



FINANCE COMMITTEE
Tuesday, May 17, 2022
Special Meeting
Council Chamber & Virtual
5:30 PM

AMENDED AGENDA
Agenda changes will appear in red below

Pursuant to [AB 361](#) Palo Alto City Council and Committee meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda.

HOW TO PARTICIPATE

VIRTUAL PARTICIPATION

[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/99227307235) (<https://cityofpaloalto.zoom.us/j/99227307235>)
Meeting ID: 992 2730 7235 Phone:1(669)900-6833

The meeting will be broadcast on Cable TV Channel 26, live on YouTube at <https://www.youtube.com/c/cityofpaloalto>, and stream ed to Midpen Media Center at <https://midpenmedia.org>.

PUBLIC COMMENTS

Public Comments will be accepted both in person and via Zoom meeting. All requests to speak will be taken until 5 minutes after the staff’s presentation. Written public comments can be submitted in advance to city.council@cityofpaloalto.org and will be provided to the Committee and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your email subject line.

CALL TO ORDER

ORAL COMMUNICATIONS

Members of the public may speak to any item NOT on the agenda.

ACTION ITEMS

- Presentation**
1. Approval of the Macias Gini & O’Connell’s Single Audit Report for the Year Ended June 30, 2021
 2. ~~Discuss and Recommend the City Council Accept the Planning and Development Services Cost of Services Study including updates to the Fiscal Year 2023 Municipal Fee Schedule and the Renewal and Adjustment of the Development Services Reserve Fund Policy (ITEM CONTINUED TO JUNE 7, 2022)~~

FUTURE MEETINGS AND AGENDAS

ADJOURNMENT

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to hybrid meetings via email, in person, teleconference, or by phone.

1. **Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
2. **In person public comments** please complete a speaker request card located on the table at the entrance to the Council Chambers, and deliver it to the City Clerk prior to discussion of the item.
3. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
 - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - When called, please limit your remarks to the time limit allotted.
 - A timer will be shown on the computer to help keep track of your comments.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

[Click to Join](#) **Zoom Meeting ID: 992-2730-7235 Phone: 1(669)900-6833**

AMERICANS WITH DISABILITY ACT (ADA)

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs or who would like information on the City's compliance with the Americans with Disabilities Act (ADA) of 1990, may contact (650) 329-2550 (Voice) 48 hours or more in advance.



City of Palo Alto

Finance Committee Staff Report

(ID # 14345)

Meeting Date: 5/17/2022

Report Type: Action Items

Title: Approval of the Macias Gini & O'Connell's Single Audit Report for the Year Ended June 30, 2021

From: City Manager

Lead Department: City Auditor

Recommendation

The Office of the City Auditor and Staff recommend that the Finance Committee approve and forward to Council for consent the following audit reports for the fiscal year ended June 30, 2021 prepared by Macias Gini & O'Connell ("MGO"). These reports are collectively referred to as the Single Audit.

1. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With Government Auditing Standards.
2. Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Federal Awards Required by the Uniform Guidance.

Discussion

At the [January 11, 2021 City Council Meeting](#), the City Council approved the following audit reports prepared by MGO:

- a) Auditor's Report to the City Council (the "Management Letter")
- b) Cable TV Franchise, Independent Auditor's Report and Statements of Franchise Revenues and Expenses for the years ended December 31, 2020 and 2019
- c) Palo Alto Public Improvement Corporation (a component unit of the City of Palo Alto) Annual Financial Report for the year ended June 30, 2021
- d) Regional Water Quality Control Plant, Independent Auditor's Report and Financial Statements for the year ended June 30, 2021
- e) Independent Accountant's Report on Applying Agreed-Upon Procedures related to the Article XIII-B Appropriations (GANN) Limit for the year ended June 30, 2021

At that time, guidance necessary for the completion of the Single Audit had not yet been released by Federal Office of Management and Budget. The Single Audit report has since been completed, thus the recommended action within this report.

MGO reports the following within the Single Audit Report:

- Unmodified opinions as it pertains to both the Financial Statements and to Federal Awards
- No material weaknesses or significant deficiencies in internal controls over financial reporting or over major programs
- No findings or questioned costs

Stakeholder Engagement

This report has been prepared by the Office of the City Auditor in coordination with the Administrative Services Department.

Environmental Review

Environmental Review is not applicable to this activity.

Attachments:

- Attachment A: FY 2021 City of Palo Alto Single Audit Report

CITY OF PALO ALTO
Single Audit Reports
For the Year Ended June 30, 2021



Certified
Public
Accountants

CITY OF PALO ALTO
Single Audit Reports
For the Year Ended June 30, 2021

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Attachment: Attachment A: FY 2021 City of Palo Alto Single Audit Report (14345 : Approval of FY2021 Single Audit Report)



**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and Members of the
City Council of the City of Palo Alto
Palo Alto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palo Alto, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Attachment: Attachment A: FY 2021 City of Palo Alto Single Audit Report (14345 : Approval of FY2021 Single Audit Report)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Walnut Creek, California
November 15, 2021



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable Mayor and Members of the
City Council of the City of Palo Alto
Palo Alto, California

