



Memorandum
DEVELOPMENT SERVICES DEPARTMENT
Engineering Division

TO: Honorable Mayor and City Councilmembers
THROUGH: Peter Weiss, City Manager *PW*
FROM: Gary Kellison, Senior Civil Engineer
DATE: February 14, 2011 *GK*
SUBJECT: FY 2010 TransNet "Maintenance of Effort" Audit Results and Options for City's Response

When the TransNet Extension Ordinance was approved in November, 2004, it included a new "Maintenance of Effort" (MOE) requirement (copy attached) to assure voters that cities would use the half-cent sales tax revenues to supplement, and not replace, existing local revenue for maintaining and building streets. The City of Oceanside has not met its MOE for FY 2010, and will also fall short in FY 2011. As a result, Oceanside has a range of options between keeping its existing course and aggressively increasing General Fund spending on streets in order to get more TransNet funds:

1. Accept a \$1,310,000 reduction in TransNet revenue beginning in FY 2011, and each year thereafter, until Oceanside increases its General Fund spending on streets.
2. Keep its full TransNet entitlement by increasing the level of General Fund spending for street improvements by \$4,654,000 over the next three years, or June 30, 2013.

Background

Oceanside's current MOE requirement is \$2,931,649, and it is calculated as a three-year average of its discretionary spending on street construction and maintenance. The MOE is adjusted every three years by SANDAG according to the growth rate in each city's General Fund revenues, but not exceeding the construction cost index. As a result, Oceanside's MOE requirement will decrease to \$2,638,484 beginning on July 1, 2012.

Revenue sources are considered "discretionary" if they can fund work other than streets. TransNet, Gas Tax, Thoroughfare Fees, and Federal highway grants are all *non-discretionary* revenue sources because they can only be spent for street-related purposes.

Oceanside spends approximately \$1.6 million annually in local discretionary funds to support the street maintenance activities of the Public Works Department. This counts towards the City's MOE. Prior to FY 2008, Oceanside supplemented this with General Fund spending for street-related CIP projects such as sidewalk repairs, asphalt overlays and slurry seals.

By FY 2008, the City's General Fund was no longer being used for CIP street improvement projects.

In FY 2008 and FY 2009, Oceanside completed construction of Senior Center Drive to the El Corazon Senior Center using Park Fee funds. SANDAG's auditor accepted use of Park Fee funds as local discretionary street spending. Added with the local discretionary funding support of the Public Works Department, the City met its MOE requirement for those two fiscal years.

In January 2010, staff recommended approval of \$433,000 in General Fund spending to construct sidewalk and landscaping along Oceanside Boulevard from I-5 to Crouch Street. The City Council did not approve the project, but was aware of the impact on the City's TransNet MOE.

On January 26, 2011, staff received the draft TransNet audit for the fiscal years ending June 30, 2010. Page 10 of the attached draft audit confirmed the \$1,310,194 MOE shortfall. Staff reviewed the audit and agrees that it captured all of the local discretionary funding support of the Public Works Department's street-related programs.

In previous years, the TransNet auditors accepted the City's determination of what fund sources can be considered as discretionary. That is how Oceanside was able to count Park Facilities Fees in FY 2008 and FY 2009. Currently, the City is using Redevelopment bond funds to construct storm drain and street improvements on Pacific Street, Pierview Way, and Myers Street. Unfortunately, SANDAG now relies on the State Controller, in the annual streets report, to determine which funds sources are discretionary. The State Controller considers Redevelopment funds to be non-discretionary for street infrastructure purpose. As a result, SANDAG will not count Redevelopment expenditures for MOE purposes.

According to the TransNet Ordinance, cities may either accept a reduction in its TransNet entitlement equal to the amount of the MOE shortfall, or request approval from SANDAG to "make-up" the shortfall with increased General Fund expenditures within three years.

Option 1: Reduction in TransNet Entitlement

The first option requires no action from the City. Upon acceptance of the final FY 2010 TransNet audit, SANDAG will reduce Oceanside's allocation of local street improvement funds by \$1,310,184, and distribute the money on a pro-rata basis to the other cities in San Diego County. Moreover, Oceanside will continue to be hit with future dollar-for-dollar reductions in its TransNet entitlement until it meets the MOE spending threshold.

As a result, the FY 2012 CIP budget will require \$1,310,184 in reductions in the following TransNet-funded projects:

<u>Project</u>	<u>Current Amount</u>	<u>Reduced Amount</u>
Sidewalk repairs	\$1,000,000	\$850,000
Slurry seal residential streets	\$1,200,000	\$950,000
Street overlay program (* \$2,626,000 in State Prop 1B funds receivable not included)	\$1,000,000*	\$589,816
Downtown intersection improvements	\$500,000	\$0
Totals	\$3,700,000	\$2,389,816
Net Reduction:	\$1,310,184	

The slurry seal program is a priority because it delays street deterioration requiring more costly repairs. Therefore, the \$250,000 reduction in TransNet is recommended to be replaced with local discretionary funds counting towards the City MOE for FY 2012.

