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, pages 24, 31, 38, 45, 52, 59, 66, 73.

⁹³ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 209.

02/15/2012	The City of Signal Hill filed its reimbursement claim for fiscal year 2010-2011. ⁹⁴
09/26/2012	The County of Los Angeles filed its reimbursement claims for fiscal years 2002-2003 through 2008-2009. ⁹⁵
01/22/2013	The City of Claremont filed its reimbursement claims for fiscal year 2011-2012. ⁹⁶
02/11/2013	The City of Glendora filed its reimbursement claims for fiscal years 2010-2011 and 2011-2013. ⁹⁷ The County of Los Angeles filed its reimbursement claim for fiscal year 2011-2012. ⁹⁸
02/15/2013	The City of Pomona filed its reimbursement claim for fiscal year 2011-2012. ⁹⁹ The City of Signal Hill filed its reimbursement claim for fiscal year 2011-2012. ¹⁰⁰
02/04/2014	The County of Los Angeles filed its reimbursement claim for fiscal year 2012-2013. ¹⁰¹
02/13/2014	The City of Signal Hill filed its reimbursement claim for fiscal year 2012-2013. ¹⁰²
06/30/2017	The Controller issued the final audit report to the City of Downey. ¹⁰³
10/20/2017	The Controller issued the final audit report to the City of Claremont. ¹⁰⁴

⁹⁴ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 80.

⁹⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 168, 178, 191, 194, 197, 203.

⁹⁶ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 32.

⁹⁷ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, pages 24, 26.

⁹⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 212.

⁹⁹ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, page 34.

¹⁰⁰ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 87.

¹⁰¹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 218.

¹⁰² Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 94.

¹⁰³ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 4.

¹⁰⁴ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 3. The Controller refers to its review of the reimbursement claims filed by the cities of Claremont and Pomona and the County of Los Angeles as “reviews” or “desk reviews” (instead of audits) and its reports thereon as “final letters” or “final letter reports” (instead of final audit reports). While Government Code section 17558.5 authorizes the Controller to audit or review a reimbursement claim filed by a local agency or school district and to make adjustments thereto, the Controller’s

11/06/2017	The Controller issued the final audit report to the County of Los Angeles. ¹⁰⁵
05/21/2018	The Controller issued the final audit report to the City of Pomona. ¹⁰⁶
06/25/2018	The Controller issued the final audit report to the City of Signal Hill. ¹⁰⁷
08/09/2018	The Controller issued the final audit report to the City of Glendora. ¹⁰⁸
08/28/2018	The Controller issued the final audit report to the City of Santa Clarita. ¹⁰⁹
06/30/2020	The City of Downey filed its IRC.
10/16/2020	The City of Claremont filed its IRC.
11/05/2020	The County of Los Angeles filed its IRC with intent to consolidate on behalf of other similarly situated claimants. ¹¹⁰
01/28/2021	The City of Glendora filed its Notice of Intent to Join a Consolidated IRC (Notice of Intent to Join). ¹¹¹
02/04/2021	The City of Downey filed its Notice of Intent to Join. ¹¹²

underlying authority, as prescribed by Government Code 12410, is to “superintend the fiscal concerns of the state,” including auditing “the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.” Furthermore, section 1185.1(c) of the Commission’s regulations refers to the deadline for filing an incorrect reduction claim as no later than three years after the date the claimant first receives from the Controller “a final state audit report, letter, or other written notice of adjustment to a reimbursement claim, which complies with Government Code section 17558.5(c).” For the sake of simplicity and because whether it is called an “audit” or a “desk review” the requirements of 1185.1(c) are met so long as notice that complies with 17558.5(c) is given, this decision refers to the Controller’s audits and reviews of the claimants’ reimbursement claims as “audits” and the final reports and letters issued thereon as “final audit reports.”

¹⁰⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 148.

¹⁰⁶ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, page 2.

¹⁰⁷ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed November 9, 2021, page 5.

¹⁰⁸ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 3.

¹⁰⁹ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 33.

¹¹⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020.

¹¹¹ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021.

¹¹² Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021.

- 02/09/2021 The City of Santa Clarita filed its Notice of Intent to Join.¹¹³ The City of Signal Hill filed its Notice of Intent to Join.¹¹⁴
- 02/10/2021 The City of Claremont filed its Notice of Intent to Join.¹¹⁵ The City of Pomona filed its Notice of Intent to Join.¹¹⁶
- 03/19/2021 Commission staff issued the Draft Proposed Decision.¹¹⁷

II. Background

This Consolidated IRC challenges the Controller’s reduction of reimbursement claims filed by the cities of Claremont, Downey, Glendora, Pomona, Santa Clarita, and Signal Hill, and County of Los Angeles for the *Municipal Stormwater and Urban Runoff Discharges* program for fiscal years ranging from 2002-2003 through 2012-2013 (audit period). Specifically, this IRC addresses the issue of whether local return revenues received by the claimants from the Los Angeles County Metropolitan Transportation Authority under Proposition A and Proposition C local return program, which the claimants used to fund the costs of the mandated program, are required to be identified as offsetting revenues.

A. The Municipal Stormwater and Urban Runoff Discharges Program

The *Municipal Stormwater and Urban Runoff Discharges* 03-TC-04, 03-TC-19,03-TC-20, 03-TC-21 program arose from a consolidated test claim filed by the County of Los Angeles and cities within the County alleging that various sections of a 2001 stormwater permit issued by the Los Angeles Regional Water Control Board, a state agency, constituted a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution.¹¹⁸

On July 31, 2009, the Commission adopted the Test Claim Decision, finding that the following activity in part 4F5c3 of the permit imposed a reimbursable state mandate on those local agencies subject to the permit that are not subject to a trash total maximum daily load (TDML):

Place trash receptacles at all transit stops within its jurisdiction that have shelters no later than August 1, 2002, and at all transit stops within its jurisdiction no later than February 3, 2003. All trash receptacles shall be maintained as necessary.¹¹⁹

¹¹³ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021.

¹¹⁴ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021.

¹¹⁵ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021.

¹¹⁶ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021.

¹¹⁷ Exhibit H, Draft Proposed Decision, issued March 18, 2021.

¹¹⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 132 (Parameters and Guidelines).

¹¹⁹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 132 (Parameters and Guidelines).

The Commission adopted the Parameters and Guidelines for this program on March 24, 2011.¹²⁰ The Parameters and Guidelines provide for reimbursement as follows:

For each eligible local agency, the following activities are reimbursable:

- A. Install Trash Receptacles (one-time per transit stop, reimbursed using actual costs):
 1. Identify locations of all transit stops within the jurisdiction required to have a trash receptacle pursuant to the Permit.
 2. Select receptacle and pad type, evaluate proper placement of receptacles and prepare specifications and drawings.
 3. Prepare contracts, conduct specification review process, advertise bids, and review and award bids.
 4. Purchase or construct receptacles and pads and install receptacles and pads.
 5. Move (including replacement if required) receptacles and pads to reflect changes in transit stops, including costs of removal and restoration of property at former receptacle location and installation at new location.
- B. Maintain Trash Receptacles and Pads (on-going, reimbursed using the reasonable reimbursement methodology):
 1. Collect and dispose of trash at a disposal/recycling facility. This activity is limited to no more than three times per week.
 2. Inspect receptacles and pads for wear, cleaning, emptying, and other maintenance needs.
 3. Maintain receptacles and pads. This activity includes painting, cleaning, and repairing receptacles; and replacing liners. The cost of paint, cleaning supplies and liners is reimbursable. Graffiti removal is not reimbursable.
 4. Replace individual damaged or missing receptacles and pads. The costs to purchase and install replacement receptacles and pads and dispose of or recycle replaced receptacles and pads are reimbursable.¹²¹

Section VIII of the Parameters and Guidelines provides the following regarding offsetting revenues and reimbursements:

¹²⁰ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 132 (Parameters and Guidelines).

¹²¹ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 135 (Parameters and Guidelines).

Any offsetting revenue the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.¹²²

B. The Controller's Audits and Summary of the Issues

City of Claremont: The Controller performed an audit of reimbursement claims filed by the City of Claremont for fiscal years 2002-2003 through 2011-2012 and found that of the total amount of \$170,182 claimed, \$166,345 was unallowable.¹²³ The Controller determined that the claimant “did not offset any revenues on its claim forms for the review period” and “should have offset \$166,345 in Proposition C local return funds that were used to pay for the ongoing maintenance of transit stop trash receptacles.”¹²⁴

The Controller characterized Proposition C funds as “special revenue” funds, which it defined as funds that “are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.”¹²⁵ Because the claimant used Proposition C funds to pay for the mandated activities, “it was not required to rely on the use of discretionary general funds.”¹²⁶ The Controller determined that under the Parameters and Guidelines, the claimant should have identified and offset the Proposition C funds from the reimbursement claims.¹²⁷

City of Downey: The Controller audited costs claimed by the City of Downey for fiscal years 2002-2003 through 2013-2014 and determined that of the \$716,563 claimed, \$652,652 was unallowable.¹²⁸ The audit report contains two findings: That the claimant overstated ongoing maintenance costs (Finding 1) and did not report offsetting revenues or reimbursements on its claim forms for the audit period (Finding 2).¹²⁹ Only Finding 2 is at issue in this consolidated IRC.

Finding 2 states that the claimant did not offset any revenues or reimbursements on its claim forms and should have offset \$186,921 for the audit period.¹³⁰ The Controller found that for fiscal years 2002-2003 through 2005-2006, the claimant used Proposition A local return funds to

¹²² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 138 (Parameters and Guidelines).

¹²³ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 3.

¹²⁴ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 8.

¹²⁵ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 8.

¹²⁶ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 9.

¹²⁷ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, pages 8-9.

¹²⁸ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 4.

¹²⁹ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 14, 17.

¹³⁰ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 17-18.

pay for the mandated activities.¹³¹ Specifically, one-time costs to purchase and install transit stop trash receptacles during the 2002-2003 fiscal year were reduced, as were ongoing trash receptacle maintenance costs for fiscal years 2002-2003 through 2005-2006, to the extent the claimant paid for those activities with Proposition A local return funds.¹³²

The Controller reasoned that because the claimant used Proposition A funds to pay for both the one-time and ongoing mandated activities, “it did not have to rely solely on discretionary general funds to pay for the mandated activities.”¹³³ The Controller determined that under section VIII of the Parameters and Guidelines, the Proposition A funds were required to be identified and deducted from the reimbursement claims.¹³⁴

City of Glendora: The Controller audited costs claimed by the City of Glendora for fiscal years 2002-2003 through 2011-2012.¹³⁵ Of \$190,310 in total claimed costs, the Controller found that \$79,856 was unallowable because the claimant did not offset Proposition C local return funds used to pay for the mandated activities.¹³⁶ The Controller determined that the claimant used Proposition C revenues in fiscal years 2008-2009 through 2011-2012 to pay for the salaries and benefits of employees who maintained transit stop trash receptacles.¹³⁷ To the extent the claimant “used Proposition C monies to fund the payroll costs of city staff who performed the reimbursable activities,” it was required under section VII of the Parameters and Guidelines to deduct those revenues from its costs claimed.¹³⁸

The Controller described Proposition C as a “special supplementary sales tax” whose revenues are “restricted solely to benefiting public transit,” as opposed to unrestricted general sales taxes which can be used for any general governmental purpose.¹³⁹ Because Proposition C funds constitute “revenues raised outside of [the claimant’s] appropriations limit,” to the extent it paid for the mandated activities using Proposition C funds, the claimant did not incur increased costs as a direct result of the mandate program.¹⁴⁰ Additionally, the Local Return Guidelines permit advancement of Proposition C funds only when reimbursement is available from grant or private funding; mandate reimbursement does not qualify as such.¹⁴¹

¹³¹ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 18.

