



SACRAMENTO TRANSPORTATION AUTHORITY

AGREED-UPON PROCEDURES
MEASURE A PERFORMANCE AND
COMPLIANCE MEASURES

5-YEAR REVIEW

JULY 1, 2018, - JUNE 30, 2023



SACRAMENTO TRANSPORTATION AUTHORITY
SACRAMENTO, CALIFORNIA

Agreed-Upon Procedures

Measure A Performance and Compliance Measures

July 1, 2018 – June 30, 2023

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MEASURE A BACKGROUND INFORMATION

The Sacramento Transportation Authority (STA) was created in 1988 to administer a half-cent sales tax program in Sacramento County which voters approved in November 1988. The 20-year program started in April 1989 and sunset in March 2009. Funds collected during the term of the initial program were expended on projects to relieve traffic congestion, improve air quality, construct new and repair existing highways, local streets and roads, expand public transit, and increase public safety by providing essential countywide transportation improvements.

In November 2004, voters approved a 30-year extension to the half-cent sales tax program (Measure A). The program extension began in April 2009 and will sunset in March 2039. The Measure A sales tax is projected to generate \$4.8 billion for transportation improvements throughout the Sacramento region. The current program, has provided monthly formula driven revenue allocations (on-going) for transit operations and maintenance, road maintenance, safety and congestion relief programs, pedestrian and bicycle facilities, air quality improvement programs, senior and disabled transportation services, and American River Parkway improvements and maintenance. In addition, Measure A provides funding for 33 capital improvement projects and mitigation programs (capital projects) identified in the Sacramento County Transportation Expenditure Plan 2009-2039 (Expenditure Plan) approved by voters. An additional 2 capital projects were added to the Expenditure Plan as part of the Local Arterials program. Measure A provides this funding to the State and local agencies listed below.

- City of Citrus Heights
- City of Elk Grove
- City of Folsom
- City of Galt
- City of Isleton
- City of Rancho Cordova
- City of Sacramento
- County of Sacramento
- Sacramento Metropolitan Air Quality Management District
- Paratransit
- Capital SouthEast Connector
- Sacramento Regional Transit (Regional Transit)
- California Department of Transportation (Caltrans)

About the time Measure A started in 2009, the nation was nearing the end of a significant recession that impacted every federal, state, and local jurisdiction in profound ways. In particular, consumer spending had declined. As a result, sales tax revenue started declining in fiscal year 2007 and did not reach its pre-recession level until fiscal year 2016. However, sales tax revenue has increased on average 6.2% since the program's inception through June 30, 2023 – the scope of this performance audit.

In addition to sales tax revenue, Measure A generates fees from the Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP) which also began in April 2009. Each local agency participating in Measure A collects mitigation fees for certain new construction and remits those funds to STA. These funds are used to finance the capital improvement projects and mitigation programs identified in the expenditures plan.

Collectively, Measure A revenues from sales tax and SCTMFP fees from the inception of Measure A through the year ended June 30, 2023, totaled, approximately \$1.8 billion as reported and summarized in STA's Annual Comprehensive Annual Financial Report (ACFR) by fiscal year in the following table:

Fiscal Year	STA Sales Tax Revenue		SCTMFP Fee	
	Amount (thousands)	Growth Rate	Amount (thousands)	Growth Rate
2009-10	\$ 81,414		\$ 3,074	
2010-11	87,299	7.2%	2,334	-24.1%
2011-12	92,240	5.7%	2,957	26.7%
2012-13	97,390	5.6%	3,176	7.4%
2013-14	100,063	2.7%	3,541	11.5%
2014-15	105,564	5.5%	4,624	30.6%
2015-16	110,708	4.9%	4,364	-5.6%
2016-17	116,878	5.6%	7,848	79.8%
2017-18	119,188	2.0%	7,622	-2.9%
2018-19	131,757	10.5%	6,684	-12.3%
2019-20	131,591	-0.1%	7,552	13.0%
2020-21	153,560	16.7%	8,957	18.6%
2021-22	172,916	12.6%	8,237	-8.0%
2022-23	176,143	1.9%	8,856	7.5%
Total / Average	\$ 1,676,711	6.2%	\$ 79,826	10.9%

As shown in the table above, sales tax revenue has grown steadily since the program's inception. Using actual sales tax receipts through June 30, 2023, and the forecast amounts, the program is expected to generate about \$4.8 billion which is consistent with the sales tax revenue estimate in the Expenditure Plan. All sales tax revenue is allocated by formula to Measure A programs. Each month, STA allocates Measure A funds to these programs and to the local agencies receiving funds from these programs as identified in the Expenditure Plan.