Melrose Drive Extension is not affected because it is funded by Thoroughfare Fees.

Option 2: Making Up the MOE Shortfall

The second option allows Oceanside to keep its full TransNet entitlement, but requires increased local discretionary spending on street improvements. This option requires Oceanside to submit a catch-up plan by March 2011 to the San Diego County Regional Transportation Commission for approval. The plan requires increased spending to "catch-up" on the MOE deficit by the end of FY 2013.

The table below summarizes the amount of local discretionary spending necessary. The "catch-up" provision amounts to two years of \$1,700,000 plus a smaller third-year sum over and above the funding of the Public Works Department's street maintenance budget.

FY Ending	MOE Needed	PW Dept's Base MOE	"Catch-Up" MOE	Total MOE	MOE Deficit
6-30-2010	\$2,931,649				(\$1,310,184)
6-30-2011	\$2,931,649	\$1,621,465	\$1,700,000	\$3,321,465	(\$920,368)
6-30-2012	\$2,638,484	\$1,621,465	\$1,700,000	\$3,321,465	(\$237,387)
6-30-2013	\$2,638,484	\$1,621,465	\$1,254,406	\$2,875,871	\$0

The "catch-up" MOE spending would be used to improve the maintenance of the City's streets – either by providing additional support to the Public Works Department budget, or additional overlay and slurry seal projects, or a combination of both.

Recommendation

Beginning next fiscal year, Oceanside's MOE can be met by counting approximately \$1 million in additional local discretionary spending in the City's annual streets report issued by the State Controller. A portion of that amount can be achieved by shifting the Public Works Department's existing priorities towards maintaining pavement surfaces, drainage structures, streetlights and parkways on the City's streets. This means the Public Works Department will have less available budget resources to maintain the City's parks and drainage channels. The remainder of the MOE shortfall requires increased local discretionary spending on CIP road projects each year.

To meet the TransNet MOE in the upcoming fiscal year, staff recommends:

- Shift existing Public Works Dept expenditures away from parks and drainage channel to streets -- \$300,000.
- Supplement existing TransNet funding for the street slurry program with local discretionary funds -- \$250,000.
- Use local discretionary funds to construct the Oceanside Boulevard sidewalk and landscaping project -- \$450,000.

Attachments

1. Section 8 of TransNet Ordinance
2. Draft FY 2010 TransNet Audit

- c. George Buell
Scott Smith
Jane McPherson
Kiel Koger

SECTION 8. MAINTENANCE OF EFFORT: It is the intent of the Legislature, as stated in the Act, and the Commission that revenues provided from this measure be used to augment, not supplant existing local revenues being used for the purposes set forth in Section 4 herein. Each local agency receiving revenues pursuant to Section 4(D) shall annually maintain as a minimum the same level of local discretionary funds expended for street and road purposes on average over the last three fiscal years completed prior to the operative date of this Ordinance (Fiscal Years 2000-01, 2001-02, 2002-03), as was reported in the State Controller's Annual Report of Financial Transactions for Streets and Roads and as verified by an independent auditor. The maintenance of effort level as determined through this process shall be subject to adjustment every three years based on the Construction Cost Index developed by Caltrans. Any increase in the maintenance of effort level based on this adjustment shall not exceed the growth rate in the local jurisdiction's General Fund revenues over the same time period. The Commission shall not allocate any revenues pursuant to Section 4(D) to any eligible local agency in any fiscal year until that local agency has certified to the Commission that it will include in its budget for that fiscal year an amount of local discretionary funding for streets and roads purposes at least equal to the minimum maintenance of effort requirement. An annual independent audit shall be conducted to verify that the maintenance of effort requirement for each agency was met. Any local agency which does not meet its maintenance of effort requirement in any given year shall have its funding under Section 4(D)(1) reduced in the following year by the amount by which the agency did not meet its required maintenance of effort level. In the event that special circumstances prevent a local agency from meeting its maintenance of effort requirement, the local agency may request up to three additional fiscal years to fulfill its requirement. Such a request must be approved by the Commission. The Independent Taxpayer Oversight Committee shall also review such requests and make recommendations to the Commission. Any local street and road revenues not allocated pursuant to the maintenance of effort requirement shall be redistributed to the remaining eligible agencies according to the formula described in Section 4(D)(1). The maintenance of effort requirement also shall apply to any local agency discretionary funds being used for the other purposes specified under Section 4. In addition, revenues provided from this Ordinance shall not be used to replace other private developer funding that has been or will be committed for any project.