¹³² Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 18-19.

¹³³ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 19.

¹³⁴ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 19.

¹³⁵ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 6.

¹³⁶ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 3.

¹³⁷ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 12.

¹³⁸ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 13.

¹³⁹ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 14.

¹⁴⁰ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 15.

¹⁴¹ Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 15.

City of Pomona: The Controller audited reimbursement claims filed by the City of Pomona for fiscal years 2002-2003 and found that the entire claimed amount of \$272,474 was unallowable.¹⁴² The Controller made two findings: That the claimant claimed ineligible on-time costs for the 2002-2003 fiscal year (Finding 1) and did not report offsetting revenues or reimbursements on its claim forms for the audit period (Finding 2).¹⁴³ Only Finding 2 is at issue in this consolidated IRC. In Finding 2, the Controller determined that the claimant should have offset \$264,515 in Proposition A local return funds used to pay \$81,392 in one-time costs and \$183,123 in ongoing maintenance costs.¹⁴⁴

The Proposition A and Proposition C Local Return Guidelines identify installation and maintenance of transit stop trash receptacles as projects eligible to be paid for using Proposition A funds.¹⁴⁵ Under section VIII of the Parameters and Guidelines, the claimant was required to identify and deduct from its claims those Proposition A funds used to pay for the mandated activities.¹⁴⁶ The Controller reasoned that because mandate reimbursement is limited to costs incurred solely from a local agency's tax revenues, to the extent the claimant elected to use Proposition A funds, reimbursement was not required.¹⁴⁷

City of Santa Clarita: The Controller audited costs claimed by the City of Santa Clarita for fiscal years 2002-2003 through 2008-2009.¹⁴⁸ The Controller found the entire claimed amount of \$362,982 was unallowable because the claimant misstated the annual number of trash collections and did not offset "restricted funds" used to pay for the mandated activities.¹⁴⁹ At issue in this consolidated IRC is only Finding 2, wherein the Controller found that the claimant should have, but did not, offset \$177,692 in "restricted funds," including Proposition A and Proposition C local return funds, as revenues or reimbursements on its claim forms for the audit period.¹⁵⁰

Specifically, the Controller found that the claimant should have offset \$24,372 in Proposition A and Proposition C funds that were used to purchase and install transit-stop trash receptacles in fiscal year 2007-2008 and \$153,320 in revenues from the claimant's Transit System Fund that were used to pay for ongoing trash receptacle maintenance throughout the audit period.¹⁵¹ The

¹⁴² Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, page 2.

¹⁴³ Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, pages 7-8.

¹⁴⁴ Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, page 8.

¹⁴⁵ Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, page 9.

¹⁴⁶ Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, page 9.

¹⁴⁷ Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, page 10.

¹⁴⁸ Exhibit F, City of Santa Clarita's Notice of Intent to Join, filed February 9, 2021, page 33.

¹⁴⁹ Exhibit F, City of Santa Clarita's Notice of Intent to Join, filed February 9, 2021, page 33.

¹⁵⁰ Exhibit F, City of Santa Clarita's Notice of Intent to Join, filed February 9, 2021, page 44.

¹⁵¹ Exhibit F, City of Santa Clarita's Notice of Intent to Join, filed February 9, 2021, pages 44-45. The Transit System Fund includes Proposition A and Proposition C local return funds, as well as other transit funds and fees received, as identified on page 45 of Exhibit F, City of Santa

Controller reasoned that because the Transit System Fund (which is funded with Proposition A and Proposition C local return funds) is used to account for revenues from fee-generating activities, and no general funds were transferred into the Fund during the audit period, the claimant did not have to rely on discretionary funds to pay for the mandated activities.¹⁵²

The Controller describes Proposition A and Proposition C as special supplementary sales taxes, the proceeds of which are restricted to the development and/or improvement of public transit services, as opposed to unrestricted general sales taxes, which “can be spent for any general governmental purpose.”¹⁵³ The Controller further notes that the claimant did not provide any documentation showing that the Proposition A and Proposition C local return funds were included in the claimant’s appropriations limit.¹⁵⁴

City of Signal Hill: The Controller audited costs claimed by the City of Signal Hill for fiscal years 2002-2003 through 2012-2013.¹⁵⁵ Of the total claimed amount of \$233,135, the Controller found that \$199,732 was unallowable because the claimant overstated the number of trash collections and did not offset Proposition A local return funds used to pay for the mandated activities.¹⁵⁶ At issue in this consolidated IRC is only Finding 2, wherein the Controller found that the claimant failed to report as offsetting revenues the Proposition A funds it used to pay for ongoing trash receptacle maintenance.¹⁵⁷ The Controller asserts that, because the claimant used Proposition A funds which the Controller characterizes as “revenues outside [the claimant’s] appropriations limit,” the claimant did not have to rely on discretionary funds to pay for the mandated activities.¹⁵⁸ Under section VIII of the Parameters and Guidelines, the claimant was required to offset its claims for reimbursement in the amount of Proposition A funds applied to the mandated activities.¹⁵⁹

County of Los Angeles: The County of Los Angeles claimed \$6,129,851 for fiscal years 2002-2003 through 2012-2013.¹⁶⁰ The Controller found that all costs claimed were unallowable because the claimant did not offset Proposition A local return funds used to pay for the mandated

Clarita’s Notice of Intent, filed February 9, 2021. These consolidated IRCs pertain only to the Controller’s determination that Proposition A and Proposition C local return funds are offsetting revenues; no IRC was filed disputing the other Transit System Fund revenues.

¹⁵² Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 45.

¹⁵³ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 47.

¹⁵⁴ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 47.

¹⁵⁵ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 5.

¹⁵⁶ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 5.

¹⁵⁷ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 19.

¹⁵⁸ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 20.

¹⁵⁹ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 20.

¹⁶⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 148.

activities.¹⁶¹ Specifically, the Controller found that the claimant used Proposition A funds to pay \$288,802 in one-time costs and \$5,841,049 in ongoing maintenance costs.¹⁶²

The Controller described Proposition A as a “special supplementary sales tax” that is “restricted solely for the development and or improvement of public transit services.”¹⁶³ The claimant did not provide the Controller with any documentation showing that the Proposition A funds are included in the claimant’s appropriation limit.¹⁶⁴ The Controller asserts that because the claimant used “restricted” Proposition A funds to pay for the mandated activities, it did not have to rely on discretionary general funds and was required under the Parameters and Guidelines to offset the Proposition A funds from its reimbursement claims.¹⁶⁵ Furthermore, the Controller disagrees with the claimant’s assertion that Proposition A funds may be advanced pending mandate reimbursement.¹⁶⁶ Under the Local Return Guidelines, Proposition A funds may only be advanced for projects that will be reimbursed from federal, state, or local grant funding; mandate reimbursement does not qualify as grant funding.¹⁶⁷

C. Proposition A and Proposition C Local Return Funds

In 1977, the Legislature created the Los Angeles County Transportation Commission (Transportation Commission) as a countywide transportation improvement agency¹⁶⁸ and authorized the Transportation Commission to levy a transactions and use tax throughout Los Angeles County.¹⁶⁹

A retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles may be adopted by the Los Angeles County Transportation Commission in accordance with Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, provided that a majority of the electors voting on the measure vote to authorize its enactment at a special election called for that purpose by the commission.¹⁷⁰

¹⁶¹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 153.

¹⁶² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 153.

¹⁶³ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 158.

¹⁶⁴ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 158.

¹⁶⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 153-154.

¹⁶⁶ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 158.

¹⁶⁷ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 158.

¹⁶⁸ Public Utilities Code section 130050.

¹⁶⁹ Public Utilities Code sections 130231(a), 130350.

¹⁷⁰ Public Utilities Code section 130350 (Stats. 1976, ch. 1333). Proposition A was passed by a majority of voters as required by the original language of Public Utilities Code section 130350, but not the two-thirds vote required by article XIII A, section 4 (Proposition 13). Thereafter, the

In 1980, Los Angeles County voters approved Proposition A, a one-half percent transactions and use tax to fund public transit projects throughout the County.¹⁷¹ In 1990, voters approved Proposition C, a second one-half percent transactions and use tax, also used to fund public transit projects countywide.¹⁷² The Los Angeles County Transportation Commission is statutorily authorized to levy both taxes.¹⁷³

The Los Angeles County Transportation Commission is authorized to impose a transactions and use tax within the County of Los Angeles pursuant to the approval by the voters of the commission's Ordinance No. 16 [Proposition A] in 1980 and its Ordinance No. 49 [Proposition C] in 1990, and has the authority and power vested in the Southern California Rapid Transit District to plan, design, and construct an exclusive public mass transit guideway system in the County of Los Angeles, including, but not limited to, Article 5 (commencing with Section 30630 of Chapter 5 of Part 3 of Division 11).¹⁷⁴

The purpose of the Proposition A tax is to “improve and expand existing public transit Countywide, including reduction of transit fare, to construct and operate a rail rapid transit system hereinafter described, and to more effectively use State and Federal funds, benefit assessments, and fares.”¹⁷⁵ Under the Proposition A ordinance, tax revenues can be used for capital or operating expenses¹⁷⁶ and are allocated as follows:

- a. Twenty-five percent, calculated on an annual basis, to local jurisdictions for local transit, based on their relative percentage share of the population of the County of Los Angeles.

executive director of the Transportation Commission refused to levy the tax. The Transportation Commission filed a petition for writ of mandate to compel the executive director to implement the tax. The case went before the California Supreme Court, which held in *Los Angeles County Transp. Commission v. Richmond* (1982) 31 Cal.3d 19 that that the Transportation Commission could, consistent with Proposition 13, impose the tax with the consent of only the majority of voters, as opposed to two-thirds of voters. Section 130350 was amended in 2007 to reflect the two-thirds vote requirement.

¹⁷¹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

¹⁷² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

¹⁷³ Public Utilities Code section 130231(a).

¹⁷⁴ Public Utilities Code section 130231(a).

¹⁷⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 33 (Proposition A Ordinance).

¹⁷⁶ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 33 (Proposition A Ordinance).

