

SBCAG STAFF REPORT

SUBJECT: FY 2018-19 Measure A Audits

MEETING DATE: November 19, 2020

AGENDA ITEM: 4I

STAFF CONTACT: Martha Gibbs

RECOMMENDATION:

Receive and file the Fiscal Year 2018-19 Measure A audit reports and management letter prepared by Moss, Levy & Hartzheim, LLP.

SUMMARY:

Measure A Ordinance Number Five, adopted by county voters in November 2008, requires that no less than annually, SBCAG conduct and approve an independent fiscal audit of the expenditure of all revenues raised by Measure A. The scope and content of the audit was developed with the assistance of the Measure A Citizens' Oversight Committee. The audit must include;

1. Evidence that the expenditures of revenues is in accordance with the Measure A Investment Plan.
2. Validation that no more than one percent of Measure A revenues is used for administrative staff salaries and benefits (SBCAG).
3. Verification that Measure A funds and interest earned are deposited in a separate account for each city and county.
4. Cities and County compliance with Maintenance of Effort and Alternative Transportation requirements.

The attached Management Letter prepared by Moss, Levy, Hartzheim, LLP, summarizes the auditor's findings and indicates that SBCAG and the local agencies receiving Measure A funds are in compliance with the requirements of the Measure A ordinance and investment plan. It is recommended that the board receive and file the attached management letter and audit reports.

DISCUSSION:

The results of the scope and content of the Measure A audits were developed with the assistance of the Measure A Citizens' Oversight Committee and must include:

1. Evidence that the expenditures of revenues are in accordance with the Measure A Investment Plan.

According to the attached management letter all expenditures of revenues were made in accordance with the Measure A Investment Plan.

2. Validation that no more than one percent of Measure A revenues is used for administrative staff salaries and benefits (SBCAG).

The auditor has verified that no more than one percent of Measure A revenues was used for administrative staff salaries and benefits.

3. Verification that Measure A funds and interest earned are deposited in a separate account for each city and county.

The auditor has verified that Measure A funds received, and interest earned was deposited in a separate account for each city and county as required by Measure A Ordinance Number 5.

4. Cities and County compliance with Maintenance of Effort and Alternative Transportation requirements.

Compliance procedures cannot be completed until the end of the stipulated period of five years. This audit reflects the fourth year of the compliance period and each entity has until the end of the stipulated period to meet the minimum requirements for both the Maintenance of Effort and Alternative Transportation Plan.

Maintenance of Effort

The Measure A Ordinance Number 5 requires local agencies to maintain an expenditure of non-measure 'local discretionary funds' for street and road purposes adjusted annually by the rate of growth (or decline) of measure revenues. This is to ensure that the legislature's intent, that countywide transportation sales taxes supplement rather than supplant local transportation investments, is met. On October 21, 2010 the SBCAG Board approved an ordinance amendment which revised Maintenance of Effort (MOE) requirements. The amendment adjusted Measure A baselines and established that the MOE requirement be calculated for each agency by totaling the annual minimum expenditure requirements, as adjusted over discrete five-year periods. Local agencies must meet the MOE requirement by the end of the fifth fiscal year and every fifth fiscal year thereafter.

The Maintenance of Effort requirements are adjusted annually based on revenue growth or decline for the preceding two fiscal years, therefore, MOE requirements for FY 20-21 will decrease by -1.36%.

Amounts of discretionary or non-discretionary expenditures are self-reported by local agencies in certified financial statements submitted to the State Controller's Office each year. These amounts are compiled by the State Controller and published annually in the State Controller's Annual Report of Financial Transactions for Streets and Roads. At the close of each fiscal year, an independent audit of each agency's financial statements is completed utilizing this report. Due to an administrative change, the methodology used by the State is no longer consistent with the intent of our Measure or the baselines established in the Ordinance to meet MOE amounts. This unfortunately negatively impacts recipients of Measure funds in that the State methodology disqualifies some expenditures that have been used to attain compliance under our local sales tax measure. Therefore, local agencies are being asked to provide a reconciliation of those items that differ in order to not be negatively impacted by the change implemented at the State level. This ensures consistency for the life of the measure and the intent of the voters is adhered to as promised when Measure A was implemented.

SBCAG cannot allocate revenues to a local agency in a fiscal year unless the agency has certified that it will meet the MOE requirement. Local jurisdictions meet this requirement by including a certification statement in the authorizing resolution when their annual Measure A Program of Projects is adopted by their governing board. As noted in the Measure A Program of Projects, each city and the county has adopted a resolution including the required MOE certification.

Table 1: Maintenance of Effort Compliance (as audited) FY 2018-19

This table depicts the local jurisdictions' progress toward meeting MOE requirements.

