

Metro

*Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
3rd Floor Board Room*



Agenda - Canceled

Wednesday, March 18, 2020

1:00 PM

**One Gateway Plaza, Los Angeles, CA 90012,
3rd Floor, Metro Board Room**

Finance, Budget and Audit Committee

*Kathryn Barger, Chair
Ara Najarian, Vice Chair
Jacquelyn Dupont-Walker
Paul Krekorian
Mark Ridley-Thomas
John Bulinski, non-voting member*

Phillip A. Washington, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for one (1) minute during this Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

Agendas for the Regular MTA Board meetings are prepared by the Board Secretary and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded and is available at www.metro.net or on CD's and as MP3's for a nominal charge.

DISCLOSURE OF CONTRIBUTIONS

The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

ADA REQUIREMENTS

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 922-4600 or (323) 466-3876.



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中文

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Copies of Agendas/Record of Board Action/Recordings of Meetings - (213) 922-4880 (Records Management Department)

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NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

CALL TO ORDER

ROLL CALL

8. SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS [2020-0149](#)

RECOMMENDATION

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe LLP (Crowe) as of and for the fiscal year ended June 30, 2019.

Attachments: [Attachment A - SAS 114 Letter Covering Required Communications](#)
[Attachment B - Single Audit Report for FY19](#)
[Attachment C - Federal Funding Allocation Data for the Transportation Operatin](#)
[Attachment D - Transportation Development Act Operations Agency for FY19](#)
[Attachment E - Transportation Development Act Schedule of Revenues, Expense](#)
[Attachment F - State Transit Assistance Special Revenue Fund's Financial State](#)
[Attachment G - Crenshaw Project Corporation \(A Component Unit of the LACMT](#)
[Attachment H - Service Authority for Freeway Emergencies \(A Component Unit](#)
[Attachment I - Low Carbon Transit Operations Program \(LCTOP\) and Report on](#)

9. SUBJECT: LEASE AGREEMENT WITH NREA-TRC 700, LLC, FOR THE LA METRO TRANSIT CUSTOMER CENTER LOCATED AT 700 W. 7TH STREET, SUITE G80, LOS ANGELES [2020-0081](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute a seven (7)-year lease agreement with NREA-TRC 700, LLC ("Landlord") for an LA Metro Transit Customer Center ("TCC") at 700 West 7th Street, Suite G80, Los Angeles (see Attachment A - Lease Location & Plan Draft), commencing approximately August 1, 2020 with a total lease value of approximately \$1.8 million (see Attachment B - Deal Points).

Attachments: [Attachment A - Lease Location and Plan Draft](#)
[Attachment B - Deal Points](#)

**10. SUBJECT: ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF
METRO AND ITS COMPONENT UNITS**

[2020-0156](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a five-year, firm fixed-price Contract No. PS64807000 to Crowe LLP to provide Annual Financial and Compliance Audit Services in the amount of \$1,836,135 effective April 10, 2020, subject to resolution of protest(s), if any.

Attachments: [Attachment A - Procurement Summary .pdf](#)
 [Attachment B - DEOD Summary.pdf](#)

11. SUBJECT: CURRENCY PROCESSING SERVICES

[2020-0164](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 3 to Contract No. OP39497-2000 to exercise three (3), one-year options with Los Angeles Federal Armored Services, Inc. to provide currency processing services, in the amount of \$572,000 for Option Year 2, \$629,000 for Option Year 3, and \$686,400 for Option Year 4, for a combined total amount of \$1,887,400, increasing the contract value from \$972,400 to \$2,859,800, and extending the contract term to December 31, 2022.

Attachments: [Attachment A - Procurement Summary](#)
 [Attachment B - Contract Modification Change Order Log](#)
 [Attachment C - DEOD Summary](#)

12. SUBJECT: PROPOSITION C BONDS

[2020-0151](#)

RECOMMENDATION

ADOPT a resolution, Attachment A, that:

- A. AUTHORIZES the issuance of bonds by competitive sale to refund the Proposition C Series 2010-A Bonds, consistent with the Debt Policy to achieve approximately \$4.4 million in net present value savings over the three-year life of the bonds;
- B. APPROVES the forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Escrow Agreement, Continuing Disclosure Certificate and Preliminary Official Statement on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the resolution; and
- C. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the refunding bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)

Attachments: [Attachment A - Authorizing Resolution](#)

13. SUBJECT: MEASURE R BONDS

[2020-0086](#)

RECOMMENDATION

CONSIDER:

A. Adopting a Resolution, Attachment A, that:

1. Authorizes Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds in one or more series, to refinance one or more of Metro's Transportation Infrastructure Finance and Innovation Act ("TIFIA") Loans to achieve up to \$170 million estimated net present value savings over the 18-year life of the bonds through the negotiated bond sale of up to \$1.75 billion of bonds.
2. Approves the forms of the supplemental trust agreement, second amended and restated trust agreement, junior subordinate trust agreement, supplemental junior subordinate trust agreement, continuing disclosure certificate, preliminary official statement and such other documents as required for the issuance of the bonds, and approves related documents on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the Resolution;
3. Approves the form of the bond purchase contract on file with the Board Secretary, that will be entered into with the underwriters as listed in Attachment B hereto; and
4. Authorizes taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of the bond purchase contract and bond documentation associated with the issuance of the Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds (the "Refunding Bonds").

B. Establishing an underwriter pool as shown in Attachment B that will be used to select underwriters for all future negotiated debt issues through June 30, 2024.

C. Appointing the underwriter team selected for the Refunding Bonds from the above underwriter pool as shown in Attachment B that will be used to market the refunding bonds.

(Requires separate, simple majority Board vote.)

Attachments: [Attachment A - Authorizing Resolution](#)
 [Attachment B - Summary of Underwriter Selection](#)
 [Attachment C - Findings of Benefit](#)
 [Presentation](#)

30. **SUBJECT: FISCAL YEAR 2021 BUDGET DEVELOPMENT UPDATE -** [2020-0161](#)
TRANSIT OPERATIONS, MAINTENANCE, AND ASSET
STATE OF GOOD REPAIR

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2021 (FY21) Budget Development Update for Transit Operations, Maintenance, and Asset State of Good Repair (SGR).

- SUBJECT: GENERAL PUBLIC COMMENT** [2020-0181](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

**COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S
SUBJECT MATTER JURISDICTION**

Adjournment



Board Report

File #: 2020-0149, **File Type:** Informational Report

Agenda Number: 8.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 18, 2020

SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe LLP (Crowe) as of and for the fiscal year ended June 30, 2019.

ISSUE

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the fiscal year ended June 30, 2019 (FY19):

- Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority;
- Independent Auditor's SAS 114 letter covering required communications related to the financial statement audit;
- Single Audit Report;
- Independent Accountant's Report on Applying Agreed-Upon Procedures on Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154);
- Independent Auditor's Report on Compliance with the California Code of Regulations (Section 6667); Report on Internal Control over Compliance; and Report on 50% Expenditure Limitation Schedule for Transportation Development Act Operations Agency;
- Independent Auditor's Report on Compliance with the California Code of Regulations (Sections 6640-6662); Report on Internal Control over Compliance; and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for Transportation Development Act;
- Independent Auditor's Report on Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements;
- Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements;

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- Independent Auditor's Report on Compliance with Rules and Regulations of the Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the Los Angeles County Metropolitan Transportation Authority's compliance with the LCTOP Guidelines; and
 - Independent Auditor's Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements for the fiscal years ended June 30, 2018 and June 30, 2019.

DISCUSSION

Metro's basic financial statements include its audited financial statements, supplemental information and unmodified audit opinion from the independent external auditor. The independent auditor issued unmodified opinions on all audit reports for FY19. Receiving an unmodified opinion indicates that all financial statements for FY19 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Due to the considerable size of the document, a hard copy of the Comprehensive Annual Financial Report is on file with the Board Secretary. The report and is also accessible on Metro's website at http://media.metro.net/about_us/finance/images/fy19-cafr.pdf.

ATTACHMENTS

Attachment A - SAS 114 Letter Covering Required Communications

Attachment B - Single Audit Report for FY19

Attachment C - Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for FY19

Attachment D - Transportation Development Act Operations Agency for FY19

Attachment E - Transportation Development Act Schedule of Revenues, Expenditures and Changes in Fund Balances for FY19

Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements as of FY18 and FY19.

Attachment G - Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for FY19

Attachment H - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for FY19

Attachment I - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for FY19.

Prepared by: Lauren Choi, Sr. Director (Interim), Audit, (213) 922-3926
Monica Del Toro, Audit Support Manager, (213) 922-7494

Reviewed by: Shalonda Baldwin, Chief Auditor (Interim), (213) 418-3265



Phillip A. Washington
Chief Executive Officer



Crowe LLP
Independent Member Crowe Global

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our contract with LACMTA for further information on the responsibilities of management and of Crowe LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of LACMTA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.

- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts. Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together. Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.
- Matters relative to the use of other auditors/other accountants during the audit:
 - An overview of the type of work to be performed by other auditors/other accountants.
 - The basis for the decision to make reference to the audit of the other auditor in our report on the entity's financial statements.
 - An overview of the nature of our planned involvement in the work to be performed by the other auditor/other accountant.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

| Accounting Standard | Impact of Adoption |
|--|---|
| <p>GASB Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”</p> <p>This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt as a liability that arises from a contractual obligation to pay cash or other assets in one or more payments to settle an amount that is fixed as the date the contractual obligation is established. Required debt disclosures include unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements (e.g., events of default, termination events, and subjective acceleration clauses). Disclosure requirements also include existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.</p> | <p>Upon adoption of this Statement, LACMTA enhanced its debt disclosures as required. There was no impact on changes in fund balance or net position as a result of adoption of this Statement.</p> |

| Accounting Standard | Impact of Adoption |
|--|--|
| GASB Statement No. 83, “Certain Asset Retirement Obligations” This Statement was issued to improve accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. | Upon adoption of this Statement, LACMTA recorded a liability of \$4,437,000 related to removal of its underground storage tanks. |
| GASB Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period” This Statement was issued to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. | Upon adoption of this Statement, LACMTA did not capitalize any amounts related to construction period interest. |
| Significant Unusual Transactions. | No such matters noted. |
| Significant Accounting Policies in Controversial or Emerging Areas. | No such matters noted. |

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management’s current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in LACMTA’s year end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

| Significant Accounting Estimate | Process Used by Management | Basis for Our Conclusions |
|--|---|---|
| Fair Values of Investment Securities and Other Financial Instruments | The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities. | We tested the propriety of information underlying management’s estimates. |

| Significant Accounting Estimate | Process Used by Management | Basis for Our Conclusions |
|--|--|---|
| Loss Contingencies | LACMTA consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management's evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements. | Based on information obtained from LACMTA's legal counsel regarding this matter and discussions with management, we concur with management's determination that the loss contingency does not meet conditions for accrual of being both probable and estimable, and, thus, no accrual is recorded and no specific disclosures are required. |
| Pension and Postretirement Obligations | Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets. | We reviewed the reasonableness of these estimates and assumptions. |
| Accrual for Self-Insured Claims | Accruals for self-insured claims are based on management's estimate of the ultimate incurred losses and losses that have been incurred but not yet reported. Management determines the self-insured reserves for estimated claims based historical rate of claims, actual claims experience and projected claims experience. | We tested the propriety of information underlying management's estimates and the reasonableness of estimates and assumptions. |

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to LACMTA's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.

- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

Refer to the discussion of uncorrected misstatements below as well as the attached summary of waived adjustments.

1. Two known misstatements and one likely misstatement were waived by management relating to the generation and sale of low carbon fuel standards (LCFS) credits, a program administered by the California Air Resources Board. LACMTA generates these credits through the usage of low carbon fuel options, such as CNG and propulsion power, activities that are recorded on the Enterprise fund (business-type activities). Thus, the revenue from the sales of these credits should be recorded on the Enterprise fund. However, management has recorded the revenue on the General fund to provide greater visibility to the revenue being generated.

The first known waived adjustment is to reverse the revenue recorded from the sale of credits in FY 2019 in the General fund and present it as an operating transfer from the Enterprise fund in the amount of \$19.2 million. The second waived adjustment records the \$19.2 million of revenue on the Enterprise fund and the transfer of the funds to the General fund in operating transfers out.

In addition to reclassifying the revenue between LACMTA's funds, we also noted that the number of credits held as of the reporting date, multiplied by their estimated fair value, should be recorded as an asset based on the GASB's definition of an asset. This resulted in a likely misstatement that understated Enterprise fund assets by approximately \$56.8 million, understated revenue by approximately \$13.3 million, and understated net position by approximately \$43.5 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2018, which was reported as waived adjustment in the FY 2018 audit.

2. A known misstatement to record fiduciary fund investments to fair value was waived by management. The OPEB Trust invests in three investment funds. Management recorded the fair value of the investment funds based on the OPEB Trust statement as of the reporting date, which reported the fair value of two of the investment funds as of May 31, 2019 and one investment fund as of March 31, 2019. The fair values reported by the investment funds' capital account statements as of the June 30, 2019 reporting date were \$4.0 million greater resulting in an understatement of investments and investment income.
3. A known misstatement to accrue accounts payable relating to FY 2019 was waived by management. Management's internal process for accruing AP invoices as of the reporting date includes an analysis of invoices received through the end of September based on certain dollar thresholds. Our audit procedures cover invoices that are outside of the parameters used by management. As a result, we identified one invoice that was not accrued for as of the reporting

date, which resulted in an understatement of liabilities and expenditures on the Measure R fund of \$2.7 million.