- b. Thirty-five percent, calculated on an annual basis, to the commission for construction and operation of the System.
- c. The remainder shall be allocated to the Commission for public transit purposes.¹⁷⁷

The purpose of the Proposition C tax is to “improve transit service and operations, reduce traffic congestion, improve air quality, efficiently operate and improve the condition of the streets and freeways utilized by public transit, and reduce foreign fuel dependence.”¹⁷⁸ The enumerated purposes of the tax include:

- (1) Meeting operating expenses; purchasing or leasing supplies, equipment or materials; meeting financial reserve requirements; obtaining funds for capital projects necessary to maintain service within existing service areas;
- (2) Increasing funds for existing public transit service programs;
- (3) Instituting or increasing passenger or commuter services on rail or highway rights of way;
- (4) Continued development of a regional transportation improvement program.¹⁷⁹

Under the Proposition C Ordinance, tax revenues are allocated as follows:

- (1) Forty percent to improve and expand rail and bus transit, including fare subsidies, graffiti prevention and removal, and increased energy-efficiency;
- (2) Five percent to improve and expand rail and bus security;
- (3) Ten percent to increase mobility and reduce congestion;
- (4) Twenty percent to the Local Return Program; and
- (5) Twenty-five percent to provide transit-related improvements to freeways and state highways.¹⁸⁰

¹⁷⁷ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 34 (Proposition A Ordinance).

¹⁷⁸ Exhibit X, Metro, Proposition C Ordinance: http://media.metro.net/projects_studies/taxpayer_oversight_comm/proposition_c_ordinance.pdf (accessed on February 22, 2021), page 3.

¹⁷⁹ Exhibit X, Metro, Proposition C Ordinance: http://media.metro.net/projects_studies/taxpayer_oversight_comm/proposition_c_ordinance.pdf (accessed on February 22, 2021), page 3.

¹⁸⁰ Exhibit X, Metro, Proposition C Ordinance: http://media.metro.net/projects_studies/taxpayer_oversight_comm/proposition_c_ordinance.pdf (accessed on February 22, 2021), pages 3-4.

In 1993, the Transportation Commission merged with the Southern California Rapid Transit District to form the Los Angeles County Metropolitan Transportation Authority (Metro).¹⁸¹ Since becoming the successor agency to the Transportation Commission, Metro has continued to levy the Proposition A and Proposition C taxes.¹⁸²

Local jurisdictions receive transportation funding from Metro through the Proposition A and Proposition C local return programs. Twenty-five percent of Proposition A funds and twenty percent of Proposition C funds are allocated to the local return programs for cities and the County to use for “in developing and/or improving public transit, paratransit, and the related transportation infrastructure.”¹⁸³ Metro allocates and distributes local return funds to cities and the County of Los Angeles (for unincorporated areas) each month, on a “per capita” basis.¹⁸⁴

Use of Proposition A tax revenues is restricted to “eligible transit, paratransit, and Transportation Systems Management improvements” and cities are encouraged to use the funds to improve transit services.¹⁸⁵

The Proposition A Ordinance requires that LR [Local Return] funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds.¹⁸⁶

The Proposition C Ordinance requires that Proposition C local return funds be used to benefit “public transit, paratransit, and related services including to improve and expand supplemental paratransit services to meet the requirements of the Federal Americans With Disabilities Act.”¹⁸⁷

¹⁸¹ Public Utilities Code sections 130050.2, 130051.13. Section 130050.2 states as follows: “There is hereby created the Los Angeles County Metropolitan Transportation Authority. The authority shall be the single successor agency to the Southern California Rapid Transit District and the Los Angeles County Transportation Commission as provided by the act that enacted this section.”

¹⁸² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

¹⁸³ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

¹⁸⁴ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 47, 74 (Local Return Guidelines).

¹⁸⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 33, 35 (Proposition A Ordinance).

¹⁸⁶ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

¹⁸⁷ Exhibit X, Metro, Proposition C Ordinance: http://media.metro.net/projects_studies/taxpayer_oversight_comm/proposition_c_ordinance.pdf (accessed on February 22, 2021), page 4.

Eligible projects include “Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects.”¹⁸⁸

Amongst the eligible uses of Proposition A and Proposition C local return funds are bus stop improvements and maintenance projects.¹⁸⁹ The Local Return Guidelines provide as follows:

Examples of eligible Bus Stop Improvement and Maintenance projects include installation/replacement and/or maintenance of:

- Concrete landings – in street for buses and at sidewalk for passengers
- Bus turn-outs
- Benches
- Shelters
- *Trash receptacles*
- Curb cut
- Concrete or electrical work directly associated with the above items.¹⁹⁰

Proposition A local return funds may also “be given, loaned or exchanged” between local jurisdictions, provided that certain conditions are met, including that the traded funds be used for public transit purposes.¹⁹¹ Proposition C funds cannot be traded.¹⁹² Jurisdictions are permitted to use local return funds to advance eligible projects that will be reimbursed by “federal, state, or local grant funding, or private funds.”¹⁹³ Subsequent reimbursement funds must then be deposited into the Proposition A or Proposition C Local Return Fund.¹⁹⁴

¹⁸⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

¹⁸⁹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 53 (Local Return Guidelines).

¹⁹⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 53 (Local Return Guidelines), emphasis added.

¹⁹¹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 59 (Local Return Guidelines).

¹⁹² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

¹⁹³ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 76 (Local Return Guidelines).

¹⁹⁴ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 76 (Local Return Guidelines).

III. Positions of the Parties

A. Cities of Claremont, Downey, Glendora, Pomona, Santa Clarita, and Signal Hill and County of Los Angeles

The claimants challenge the Controller’s finding that their use of Proposition A and Proposition C local return funds during the audit period to pay for the mandated activities of installing and maintaining transit stop trash receptacles constituted reimbursement from a non-local source.¹⁹⁵ The claimants do not dispute the Controller’s determination that the claimants used Proposition A and Proposition C funds to perform mandated activities. Rather, the claimants argue that requiring the claimants to offset Proposition A and Proposition C local return funds from their reimbursement claims (1) violates article XIII B, section 6 of the California Constitution; (2) is inconsistent with the Parameters and Guidelines; and (3) constitutes an unlawful retroactive application of the Parameters and Guidelines.¹⁹⁶ The claimants assert that the Controller’s actions were arbitrary, capricious, and lacking in evidentiary support.¹⁹⁷

The claimants argue that offsetting Proposition A and Proposition C local return funds is unconstitutional.¹⁹⁸ The Controller characterizes Proposition A and Proposition C as “special supplementary” sales taxes, the use of which is restricted, and distinguishes restricted sales taxes from unrestricted general sales taxes, the latter of which the Controller asserts can be used for any general governmental purpose.¹⁹⁹ The claimants challenge the Controller’s conclusion that

¹⁹⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 10. The claimants’ position is derived from the IRC filed by the County of Los Angeles, the lead claimant in this consolidated IRC, which was joined by all claimants to this consolidated claim. While the County of Los Angeles’ IRC involves Proposition A only, the County asserts that there is no relevant distinction here between Proposition A and Proposition C.

Propositions A and C both were adopted for transit purposes, and both provide local agencies with direct “local return” funds that were available to the municipalities for local transit needs. Gest Decl. at ¶ 7.

In addition to these factual similarities, the main legal issue in each IRC is essentially identical, because all relate to the same essential SCO argument – that because special sales tax, instead of other tax revenues were advanced to pay for the receptacles, such sales tax revenues should have offset the reimbursement request.

Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 5. Because of the factual and legal similarities between Proposition A and Proposition C, reference to Proposition C has been added to the County of Los Angeles’ discussion of Proposition A in order to capture the reimbursement claims involving Proposition C.

¹⁹⁶ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 10.

¹⁹⁷ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 14.

¹⁹⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 14.

¹⁹⁹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 14.

because the claimants used Proposition A or Proposition C tax revenues to perform the mandated activities of installing and maintaining trash receptacles, they did not have to rely on general funds.²⁰⁰ Neither article XIII B, section 6 nor the case law interpreting it distinguishes between general and restricted taxes.²⁰¹ Proposition A and Proposition C are local sales and use taxes, the revenues of which article XIII B, section 6 was designed to protect.²⁰² Furthermore, whether the Proposition A and Proposition C local return funds are subject to the claimants' appropriations limit "is irrelevant to the question before the Commission, which is whether the State has mandated a program that requires the expenditure of local tax revenue."²⁰³ By requiring the claimants to use local tax revenues to pay for the mandated activities simply because the revenues are restricted to public transit purposes, the Controller has added a new requirement that violates article XIII B, section 6 and precludes the claimants from using local tax revenues on other transit programs of their choosing.²⁰⁴

The claimants further assert that the offset is inconsistent with the Parameters and Guidelines.²⁰⁵ The Controller's approach shifts the financial burden of a state-mandated program onto a local agency simply because the local agency uses a "restricted" local sales tax to fund the mandate.²⁰⁶ The claimants reason that Proposition A and Proposition C local return funds do not constitute offsetting revenues under section VIII of the Parameters and Guidelines because Proposition A and Proposition C are local taxes and therefore not a "federal, state, or non-local source."²⁰⁷ The claimants point out that the Controller does not dispute that "Proposition A is a local sales tax imposed on local citizens," citing to the fact that the Controller did not seek to revise the Parameters and Guidelines before they were adopted to require deduction of "special local taxes" like Proposition A.²⁰⁸

The claimants did not err in using Proposition A or Proposition C funds to pay for the installation and maintenance of the trash receptacles because the trash receptacles qualified for such use.²⁰⁹ Under the Local Return Guidelines, the claimants were permitted to initially use the Proposition A or Proposition C funds for trash receptacles and then, upon reimbursement by the state, apply

²⁰⁰ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 17.

²⁰¹ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, pages 14-15.

²⁰² Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, pages 14-15.

²⁰³ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 15, footnote 4.

²⁰⁴ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 15.

²⁰⁵ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 16.

²⁰⁶ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 16.

²⁰⁷ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 16.

²⁰⁸ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, pages 16-17.

²⁰⁹ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 17.

those funds to other transit projects.²¹⁰ This is exactly the sort of “advance” contemplated by the Local Return Guidelines.²¹¹

The claimants challenge the Controller’s position that Proposition A and Proposition C funds can only permissibly be used as an advance where funds will be repaid by federal, state, or local grants, or private funds, all of which are distinguishable from subvention of funds to reimburse a local government for the cost of state mandated activities.²¹² The claimants assert that whether reimbursement is from a non-grant source is irrelevant; the Local Return Guidelines anticipate “reimbursement not only from grant funds but also other ‘fund sources.’”²¹³

Expending Proposition A or Proposition C funds prior to reimbursement is consistent with the intent behind article XIII B, section 6.²¹⁴ Neither Proposition A nor Proposition C is a “source other than taxes” under Government Code section 17556(d) and the Parameters and Guidelines, the use of which to pay for mandated expenses renders the expenses ineligible for reimbursement.²¹⁵ By denying the claimants this portion of their claims for reimbursement, the claimants’ transportation project funding is limited as though the state were to refuse to reimburse the claimants for general funds used for the same purpose.²¹⁶

The claimants further allege that the Controller is retroactively applying the Parameters and Guidelines in contravention of applicable law.²¹⁷ The fiscal years during which the claimants used Proposition A funds to pay for the mandated activities preceded the effective date of the Parameters and Guidelines.²¹⁸ The claimants argue that in addition to being unlawful, it is arbitrary and capricious for the Controller to find that the Parameters and Guidelines retroactively prohibited the use of Proposition A and Proposition C funds in way that was lawful at the time the funds were used.²¹⁹

B. State Controller’s Office

The Controller has not yet commented on any of the subject IRCs or Notices of Intent to Join.

²¹⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 17.

²¹¹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 17.

²¹² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 17-18.

