

STAFF REPORT

SUBJECT: Measure D Maintenance of Effort

MEETING DATE: May 20, 2010

AGENDA ITEM: 6K

STAFF CONTACT: Jim Kemp, Bobbi Didier

RECOMMENDATION:

Receive report on status of City of Guadalupe's compliance with Measure D Maintenance of Effort requirement.

DISCUSSION:

Under the Measure D Ordinance, each of the cities and the County must annually maintain an expenditure of non-measure 'local discretionary funds' for street and road purposes which is no less than that reported in the State Controller's Annual Streets and Roads Report for Fiscal Year 1986/87. Under state law, Measure D funds must be used to supplement, rather than supplant, local expenditures for transportation purposes. The MOE requirement in Measure D addresses this state requirement by ensuring that each local agency continues to expend at least the same amount of local discretionary funding on street and road purposes as they did in the FY 86/87 base year.

The city of Guadalupe did not submit the required reports on streets and roads expenditures to the state controller for FY 05/06 through FY 07/08. This issue came to SBCAG's attention as staff was reviewing past audits to determine each jurisdiction's new MOE baseline amount under Measure A. Since the city did not submit the reports it was not possible for SBCAG's auditors to determine how much the city spent in discretionary funding during these years for purposes of determining compliance with the Measure D MOE requirement. The city has been requested to provide this information so that SBCAG can determine the city's compliance with the Measure D MOE requirement. The city's MOE amount for Measure D was set at \$27,501.

Under the Measure D ordinance, SBCAG is not permitted to allocate funds to the city unless it is meeting the MOE requirement. SBCAG has notified Guadalupe that commencing with April's Measure D disbursement, SBCAG is withholding the remaining disbursements to be made under Measure D, through June 2010 (projected to total about \$70,000). The city has been given until the end of the calendar year to provide the information needed to determine MOE compliance. Staff believes that allowing a grace period is appropriate since the city has experienced staffing vacancies and turnover with its City Manager and Finance Officer. In recent discussions with the City of Guadalupe it appears they are making significant headway in determining eligible expenses to meet their MOE for 05-6 through 07-08. Based on preliminary, unaudited figures it is likely that Guadalupe indeed met their MOE for the years in question. This will provide for more accurate figures when establishing Guadalupe's baseline MOE requirement under Measure A.

If the city is unable to provide information demonstrating compliance with the MOE requirement by the end of the year, the city has been notified that the withheld allocations will be

redistributed to the other cities and the county on the basis of population pursuant to the Measure D ordinance.

Going forward with Measure A, staff is taking steps to ensure that verification of MOE compliance by all local agencies is more timely. SBCAG has annually contracted with independent auditors to help determine MOE compliance. For future Measure A fiscal audits, the contract scope of work will require the auditor to call out any MOE non-compliance issues in a “management letter” that is submitted with the audit as well as provide a compliance matrix for all Measure A requirements including MOE and alternative transportation minimum percentages.

RECOMMENDATION

This is an information item to receive a report of the status of the city of Guadalupe’s compliance with the Measure D MOE requirement.