SECTION 9. REGIONAL TRANSPORTATION CONGESTION IMPROVEMENT PROGRAM (RTCIP):

A. New Development Exactions

Starting on July 1, 2008, each local agency in the San Diego region shall contribute \$2,000 in exactions from the private sector, for each newly constructed residential housing unit in that jurisdiction to the RTCIP. These exactions shall ensure future development contributes its proportional share of the funding needed to pay for the Regional Arterial System and related regional transportation facility improvements, as defined in San Diego Association of Governments' (SANDAG's) most recent, adopted Regional Transportation Plan. New residential housing units constructed for extremely low, very-low, low, and moderate income households, as defined in California Health and Safety Code Sections 50105, 50106, 50079.5 and 50093, will be exempted from the \$2,000 per unit contribution requirement. The amount of contribution shall be increased annually, in an amount not to exceed the percentage increase set forth in the Engineering Construction Cost Index published by the Engineering News Record or similar cost of construction index. Each local agency shall establish an impact fee or other-revenue Funding Program by which it collects and funds its contribution to the RTCIP. Each local agency shall be responsible for establishing a procedure for providing its monetary contribution to the RTCIP. The RTCIP revenue will be used to construct improvements on the Regional Arterial System such as new or widened arterials, traffic signal coordination and other traffic improvements, freeway interchange and related freeway improvements, railroad grade separations, and improvements required for regional

CITY OF OCEANSIDE, CALIFORNIA

Report on Agreed-Upon Procedures
Applied to the *TransNet* Fund

Year Ended June 30, 2010

Independent Taxpayer Oversight Committee
San Diego Association of Governments
San Diego, California

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Independent Taxpayer Oversight Committee (ITOC) of the San Diego Association of Governments (SANDAG), solely to assist ITOC and SANDAG in determining whether the City of Oceanside, California (City) was in compliance with the *TransNet* Ordinance and *Transnet* Extension Ordinance for the year ended June 30, 2010. The City's management is responsible for the accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We reviewed the 1987 Proposition A San Diego Transportation Improvement Plan (*TransNet* Ordinance and Expenditure Plan), the 2004 Proposition A (*TransNet* Extension Ordinance and Expenditure Plan), and SANDAG Board Policy No. 031: *TransNet* Ordinance and Expenditure Plan Rules compliance requirements (SANDAG Board Policy No. 031).

Results: No exceptions were noted as a result of our procedures.

2. We obtained from SANDAG the applicable approved Regional Transportation Improvement Program (RTIP).

Results: No exceptions were noted as a result of our procedures.

3. We inquired of the recipient agency's management and determined that the recipient agency maintains a separate fund for *TransNet* revenues or an alternative approach to maintaining separate accountability for reasonableness.

Results: No exceptions were noted as a result of our procedures.

4. We obtained a detailed general ledger for *TransNet* revenues and expenditures from the recipient agency for the current fiscal year.

Results: No exceptions were noted as a result of our procedures.

5. We obtained the Schedule of Status of Funds by Project (Schedule A) from the recipient agency and determined that it included a beginning balance, *TransNet* funds received, expenditures incurred, interest income, adjustments and an ending balance listed alpha-numeric by MPO ID.

- a. We reviewed Schedule A and determined that the projects are properly classified and reported by *TransNet* program (i.e., original *TransNet* vs. *TransNet* Extension; local streets and roads; local street improvements, including congestion relief vs. maintenance; highway; major corridor; environmental mitigation program; etc). We agreed the beginning balance from the prior year or reviewed that the recipient agency provided a footnote for any restatements.

Results: No exceptions were noted as a result of our procedures.

- b. We obtained a listing of *TransNet* payments made to the recipient agency from SANDAG and compared the *TransNet* revenue recorded by the recipient agency to the listing of payments received from SANDAG.

Results: We identified the following variance between the *TransNet* revenues recorded by the City in comparison to the SANDAG *TransNet* payment schedule.

<i>TransNet</i> payments made by SANDAG	\$51,511
<i>TransNet</i> revenue recorded by City	<u>-</u>
Variance	<u>\$51,511</u>

The variance represents revenue received from SANDAG that was not properly recorded by the City for the year ended June 30, 2010. See Finding Number 1 in the Findings and Recommendations section of this report.

- c. We identified the interest income reported for the fiscal year.
- i. We reviewed the interest income reported on the Schedule A and agree to the *TransNet* general ledger.

Results: No exceptions were noted as a result of our procedures.

- ii. We ensured that interest is applied to each active project that carries a positive beginning balance.

Results: No exceptions were noted as a result of our procedures.

- iii. We reviewed the interest allocation methodology for reasonableness.

Results: No exceptions were noted as a result of our procedures.

- d. We identified the total *TransNet* expenditures for the year ended June 30, 2010.

- i. We reviewed the total project expenditures reported on Schedule A and agreed them to the *TransNet* general ledger.

Results: No exceptions were noted as a result of our procedures.

- ii. We selected individual expenditures of at least 25% of the total dollar amount of expenditures from the general ledger and obtained supporting documentation (i.e., invoice and copy of check or EFT wire).