²¹³ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 17.

²¹⁴ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

²¹⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

²¹⁶ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

²¹⁷ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

²¹⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

²¹⁹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

IV. Discussion

Government Code section 17561(d) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state-mandated costs if the Controller determines that the claim is excessive or unreasonable.

Government Code section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of the parameters and guidelines, de novo, without consideration of legal conclusions made by the Controller in the context of an audit.²²⁰ The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6 of the California Constitution.²²¹ The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitutional and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."²²²

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.²²³ Under this standard, the courts have found that:

When reviewing the exercise of discretion, "[t]he scope of review is limited, out of deference to the agency's authority and presumed expertise: 'The court may not reweigh the evidence or substitute its judgement for that of the agency. [Citation.]'" ... "In general ... the inquiry is limited to whether the decision was arbitrary, capricious, or entirely lacking in evidentiary support..." [Citations.] When making that inquiry, the " "court must ensure that an agency has adequately considered all relevant factors, and has demonstrated a rational

²²⁰ *City of Sacramento v. State of California* (1990) 50 Cal.3d 51, 64, 71, fn. 15; *County of San Diego v. State of California* (1997) 15 Cal.4th 68, 109.

²²¹ *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

²²² *County of Sonoma v. Commission on State Mandates* (2000) 84 Cal.App.4th 1264, 1281, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

²²³ *Johnson v. Sonoma County Agricultural Preservation and Open Space Dist.* (2002) 100 Cal.App.4th 973, 983-984. See also *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

connection between those factors, the choice made, and the purposes of the enabling statute.” [Citation.]’ ”²²⁴

The Commission must review the Controller’s audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with the claimant.²²⁵ In addition, sections 1185.1(f)(3) and 1185.2(d) and (e) of the Commission’s regulations require that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission’s ultimate findings of fact must be supported by substantial evidence in the record.²²⁶

Claims challenging reductions made by the Controller for the same mandate may be consolidated, provided certain requirements are met. Under Government Code section 17558.7(b) and section 1185.3 of the Commission’s regulations, an individual claimant may seek to consolidate incorrect reduction claims on behalf of a class of claimants if all of the following apply:

- (1) The method, act, or practice that the claimant alleges led to the reduction has led to similar reductions of other parties' claims, and all of the claims involve common questions of law or fact.
- (2) The common questions of law or fact among the claims predominate over any matter affecting only an individual claim.
- (3) The consolidation of similar claims by individual claimants would result in consistent decision making by the Commission.
- (4) The claimant filing the consolidated claim would fairly and adequately protect the interests of the other claimants.²²⁷

The Commission may also consolidate incorrect reduction claims, in part or in whole, as necessary to ensure the complete, fair, or timely consideration of any such claims.²²⁸

A claimant seeking to file a consolidated incorrect reduction claim must notify the Commission of its intent to do so at the time of filing.²²⁹ Under Government Code section 17558.7(b) and section 1185.3 of the Commission’s regulations, the Commission shall request that the Controller provide, within 30 days, the Commission and the claimant with a list of claimants for whom the Controller has reduced similar claims under the same mandate, and the date each claimant was

²²⁴ *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

²²⁵ *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

²²⁶ Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission’s decision is not supported by substantial evidence in the record.

²²⁷ Government Code section 17558.7(b); California Code of Regulations, title 2, section 1185.3.

²²⁸ California Code of Regulations, title 2, section 1185.6.

²²⁹ California Code of Regulations, title 2, section 1185.3(b).

notified of the adjustment. Upon receipt of this list from the Controller, the claimant may notify, and the Commission shall notify, the claimants on the list and other interested parties of the claimant's intent to file a consolidated incorrect reduction claim.²³⁰ Within 30 days of receiving the Commission's notice, any other eligible claimant shall file a notice of intent to join the consolidated incorrect reduction claim.²³¹

Any claimant that joins a consolidated incorrect reduction claim may opt out and not be bound by any determination made on the consolidated claim within 15-days of service of the Controller's comments.²³² A claimant that opts out of a consolidated claim shall file an individual IRC no later than one year after opting out or within the three-year period of limitation under section 1185.1(c) of the Commission's regulations.²³³ If a claimant opts out and an individual IRC for the claimant is already on file with the Commission, the individual filing is automatically reinstated.²³⁴

A. The Claimants Timely Filed the IRCs and Notices of Intent to Join.

At the time the final audit reports were issued, section 1185.1(c) of the Commission's regulations required an incorrect reduction claim to be filed with the Commission no later than three years after the date the claimant first receives from the Controller a final state audit report, letter, or other written notice of adjustment to a reimbursement claim, which complies with Government Code section 17558.5(c). Under Government Code section 17558.5(c), the Controller is required to notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notice must specify which claim components were adjusted and in what amount, as well as interest charges on claims adjusted, and the reason for the adjustment.²³⁵ A notice of intent to join a consolidated incorrect reduction claim is subject to the three-year statute of limitations specified in section 1185.1(c).²³⁶

This means that, to join the consolidated claim, the claimant must either already have a timely filed IRC pending or else file the Notice of Intent within three years from the first notice of

²³⁰ Government Code section 17558.7(d); California Code of Regulations, title 2, section 1185.3(f).

²³¹ Government Code section 17558.7(e); California Code of Regulations, title 2, section 1185.4(a).

²³² Government Code section 17558.7(f); California Code of Regulations, title 2, section 1185.5.

²³³ Government Code section 17558.7(f); California Code of Regulations, title 2, section 1185.5(b).

²³⁴ California Code of Regulations, title 2, section 1185.5(c).

²³⁵ Government Code section 17558.5(c).

²³⁶ California Code of Regulations, title 2, section 1185.4(d).

reduction. Additionally, all Notices of Intent must be filed within 30 days of the Notice of the Opportunity to Join a Consolidated IRC.²³⁷

City of Claremont: The Controller issued its final audit report to the City of Claremont on October 20, 2017, which complied with section 17558.5(c).²³⁸ The claimant filed the IRC *Municipal Stormwater and Urban Runoff Discharges*, 20-0304-I-06 on October 16, 2020, within three years of the date of the final audit report. The Commission finds that the IRC was timely filed. On January 13, 2021, Commission staff issued the Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim. The City of Claremont filed its Notice of Intent to Join on February 10, 2021, within 30 days of the Notice of Opportunity for Eligible Claimant's to Join the Consolidated Claim. The Commission finds that the Notice of Intent was timely filed.

City of Downey: The Controller issued its final audit report to the City of Downey on June 30, 2017, which complied with section 17558.5(c).²³⁹ The claimant filed the IRC *Municipal Stormwater and Urban Runoff Discharges*, 19-0304-I-04 on June 30, 2017, three years from the date of the final audit report. The Commission finds that the IRC was timely filed. On January 13, 2021, Commission staff issued the Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim. The City of Downey filed its Notice of Intent to Join on February 4, 2021, within 30 days of the Notice of Opportunity for Eligible Claimant's to Join the Consolidated Claim. The Commission finds that the Notice of Intent was timely filed.

City of Glendora: The Controller issued its final audit report to the City of Glendora on August 9, 2018, which complied with section 17558.5(c).²⁴⁰ On January 13, 2021, Commission staff issued the Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim. The claimant filed the Notice of Intent to Join *Municipal Stormwater and Urban Runoff Discharges*, 20-0304-I-09 (20-0304-I-08) on January 28, 2021, within three years of the date of the final audit report and within 30 days of the Notice of Opportunity for Eligible Claimant's to Join the Consolidated Claim.²⁴¹ The Commission finds that the Notice of Intent was timely filed.

City of Pomona: The Controller issued its final audit report to the City of Pomona on May 21, 2018, which complied with section 17558.5(c).²⁴² On January 13, 2021, Commission staff issued the Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim. The claimant filed the Notice of Intent to Join

²³⁷ Government Code section 17558.7(d), California Code of Regulations, title 2, section 1185.3(f).

²³⁸ Exhibit B, City of Claremont's Notice of Intent to Join, filed February 10, 2021, page 3.

²³⁹ Exhibit C, City of Downey's Notice of Intent to Join, filed February 4, 2021, page 4.

²⁴⁰ Exhibit D, City of Glendora's Notice of Intent to Join, filed January 28, 2021, page 3.

²⁴¹ Exhibit D, City of Glendora's Notice of Intent to Join, filed January 28, 2021, page 1.

²⁴² Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, page 2.

Municipal Stormwater and Urban Runoff Discharges, 20-0304-I-09 (20-0304-I-08) on February 10, 2021, within three years of the date of the final audit report and within 30 days of the Notice of Opportunity for Eligible Claimant's to Join the Consolidated Claim.²⁴³ The Commission finds that the Notice of Intent was timely filed.

City of Santa Clarita: The Controller issued its final audit report to the City of Santa Clarita on August 28, 2018, which complied with section 17558.5(c).²⁴⁴ On January 13, 2021, Commission staff issued the Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim. The claimant filed the Notice of Intent to Join *Municipal Stormwater and Urban Runoff Discharges, 20-0304-I-11 (20-0304-I-08)* on February 9, 2021, within three years of the date of the final audit report and within 30 days of the Notice of Opportunity for Eligible claimant's to Join the Consolidated Claim.²⁴⁵ The Commission finds that the Notice of Intent was timely filed.

City of Signal Hill: The Controller issued its final audit report to the City of Signal Hill on June 25, 2018, which complied with section 17558.5(c).²⁴⁶ On January 13, 2021, Commission staff issued the Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim. The claimant filed the Notice of Intent to Join *Municipal Stormwater and Urban Runoff Discharges, 20-0304-I-10 (20-0304-I-08)* on February 9, 2021, within three years of the date of the final audit report and within 30 days of the Notice of Opportunity for Eligible claimant's to Join the Consolidated Claim.²⁴⁷ The Commission finds that the Notice of Intent was timely filed.

County of Los Angeles: The Controller issued its final audit report to the County of Los Angeles on November 6, 2017, which complied with section 17558.5(c).²⁴⁸ The claimant filed the IRC with intent to consolidate *Municipal Stormwater and Urban Runoff Discharges, 20-0304-I-08* on November 5, 2020, within three years of the date of the final audit report.²⁴⁹ The Commission finds that the IRC was timely filed.

Based on the above, the Commission finds that the IRCs and Notices of Intent to Join were timely filed by the cities of Claremont, Downey, Glendora, Pomona, Santa Clarita, and Signal Hill, and the County of Los Angeles.

²⁴³ Exhibit E, City of Pomona's Notice of Intent to Join, filed February 10, 2021, page 1.

²⁴⁴ Exhibit F, City of Santa Clarita's Notice of Intent to Join, filed February 9, 2021, page 33.

²⁴⁵ Exhibit F, City of Santa Clarita's Notice of Intent to Join, filed February 9, 2021, page 1.

²⁴⁶ Exhibit G, City of Signal Hill's Notice of Intent to Join, filed February 9, 2021, page 5.

²⁴⁷ Exhibit G, City of Signal Hill's Notice of Intent to Join, filed February 9, 2021, page 1.

²⁴⁸ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 148.

²⁴⁹ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 1.

