

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON
PROCEDURES APPLIED TO MEASURE A COMPLIANCE

To the Management and Honorable Members of the Authority Board of Directors
Sacramento Transportation Authority

We have performed the procedures enumerated below on compliance with requirements of Measure A of the Sacramento Transportation Authority (the "Authority"), for the period between July 1, 2018 and June 30, 2023. These procedures are the responsibility of the Authority, which were agreed to by the Authority, were performed solely to assist the Authority in determining compliance with the requirements of Measure A. The Authority management is responsible for Measure A compliance.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose determining compliance with the requirements of Measure A. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and our findings were as follows:

1. Measure A Revenue Distribution

- A. Determine if the distribution of Measure A revenues is in accordance with the voter-approved expenditure plan (STA 04-01 Exhibit A).

Result: No exceptions were noted. It was observed during testing that the Authority does not have well defined procedures for monitoring the progress of expenditures in relation to the plan. We recommend that the Authority implement a formal review process for reviewing that the expenditures charged by the local agencies against their Measure A allocations are for appropriate purposes, meet timing requirements, and the related maintenance of effort requirements are met. We recommend that the Authority amend the Ordinance to include annual reporting requirements related to timing and maintenance of effort.

- B. Determine if ongoing allocations are based on annually updated population and lane mile data in compliance with the Ordinance (STA 04-01 Exhibit A Sections IV A and B and Section IX).

Result: No exceptions were noted.

2. Eligibility and Timeliness of Capital Program and Ongoing Program Allocation Expenditures

- A. Determine if all capital project expenditures meet eligibility criteria as adopted by the STA Board in August 2021.

Result: Per review of 5 projects during the 2019-2023 audit period, no exceptions were noted. The following is a summary of projects tested:

Jurisdiction	Project	Sub Project	Project Type	Expenditures tested
County	Sunrise Blvd. Placer Co. to Grant Line Rd.	Jackson Road to Grant Line Road	Local arterial	\$ 80,334
County	Watt Ave. Antelope - Capital City Freeway	Antelope Road - Capital City Freeway	Local arterial	41,144
Sacramento	Richards Blvd. I-5 Interchange	Richards Blvd. I-5 Interchange	Interchange	669,751
County	Smart Growth Incentive Program	Arden Way Phase 2	Local arterial	24,244
County	Hazel Ave. Placer County to Folsom Blvd.	Highway 50 to Madison Ave.	Local arterial	6,813,407
Total				\$ 7,628,879



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B. Determine if Capital contract awards agree with total project expenditures.

Result: No exceptions were noted, see table below detailing project progress for those projects tested.

Jurisdiction	Project	Sub Project	Award Amount	Total Project Expenditures
County	Sunrise Blvd. Placer Co. to Grant Line Rd.	Jackson Road to Grant Line Road	\$ 2,761,000	\$ 300,622
County	Watt Ave. Antelope - Capital City Freeway	Antelope Road - Capital City Freeway	3,343,344	3,270,622
Sacramento	Richards Blvd. I-5 Interchange	Richards Blvd. I-5 Interchange	3,115,862	700,768
County	Smart Growth Incentive Program	Arden Way Phase 2	513,000	66,077
County	Hazel Ave. Placer County to Folsom Blvd.	Highway 50 to Madison Ave.	47,553,653	47,553,653
Total			\$ 57,286,858	\$ 51,891,742

C. Determine the effectiveness of the timing of Capital Allocation and Expenditure Contracts are executed and expended.

Result: It was noted in 4 of the 5 projects tested that the contracts had been extended beyond the initial contract date. We recommend that the Authority consider a policy that limits the execution of new project contracts until the agency has expended a substantially amount of the current contract. The following is a breakdown of the projects and their extensions:

Project	Sub Project	Extension period
Sunrise Blvd. Placer Co. to Grant Line Rd.	Jackson Road to Grant Line Road	4 years
Watt Ave. Antelope - Capital City Freeway	Antelope Road - Capital City Freeway	4 years
Richards Blvd. I-5 Interchange	Richards Blvd. I-5 Interchange	9 years
Hazel Ave. Placer County to Folsom Blvd.	Highway 50 to Madison Ave.	4 years

D. Determine if all ongoing allocation expenditures meet eligibility criteria as adopted by the STA Board in August 2021.

Result: In Progress.

E. Determine if ongoing allocation funds are spent timely.

Result: It was noted that ongoing allocation funds at the local agencies exceeded the expenditures during the period under review, resulting in a growth of average remaining balances from 2018 of 34.8% to 158.4% of revenue to 67.9% to 263.2% of revenue in 2023. While some fluctuation in the timing of the use of funds is expected, we would expect those fluctuations to average out over time. We recommend that the Authority implement requirements to local jurisdictions to ensure program integrity and performance and provide reports to the board quarterly on the expenditure of ongoing funding.

Ongoing Funding Balance as a Percentage of Annual Funding Provided					
	2018/19	2019/20	2020/21	2021/22	2022/23
Traffic Control and Safety Program	158.4%	137.7%	154.4%	166.6%	183.9%
Safety, Streetscaping, Pedestrian, and Bicycle Facilities	173.9%	225.4%	221.0%	247.2%	263.2%
City Street and County Road Maintenance	34.8%	36.2%	51.1%	61.7%	67.9%

3. Independent Taxpayer Oversight Committee (ITOC)



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A. Determine if the ITOC is operating in compliance with the Ordinance

Result: No exceptions were noted. ITOC’s operations per our understanding are in compliance with the stated requirements in the Ordinance.