Report on Compliance for Each Major Federal Program

We have audited the City of Palo Alto, California’s (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2021. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Attachment: Attachment A: FY 2021 City of Palo Alto Single Audit Report (14345 : Approval of FY2021 Single Audit Report)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 15, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California
April 20, 2022

CITY OF PALO ALTO
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2021

Grantor/Pass-Through Grantor/Federal Program Title	Grantor Identifying Number	Assistance Listing Number	Federal Expenditures	Subrecipients Expenditures
U.S. Department of Housing and Urban Development				
<i>Direct:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	--	14.218	\$ 867,207	\$ 777,320
COVID-19 - Community Development Block Grants/Entitlement Grants	--	14.218	304,548	281,183
<i>Subtotal - CDBG - Entitlement Grants Cluster</i>			<u>1,171,755</u>	<u>1,058,503</u>
Total U.S. Department of Housing and Urban Development			<u>1,171,755</u>	<u>1,058,503</u>
U.S. Department of Justice				
<i>Direct:</i>				
Bulletproof Vest Partnership Program	--	16.607	7,148	-
Total U.S. Department of Justice			<u>7,148</u>	<u>-</u>
U.S. Department of Transportation				
<i>Direct:</i>				
Airport Improvement Program	3-06-0182-014-2018	20.106	70,984	-
Airport Improvement Program	3-06-0182-015-2020	20.106	5,558,250	-
<i>Subtotal - Airport Improvement Program</i>			<u>5,629,234</u>	<u>-</u>
<i>Pass-through from State of California Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	CML-5100(027)	20.205	3,741,154	-
Highway Planning and Construction	STPL-5100(028)	20.205	1,009,000	-
Highway Planning and Construction	HSIPL-5100(029)	20.205	946,170	-
Highway Planning and Construction	BRLS-5100(017)	20.205	197,981	-
Highway Planning and Construction	75LX335-00180000017	20.205	132,323	-
<i>Pass-through from Santa Clara Valley Transportation Authority:</i>				
Highway Planning and Construction	SCL 170021	20.205	15,813	-
<i>Subtotal - Highway Planning and Construction Cluster</i>			<u>6,042,441</u>	<u>-</u>
Total U.S. Department of Transportation			<u>11,671,675</u>	<u>-</u>
U.S. Department of Treasury				
<i>Pass-through from State of California Department of Finance</i>				
COVID-19 - Coronavirus Relief Fund	Not Available	21.019	854,743	-
Total U.S. Department of Treasury			<u>854,743</u>	<u>-</u>
National Endowment for the Humanities				
<i>Direct:</i>				
Museums for America	MA-10-17-0327-17	45.301	61,845	-
Museums for America	MA-40-18-0555-18	45.301	86,974	-
<i>Subtotal - Museums for America</i>			<u>148,819</u>	<u>-</u>
COVID-19 - National Leadership Grants	489610.41	45.312	56,354	-
<i>Subtotal - Direct Awards</i>			<u>205,173</u>	<u>-</u>
<i>Pass-through from California State Library:</i>				
Grants to States	LS246140-OLS-20	45.310	17,961	-
Total National Endowment for the Humanities			<u>223,134</u>	<u>-</u>
U.S. Department of Health and Human Services				
<i>Pass-through from Christopher and Dana Reeve Foundation:</i>				
Paralysis Resource Center	90PRRC0002-02-00	93.325	14,325	-
Total U.S. Department of Health and Human Services			<u>14,325</u>	<u>-</u>
U.S. Department of Homeland Security				
<i>Pass-through from California Governor's Office of Emergency Services:</i>				
Emergency Management Performance Grants	2020-0006-085-00000	97.042	5,611	-
Homeland Security Grant Program	2018-0054-085-00000	97.067	216,461	-
Total U.S. Department of Homeland Security			<u>222,072</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 14,164,852</u>	<u>\$ 1,058,503</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CITY OF PALO ALTO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Palo Alto, California (City), and its component unit as disclosed in the notes to the basic financial statements. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of measurement focus applied. The Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in governmental funds and the accrual basis of accounting for program expenditures accounted for in proprietary funds. Expenditures of federal awards reported in the Schedule are recognized when incurred and all eligibility requirements have been met. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

As a result of the COVID-19 pandemic, many new federal programs have been established and funding has been added to existing federal programs. Expenditures funded from the following acts are denoted by the prefix COVID-19 in the federal program title in the Schedule (as applicable):

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

NOTE 3 – DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of federal award programs when related expenditures are incurred.

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds or as expenses/capital assets in the proprietary funds. Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

CITY OF PALO ALTO
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section I Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for the major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II Financial Statement Findings

None reported.

Section III Federal Awards Findings

None reported.

CITY OF PALO ALTO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Prior audit findings were not reported.



City of Palo Alto
Finance Committee Staff Report

(ID # 14391)

Meeting Date: 5/17/2022

Report Type: Action Items

Title: Discuss and Recommend the City Council Accept the Planning and Development Services Cost of Services Study including updates to the Fiscal Year 2023 Municipal Fee Schedule and the Renewal and Adjustment of the Development Services Reserve Fund Policy

From: City Manager

Lead Department: Planning and Development Services

This report will be a late packet report and will be made available on May 12, 2022.