B. The Controller’s Determination, That Proposition A and Proposition C Local Return Funds Are Offsetting Revenues that Should Have Been Identified and Deducted from the Reimbursement Claims, Is Correct as a Matter of Law.

The Controller found that the claimants failed to report offsetting revenues for the audit period in the following amounts:

City of Claremont:	\$166,345 ²⁵⁰
City of Downey:	\$186,921 ²⁵¹
City of Glendora:	\$79,856 ²⁵²
City of Pomona:	\$264,515 ²⁵³
City of Santa Clarita:	\$177,692 ²⁵⁴
City of Signal Hill:	\$101,656 ²⁵⁵
County of Los Angeles:	\$6,129,851 ²⁵⁶

The Controller determined that the claimants received tax revenues from the Los Angeles County Metropolitan Transportation Authority’s Proposition A and Proposition C local return programs and used those funds to perform the mandated activities of installing and maintaining transit-stop trash receptacles.²⁵⁷ The Controller reasoned that under section VIII of the Parameters and Guidelines, Proposition A and Proposition C local return funds are non-local source funds and therefore constitute offsetting revenues or reimbursements that should have been deducted from the reimbursement claims.²⁵⁸

²⁵⁰ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, page 3.

²⁵¹ Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, page 17.

²⁵² Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, page 3.

²⁵³ Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, page 8.

²⁵⁴ Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, page 44.

²⁵⁵ Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, page 19.

²⁵⁶ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 148.

²⁵⁷ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 18-19; Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, pages 12-13; Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, pages 44-46; Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, pages 19-20; Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 153-154.

²⁵⁸ Exhibit B, City of Claremont’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit C, City of Downey’s Notice of Intent to Join, filed February 4, 2021, pages 18-19; Exhibit D, City of Glendora’s Notice of Intent to Join, filed January 28, 2021, pages 12-13;

The claimants do not contest receiving and using Proposition A and Proposition C local return funds in the manner alleged by the Controller. Rather, the claimants argue that the Controller’s determination that the Proposition A and Proposition C funds are unreported offsets that must be deducted from the reimbursement claims violates article XIII B, section 6 of the California Constitution, is inconsistent with the Parameters and Guidelines, and constitutes an unlawful retroactive application of the Parameters and Guidelines.²⁵⁹

1. Proposition A and Proposition C local return funds constitute reimbursement from a non-local source within the meaning of the Parameters and Guidelines.

Section VIII of the Parameters and Guidelines addresses offsetting revenues as follows:

Any offsetting revenue the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.²⁶⁰

The claimants assert that Proposition A and Proposition C local return funds do not fall within section VIII because Proposition A and Proposition C are local taxes and therefore not a “federal, state, or non-local source.”²⁶¹ According to the claimants, the Controller does not dispute that “Proposition A is a local sales tax imposed on local citizens,” citing to the fact that the Controller did not comment on, or seek modification of, the Parameters and Guidelines before they were adopted.²⁶² The Commission disagrees. While the Parameters and Guidelines do not expressly require that funds from Proposition A or Proposition C, be identified as offsetting revenue, they do state that “reimbursement for this mandate received from any federal, state or *non-local source* shall be identified and deducted from this claim.”²⁶³

Exhibit E, City of Pomona’s Notice of Intent to Join, filed February 10, 2021, pages 8-9; Exhibit F, City of Santa Clarita’s Notice of Intent to Join, filed February 9, 2021, pages 44-46; Exhibit G, City of Signal Hill’s Notice of Intent to Join, filed February 9, 2021, pages 19-20; Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 153-154.

²⁵⁹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 10.

²⁶⁰ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 138 (Parameters and Guidelines).

²⁶¹ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 16.

²⁶² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 16-17.

²⁶³ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 138 (Parameters and Guidelines), emphasis added.

The Parameters and Guidelines must be interpreted in a manner that is consistent with the California Constitution²⁶⁴ and principles of mandates law.²⁶⁵ Neither Proposition A nor Proposition C are the claimants’ “local taxes” because they are neither levied by the claimants nor subject to the claimants’ appropriations limits. Any costs incurred by the claimants in performing the mandated activities that are funded by Proposition A or Proposition C, non-local taxes, are excluded from mandate reimbursement under article XIII B, section 6 of the California Constitution.

2. Proposition A and Proposition C local return tax revenues are not the claimants’ “proceeds of taxes” within the meaning of article XIII B of the California Constitution because the taxes are not levied by the claimants nor subject to the claimants’ appropriations limit.

Interpreting the reimbursement requirement in article XIII B, section 6 of the California Constitution requires an understanding of articles XIII A and XIII B, which “work in tandem, together restricting California governments’ power both to levy and to spend taxes for public purposes.”²⁶⁶

In 1978, the voters adopted Proposition 13, which added article XIII A to the California Constitution. Article XIII A drastically reduced property tax revenue previously enjoyed by local governments by providing that “the maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value” and that the one percent (1%) tax was to be collected by counties and “apportioned according to law to the districts within the counties...”²⁶⁷ In addition to limiting property tax revenue, section 4 also restricts a local government’s ability to impose special taxes by requiring a two-thirds approval by voters.²⁶⁸

Article XIII B was adopted by the voters less than 18 months after the addition of article XIII A, and was billed as “the next logical step to Proposition 13.”²⁶⁹ While article XIII A is aimed at controlling ad valorem property taxes and the imposition of new special taxes, “the thrust of article XIII B is toward placing certain limitations on the growth of appropriations at both the state and local government level; in particular, Article XIII B places limits on the authorization to expend the ‘proceeds of taxes.’”²⁷⁰

²⁶⁴ See *State Board of Equalization v. Board of Supervisors* (1980) 105 Cal.App.3d 813, 823, holding that a Board tax rule was null and void, as applied, because it violated the Constitution.

²⁶⁵ *Clovis Unified School Dist. v. Chiang* (2010) 188 Cal.App.4th 794, 811-812.

²⁶⁶ *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 486.

²⁶⁷ California Constitution, article XIII A, section 1.

²⁶⁸ California Constitution, article XIII A, section 1.

²⁶⁹ *County of Placer v. Corin* (1980) 113 Cal.App.3d 443, 446.

²⁷⁰ *County of Placer v. Corin* (1980) 113 Cal.App.3d 443, 446.

Article XIII B established “an appropriations limit,” or spending limit for each “local government” beginning in fiscal year 1980-1981.²⁷¹ Section 1 of article XIII B defines the appropriations limit as follows:

The total annual appropriations subject to limitation of the State and of each local government shall not exceed the appropriations limit of the entity of government for the prior year adjusted for the change in the cost of living and the change in population, except as otherwise provided by this article.²⁷²

No “appropriations subject to limitation” may be made in excess of the appropriations limit, and revenues received in excess of authorized appropriations must be returned to the taxpayers within the following two fiscal years.²⁷³

Article XIII B does not limit the ability to expend government funds collected from all sources; the appropriations limit is based on “appropriations subject to limitation,” meaning “any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity.”²⁷⁴ For local agencies, “proceeds of taxes” subject to the appropriations limit include all tax revenues; proceeds from regulatory charges and fees to the extent such proceeds exceed the costs reasonably borne by government in providing the product or service; the investment of tax revenue; and subventions received from the state (other than pursuant to section 6).²⁷⁵

No limitation is placed on the expenditure of those revenues that do not constitute “proceeds of taxes.”²⁷⁶ For example, appropriations subject to limitation do not include “local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.”²⁷⁷

Article XIII B, section 6 was specifically designed to protect the tax revenues of local governments from state mandates that would require expenditure of tax revenues which are subject to limitation. The California Supreme Court, in *County of Fresno v. State of California*,²⁷⁸ explained:

Section 6 was included in article XIII B in recognition that article XIII A of the Constitution severely restricted the taxing powers of local governments. (See *County of Los Angeles I, supra*, 43 Cal.3d at p. 61.) The provision was intended

²⁷¹ California Constitution, article XIII B, section 8(h).

²⁷² California Constitution, article XIII B, section 1.

²⁷³ California Constitution, article XIII B, section 2.

²⁷⁴ California Constitution, article XIII B, section 8.

²⁷⁵ California Constitution, article XIII B, section 8; *County of Placer v. Corin* (1980) 113 Cal.App.3d 443, 448.

²⁷⁶ *County of Placer v. Corin* (1980) 113 Cal.App.3d 443, 447.

²⁷⁷ California Constitution, article XIII B, section 8(i).

²⁷⁸ *County of Fresno v. State of California* (1991) 53 Cal.3d 482.

to preclude the state from shifting financial responsibility for carrying out governmental functions onto local entities that were ill equipped to handle the task. (*Ibid.*; see *Lucia Mar Unified School Dist. v. Honig* (1988) 44 Cal.3d 830, 836, fn. 6.) Specifically, it was designed to protect the tax revenues of local governments from state mandates that would require expenditure of such revenues. Thus, although its language broadly declares that the “state shall provide a subvention of funds to reimburse ... local government for the costs [of a state-mandated new] program or higher level of service,” read in its textual and historical context section 6 of article XIII B requires subvention only when the costs in question can be recovered *solely from tax revenues*.²⁷⁹

The purpose of section 6 is to preclude “the state from shifting financial responsibility for carrying out governmental functions to local governmental entities, which are ‘ill equipped’ to assume increased financial responsibilities because of the taxing and spending limitations that articles XIII A and XIII B impose.”²⁸⁰ Article XIII B, section 6 must therefore be read in light of the tax and spend limitations imposed by articles XIII A and XIII B; it requires the state to provide reimbursement only when a local government is mandated to expend its own proceeds of taxes subject to the appropriations limit of article XIII B.²⁸¹

- a. The Proposition A and Proposition C sales taxes are not levied by or for the claimants.

The crux of the claimants’ position is that Proposition A and Proposition C are local taxes because they are imposed on “local citizens” and therefore do not fall into any of the offsetting revenue categories enumerated in section VIII the Parameters and Guidelines, which include “federal, state, or non-local source” revenue.²⁸² The claimants disagree with the Controller’s characterization of Proposition A as a supplementary, restricted use tax, as opposed to a general tax, which the claimants assert is a distinction that exists in neither article XIII B, section 6 nor the case law interpreting it.²⁸³

There is no difference between a municipality using local sales tax monies to install trash receptacles, receiving a subvention of funds, and then using those funds for other general purposes, and a municipality using Proposition A local sales tax revenues to install trash receptacles, receiving a subvention of funds, and then using those funds for other public transit purposes. In both cases, the State has mandated the expenditure of funds for a program the State believes should be implemented in lieu of other programs the municipality believes should have

²⁷⁹ *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 487, emphasis in original.

²⁸⁰ *Dept. of Finance v. Commission on State Mandates* (2016) 1 Cal.5th 749, 763 (quoting *County of San Diego v. State of California* (1997) 15 Cal.4th 68, 81).

²⁸¹ *Dept. of Finance v. Commission on State Mandates* (2016) 1 Cal.5th 749, 762-763; *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 486-487.

²⁸² Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 16-17.

²⁸³ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 14-15.

priority, requiring the municipality to expend funds not on the municipality's priorities, but on the programs mandated by the State.²⁸⁴

The power of a local government to tax is derived from the Constitution, upon the Legislature's authorization.²⁸⁵ "The Legislature may not impose taxes for local purposes but may authorize local governments to impose them."²⁸⁶ In other words, a local government's taxing authority is derived from statute.