Results: The City recorded total expenditures in the amount of \$6,161,966. We selected \$1,578,657 (26%) for testing. No exceptions were noted as a result of our procedures.

- iii. For the expenditures selected, we identified the MPO ID that the expenditures are charged and determined whether the MPO ID is included in the RTIP (see procedure 2) and that the individual expenditure is an eligible cost per the *TransNet* and *TransNet* Extension Ordinances and Expenditure Plan requirements.

Results: No exceptions were noted as a result of our procedures.

- e. We determined that any amounts reported in the "adjustments" column are explained in the form of a footnote and that the adjustments are consistent with SANDAG Board Policy No. 031, Rule #17, Section III.

Results: No exceptions were noted as a result of our procedures.

- f. We obtained a list of completed projects from the recipient agency that is reported by the *TransNet* program and MPO ID. We determined whether any remaining *TransNet* funds for completed projects were transferred to another *TransNet*-eligible project. We determined that projects identified as completed in the previous fiscal year are not presented in the Schedule A for the current fiscal year.

Results: No exceptions were noted as a result of our procedures.

- g. If the balance of a completed project has not been transferred to another *TransNet*-eligible project, we ensured that a footnote is presented that includes the subsequent year's intended action in accordance with SANDAG Board Policy No. 031, Rule #17, Section III.

Results: No exceptions were noted as a result of our procedures.

- h. If a project ending balance is negative, we ensured that an explanation in the form of a footnote to Schedule A is included in the subsequent year's intended action in accordance with SANDAG Board Policy No. 031, Rule #17, Section III.

Results: No exceptions were noted as a result of our procedures.

- i. We determined whether projects which have had no activity over the past two years, other than interest earnings, are closed out or that the recipient agency has presented a footnote as to the status of the project, including when the project will be completed.

Results: The City did not provide a status that included completion dates for nine projects with inactivity other than interest for the past two years. See Finding Number 2 in the Findings and Recommendations section of this report.

- j. We obtained a signed staff report or resolution from the recipient agency's governing body consenting to the transfer of *TransNet* funds from one project to another. We determined whether transfers requiring an amendment to the RTIP followed the amendment process outlined in Rule #7 of SANDAG Board Policy No. 031.

Results: No exceptions were noted as a result of our procedures.

- k. We determined whether the recipient agency reported non-*TransNet* activity separate from *TransNet* activity in Schedule A.

Results: No exceptions were noted as a result of our procedures.

6. We obtained the Cumulative Schedule of Status of Funds by Project (Schedule B) from the recipient agency and determined that it included cumulative information for all *TransNet* Extension projects including *TransNet* funds received, expenditures incurred, interest income, adjustments and an ending balance listed alpha-numeric by MPO ID.

- a. We reviewed Schedule B and determined that projects are properly classified and reported by *TransNet* program (i.e., local street improvements, including congestion relief versus maintenance; major corridors; and environmental mitigation program; etc.). We reviewed the ending balances at June 30 and ensured that the balances agreed for those projects reported in both Schedules A and B.

Results: No exceptions were noted as a result of our procedures.

7. We determined that the ending fund balance per Schedule A for those projects that are derived from the recipient agency's annual *TransNet* apportionment did not exceed

30% of the recipient agency's current year annual apportionment, net of debt service payments. We determined whether the recipient agency included a schedule showing the annual apportionment, debt service payments (if applicable), net annual apportionment, 30% balance threshold, applicable project status balance, and excess balance over the threshold.

Results: The City is in compliance with the 30% requirement. The fund balance (over) under the apportionment is as follows. See Finding Number 3 in the Findings and Recommendations section of this report.

Fiscal year 2010 apportionment	\$3,199,524
Less: debt service payment	_____
Net Estimated Apportionment	3,199,524
30% base	_____ 30%
Fiscal year 2010 30% threshold	959,857
Less: fund balance per Schedule A	1,849,905
Fund balance (over) under apportionment	<u>\$(890,048)</u>

8. If applicable, we obtained a roll forward schedule (by commercial paper and bonds) showing the beginning balance of debt additions, repayments and the ending balance. We agreed this schedule to long-term debt information for each recipient agency provided by SANDAG.

Results: This procedure is not applicable as there are no commercial paper and bonds outstanding as of June 30, 2010.

9. We reviewed the maintenance of effort (MOE) requirement for the City.
 - a. We obtained the current MOE requirements for each recipient agency from SANDAG.
 - b. We obtained Schedule 3 of the Annual Street Report from the recipient agency.
 - c. We identified the excess (deficiency) of discretionary expenditures over (under) the MOE base, which is equal to the amount of discretionary funds expended for the Local Street Improvement Program less the MOE base amount.
 - d. We reported any outstanding unmet requirement from a prior year, the amount of time the recipient agency has remaining to meet its required MOE, and report a roll forward schedule.