In contrast to sales tax revenue, SCTMFP fee revenue has proven to be volatile. As the table above documents, the growth rate has varied from a reduction of 24.1% to growth of 79.8%. Using data from program inception through June 30, 2023, the growth rate averaged 10.9%. The long-term forecast for the SCTMFP fee program indicates it might generate approximately \$186.2 million using a projected 0.7% growth rate from fiscal year June 30, 2023, through the end of the Measure A program. This amount is half the amount included in the Measure A Expenditure Plan totaling \$488 million. As noted above, SCTMFP fee revenue is subject to significant volatility year over year which means the long-term forecast is also subject to significant volatility.

In addition to sales tax and fee revenues, STA issued \$183 million in bonds in 2006 and 2007 in anticipation of the sales tax revenue collections beginning in April 2009. In the Sacramento region there were projects ready for construction funding, so debt was issued to advance them. These bonds were paid off in fall 2009 when \$318 million in new bonds were issued, all variable rate bonds hedged with an interest rate swap agreement, – partly to pay off the previously issued bonds and to provide additional funding for shovel-ready projects. There were three bond series outstanding from this early debt action, the 2009C, 2014A and 2015A Series. In July 2012 (2012 Series), \$53 million in additional bonds were issued. These bonds have since been refinanced to optimize the debt repayment. In August 2022 (2022 Series), \$24.2 million in bonds were issued to refund the 2012 Series, as of June 30, 2023, \$24.2 million is still outstanding on this issuance with a maturity of October 2027. In August 2023 (2023 Series), \$296.4 million in bonds were issued to refund Series 2009C, 2014A and 2015A, this refinancing moved the debt into a fixed rate series, with a potential to refinance in ten years, \$296.4 million is currently outstanding on the 2023 Series.

The table below represents all outstanding debt on June 30, 2023.

Measure A Sales Tax Revenue Bonds			
Bond	Amount	Issue Date	Bond Type
Series 2022	\$ 24,245	September 2022	Fixed rate
Series 2023	<u>296,415</u>	September 2023	Fixed rate
Total	<u>\$ 320,660</u>		

Issuing debt is a vital element of financing capital projects identified in the Expenditure Plan. The Authority regularly works with its capital program partners to determine how much funding is needed and when to determine if enough cash will be available when necessary. In cases where cash on hand will be insufficient, the Authority works with its financial advisory team to determine how much debt to issue. As noted in the previous discussion this effort has led to several issuances over the course of the program.

It is important to issue debt in amounts that can be spent in three years or less to avoid paying interest on unused funds. Accounting standards require that agencies demonstrate they have done so. In the Authorities case, it hires a third party that performs analysis to confirm compliance with the accounting standard and other regulations.

All local agencies with capital projects in the project development phase or under construction are required to report the status of those projects on a quarterly basis. This information is remitted to STA staff then reviewed by the Independent Taxpayer Oversight Committee (ITOC) and the Governing Board of the Sacramento Transportation Authority (Governing Board). The process is dynamic since the reports may generate questions that staff are directed to follow-up on. Occasionally, staff from local agencies building the projects represent them before the ITOC and Governing Board to provide a forum for more in-depth conversations.

There are 35 specific capital projects identified in the Amended Expenditure Plan. As of June 30, 2023, the following table identifies those projects that have been completed.