Metro, as the successor to the Los Angeles County Transportation Commission, is authorized by statute to levy the Proposition A and Proposition C transactions and use taxes throughout Los Angeles County.²⁸⁷ Public Utilities Code section 130350, as originally enacted, states as follows:

A retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles may be adopted by the Los Angeles County Transportation Commission in accordance with Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, provided that a majority of the electors voting on the measure vote to authorize its enactment at a special election called for that purpose by the commission.²⁸⁸

Under the Proposition A and Proposition C ordinances, twenty-five percent of Proposition A taxes and twenty percent of Proposition C taxes, respectively, are allocated to the local return program funds for cities and the County to use for public transit purposes.²⁸⁹ As discussed above, local jurisdictions are then permitted to use those funds on public transit projects as prescribed by the Local Return Guidelines.²⁹⁰ Permissible uses include bus stop improvements and maintenance projects, which include the installation, replacement and maintenance of trash receptacles.²⁹¹

²⁸⁴ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 15.

²⁸⁵ California Constitution, article XIII, section 24(a).

²⁸⁶ *County of Placer v. Corin* (1980) 113 Cal.App.3d 443, 450 ("Taxes are levied by the Legislature, or by counties and municipalities under their delegated power, for the support of the state, county, or municipal government").

²⁸⁷ Public Utilities Code section 130350 (Stats. 1976, ch. 1333).

²⁸⁸ Public Utilities Code section 130350 (Stats. 1976, ch. 1333).

²⁸⁹ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 47 (Local Return Guidelines).

²⁹⁰ See Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, pages 41-111 (Local Return Guidelines).

²⁹¹ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 53 (Local Return Guidelines).

The claimants do not dispute receiving Proposition A and Proposition C revenues through the local return program during the audit period, at least a portion of which was used for the eligible purposes of installing and maintaining trash receptacles at transit stops. Nonetheless, the claimants misunderstand what constitutes a local agency’s “local sales tax revenues” for purposes of determining eligibility for reimbursement under article XIII B, section 6. Contrary to the claimants’ assertions, the Proposition A and Proposition C transactions and use taxes are *not* the claimants’ “local taxes” because they are neither levied by nor for the claimants.

The phrase “to levy taxes by or for an entity” has a special meaning of long-standing. The concept of one entity levying taxes for another dates back to at least 1895 (stats. 1895, p. 219) and the adoption of an act providing for the levy of taxes “by or for” municipal corporations. This act allowed general law and charter cities to continue to exercise their taxing power directly or, if they so desired, to have the county levy and collect their taxes for them. (*Griggs v. Hartzoke* (1910) 13 Cal.App. 429, 430–432, 109 P. 1104; *County of Los Angeles v. Superior Court* (1941) 17 Cal.2d 707, 710–711, 112 P.2d 10.) The legal effect of this arrangement, as explained by case law, was that the taxing power exercised was that of the city, and it remained in the city. The county officers in levying taxes for the city became ex-officio officers of the city and exercised the city’s taxing power. (*Madary v. City of Fresno* (1912) 20 Cal.App. 91, 93–94, 128 P. 340.) In levying taxes for the city the county was levying “municipal taxes” through the ordinary county machinery. (*Griggs, supra*, 13 Cal.App. at p. 432, 109 P. 1104.)

Thus, the salient characteristics of one entity levying taxes “for” another entity are: (1) the entity for whom the taxes are levied has the taxing power; (2) the levying officers of the county exercise the taxing power of the entity for whom they are levying; (3) they exercise such power as ex-officio officers of that entity, and (4) the taxes collected are those of the “levied for” entity.²⁹²

Similar to the redevelopment agency in *Bell Community Redevelopment Agency v. Woosley*, the claimants here do not have the power to levy the Proposition A and Proposition C taxes.²⁹³ Therefore, Metro is not levying the Proposition A and Proposition C taxes “for” the claimants. The claimants’ receipt and use of Proposition A and Proposition C tax revenues through the local return programs does not change the nature of those funds as Metro’s “proceeds of taxes” and subject to Metro’s appropriations limit.

²⁹² *Bell Community Redevelopment Agency v. Woosley* (1985) 169 Cal.App.3d 24, 32.

²⁹³ See *Bell Community Redevelopment Agency v. Woosley* (1985) 169 Cal.App.3d 24, 27 [Because redevelopment agency did not have the authority to levy a tax to fund its efforts, allocation and payment of tax increment funds to redevelopment agency by county, a government taxing agency, were not “proceeds of taxes levied by or for” the redevelopment agency and therefore were not subject to the appropriations limit of Article XIII B].

- b. Proposition A and Proposition C local return funds allocated to the claimants are not subject to the claimants' appropriations limits.

Article XIII B does not limit a local government's ability to expend tax revenues that are not the claimant's "proceeds of taxes."²⁹⁴ Where a tax is neither levied by nor for the local government claiming reimbursement, the resulting revenue is not the local government's "proceeds of taxes" and is therefore not the local government's "appropriations subject to limitation."²⁹⁵

Reimbursement under article XIII B, section 6 is only required to the extent that a local government must incur "increased actual expenditures of limited tax proceeds that are counted against the local government's spending limit."²⁹⁶ Because the Proposition A and Proposition C local return funds are not the claimants' "proceeds of taxes levied by or for that entity," they are not the claimants' "appropriations subject to limitation."²⁹⁷

While the Proposition A ordinance does not state whether Proposition A tax proceeds are subject to Metro's appropriations limit,²⁹⁸ Metro receives the revenues of any transactions and use tax it levies and then allocates and distributes them to local jurisdictions in accordance with the applicable tax ordinances.²⁹⁹ Los Angeles County has passed four separate half-cent transportation sales taxes over the past 40 years: Proposition A (1980), Proposition C (1990), Measure R (2008) and Measure M (2016).³⁰⁰ With the exception of Proposition A, the remaining three tax ordinances expressly state that their respective transportation sales tax revenues are subject to either the Los Angeles County Transportation Commission's (as predecessor to Metro) or Metro's appropriations limit.

The Proposition C Ordinance states in relevant part:

3-10-080 Appropriations Limit. A [Los Angeles County Transportation] Commission appropriations limit is hereby established equal to the revenues collected and allocated during the 1990/91 fiscal year plus an amount equal to one and a half times the taxes that would be levied or allocated on a one-half of one

²⁹⁴ *County of Placer v. Corin* (1980) 113 Cal.App.3d 443, 447.

²⁹⁵ California Constitution, article XIII B, section 8.

²⁹⁶ *County of Sonoma v. Commission on State Mandates* (2000) 84 Cal.App.4th 1264, 1283; *County of Los Angeles v. Commission on State Mandates* (2003) 110 Cal.App.4th 1176, 1185.

²⁹⁷ California Constitution, article XIII B, section 8.

²⁹⁸ Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, pages 31-39 (Proposition A Ordinance).

²⁹⁹ Public Utilities Code section 130354, which states: "The revenues received by the Los Angeles County Transportation Commission from the imposition of the transactions and use taxes shall be used for public transit purposes"; Exhibit A, County of Los Angeles' Consolidated IRC, filed November 5, 2020, page 74 (Local Return Guidelines).

³⁰⁰ Exhibit X, Metro, Local Return Program: https://www.metro.net/projects/local_return_pgm/ (accessed on February 25, 2021), page 1.

percent transaction and use tax in the first full fiscal year following enactment and implementation of this Ordinance.³⁰¹

Measure R and Measure M are both subject to Metro’s appropriations limit.³⁰² Both ordinances provide as follows:

SECTION 13. APPROPRIATIONS LIMIT

Article XIII B of the California Constitution requires certain governmental entities to establish an annual appropriations limit. This appropriations limit is subject to adjustment as provided by law. To the extent required by law, Metro shall establish an annual appropriations limit and expenditures of the retail transactions and use tax shall be subject to such limit.³⁰³

Government Code section 7904 prohibits appropriation of the same proceeds of taxes to the appropriations limit of more than one local jurisdiction or the state.³⁰⁴ The Proposition A and Proposition C funds levied by Metro and allocated to the claimants through the local return programs cannot be subject to both Metro and the claimants’ appropriations limits. The claimants have submitted no evidence, and the Commission is aware of none, to show that the Proposition A or Proposition C local return funds they received during the audit period were subject to the claimants’ appropriations limits.

The claimants are incorrect in asserting that the Controller’s finding functionally reduces the claimants’ transportation funding as though the state were to refuse to reimburse the claimants as if they had relied upon general funds for the same purpose.³⁰⁵ While Proposition A and Proposition C are imposed on the “local citizens” of the claimants’ jurisdictions, the taxes are levied throughout Los Angeles County by and for Metro, who then distributes a portion of the revenues to cities and the County of Los Angeles. Because the Proposition A and Proposition C taxes are neither levied by nor for the claimants, nor subject to the claimants’ appropriations limits, the Proposition A and Proposition C local return revenues do not constitute the claimants’ “local proceeds of taxes” for which claimants are entitled to reimbursement under article XIII B,

³⁰¹ Exhibit X, Proposition C Ordinance: http://media.metro.net/projects_studies/taxpayer_oversight_comm/proposition_c_ordinance.pdf (accessed on February 22, 2021), page 6.

³⁰² Exhibit X, Measure R Ordinance: <https://media.metro.net/measureR/images/ordinance.pdf> (accessed on February 25, 2021), page 16; Exhibit X, Measure M Ordinance: https://theplan.metro.net/wp-content/uploads/2016/09/measurem_ordinance_16-01.pdf (accessed on February 25, 2021), page 22.

³⁰³ Exhibit X, Measure R Ordinance: <https://media.metro.net/measureR/images/ordinance.pdf> (accessed on February 25, 2021), page 16; Exhibit X, Measure M Ordinance: https://theplan.metro.net/wp-content/uploads/2016/09/measurem_ordinance_16-01.pdf (accessed on February 25, 2021), page 22.

³⁰⁴ Government Code section 7904.

³⁰⁵ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

section 6. Local government cannot accept the benefits of non-local tax revenue that is exempt from the appropriations limit, while asserting an entitlement to reimbursement under article XIII B, section 6.³⁰⁶ To the extent that the claimants funded the mandated activities using Proposition A or Proposition C tax revenues, reimbursement is not required under article XIII B, section 6 of the California Constitution.

3. The advancement of Proposition A or Proposition C funds to pay for the installation and maintenance of the trash receptacles does not alter the nature of those funds as offsetting revenues, nor does the deduction of those funds from the costs claimed constitute a retroactive application of the law.