Results: The City was not in compliance with the MOE requirement. The City did not have an outstanding unmet MOE requirement for the prior year. MOE activity for the

year ended June 30, 2010, is summarized as follows. See Finding Number 4 in the Findings and Recommendations section of this report.

Current year local discretionary expenditures	\$1,621,465
Less MOE base year requirement	<u>(2,931,649)</u>
Excess (deficit) MOE for the year ended June 30, 2010	<u>\$(1,310,184)</u>

10. We reviewed transit operator eligibility for receipt of funds.

Results: This procedure is not applicable as the City is not a transit operator.

11. We obtained the approved Regional Transportation Congestion Improvement Program (RTCIP) from SANDAG for the year ended June 30, 2010.

- a. We obtained a general ledger for the RTCIP fund from the City.

Results: No exceptions were noted as a result of our procedures.

- b. We obtained the RTCIP approved schedule for collecting and/or contributing private sector exactions to its Funding Program from the City.

Results: No exceptions were noted as a result of our procedures.

- c. We obtained the RTCIP schedule, which included the beginning balance, exactions collected, interest earned, expenditures incurred and the ending balance, from the City. We agreed the ending balance per the prior year schedule to the beginning balance for the year ended June 30, 2010, or footnoted any restatements.

- i. We determined that the City is using the most current approved fee amount.

Results: No exceptions were noted as a result of our procedures.

- ii. We inquired of management as to whether procedures are in place to track each exaction fee paid by development.

Results: No exceptions were noted as a result of our procedures.

- iii. We determined whether all exaction fees have been expended within seven years of collection.

Results: This procedure is not applicable as seven years have not yet passed.

- iv. We obtained a list of RTCIP-approved regional arterial system projects from SANDAG and tested at least 10% of the expenditures to ensure that the expenditures are for projects on the approved regional arterial system project list.

Results: No exceptions were noted as a result of our procedures.

- v. We determined whether the City provided its full monetary contribution required by Section 9(A) of the *TransNet* Extension Ordinance. We inquired of management as to whether procedures exist to ensure all qualified properties are included in the program.

Results: No exceptions were noted as a result of our procedures.

- vi. We identified interest income for the year ended June 30, 2010, and determined whether the interest income reported on the RTCIP schedule agrees to the RTCIP general ledger. We reviewed the interest allocation methodology for reasonableness.

Results: No exceptions were noted as a result of our procedures.

12. For ITOC only, we reviewed at least 25% of ITOC expenditures to determine whether they are reasonable and necessary in carrying out ITOC's responsibilities under the *TransNet* Extension Ordinance in the ITOC Responsibilities Section of the attachment to Commission Ordinance CO-04-01 entitled "Statement of Understanding Regarding the Implementation of the Independent Taxpayer Oversight Committee for the *TransNet* Program."

Results: This procedure is not applicable for the City.

13. For SANDAG only, we performed the following additional procedures per Section 12 of the *TransNet* Extension Ordinance and Expenditure Plan.

- a. We determined that the total administrative expenditures do not exceed one percent of the annual *TransNet* apportioned revenues, plus any funds not utilized in prior years.

Results: This procedure is not applicable for the City.

- b. We reviewed at least 25% of the administrative expenditures and determined whether they were expended by SANDAG for staff salaries, wages, benefits, overhead, and for those services, including contractual services, necessary to administer *TransNet*.

Results: This procedure is not applicable for the City.

14. For SANDAG only, we performed the following additional procedures:
- a. We inquired and obtained source data used to calculate the Local Street Improvement Allocation Schedule in the TTrak program and recalculated the total funds contributed per jurisdiction.

Results: This procedure is not applicable for the City.
 - b. We reviewed the fiscal year 2010 *TransNet* Local Street Improvements Allocation Schedule and determined whether at least 70% of the revenues provided for local street improvement purposes were used for congestion relief purposes and that no more than 30% were used for maintenance purposes.

Results: This procedure is not applicable for the City.
15. We reviewed the prior year findings and recommendations and determined if they were adequately addressed.

Results: The City had one prior year finding in that its *TransNet* fund balance exceeded 30% of its annual apportionment. As of June 30, 2010, this finding has not yet been resolved. See Finding Number 3 in the Findings and Recommendations section of this report.
16. We proposed current year findings as a result of performing the above agreed-upon procedures. We included the recipient agency's response to address the finding.

Results: See the Findings and Recommendations section of this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the City's receipt and disbursement of *TransNet* funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Independent Taxpayer Oversight Committee, and the San Diego Association of Governments and is not intended to be and should not be used by anyone other than these specified parties.