Maintenance of Effort: 4th Year of Compliance Period (FY 2015-16 through FY 2019-20)

Jurisdiction	Fourth Year of Compliance Period Total MOE Required	MOE Year Expenditures FY 18-19 (Audited)	Fourth Year of Compliance Period Percentage
Buellton	\$ 530,639	\$ 802,978	151.32%
Carpinteria	468,182	3,158,418	674.61%
Goleta	2,953,987	8,354,433	282.82%
Guadalupe	127,169	191,913	150.91%
Lompoc	6,702,443	7,809,870	116.52%
Santa Barbara	32,302,003	45,104,088	139.63%
Santa Maria	11,522,480	26,011,271	225.74%
Solvang	1,414,963	3,522,739	248.96%
County of SB	6,096,281	20,436,966	335.24%

Alternative Transportation

The Measure A Investment Plan requires each jurisdiction to spend a minimum percentage of their Local Street and Transportation Improvement funds on eligible Alternative Transportation projects. The Investment Plan states that this requirement must be met by the fifth year of the program, and every fifth year thereafter. On April 15, 2010 the SBCAG board adopted Resolution 10-13 clarifying that the Measure A local minimum Alternative Transportation percentage requirements for local jurisdictions be calculated cumulatively, with the percentages having to be met in the fifth year and every fifth year thereafter. The Alternative Transportation requirements remain the same for each year within each distinct five-year period (as a fixed percentage of annual revenues) and are tracked annually through the audit process.

Included in the Local Program of Projects submittal form for jurisdictions is a section to list their Local Alternative Transportation Projects. Eligible projects include but are not limited to; maintaining and improving bikeway and pedestrian facilities, safe routes to school improvements and reducing transit fares for the elderly and disabled.

The following table (Table 2) shows the expenditures by each agency on alternative transportation projects and depicts their progress toward meeting their five-year Alternative Transportation requirements.

Table 2: Alternative Transportation Compliance (as audited) FY 18-19

This table depicts the local jurisdictions' progress toward meeting Alternative Transportation requirements.

Alternative Transportation: 4th Year of Compliance Period (FY 2015-16 through FY 2019-20)

Jurisdiction	5 Year Required % for Alternative Transportation	Audited Actuals Fourth Year of 5 Year Period
Buellton	5%	19.41%
Carpinteria	10%	14.48%
Goleta	10%	37.82%
Guadalupe	5%	9.29%
Lompoc	15%	17.58%
Santa Barbara	10%	24.44%

Santa Maria	15%	13.13%
Solvang	15%	50.41%
North –County of SB	10%	14.48%
South- County of SB	10%	15.29%

The recommended action is not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378 of the CEQA Guidelines

COMMITTEE REVIEW:

TTAC reviewed and accepted the Maintenance of Effort and Alternative Transportation audited expenditures for FY 2018-2019 at its November 5, 2020 meeting.

The Citizens' Oversight Committee received and approved the final FY 2018-2019 Measure A audits at its November 9, 2020 meeting.

ATTACHMENTS:

- A. Management Letter – Moss, Levy & Hartzheim LLP, Certified Public Accountants
- B. Compliance with Maintenance of Effort Requirements- Measure A Ordinance No. 5 (web posting only)
- C. Compliance with Alternative Transportation Requirements - Measure A Investment Plan (web posting only)



September 21, 2020

To the Citizens Oversight Committee
Santa Barbara County Local Transportation Authority

We have performed certain procedures which were agreed to by the Santa Barbara County Local Transportation Authority, solely to assist it in evaluating management's assertion that the cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang, the County of Santa Barbara, and the agencies Easy Lift Transportation, Santa Barbara MTD, and SMOOTH complied with Ordinance Number Five of the Santa Barbara County Local Transportation Authority. We have also performed certain procedures solely to assist it in evaluating management's assertion that the cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang, and the County of Santa Barbara complied with the Maintenance of Effort requirement, and the Alternative Transportation Investment Plan requirement, for the fiscal year ended June 30, 2020. Management of each of the entities listed above is responsible for compliance with Ordinance Number Five of the Santa Barbara County Local Transportation Authority including, for the cities and the county, the Maintenance of Effort requirement and the Alternative Transportation Investment Plan requirement. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Difficulties Encountered in Performing the Engagement

We encountered no significant difficulties in dealing with management in performing and completing our engagement.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the engagement, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of engagement procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting or reporting matter, whether or not resolved to our satisfaction, that could be significant to the financial statements. We are pleased to report that no such disagreements arose during the course of our engagement.

Other Findings or Issues

In planning and performing our engagement we performed certain procedures agreed upon by the Santa Barbara County Local Transportation Authority. Documented below are the results and findings of our agreed upon procedures:

- Confirmed that the expenditures of revenues, for all receiving entities, is in accordance with the Measure A Investment Plan.

Result: During our testing of expenditures we did not find any material expenditures that did not comply with the Ordinance Number Five.

- Verification that Measure A funds and interest earned are deposited in a separate account for all receiving entities.

Result: During our examination of the accounting records of the recipients of Measure A funding, it was noted that the Measure A funds were deposited in separate accounts and that the interest was properly allocated.

- Validation that no more than one percent of Measure A revenues is used for administrative staff salaries and benefits (SBCAG).

Result: During our compliance testing of Measure A allocations, it was noted that no more than one percent of revenues were used for administrative staff salaries and benefits.

- The entities' compliance with Maintenance of Effort and Alternative Transportation requirements noting that Easy Lift, SBMDT, and SMOOTH are not subject to this compliance.

Result: Compliance procedures cannot be completed until the end of the stipulated period (five years). Each entity has five years to reach the minimum requirements for both the Maintenance of Effort and Alternative Transportation Plan.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Citizens Oversight Committee and management of the Santa Barbara County Local Transportation Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss, Remy & Halperin LLP

Santa Maria, California

September 21, 2020