The claimants argue that because the Local Return Guidelines permit the claimants to use Proposition A and Proposition C funds on mandated activities and then, upon reimbursement from the state, apply those funds to other transit projects, the claimants cannot now be penalized for doing so through retroactive application of the Parameters and Guidelines.³⁰⁷ The claimants allege that the Controller’s application of the Parameters and Guidelines is both incorrect as a matter of law and arbitrary and capricious.³⁰⁸ Whether the Controller correctly interpreted the Parameters and Guidelines in finding that Proposition A and Proposition C are non-local sources of funds that must be deducted from the reimbursement claims is purely a question of law subject to the de novo standard of review and to which the arbitrary and capricious standard does not apply.³⁰⁹

Because the claimants used “non-local source” funds to install and maintain trash receptacles, they were required to identify and deduct those funds from their claims for reimbursement. As discussed above, the Proposition A and Proposition C funds received by the claimants are not the claimants’ “proceeds of taxes” within the meaning of article XIII B, section 8. The requirement in section VIII of the Parameters and Guidelines that reimbursement received from any “non-local source” must be identified and deducted from the claim simply restates the requirement under article XIII B, section 6 that mandate reimbursement is only required to the extent that the local government expends its own proceeds of taxes.³¹⁰ A rule that merely restates or clarifies existing law “does not operate retrospectively even if applied to transactions predating its enactment because the true meaning of the [rule] remains the same.”³¹¹

³⁰⁶ See *City of El Monte v. Commission on State Mandates* (2000) 83 Cal.App.4th 266, 281-282.

³⁰⁷ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, pages 18-19.

³⁰⁸ Exhibit A, County of Los Angeles’ Consolidated IRC, filed November 5, 2020, page 18.

³⁰⁹ *City of Sacramento v. State of California* (1990) 50 Cal.3d 51, 64, 71, fn. 15; *County of San Diego v. State of California* (1997) 15 Cal.4th 68, 109.

³¹⁰ *Dept. of Finance v. Commission on State Mandates* (2016) 1 Cal.5th 749, 762-763; *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 486-487; see also Government Code section 17553(b)(1)(F)(iii) and California Code of Regulations, title 2, section 1183.7(g)(2).

³¹¹ *Western Security Bank v. Superior Court* (1997) 15 Cal.4th 232, 243.

Where, as here, a local government funds mandated activities with *other than* its own proceeds of taxes (e.g., revenue from a tax levied by a separate local government entity), it is required to deduct those revenues from its reimbursement claim. The fact that the Commission did not adopt the Parameters and Guidelines for the *Municipal Stormwater and Urban Runoff Discharges* program until well into the audit period³¹² does not alter the analysis, nor does the claimants' ability under the Local Return Guidelines to expend Proposition A or Proposition C funds on the installation and maintenance of transit stop trash receptacles prior to mandate reimbursement.

The Commission finds that the Controller's determination, that the Proposition A and Proposition C local return funds are offsetting revenue that should have been identified and deducted from the reimbursement claims, is correct as a matter of law.

V. Conclusion

Based on the forgoing analysis, the Commission finds that the IRCs and Notices of Intent to Join were timely filed and the Controller's determination, that Proposition A and Proposition C local return funds are offsetting revenues that should have been identified and deducted from the reimbursement claims, is correct as a matter of law. Accordingly, the Commission denies this Consolidated IRC.

³¹² The Parameters and Guidelines for the *Municipal Stormwater and Urban Runoff Discharges* program were adopted March 24, 2011. The reimbursement claims at issue range from fiscal years 2002-2003 through 2012-2013.

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On March 19, 2021, I served the:

- **Draft Proposed Decision, Schedule for Comments, and Notice of Hearing issued March 19, 2021**

Municipal Storm Water and Urban Runoff Discharges, 19-0304-I-04, 20-0304-I-06, 20-0304-I-08, 20-0304-I-09, 20-0304-I-10, 20-0304-I-11, and 20-0304-I-13

Los Angeles Regional Quality Control Board Order No. 01-182,
Permit CAS004001, Part 4F5c3

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012

City of Claremont, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006

City of Downey, Claimant

Fiscal Years: 2008-2009, 2009-2010, 2010-2011, 2011-2012

City of Glendora, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012

City of Pomona, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009

City of Santa Clarita, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013

City of Signal Hill, Claimant

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013

County of Los Angeles, Claimant

By making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on March 19, 2021 at Sacramento, California.



Jill L. Magee
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 3/12/21

Claim Number: 20-0304-I-08 Con. 19-0304-I-04, 20-0304-I-06, 20-0304-I-09, 20-0304-I-10, 20-0304-I-11, 20-0304-I-13

Matter: Municipal Storm Water and Urban Runoff Discharges

Claimants: City of Claremont
 City of Downey
 City of Glendora
 City of Pomona
 City of Santa Clarita
 City of Signal Hill
 County of Los Angeles

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

Adaoha Agu, *County of San Diego Auditor & Controller Department*

Projects, Revenue and Grants Accounting, 5530 Overland Avenue, Ste. 410 , MS:O-53, San Diego, CA 92123

Phone: (858) 694-2129

Adaoha.Agu@sdcounty.ca.gov

Socorro Aquino, *State Controller's Office*

Division of Audits, 3301 C Street, Suite 700, Sacramento, CA 95816

Phone: (916) 322-7522

SAquino@sco.ca.gov

Arlene Barrera, Auditor-Controller, *County of Los Angeles*

Claimant Contact

Auditor-Controller's Office, 500 West Temple Street, Room 525, Los Angeles, CA 90012

Phone: (213) 974-8302

abarrera@auditor.lacounty.gov

Ray Beeman, Chief Fiscal Officer, *City of Gardena*

1700 West 162nd Street, Gardena, CA 90247

Phone: (310) 217-9516

rbeeman@cityofgardena.org

Robbeyn Bird, Finance Director, *City of West Covina*

1444 West Garvey Ave South, West Covina, CA 91790
Phone: (626) 939-8438
RBird@westcovina.org

Guy Burdick, Consultant, *MGT Consulting*
2251 Harvard Street, Suite 134, Sacramento, CA 95815
Phone: (916) 833-7775
gburdick@mgtconsulting.com

Allan Burdick,
7525 Myrtle Vista Avenue, Sacramento, CA 95831
Phone: (916) 203-3608
allanburdick@gmail.com

Evelyn Calderon-Yee, Bureau Chief, *State Controller's Office*
Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740,
Sacramento, CA 95816
Phone: (916) 324-5919
ECalderonYee@sco.ca.gov

Manuel Carrillo, Director of Finance and Administrative Services, *City of Bell Gardens*
7100 Garfield Ave, Bell Gardens, CA 90201
Phone: (562) 806-7700
MCarrillo@bellgardens.org

George Chavez, City Manager, *City of Beverly Hills*
455 North Rexford Drive, Beverly Hills, CA 90210
Phone: (310) 285-1014
gchavez@beverlyhills.org

Annette Chinn, *Cost Recovery Systems, Inc.*
705-2 East Bidwell Street, #294, Folsom, CA 95630
Phone: (916) 939-7901
achinnrcrs@aol.com

Edgar Cisneros, City Administrator, *City of Commerce*
2535 Commerce Way, Commerce, CA 90040
Phone: (323) 722-4805
ecisneros@ci.commerce.ca.us

Geoffrey Cobbett, Treasurer, *City of Covina*
Finance Department, 125 E. College Street, Covina, CA 91723
Phone: (626) 384-5506
gcobbett@covinaca.gov

Kris Cook, Assistant Program Budget Manager, *Department of Finance*
915 L Street, 10th Floor, Sacramento, CA 95814
Phone: (916) 445-3274
Kris.Cook@dof.ca.gov

Viki Copeland, *City of Hermosa Beach*
1315 Valley Drive, Hermosa Beach, CA 90254
Phone: N/A
vcopeland@hermosabch.org

Ray Cruz, City Manager, *City of Santa Fe Springs*
11710 East Telegraph Road, Santa Fe Springs, CA 90670

Phone: (562) 868-0511
rcruz@santafesprings.org

Gigi Decavalles-Hughes, Director of Finance, *City of Santa Monica*
Finance, 1717 4th Street, Suite 250, Santa Monica, CA 90401
Phone: (310) 458-8281
gigi.decavalles@smgov.net

Steven Dobrenen, Finance Director, *City of Cudahy*
5220 Santa Ana Street, Cudahy, CA 90201
Phone: (831) 386-5925
sdobrenen@cityofcudahyca.gov

Evangeline Domingo, Financial Analyst, *City of Santa Clarita*
23920 Valencia Blvd, Santa Clarita, CA 91355
Phone: (661) 286-4145
edomingo@santa-clarita.com

Bob Elliot, *City of Glendale*
141 North Glendale Ave, Ste. 346, Glendale, CA 91206-4998
Phone: N/A
belliot@ci.glendale.ca.us

Vic Erganian, Deputy Finance Director, *City of Pasadena*
Finance Department, 100 N. Garfield Ave, Room S348, Pasadena, CA 91109-7215
Phone: (626) 744-4355
verganian@cityofpasadena.net

Paul Espinoza, *City of Alhambra*
111 South First Street, Alhambra, CA 91801
Phone: N/A
pespinoza@cityofalhambra.org

Ken Farfsing, City Manager, *City of Carson*
701 E. Carson Street, Carson, CA 90745
Phone: (310) 952-1700
kfarfsing@carson.ca.us

Donna Ferebee, *Department of Finance*
915 L Street, Suite 1280, Sacramento, CA 95814
Phone: (916) 445-3274
donna.ferebee@dof.ca.gov

Artie Fields, City Manager, *City of Inglewood*
1 Manchester Boulevard, Inglewood, CA 90301
Phone: (310) 412-5301
AFields@Cityofinglewood.org

Art Gallucci, City Manager, *City of Cerritos*
18125 Bloomfield Ave, Cerritos, CA 90703
Phone: (562) 916-1310
agallucci@cerritos.us

Anil Gandhi, Finance Director, *City of Downey*
Claimant Contact
11111 Brookshire Avenue, Downey, CA 90241
Phone: (562) 904-7265
agandhy@downeyca.org

Martha Garcia, Director of Management Services, *City of Monterey Park*
320 West Newmark Ave, Monterey Park, CA 91754
Phone: (626) 307-1349
magarcia@montereypark.ca.gov

Susan Geanacou, *Department of Finance*
915 L Street, Suite 1280, Sacramento, CA 95814
Phone: (916) 445-3274
susan.geanacou@dof.ca.gov

Howard Gest, *Burhenn & Gest, LLP*
Claimant Representative
624 South Grand Avenue, Suite 2200, Los Angeles, CA 90402
Phone: (213) 629-8787
hgest@burhenngest.com

Dillon Gibbons, Legislative Representative, *California Special Districts Association*
1112 I Street Bridge, Suite 200, Sacramento, CA 95814
Phone: (916) 442-7887
dillong@csda.net

Jose Gomez, Director of Finance and Administrative Services, *City of Lakewood*
5050 Clark Avenue, Lakewood, CA 90712
Phone: (562) 866-9771
jgomez@lakewoodcity.org

Troy Grunklee, Director of Administrative Services, *City of La Puente*
15900 East Main Street, La Puente, CA 91744
Phone: (626) 855-1500
tgrunklee@lapuente.org

Heather Halsey, Executive Director, *Commission on State Mandates*
980 9th Street, Suite 300, Sacramento, CA 95814
Phone: (916) 323-3562
heather.halsey@csm.ca.gov

Daniel Hernandez, Director of Public Works, *City of Commerce*
2535 Commerce Way, Commerce, CA 90040
Phone: (323) 722-4805
dhernandez@ci.commerce.ca.us