Irvine, California
December 20, 2010

CITY OF OCEANSIDE, CALIFORNIA

Report on Agreed-Upon Procedures
Applied to the *TransNet* Fund

Findings and Recommendations

Year Ended June 30, 2010

(1) **Need to Properly Record Revenues Received from SANDAG**

During the year ended June 30, 2010, the City of Oceanside (City) received \$51,511 of pass-through revenues from SANDAG for the Fiscal Year 2010 Senior Mini Grant Program. However, since this was pass-through revenues, the City did not record the revenue received in Schedule A

Recommendation

We recommend that the City ensure it records all *TransNet* funds received from SANDAG in Schedule A.

Management Response

(2) **Need to Provide Status for Projects with no Activity for the Past Two Years**

The City did not provide a status that included completion dates for nine projects that did not have any activity, other than interest, for the past two years.

Board Policy 031, Rule #17, paragraph III(A)(3) states, in part:

“...if a project has had no activity over a period of two audits, the agency must either close out the project or note when the project will be completed.

Recommendation

We recommend that the City provide a proper status for all projects with no activity, other than interest, for the past two years.

Management Response

CITY OF OCEANSIDE, CALIFORNIA

Report on Agreed-Upon Procedures
Applied to the *TransNet* Fund

Findings and Recommendations

Year Ended June 30, 2010

(3) **Need to Use Remaining Balance Before Requesting Future Funding**

As of June 30, 2010, the ending fund balance of the *TransNet* funds of the City of Oceanside (City) was \$1,849,905, which exceeded 30% of its annual apportionment. This condition was previously reported in the prior year.

Board Policy 031, Rule #17, paragraph IV states, in part:

"...an agency that maintains a balance of more than 30 percent of its annual apportionment (after debt service payments) must use the remaining balance to fund projects. SANDAG will defer payment until the recipient agency's Director of Finance, or equivalent, submits to SANDAG a certification that the unused balance has fallen below the 30 percent threshold, and will remain below the threshold until such time that a new threshold is determined.

Recommendation

We recommend that the City use the remaining balance before requesting future funding from SANDAG.

Management Response

(4) **Need to Meet Maintenance of Effort (MOE) Requirement**

The City fell short of its MOE requirement by \$1,310,184 for the year ended June 30, 2010.

TransNet Extension, Section 8 states, in part:

"Each local agency receiving revenues pursuant to Section 4 (D) shall annually maintain as a minimum the same level of local discretionary funds expended for street and road purposes on average over the last three fiscal years completed prior to the operative date of this Ordinance.

CITY OF OCEANSIDE, CALIFORNIA

Report on Agreed-Upon Procedures
Applied to the *TransNet* Fund

Findings and Recommendations

Year Ended June 30, 2010

(4) Need to Meet Maintenance of Effort (MOE) Requirement (Continued)

Recommendation

We recommend that the City incur adequate discretionary expenditures in order to meet its MOE requirement with SANDAG.

Management Response

SCHEDULE A

CITY OF OCEANSIDE, CALIFORNIA
TransNet and TransNet Extension Activities
Schedule of Status of Funds by Project
Year Ended June 30, 2010

MPO ID	Project Name	Project Status July 1, 2009	Funds Received	Interest Income	Project Expenditures	City Adjustments	Project Status June 30, 2010	Notes
TransNet:								
Local Streets and Roads:								
O04	Street Rehabilitation	\$ (60,621)	\$ -	\$ -	-	\$ -	\$ (60,621)	(a)
O04	Miscellaneous Street Projects	4,255,920	-	48,979	-	-	4,304,899	(a)
O04	Industry St Reconstruction	(88,519)	-	-	-	-	(88,519)	(a)
O04	Sleeping Indian Reconstruction	(170)	-	-	-	-	(170)	(a)(g)
O04	Street Maintenance Projects	1,317,946	-	15,168	-	-	1,333,114	(g)
	Total O04 Projects	5,424,556	-	64,147	-	-	5,488,703	
O06	Meirose Dr. Extension	1,373,413	-	15,806	-	-	1,389,219	(g)
O06	Meirose Dr. Extension Design	(919,278)	-	-	(154,153)	-	(1,073,431)	(a)
	Total O06 Projects	454,135	-	15,806	(154,153)	-	315,788	
O09	El Camino Bridge Widening	968,963	-	11,151	-	-	980,114	(g)
O12	Pala Road Extension	116,836	-	1,345	-	-	118,181	(g)
O13	Street Restoration	(1,490,449)	-	-	-	-	(1,490,449)	(a)(b)
O13	Neighborhood Traffic Improvement	(24,697)	-	-	-	-	(24,697)	(a)(b)
O13	Misc Street Improvements	-	-	-	-	-	-	
O13	Misc Traffic Markings	(57,060)	-	-	-	-	(57,060)	(a)(b)(g)
	Total O13 Projects	(1,572,206)	-	-	-	-	(1,572,206)	
	Subtotal Local Streets and Roads	5,392,284	-	92,449	(154,153)	-	5,330,580	

