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- City of Bell Gardens
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- City of Huntington Park
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- Burbank-Glendale-Pasadena Airport Authority

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- William Rawlings
City Manager Representative

AGENDA REPORT

TO: Members of Eco-Rapid Transit

FROM: Michael Kodama, Executive Director

DATE: September 19, 2018

SUBJECT: **PRESENTATION BY TAE RHEE, FINANCE DIRECTOR, CITY OF BELLFLOWER, REGARDING ACCOUNTING POLICIES AND PROCEDURES**

Public comments on items on the agenda will be taken at the time the item is called and are limited to 3 minutes per speaker

ISSUE

Eco-Rapid Transit has continuing fund deficits and cash flow issues. The Eco-Rapid Transit Board of Directors has taken action, in part, to address these issues with budgetary, accounting, and contractual measures. For the effective execution of the Board’s direction to restore financial health and stability, the following budget and accounting policies are presented to the Board for consideration.

BACKGROUND

Eco-Rapid Transit with the assistance of the City of Bellflower has been developing budget and accounting policies and procedures.

THE ROLE OF EXECUTIVE DIRECTOR

The Executive Director is responsible for all financial affairs of the Eco-Rapid Transit including the day-to-day oversight, management, grant funding and compliance. The Executive Director is also responsible for the faithful execution of the Board-approved policies as well as the preparation and fair presentation of the budget and financial statements in accordance with the generally accepted accounting principles, including the establishment and maintenance of proper internal controls.

Eco-Rapid Transit is currently working with the City of Bellflower’s Finance Department for its accounting service needs and has also worked closely with the City of Paramount, City of Cerritos and City of Vernon for similar services in the past.

THE ROLE OF THE BOARD OF DIRECTORS

Eco-Rapid Transit is governed by its Board of Directors. The Board of Directors is responsible for the oversight of the organization and hiring of the Executive Director. The Executive Director reports directly to the Board of Directors.

Eco-Rapid Transit does not tolerate any willful violation or circumvention of the Federal, State or Local law nor does Eco-Rapid Transit tolerate the disregard or circumvention of policies or engagement in unscrupulous dealings.



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EXECUTIVE DIRECTOR’S CONTRACT

The Board of Directors has taken action to better address Eco-Rapid Transit’s financial issues through the Executive Director’s (“ED”) contract. In the latest contract modification effective from January 1, 2018, to June 31, 2019, the following financial thresholds were added to reduce the continuing deficits and improve cash flow.

ED’s pay rate:	\$125 per hour
General Fund maximum for ED services:	\$5,000 per month
Grant Projects maximum for ED services:	\$12,000 per month

(If the ED spends more time on grant projects and billable hours exceed \$12,000 per month, the flat monthly rate from the General Fund shall be reduced. General funds cannot be advanced to pay for ED’s grant services unless approved in advance by the Board on a case-by-case basis.)

Combined maximum for ED services:	\$17,000 per month
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(Unused monthly allocations may be carried over to subsequent months during the contract.)

General Fund maximum for ED administrative services:	\$3,000 per month
Grant Projects maximum for ED administrative services:	\$4,000 per month

(If administrative staff spends more time on grant projects and billable hours exceed \$4,000 in a month, the monthly rate from the General Fund shall be reduced. General funds cannot be advanced to pay for ED’s grant administrative services unless approved in advance by the Board on a case-by-case basis.)

Combined maximum for ED administrative services:	\$7,000 per month
Travel expenses outside of the SCAG region:	Reasonable amount
Office printing and supplies:	Not to exceed budget
Local travel:	IRS rate, \$300/mo. max.

Under the agreement, disbursements for the grant funded services and administrative costs are made only after grant reimbursements are received by Eco-Rapid Transit. The thresholds and other requirements (to be amended from time to time as needed) will continue to be in effect for the restoration and maintenance of the sound financial position of Eco-Rapid Transit.

BUDGETING

It is the policy of Eco-Rapid Transit to prepare a balanced annual budget. The budget is adopted by motion of the Board at a public meeting.

Budgeting is an integral part of managing any organization’s finances. Eco-Rapid Transit’s budget is a plan that establishes estimated revenues, other resources, and the spending authority for programs and projects for a fiscal year that begins on July 1st and ends on June 30th. The Executive Director submits to the Board a proposed balanced budget timely for adoption prior to the commencement of a new fiscal year.