4. Another known misstatement to accrue accounts payable relating to FY 2019 was waived by management. The related invoice was approved for payment and received by the accounts payable department in September but was not accrued in accordance with the internal procedure described in #3 above. As a result, liabilities and expenditures of the STA fund were understated by \$1.8 million.
5. Known misstatements were waived by management to properly defer revenue relating to unbilled receivables not collected within 90 days of the reporting date. The errors resulted in overstatement of revenue and understatement of deferred inflows of resources of \$3.8 million for the General fund and \$17.0 million for the Measure R fund.

OTHER COMMUNICATIONS

| Communication Item | Results |
|--|--|
| Other Information in Documents Containing Audited Financial Statements Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter. | We understand that management has not prepared such information to accompany the audited financial statements. |
| Significant Difficulties Encountered during the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit. | There were no significant difficulties encountered in dealing with management related to the performance of the audit. |
| Disagreements with Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LACMTA's financial statements or the auditor's report. | During our audit, there were no such disagreements with management. |
| Consultations with Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation. | We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice. |
| Representations The Auditor Is Requesting from Management We are to provide you with a copy of management's requested written representations to us. | We direct your attention to a copy of the letter of management's representation to us provided separately. |
| Significant Issues Discussed, or Subject to Correspondence, with Management | There were no such significant issues discussed, or subject to correspondence, with management. |

| Communication Item | Results |
|---|---|
| We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management. | |
| Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with LACMTA's related parties. | There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process. |
| Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process. | There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process. |

We are pleased to serve LACMTA as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
WAIVED ENTRY SCHEDULE
June 30, 2019
(amounts in thousands)

| Opinion Unit | Account Name | Increase (Decrease) | | | | | | | |
|----------------------------|---------------------------|---------------------|--------|----------------------------------|--------------------------------------|--------------------------------|----------|----------------------------|---------------------------|
| | | Debit | Credit | Assets / Deferred Outflows | Liabilities / Deferred Inflows | Net Position / Fund Balance | Revenues | Expenses / Expenditures | Other Financing S&U |
| 1 Business-type activities | LCFS asset | 56,812 | | 56,812 | | | | | |
| | Other revenue | | 13,319 | | | | 13,319 | | |
| | Net position | | 43,493 | | | 43,493 | | | |
| | Operating transfers out | 19,175 | | | | | | | |
| | Other revenue | | 19,175 | | | | 19,175 | | (19,175) |
| General fund | Miscellaneous revenue | 19,175 | | | | | | | |
| | Operating transfers in | | 19,175 | | | | (19,175) | | 19,175 |
| 2 Fiduciary fund | Cash and investments | 4,020 | | 4,020 | | | 4,020 | | |
| | Investment income | | 4,020 | | | | | | |
| 3 Measure R fund | Subsidies expenditure | 2,719 | | | | 2,719 | | 2,719 | |
| | Accounts payable | | 2,719 | | | | | | |
| 4 STA fund | Subsidies expenditure | 1,798 | | | | | | | |
| | Accounts payable | | 1,798 | | | 1,798 | | 1,798 | |
| 5 General fund | Intergovernmental revenue | 3,799 | | | | | | | |
| | Deferred revenue | | 3,799 | | | 3,799 | | (3,799) | |
| Measure R fund | Intergovernmental revenue | 16,956 | | | | | | | |
| | Deferred revenue | | 16,956 | | | 16,956 | | (16,956) | |



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Fiscal year ended June 30, 2019

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Fiscal year ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 17, 2019. Our report includes a reference to other auditors who audited the financial statements of the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, as described in our report on LACMTA's financial statements. The financial statements of the defined benefit pension plan of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid.

Crowe LLP

Los Angeles, California
December 17, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the fiscal year ended June 30, 2019. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LACMTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LACMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Each Major Federal Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2019.