SCHEDULE A

CITY OF OCEANSIDE, CALIFORNIA
 TransNet and TransNet Extension Activities
 Schedule of Status of Funds by Project
 (Continued)

MPO ID	Project Name	Project Status		Interest Income	Project Expenditures	City Adjustments	Project Status June 30, 2010	Notes
		July 1, 2009	Funds Received					
	Balance carried forward	\$ 5,392,284	\$ -	\$ 92,449	\$ (154,153)	\$ -	\$ 5,330,580	
O14	Bridge Rehabilitation	2,790,854	-	32,119	-	-	2,822,973	(g)
O14	No Coast Hwy Bridge Seismic Retro	(21,313)	-	-	(31,744)	-	(53,057)	(a)(g)
O14	Douglas Dr. Bridge Seismic Retro	(171,932)	-	-	(14,966)	-	(186,898)	(a)
O14	El Camino Mesa/Mission	(1,070,818)	-	-	-	-	(1,070,818)	(a)
O14	Hill St. Bridge @ San Luis Ray River	708,118	-	8,149.00	-	-	716,267	
O14	RR Quiet Zone Assmnt Pr	(26,693)	-	-	-	-	(26,693)	
	Subtotal O14 Projects	2,208,216	-	40,268	(46,710)	-	2,201,774	
O18	Gateway Corridor Improve/Oside	(12,665)	-	-	(891)	-	(13,556)	(a)
O18	Misc Sidewalks/ADA	931,003	-	10,714	(204,551)	-	737,166	(a)(c)
O18	Sir Cavalier MHP Access	(202,700)	-	-	-	-	(202,700)	(a)(g)
O18	RR Quiet Zone Assmnt Proj	(98,161)	-	-	(7,425)	-	(45,586)	(a)
O18	Lucky St/McNeill	(18,527)	-	-	(111,081)	-	(129,608)	(a)
O18	So Coast Hwy Tree Well	(2,869)	-	-	(3,820)	-	(6,689)	(a)(d)
O18	So Coast & Vst Wy Imprv	(3,912)	-	-	(7,428)	-	(11,340)	(a)
O18	Cribwall @ Oblvd & ECR	(3,425)	-	-	(46,753)	-	(50,178)	(a)
O18	Misc Traffic Markings	-	-	-	(5,477)	-	(5,477)	(a)
O18	Misc Street Projects	-	-	-	(1,164,353)	-	(1,164,353)	(a)
O18	Neighborhood Traffic Improvement	-	-	-	(151,360)	-	(151,360)	(a)
O18	College Vista Way	-	-	-	(3,032)	-	(3,032)	(a)
O18	Street Restoration	-	-	-	(57,152)	-	(57,152)	(a)(c)
O18	Downtown Intersection	-	-	-	(24,959)	-	(24,959)	(a)
O18	Mesa Drive Parkway	-	-	-	(9,181)	-	(9,181)	(a)(c)
O18	El Camino Parkway	-	-	-	(19,738)	-	(19,738)	(a)(c)
O18	Sunburst/Maple/Kelton	(29,362)	-	-	(44,736)	-	(74,098)	(a)(d)
	Total O18 Projects	619,382	-	10,714	(1,861,937)	-	(1,231,841)	
	Total Local Streets and Roads	8,219,882	-	143,431	(2,062,800)	-	6,300,513	
	Total TransNet	\$ 8,219,882	\$ -	\$ 143,431	\$ (2,062,800)	\$ -	\$ 6,300,513	

CITY OF OCEANSIDE, CALIFORNIA
TransNet and *TransNet* Extension Activities
 Schedule of Status of Funds by Project
 (Continued)

MPO ID	Project Name	Project Status		Funds Received	Interest Income	Project Expenditures	City Adjustments	Project Status June 30, 2010	Notes
		July 1, 2009	June 30, 2010						
	Total TransNet	\$ 8,219,882	\$ -	\$ -	\$ 143,431	\$ (2,062,800)	\$ -	\$ 6,300,513	
	TransNet Extension:								
	Local Street Improvements:								
	Congestion Relief:								
O20	Oblvd Bus Stop ADA Upgd	\$ (13,040)	\$ -	\$ -	\$ -	\$ (102,386)	\$ -	\$ (115,426)	(a)
O21	Senior Shuttle	-	-	-	-	(4,340)	-	(4,340)	(a)
O21	Senior Taxi	-	-	-	-	(2,035)	-	(2,035)	(a)
	Total O21 Projects	-	-	-	-	(6,375)	-	(6,375)	
O22	College Bridge Widen @ SLR	(4,067)	-	-	-	(103,210)	-	(107,277)	(a)(e)
O23	College VW to Olive	(334,335)	-	-	-	(129,651)	-	(463,986)	(a)(f)
O24	Industry Street	-	-	-	-	(40,764)	-	(40,764)	(a)
O24	Street Restoration	-	-	-	-	(3,443,725)	-	(3,443,725)	(a)
	Total O24 Projects	-	-	-	-	(3,484,489)	-	(3,484,489)	
O25	Adp Signal TMC Traffic Mgmt Ctr	-	-	-	-	(260,185)	-	(260,185)	(a)
O26	SR76 Thru Lanes	-	-	-	-	(11,979)	-	(11,979)	(a)
O27	Coast Hwy Roundabout	-	-	-	-	(891)	-	(891)	(a)
	Total Congestion Relief	(351,442)	-	-	-	(4,099,166)	-	(4,450,608)	
	Total Local Street Improvements	(351,442)	-	-	-	(4,099,166)	-	(4,450,608)	
	Total TransNet Extension	\$ (351,442)	\$ -	\$ -	\$ -	\$ (4,099,166)	\$ -	\$ (4,450,608)	

