

# **Local Sales Tax Oversight Committee Moraga, California Annual Report for FY 2022/23**

## **Background**

At the general election of November 6, 2012, the voters of the Town of Moraga approved Measure K, a local one-cent Transaction and Use Tax (i.e., sales tax). On December 12, 2012, the Town Council certified the election results, confirming passage of Measure K, and, as called for in Measure K, established the Measure K Local Sales Tax Oversight Committee. Although Measure K tax revenues are legally general purpose funds, the Town Council committed to dedicate Measure K funds primarily to street improvements and repairs.

On November 10, 2015, the Local Sales Tax Oversight Committee recommended that the Town Council consider a resolution sequestering Measure K funds and expenditures and reporting them as a “Major Fund” beginning in Fiscal Year 2015/16 in order to establish greater clarity and transparency over the use of Measure K funds. On December 9, 2015, the Town Council approved Resolution No. 98-2015 to approve that all Measure K revenue be reported as a separate major fund in the Town’s Comprehensive Annual Financial Report beginning in Fiscal Year 2015/16.

The table incorporated within this report is the product of the creation of that separate major fund.

## **Introduction**

The Local Sales Tax Oversight Committee (the Committee) is charged with the responsibility to report to the Town Council on the revenue and expenditures of the Local Sales Tax (also referred to as “Transaction and Use Tax”). The Committee consists of seven members, all residents of the Town of Moraga, appointed by the Town Council. Generally, terms are limited to three consecutive two-year terms for a total of six consecutive years. The Committee shall sunset in 2033. The Committee’s specific duties are as follows:

- Annually review revenue receipts and expenditures of the Transactions and Use Tax.
- Annually, review the status and performance of the programs and services, funded wholly or partially, with proceeds from the Transactions and Use Tax.
- Annually, prepare an independent report for the Town Council regarding the revenue and expenditure of the Transactions and Use Tax.

The Committee’s function is strictly that of oversight. It is not within the purview of the Committee to direct staff, recommend any particular contracts or define the scope of a repair project. These responsibilities remain under the authority of the Town Council, Town Manager, and Town professional staff.

## **Summary of FY 2022/23 Measure K Revenues and Expenditures**

To leverage the Measure K revenue stream, in 2013, the Town of Moraga issued \$7.7 million in 2013 Certificates of Participation (COP) for the purposes of financing accelerated improvements to the Town's infrastructure. It is the Town's intention to fund the debt service of the COP with funds from Measure K.

The Town of Moraga's road improvements and repairs are managed and accounted for under the Town's "Pavement Management Program." The Town of Moraga Annual Comprehensive Financial Report for Fiscal Year 2022/23 includes Major Pavement Management Program funds. The table on the following page shows the Pavement Management Program fund revenues, and expenditures.

## **FY 2022/2023 Measure K Expenditure Review**

The Committee sampled \$2,867,487 (78.9%) of the \$3,632,329 total Measure K Pavement Repair Project expenses. For sampled expenses, we reviewed the underlying documentation, such as invoices, staff time charges, revenue receipts, and other related documents. We also discussed various expenses with the Public Works Director, Administrative Services Director, and Accountant when further clarification and/or explanation was needed. Measure K funds reviewed by the Committee in this reporting period were used for the Town's Pavement Management. Based on this review, the Committee believes the sampled expenses were consistent with and in support of Measure K's objectives and the associated goals of the Town Council.

## **Measure K Funds Use**

The Committee has utilized the Annual Report as an opportunity to review the intent of the Measure K Funding and identify further benefits that may be derived from the funds.

Measure K is Moraga's local, one-cent general-purpose sales tax measure that is part of the general fund. The funds are intended to be used to fix local streets and roads, enhance quality and safety, and maintain Town services.

We are not aware of specific restrictions on the use of Measure K Funds, and the Council may allocate funds for uses other than the specific pavement management program without rescinding or adopting any previously written policies. We, the Local Sales Tax Oversight Committee, have been monitoring the spending and continually assigning a clean bill of health with regard to Measure K Funds.

Fiscal Year 2022/2023		Pavement Management Program	
Beginning Available Fund Balance, July 1, 2022	\$3,062,476		
Committed Measure K Funds (FY2021-22)*	(\$1,138,000)		
Beginning Audited Fund Balance, July 1, 2022	\$1,924,476		
Funding Sources	Measure K	Other Funds	Totals
Measure K Receipts	\$2,669,905		\$2,669,905
Garbage Vehicle Impact Fee		\$1,062,000	\$1,062,000
Gas Tax		\$714,068	\$714,068
LAIF Interest	\$46,071		\$46,071
<b>Total</b>	<b>\$2,715,976</b>	<b>\$1,776,068</b>	<b>\$4,492,044</b>
<b>Expenditures - Pavement Management</b>			
<b>2022 Pavement Rehabilitation – CIP 22-401</b>			
Construction	\$2,898,820	\$661,125	\$3,559,945
Construction Management		\$310,042	\$310,042
Project Management/Staff Time		\$213,515	\$213,515
Design Services		\$459,517	\$260,318
Miscellaneous		\$260,318	
<b>Total</b>	<b>\$2,898,820</b>	<b>\$1,445,000</b>	<b>\$4,343,820</b>
<b>2021 Pavement Resurfacing Phase 2 – CIP 21-401</b>			
Construction	\$133,659	\$284,473	\$418,132
Construction Management			
Project Management/Staff Time		\$19,703	\$19,703
Design Services		\$26,893	\$26,893
<b>Total</b>	<b>\$133,659</b>	<b>\$331,068</b>	<b>\$464,727</b>
<b>Expenditures - Others</b>			
Debt Service Transfer to 2013 COP	\$599,850		\$599,850
<b>Total - Other</b>	<b>\$599,850</b>		<b>\$599,850</b>
<b>Total Expenditures</b>	<b>\$3,632,329</b>	<b>\$1,776,068</b>	<b>\$5,408,397</b>
<b>Net Change in Fund Balance, FY 2022-23</b>	<b>(\$916,353)</b>		
Committed Measure K Funds (FY 2022-23) *	(\$810,521)		
Ending Audited Fund Balance, June 30, 2023	\$197,602		

\* Committed to Capital Projects scheduled for the upcoming fiscal year

## **Conclusions**

The Committee has concluded:

- As noted earlier, Measure K funds are now sequestered in “Major Fund 213” of the professionally audited Town of Moraga Annual Comprehensive Report. Consequently, the accuracy of the financial documents provided us for our review of Measure K monies received and spent have been validated within that framework.
- Measure K funds reviewed by the Committee in this reporting period were used for the Town’s Pavement Management Program.
- Following our review of those documents, the expenditures were found to be consistent with and in support of Measure K goals and objectives and the conditions set forth by the Town Council based on our review of sampled expenses amounting to 78.9% of the total Measure K Pavement Management Program expenditures.
- The Pavement Management Program, which is largely funded by Measure K funds, proceeded in a manner consistent with commitments made to voters of Moraga.

This report has been researched, assembled, and presented in a manner the Committee believes is consistent with the stated objectives of the Town of Moraga Transaction and Use Tax Ordinance (a.k.a. Measure K), Ordinance No. 238, dated December 12, 2012.

In accordance with those directives, the Annual Report for FY 2022/2023 of the Local Sales Tax Oversight Committee is respectfully submitted:

### **The Members of the Local Sales Tax Oversight Committee:**

Nate Levine, Chairperson

Scott Parker, Vice Chairperson

William Faoro

Rachel Graham

Spencer Schilling

Tim Staines

Gian Panetta

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