



Management, Honorable Members of the Authority Board of Directors and Independent Taxpayer Oversight Committee  
Sacramento Transportation Authority  
801 12<sup>th</sup> St. 5<sup>th</sup> floor  
Sacramento, CA 95814

Dear Mr. Bewsey:

We have completed our consideration of the Sacramento Transportation Authority's compliance with the Measure A Ordinance from July 1, 2018, through June 30, 2023, conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*. During the course of our auditing procedures, we identified certain matters which are deserving of your attention. These matters did not constitute reportable findings which are reported in our separately issued *Independent Accountants' Report on Agreed-Upon Procedures Applied to Measure A Compliance*; that report is dated February 24, 2025. The matters described below are disclosed for the purpose of constructive feedback and to communicate opportunities for improvement and strengthening of the Authority's internal controls.

**1** - 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.

**Recommendation:** Currently on an annual basis STA Staff report to the Board on the Ongoing Program activity by jurisdiction. Upon review there has been an accumulation of jurisdiction program balances over time. Additionally, it was observed during testing that the Authority does not have well defined procedures for monitoring the progress of capital improvement expenditures in relation to the expenditure plan.

- 1)** We recommend that the Authority implement a formal review process, no less than annually, for reviewing that the expenditures charged by the local agencies against their Measure A Ongoing allocations meet timing requirements and the related maintenance of effort requirements are met.
- 2)** We recommend that the Capital Improvement Project expenditures are tracked in accordance with the overall Ordinance programmatic requirements.
- 3)** We recommend that the Authority amend the agency memorandums of understanding for Measure A Ongoing Annual Programs, as they renew, to include the agency memorandums of understanding for Measure A Ongoing Annual Programs to include annual reporting requirements related to timing and maintenance of effort.

**Management Response:**

Staff will require reporting to support the maintenance of effort requirements. Additionally, staff have added language to the contract templates related to maintenance of effort requirements and plan to implement a reporting requirement for ongoing Measure A funding.

Authority staff are currently working on a more robust CIP tracking methodology to appropriately track program expenditures to the overall Ordinance. Staff anticipate this process will be finalized by late 2025.

**2** - We recommend that the Authority consider a policy that limits the execution of new project contracts until the agency has expended a substantial amount of the current contract.



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**Recommendation:** 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 substantial amount of the current contract. The following is a breakdown of the projects and their extensions:

<u>Project</u>	<u>Sub Project</u>	<u>Extension period</u>
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

**Management Response:** Authority staff will work with the Independent Taxpayer Oversight Committee (ITOC) to evaluate contract extensions more thoroughly when they are requested. The ITOC will either request the agency requesting the extension to present or provide an explanation of the project delays.

**3 -** 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.

**Recommendation:** It was noted that ongoing allocation funds at the program level exceeded the expenditures during the period under review, resulting in a growth of average remaining balances from 2018 of 34.8% to 173.9% of annual revenue to 67.9% to 263.2% of annual 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 collaborate with local jurisdictions to ensure program performance, reducing the program balances, and provide reports to the board no less than annually on the expenditure of ongoing funding.

<b>Ongoing Funding Balance as a Percentage of Annual Funding Provided</b>					
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
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%

**Management Response:** Authority staff will implement policy and procedures to require five-year programs from Entities receiving Measure A funds from the Safety, Streetscaping, Pedestrian, and Bicycle Facilities and the City Street and County Road Maintenance programs. Ongoing program balances will be reported to the board on a minimum of an annual basis. Additionally, the Board will receive statistical information about the balances that their agencies are holding and appropriate reviews by Authority staff and the ITOC will be conducted. Authority staff will collaborate with agency staff to reasonable spending levels.

**4 -** 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 forecasted 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.



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**Recommendation:** 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.

**Management Response:** Authority staff will develop a more dynamic forecasting method that considers more attributes. Development fee projections are performed by consultants and require significant time to project. Projects timing is often uncertain, fee collection is not predictable. Considering these factors is important in projections, therefore a purely historical receipt approach will not yield good results.

The above matters have been previously discussed with the Authority's Finance Department, during our final exit conference, which was held on January 21, 2025. Should any questions arise about these matters, we will be available for further discussion.

*LSL, LLP*

Irvine, California  
February 24, 2025