Chris Hill, Principal Program Budget Analyst, *Department of Finance*
Local Government Unit, 915 L Street, Sacramento, CA 95814
Phone: (916) 445-3274
Chris.Hill@dof.ca.gov

Tiffany Hoang, Associate Accounting Analyst, *State Controller's Office*
Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740,
Sacramento, CA 95816
Phone: (916) 323-1127
THoang@sco.ca.gov

Linda Hollinsworth, Finance Director, *City of Hawaiian Gardens*
21815 Pioneer Blvd., Hawaiian Gardens, CA 90716
Phone: (562) 420-2641
lindah@hgcity.org

Brittany Houston, Finance Manager, *City of Santa Clarita*

23920 Valencia Blvd, Santa Clarita, CA 91355
Phone: (661) 255-4996
bhouston@santa-clarita.com

Diego Ibanez, Director of Finance, *City of San Fernando*
117 Macneil Street, San Fernando, CA 91340
Phone: (818) 898-1212
dibanez@sfcity.org

Bernardo Iniguez, Public Works Manager, *City of Bellflower*
Department of Public Works, 16600 Civic Center Drive, Bellflower, CA 90706
Phone: (562) 804-1424
biniguez@bellflower.org

Chris Jeffers, Interim City Manager, *City of South Gate*
8650 California Ave, South Gate, CA 90280
Phone: (323) 563-9503
cjeffers@sogate.org

Angelo Joseph, Supervisor, *State Controller's Office*
Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740,
Sacramento, CA 95816
Phone: (916) 323-0706
AJoseph@sco.ca.gov

Will Kaholokula, Finance Director, *City of San Gabriel*
425 South Mission Drive, San Gabriel, CA 91776
Phone: (626) 308-2812
wkaholokula@sgch.org

Keith Kang, Finance Director, *City of Palmdale*
38300 Sierra Highway, Suite D, Palmdale, CA 93550
Phone: (661) 267-5429
kkang@cityofpalmdale.org

Lisa Kurokawa, Bureau Chief for Audits, *State Controller's Office*
Compliance Audits Bureau, 3301 C Street, Suite 700, Sacramento, CA 95816
Phone: (916) 327-3138
lkurokawa@sco.ca.gov

Karina Lam, *City of Paramount*
16400 Colorado Avenue, Paramount, CA 90723
Phone: N/A
klam@paramountcity.com

Kim-Anh Le, Deputy Controller, *County of San Mateo*
555 County Center, 4th Floor, Redwood City, CA 94063
Phone: (650) 599-1104
kle@smcgov.org

Erika Li, Chief Deputy Director, *Department of Finance*
915 L Street, 10th Floor, Sacramento, CA 95814
Phone: (916) 445-3274
erika.li@dof.ca.gov

Everett Luc, Accounting Administrator I, Specialist, *State Controller's Office*
3301 C Street, Suite 740, Sacramento, CA 95816

Phone: (916) 323-0766
ELuc@sco.ca.gov

Carmen Magana, Director of Administrative Services, *City of Santa Clarita*
Claimant Contact

23920 Valencia Blvd, Santa Clarita, CA 91355
Phone: (661) 255-4997
cmagana@santa-clarita.com

Jill Magee, Program Analyst, *Commission on State Mandates*
980 9th Street, Suite 300, Sacramento, CA 95814
Phone: (916) 323-3562
Jill.Magee@csm.ca.gov

James Makshanoff, City Manager, *City of Pomona*
505 South Garey Ave, Pomona, CA 91766
Phone: (909) 620-2051
james_makshanoff@ci.pomona.ca.us

Elizabeth McGinnis, *Commission on State Mandates*
980 9th Street, Suite 300, Sacramento, CA 95814
Phone: (916) 323-3562
Elizabeth.McGinnis@csm.ca.gov

Jane McPherson, Financial Services Director, *City of Oceanside*
300 North Coast Highway, Oceanside, CA 92054
Phone: (760) 435-3055
JmcPherson@oceansideca.org

Bruce Moe, City Manager, *City of Manhattan Beach*
1400 Highland Ave., Manhattan Beach, CA 90266
Phone: (310) 802-5302
bmoe@citymb.info

Lourdes Morales, Senior Fiscal and Policy Analyst, *Legislative Analyst's Office*
925 L Street, Suite 1000, Sacramento, CA 95814
Phone: (916) 319-8320
Lourdes.Morales@LAO.CA.GOV

Debra Morton, Manager, Local Reimbursements Section, *State Controller's Office*
Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740,
Sacramento, CA 95816
Phone: (916) 324-0256
DMorton@sco.ca.gov

Andrew Mowbray, Finance Director/City Treasurer, *City of Pomona*
Claimant Contact
505 South Garey Avenue, Pomona, CA 91766
Phone: (909) 620-5353
andrew_mowbray@ci.pomona.ca.us

Geoffrey Neill, Senior Legislative Analyst, Revenue & Taxation, *California State Association of Counties (CSAC)*
1100 K Street, Suite 101, Sacramento, CA 95814
Phone: (916) 327-7500
gneill@counties.org

Michelle Nguyen, *Department of Finance*

Education Unit, 915 L Street, Sacramento, CA 95814
Phone: (916) 445-0328
Michelle.Nguyen@dof.ca.gov

Andy Nichols, *Nichols Consulting*
1857 44th Street, Sacramento, CA 95819
Phone: (916) 455-3939
andy@nichols-consulting.com

Gina Nila, Deputy Director of Operations, *City of Commerce*
2535 Commerce Way, Commerce, CA 90040
Phone: (323) 722-4805
ginan@ci.commerce.ca.us

Jose Ometeotl, Finance Director, *City of Lynwood*
11330 Bullis Road, Lynwood, CA 90262
Phone: (310) 603-0220
jometeotl@lynwood.ca.us

June Overholt, Finance Director - City Treasurer, *City of Glendora*
Claimant Contact
116 E. Foothill Boulevard, Glendora, CA 91741-3380
Phone: (626) 914-8241
jOverholt@ci.glendora.ca.us

Patricia Pacot, Accountant Auditor I, *County of Colusa*
Office of Auditor-Controller, 546 Jay Street, Suite #202 , Colusa, CA 95932
Phone: (530) 458-0424
ppacot@countyofcolusa.org

Arthur Palkowitz, *Artiano Shinoff*
2488 Historic Decatur Road, Suite 200, San Diego, CA 92106
Phone: (619) 232-3122
apalkowitz@as7law.com

Heather Parrish-Salinas, Office Coordinator, *County of Solano*
Registrar of Voters, 675 Texas Street, Suite 2600, Fairfield, CA 94533
Phone: (707) 784-3359
HYParrishSalinas@SolanoCounty.com

Marla Pendleton, Director of Finance, *City of Lawndale*
14717 Burin Avenue, Lawndale, CA 90260
Phone: (310) 973-3200
mpendleton@lawndalecity.org

Keith Petersen, *SixTen & Associates*
P.O. Box 340430, Sacramento, CA 95834-0430
Phone: (916) 419-7093
kbsixten@aol.com

Johnnie Pina, Legislative Policy Analyst, *League of Cities*
1400 K Street, Suite 400, Sacramento, CA 95814
Phone: (916) 658-8214
jpina@cacities.org

Adam Pirrie, Finance Director, *City of Claremont*
Claimant Contact
207 Harvard Ave, Claremont, CA 91711

Phone: (909) 399-5456
apirrie@ci.claremont.ca.us

Jai Prasad, *County of San Bernardino*

Office of Auditor-Controller, 222 West Hospitality Lane, 4th Floor, San Bernardino, CA 92415-0018
Phone: (909) 386-8854
jai.prasad@atc.sbcounty.gov

Hue Quach, Administrative Services Director/Finance Director, *City of Arcadia*

240 West Huntington Drive, Arcadia, CA 91066-6021
Phone: (626) 574-5425
hquach@arcadiaca.gov

Mary Ann Ruprecht, Finance Administrator, *City of Santa Clarita*

23920 Valencia Blvd, Santa Clarita, CA 91355
Phone: (661) 255-4926
mruprecht@santa-clarita.com

Camille Shelton, Chief Legal Counsel, *Commission on State Mandates*

980 9th Street, Suite 300, Sacramento, CA 95814
Phone: (916) 323-3562
camille.shelton@csm.ca.gov

Carla Shelton, *Commission on State Mandates*

980 9th Street, Suite 300, Sacramento, CA 95814
Phone: (916) 323-3562
carla.shelton@csm.ca.gov

Hannah Shin-Heydorn, City Manager, *City of Signal Hill*

Claimant Contact

2175 Cherry Ave, Signal Hill, CA 90755
Phone: (562) 989-7302
hshinheydorn@cityofsignalhill.org

Natalie Sidarous, Chief, *State Controller's Office*

Local Government Programs and Services Division, 3301 C Street, Suite 740, Sacramento, CA 95816
Phone: 916-445-8717
NSidarous@sco.ca.gov

Michelle Skaggs Lawrence, City Manager, *City of Oceanside*

300 North Coast Highway, Oceanside, CA 92054
Phone: (760) 435-3055
citymanager@oceansideca.org

Christina Snider, Senior Deputy County Counsel, *County of San Diego*

1600 Pacific Highway, Room 355, San Diego, CA 92101
Phone: (619) 531-6229
Christina.Snider@sdcounty.ca.gov

Jeffrey L. Stewart, City Manager, *City of Bellflower*

16600 Civic Center Drive, Bellflower, CA 90706
Phone: (562) 804-1424
jstewart@bellflower.org

Ken Striplin, City Manager, *City of Santa Clarita*

23920 Valencia Blvd, Santa Clarita, CA 91355

Phone: (661) 259-2489
hmerenda@santa-clarita.com

Jana Stuard, Finance Director, *City of Norwalk*
12700 Norwalk Blvd, Norwalk, CA 90650
Phone: (562) 929-5748
jstuard@norwalkca.gov

Tracy Sullivan, Legislative Analyst, *California State Association of Counties (CSAC)*
1100 K Street, Suite 101, Suite 101, Sacramento, CA 95814
Phone: (916) 327-7500
tsullivan@counties.org

Rose Tam, Finance Director, *City of Baldwin Park*
14403 East Pacific Avenue, Baldwin Park, CA 91706
Phone: (626) 960-4011
rtam@baldwinpark.com

Brittany Thompson, Budget Analyst, *Department of Finance*
Local Government Unit, 915 L Street, Sacramento, CA 95814
Phone: (916) 445-3274
Brittany.Thompson@dof.ca.gov

Albert Trinh, Finance Manager, *City of South Pasadena*
1414 Mission Street, South Pasadena, CA 91030
Phone: (626) 403-7250
FinanceDepartment@southpasadenaca.gov

Eric Tsao, *City of Torrance*
Finance Department, 3031 Torrance Blvd., Torrance, CA 90503
Phone: (310) 618-5850
etsao@TorranceCA.gov

Ana Mae Yutan, Analyst, Finance Specialist, *City of Los Angeles*
150 N. Los Angeles Street, Los Angeles, CA 90012
Phone: (213) 978-7682
AnaMae.Yutan@lacity.org