4. Establishment of the Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP)

A. Confirm that each local agency established an impact fee program in compliance with the Ordinance.

Result: No exceptions were noted.

5. Administration Expenses

A. Verify that administration allocations and expenditures are limited to 0.75 percent of sales tax revenue as required under the Ordinance.

Result: No exceptions were noted, see admin allocation comparison below.

Fiscal Year	Sales Tax Receipts	Admin Allocation	Admin costs	Surplus (Defecit)
18/19	131,735,723	988,018	970,243	17,775
19/20	131,591,165	986,934	969,170	17,764
20/21	153,560,355	1,151,703	1,132,225	19,478
21/22	172,916,487	1,296,874	1,275,886	20,987
22/23	174,233,661	1,306,752	1,284,770	21,983
Total	764,037,390	5,730,280	5,632,293	97,987

6. Maintenance of Effort

A. Determine if Measure A funds were used to match other funding sources.

Result: Per review of contracts for construction projects under the Measure A umbrella local funds were appropriately used to match Measure A funding sources.

B. Create a summary of each funding source and amount for a sample of capital projects.

Result: In Progress.

7. Internal Controls Over Procurement and Cash Disbursements

A. Evaluate internal controls over payment processing to determine if there are any deficiencies in the design of the internal control environment.

Result: Internal control structure is sufficient for the size of the Authority and no deficiencies were noted in the design of the internal control environment.



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8. Measure A Sales Tax Revenues

- A. Document the process for developing revenue projections and make recommendations for process improvements.

Result: The Authority uses three methods for projecting revenues, based on their nature. Measure A Sales Taxes are projected through 2039 with the help of a consultant, who updates their forecasts based on a proprietary method semi-annually. Measure A Impact Fees were forecast by a consultant in August 2021 with projected revenues through 2039, with updates planned every three to five years. Interest is projected by STA staff using annual data and historical expected return rates.

Specifically related to the Measure A Impact Fees, we recommend that the Authority could strengthen their projections by having a formal process for performing a retrospective review of the projections at each period end to assess the reasonableness of the assumptions and better build projections for the future. Since the Measure A Impact Fees are only forecasted every three to five years, the interval between projections leaves significant variability between the outdated projections and actual results.

9. SCTMFP Revenues

- A. Determine if local agencies are charging the appropriate fees and remitting them to the STA timely.

Result: We tested the impact fee calculations and supporting documentation provided for the 7 agencies with impact fee programs. Of those 7 agencies we requested detailed information from the 2 agencies and verified the details against the reported amounts. No exceptions were noted.

10. Bond Issuance

- A. Document the cost and effectiveness of when bonds were issued and expended in relation to capital program needs.

Result: No bonds were issued or expended during the period under review.

11. Fiscal and Performance Audits and Annual Budgets

- A. Determine if timely annual fiscal audits were performed as required by the law.

Result: No exceptions were noted, see table in item B below.

- B. Determine if timely annual budgets were approved by the Board.

Result: No exceptions were noted, see table for details.

<u>Fiscal Year</u>	<u>Audit Completion</u>	<u>Budget approval</u>
18/19	12/20/2019	5/10/2018
19/20	11/19/2020	5/9/2019
20/21	11/4/2021	5/14/2020
21/22	11/3/2022	6/17/2021
22/23	10/24/2023	6/1/2022



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12. Documentation of Program Management Procedures

A. Document and evaluate the Authority’s strategies to maximize funding and reduce program costs.

Result: The Authority seeks funding opportunities that align with the priorities of the Board and represent Jurisdictions including grants and local matches. The Authority reviews reimbursement requests for capital projects to ensure the costs are eligible for reimbursement under the Measure A ordinance. The Authority also uses a procurement process which includes soliciting bids and limits of contracts to three-year terms with two optional extensions. The strategies to maximize funding and reduce program costs are appropriate.

13. Accomplishments During the First Ten Audit Period Years

A. Document the program’s actual accomplishments during the audit period in comparison to anticipated accomplishments.

Result: The measure A program contributed to the completion of 4 local arterial projects and 1 rail transit project during the 2018-2023 period. There were no indications of any projects going over expected completion dates. The following is a listing of those projects completed:

<u>Project</u>	<u>Sub-Project</u>	<u>Project Type</u>
Consumnes River Permanent Open Space Preserve	Consumnes River Permanent Open Space Preserve	local arterial
Folsom Boulevard: 65th Street to Sunrise Boulevard	Bradshaw Rd. to Sunrise Blvd. Phase 1	local arterial
	Bradshaw Rd. to Sunrise Blvd. Phase 2	local arterial
	Bradshaw Rd. to Sunrise Blvd. Phase 4	local arterial
	Bradshaw Rd. to Sunrise Blvd. Phase 5	local arterial
Hazel Avenue Placer County to Folsom Boulevard	Hwy 50 to Madison Ave.	local arterial
Sunrise Boulevard Placer County to Grant Line Road	Gold Country Blvd. to Jackson Rd.	local arterial
	Greenback Ln. to Oak Ave Phase 2	local arterial
DNA LRT Extension	DNA LRT Extension	rail transit

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with requirements of Measure A. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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



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Lance, Soll & Lughard, LLP

Irvine, California
October 24, 2024

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