Completed Projects					
Primary Project	Sub Project	Year Completed	Total Project Cost	Measure A Expenditures	Grant Expenditures
Local Freeway Interchange Congestion Relief Upgrades					
Cosumnes Blvd. I-5 Interchange		2016	\$ 85,315,164	\$ 8,588,138	\$ 31,009,376
Central Galt Interchange		2013	50,641,711	9,966,000	13,962,875
Grantline Rd. Hwy 99 Interchange Upgrade		2008	77,400,000	37,229,290	-
Sheldon Rd. Hwy 99 Interchange Upgrade		2010	73,470,838	8,291,743	20,801,000
Watt Ave. Hwy 50 Interchange		2014	38,318,000	11,835,390	26,962,680
Local Freeway Interchange Congestion Relief Upgrades Total			\$325,145,713	\$ 75,910,561	\$ 92,735,931
Local Arterial Program					
Antelope Road Watt Ave to Auburn Blvd.	Roseville Rd. to I-80 Phase 1	2009	\$ 12,397,000	\$ 1,088,744	\$ 6,200,000
Bradshaw Rd. Grantline Rd. to Folsom Blvd.	Calvine Rd. to Florin Rd. Phase 1 Bradshaw Rd. to Sunrise Blvd.	2010	19,547,000	7,923,277	-
Folsom Blvd: 65th St. to Sunrise Blvd.	Phase 1 Bradshaw Rd. to Sunrise Blvd.	2010	4,759,152	5,066,265	3,659,000
	Phase 2 Bradshaw Rd. to Sunrise Blvd.	2012	14,667,761	36,455	10,805,860
	Phase 3 Bradshaw Rd. to Sunrise Blvd.	2012	6,836,770		2,724,000
	Phase 4 Bradshaw Rd. to Sunrise Blvd.	2018	5,062,000	3,093,804	4,838,000
	Phase 5 Bradshaw Rd. to Sunrise Blvd.	2020	6,100,000	1,445,428	5,500,000
Folsom Bridge Crossing		2009	145,851,098	37,577,078	100,152,288
Consumnes River Permanent Open Space Preserve		N/A	5,000,000	5,000,000	-
Greenback Ln. I/80 to Auburn/Folsom Rd.	West City Limit to Fair Oaks Blvd.	2009	19,176,000	2,225,000	16,188,000
Hazel Ave.: Placer County to Folsom Blvd.	US 50 to Madison Ave.	2023	86,500,000	47,553,653	35,711,000
Sunrise Blvd. Placer Co. to Grant Line Rd.	Folsom Blvd to White Rock Rd	2021	7,735,000	10,948,038	-
	Oak Ave. to Antelope Rd. Phase 1	2014	5,178,000	4,528,000	650,000
	Greenback Ln. to Oak Ave Phase 2	2016	11,850,000	600,000	5,382,800
Local Arterial Program Total			\$350,659,781	\$127,085,742	\$191,810,948
Rail Transit Improvements					
South Sac LRT Extension		2022	\$270,000,000	\$ 25,265,683	\$240,312,246
DNA LRT Extension		2012	49,000,000	37,311,000	14,711,845
LRT I-80 Corridor Improvements		2019	247,200	247,200	-
Rail Transit Improvements Total			\$ 319,247,200	\$ 62,823,883	\$255,024,091
Regional Bus/Carpool Lane Connectors/Extensions					
I-80 I-5 to Capital City Freeway	I-80 I-5 to Capital City Freeway	2017	\$ 63,259,688	\$ 722,688	\$ 62,537,000
Hwy 50 Bus/Carpool Lanes Sunrise Blvd. to Downtown	Sunrise Blvd. to Downtown Phase 1	2012	100,406,202	32,793,233	67,612,969
Regional Bus/Carpool Lane Connectors/Extensions Total			\$163,665,890	\$ 33,515,921	\$130,149,969
Grand Total			\$1,158,718,584	\$299,336,107	\$669,720,939



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. 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



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

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: 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: No exceptions were noted. We reviewed 70 transactions between July 1, 2018 and June 30, 2023 noting that all sampled transactions were for appropriate purposes under the requirements of the ongoing funding.

E. Determine if ongoing allocation funds are spent timely.

Result: No exceptions were noted. The following is a breakdown of ongoing funding balances as a percentage of annual funding provided.

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)

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.



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

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.

<u>Fiscal Year</u>	<u>Sales Tax Receipts</u>	<u>Admin Allocation</u>	<u>Admin costs</u>	<u>Surplus (Defecit)</u>
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: We selected 5 projects, see expenditure-to-date table below:

<u>Jurisdiction</u>	<u>Project</u>	<u>Sub Project</u>	<u>Measure A</u>	<u>General</u>	<u>CalTrans</u>	<u>Federal</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
County	Sunrise Blvd. Placer Co. to Grant Line Rd.	Jackson Road to Grant Line Road	80,334	-	-	-	-	-	80,334
County	Watt Ave. Antelope - Capital City Freeway	Antelope Road - Capital City Freeway	3,296,917	-	123,049	1,709,011	-	500	5,129,476
Sacramento	Richards Blvd. I-5 Interchange	Richards Blvd. I-5 Interchange	634,221	-	-	-	-	-	634,221
County	Smart Growth Incentive Program	Arden Way Phase 2	24,244	-	-	-	-	-	24,244
County	Hazel Ave. Placer County to Folsom Blvd.	Highway 50 to Madison Ave.	26,121,934	20,767,638	100,000	17,031,000	2,000,000	5,321,495	71,342,067
		Total	30,157,650	20,767,638	223,049	18,740,011	2,000,000	5,321,995	77,210,342

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.



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

Measure A Sales Tax Revenues

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

Result: No exceptions noted. The Authority uses three methods for projecting revenues. Revenues are forecasted every three to five years, the interval between projections leaves significant variability between the outdated projections and actual results.

8. 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.

9. 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.

10. 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

11. 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.



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

12. 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 4 Bradshaw Rd. to Sunrise Blvd. Phase 5	local arterial 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. Greenback Ln. to Oak Ave Phase 2	local arterial 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.

LSL, LLP

Irvine, California
February 24, 2024