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The budget contains sections for the General Fund and separate Grant Funds for each new grant, when feasible and practical, to properly account for all grant expenditures and reimbursements.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all detailed financial transactions of Eco-Rapid Transit and report on the impact of these transactions on each asset, liability, revenue, and expenditure account, and eventually, cumulative impact on the fund balance.

The chart of accounts is the framework for the general ledger system and the basis for the Eco-Rapid Transit accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. The Eco-Rapid Transit chart of accounts is currently comprised of the following general and grant project codes and titles:

Project Codes and Titles

- 1000 General
- 1010 Transportation Summit
- 2010 Cerritos Transportation Land-Use Grant
- 2020 Airport Ground Access Study
- 2030 Airport FTA Grant
- 2040 FTA TOD SIP Study
- 3010 Airport TOD
- 3020 Metro Transit Oriented Development
- 3030 Huntington Park Station Parking Project
- 3040 Huntington Park TOD Station Plan
- 3050 West Santa Ana Branch 3rd Party Administration/Technical Refinement
- 3060 Bellflower TOD Planning Grant
- 3070 Airport I-5 TMP
- 3080 Metro Transit Oriented Communities (Metro TOC 1 – Near Term Scope)
- 3090 WSAB - Environmental Study
- 3100 Artesia International Downtown Specific Plan

The chart of accounts also includes titles and numbers for Eco-Rapid Transit’s funds (3 digits), assets (10000 series), liabilities (20000 series), revenues (30000 series), and expenditures (40000 series) accounts.

The funds, accounts, projects, codes and titles are added, deleted and/or revised as needed for proper accounting and financial reporting.

To better account for individual grants, as of July 1, 2018, a separate fund is created for each new grant project to accurately record and track all related revenues and expenditures.



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BILLING/INVOICING AND ACCOUNTS RECEIVABLE

Eco-Rapid Transit bills all costs that are reimbursable or recoverable in a timely manner to maximize collectability and improve cash flow. Invoices and reimbursement requests are prepared and mailed on a monthly basis unless a different billing cycle is required by a granting agency or contract. For grant reimbursements and other recurring bills, Eco-Rapid Transit reconciles reimbursement requests/invoices with expenditures and prior reimbursements recorded in the accounting system and/or other records. Electronic copies of all reimbursement requests and invoices with supporting documentation are sent to the City of Bellflower on a monthly basis for posting in the accounting system.

Eco-Rapid Transit manages accounts receivable and reviews outstanding receivables on a monthly basis. Aged receivables in excess of 60 days are investigated for resolution.

ACCOUNTS PAYABLE/DISBURSEMENTS

Eco-Rapid Transit processes vendor and consultant invoices timely for the Board of Directors' approval for payment on a monthly basis. Prompt processing of the invoices will help ensure that all costs are recorded in Eco-Rapid Transit's accounting system in a timely manner. For grant accounting and billing, it is essential that all original invoices are properly coded with correct account numbers to prevent billing discrepancies.

Payments and disbursements to Executive Director for his services and administrative costs are made pursuant to a Professional Services Agreement, as discussed previously under EXECUTIVE DIRECTOR'S CONTRACT.

CASH AND CASH MANAGEMENT

The primary bank account provides for Eco-Rapid Transit's routine business check disbursements. All deposits are also made to this bank account. Authorized signers on the bank account(s) are approved by the Eco-Rapid Transit Board of Directors. Eco-Rapid Transit works with the City of Bellflower Finance Department to review and reconcile the monthly bank statements.

The City of Bellflower has also agreed to advance funds for certain grant project costs under the agreements that were approved by the Eco-Rapid Transit Board of Directors and the City Council of City of Bellflower. The repayments of the cash advances are secured by the future grant reimbursements.

The Executive Director mails out the checks approved by the Board of Directors after considering the cash-flow requirements of the Eco-Rapid Transit.

ANNUAL AUDIT

It is the policy of Eco-Rapid Transit to arrange for an annual audit to be conducted by an independent public accounting firm. To the extent feasible and practical, Eco-Rapid Transit will contract with the same accounting firm hired by the City of Bellflower for its audit.



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RECORD RETENTION POLICY

It is the policy of Eco-Rapid Transit to retain records as required by law, granting agency requirements, and other contractual provisions.

RECOMMENDATION

It is recommended that the Board:

1. Discuss information presented and offer action items; and/or
2. Receive and file the item