SCHEDULE A

Total TransNet and TransNet Extension \$ 7,868,440 \$ - \$ 143,431 \$ (6,161,966) \$ - \$ 1,849,905

CITY OF OCEANSIDE, CALIFORNIA
TransNet and *TransNet* Extension Activities
 Schedule of Status of Funds by Project
 (Continued)

<u>MPO ID</u>	<u>Project Name</u>	<u>Project Status</u>		<u>Interest Income</u>	<u>Project Expenditures</u>	<u>City Adjustments</u>	<u>Project Status</u>
		<u>July 1, 2009</u>	<u>June 30, 2010</u>				

Notes:

- (a) The City has not requested *TransNet* drawdowns since FY 2009 in order to comply with the 30% Rule. The City intends to be in compliance by FY 2011 and will request a drawdown at that time to remove the deficit.
- (b) In January 2010, SANDAG approved resolution 09-RT0372-1, RTIP Amendment #15 approving the transfer of funds into MPO O13 from prior year authorizations. Once the City is in compliance with the 30% Rule in FY2011, it will request a drawdown to cover the deficit in from funds authorized by the same amendment.
- (c) This project has been defunded in FY 2011.
- (d) This project has been cancelled and will not be funded for FY 2011.
- (e) This project will not be funded for FY 2011.
- (f) This project will not be continuing in FY 2011.
- (g) This project has had no activity over the past two years, other than interest earnings and the City did not provide a status of the project that includes when the project will be completed as required per Policy 031.

CITY OF OCEANSIDE, CALIFORNIA

TransNet Extension Activities
 Cumulative Schedule of Status of Funds by Project
 Year Ended June 30, 2010

MPO ID	Project Name	Funds Received	Interest Income	Project Expenditures	City Adjustments	Project Status June 30, 2010
TransNet Extension:						
Local Street Improvements:						
Congestion Relief:						
O20	Oblvd Bus Stop ADA Upgd	\$ -	\$ -	\$ (115,426)	\$ -	\$ (115,426)
O21	Senior Shuttle	-	-	(4,340)	-	(4,340)
O21	Senior Taxi	-	-	(2,035)	-	(2,035)
	Total O21 Projects	-	-	(6,375)	-	(6,375)
O22	College Bridge Widen @ SLR	-	-	(107,277)	-	(107,277)
O23	College VW to Olive	-	-	(463,986)	-	(463,986)
O24	Industry Street	-	-	(40,764)	-	(40,764)
O24	Street Restoration	-	-	(3,443,725)	-	(3,443,725)
	Total O24 Projects	-	-	(3,484,489)	-	(3,484,489)
O25	Adp Signal TMC Traffic Mgmt Ctr	-	-	(260,185)	-	(260,185)
O26	SR76 Thru Lanes	-	-	(11,979)	-	(11,979)
O27	Coast Hwy Roundabout	-	-	(891)	-	(891)
	Total Congestion Relief	-	-	(4,450,608)	-	(4,450,608)
	Total Local Street Improvements	-	-	(4,450,608)	-	(4,450,608)
	Total Cumulative TransNet Extension	\$ -	\$ -	(4,450,608)	\$ -	(4,450,608)

SCHEDULE C

CITY OF OCEANSIDE, CALIFORNIA

TransNet Extension Activities
RTCIP Fund

Year Ended June 30, 2010

<u>Project Name</u>	<u>Project Status July 1, 2009</u>	<u>Funds Received</u>	<u>Interest Income</u>	<u>Project Expenditures</u>	<u>Agency Adjustments</u>	<u>Project Status June 30, 2010</u>
Year ended June 30, 2009	\$ 8,120	\$ -	\$ -	(8,120)	\$ -	\$ -
Year ended June 30, 2010	-	199,920	6,999	(124,446)	-	82,473
Total RTCIP Funds	<u>\$ 8,120</u>	<u>\$ 199,920</u>	<u>\$ 6,999</u>	<u>\$ (132,566)</u>	<u>\$ -</u>	<u>\$ 82,473</u>