(Continued)

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

| Federal Grants | CFDA Number | Direct Program and Pass-through Grant Identifying | Total Award | Total expended under federal/state/local for the fiscal year ended June 30, 2019 | | | |
|---|-------------|---|---------------|--|---------------|-------------|-------------|
| | | | | Total | Federal Share | State Share | Local Share |
| U.S. Department of Transportation Federal Transit Administration Passed through State of California Department of Transportation: Highway Planning and Construction Cluster Highway Planning and Construction Extension of Transit way on I-110 to Downtown LA Union Station Master Plan: Alameda Esplanade Freight Advanced Traveler Information System (FRA-TIS) | | | | | | | |
| | 20.205 | EA 07-278008 | \$ 6,272,631 | \$ 195,914 | \$ 81,343 | \$ - | 114,571 |
| | 20.205 | 07-606SF15-F022 | 2,150,000 | 505,967 | 224,718 | - | 281,249 |
| | 20.205 | ATCMTDL-6065(218) | 3,000,000 | 1,488,571 | 744,286 | - | 744,285 |
| | 20.205 | CA-70-X017 | 2,400,000 | 194,218 | 155,374 | - | 38,844 |
| Direct Programs: | | | 13,822,631 | 2,384,670 | 1,205,721 | - | 1,178,949 |
| Highway Planning and Construction Cluster Total | | | | | | | |
| Direct Programs: | | | | | | | |
| | 20.223 | 2013-1009A | 856,000,000 | 150,122,372 | - | - | - |
| | 20.223 | 2013-1008A | 180,000,000 | 17,950,900 | - | - | - |
| | | | 1,016,000,000 | 168,073,272 | - | - | - |
| | | | | | | | |
| Federal Transit Cluster: | | | | | | | |
| | 20.500 | CA-03-0796 | 16,700,000 | 2,437,738 | 1,584,530 | - | 853,208 |
| | 20.500 | CA-03-0783 | 1,214,721 | 122,100 | 97,680 | - | 24,420 |
| | 20.500 | CA-04-0086 | 5,570,960 | 246,569 | 197,255 | - | 493,134 |
| | 20.500 | CA-04-0161 | 2,819,500 | 195,176 | 156,294 | - | 38,881 |
| Federal Transit Capital Improvement Grants: | | | | | | | |
| | 20.500 | CA-2016-046 | 300,000,000 | 100,058,150 | 30,671,525 | - | 69,386,624 |
| | 20.500 | CA-04-0067 | 2,502,232 | 373,972 | 299,177 | - | 74,794 |
| | 20.500 | CA-2016-017-03 | 400,000,000 | 157,230,768 | 73,238,734 | - | 83,992,034 |
| | 20.500 | CA-03-0815 | 23,317,000 | 3,096,829 | 2,146,593 | - | 950,236 |
| Federal Transit - Formula Grants: | | | | | | | |
| | 20.500 | CA-2016-045 | 169,000,000 | 61,811,950 | 51,709,864 | - | 10,102,286 |
| | 20.500 | CA-2016-047-03 | 400,000,000 | 176,727,348 | 81,905,483 | - | 94,821,865 |
| | 20.500 | CA-2016-123 | 1,668,557 | 174,859 | 139,887 | - | 34,972 |
| | 20.500 | CA-2017-044 | 2,000,000 | 1,174,087 | 939,270 | - | 234,817 |
| Federal Transit - Capital Improvement Grants Total | | | 1,324,792,570 | 503,649,546 | 243,086,094 | - | 261,007,271 |
| Federal Transit - Formula Grants: | | | | | | | |
| | 20.507 | CA-90-Y114 | 5,985,469 | 1,283,810 | 1,027,048 | - | 256,762 |
| | 20.507 | CA-90-Y261 | 28,919,529 | 234,998 | - | - | - |
| | 20.507 | CA-90-Y457 | 11,081,700 | 129,236 | - | - | - |
| | 20.507 | CA-95-X251 | 64,000,000 | 641,294 | 615,487 | - | 25,807 |
| Federal Transit - Formula Grants: | | | | | | | |
| | 20.507 | CA-2016-026-01 | 68,730,000 | 79,840,613 | 67,396,082 | - | 12,444,530 |
| | 20.507 | CA-2018-093-01 | 66,986,000 | 72,060,422 | 62,639,538 | - | 9,420,884 |
| | 20.507 | CA-95-X227 | 2,966,000 | 441,391 | 353,113 | - | 88,278 |
| | 20.507 | CA-95-X061 | 3,650,000 | 1,118,017 | 894,414 | - | 223,603 |
| Federal Transit - Formula Grants: | | | | | | | |
| | 20.507 | CA-2018-012 | 2,909,000 | 4,820,879 | 2,560,936 | - | 2,259,943 |
| | 20.507 | CA-2016-025 | 733,533 | 339,306 | 271,445 | - | 67,861 |
| | 20.507 | CA-2016-029-01 | 41,400,000 | 15,195,565 | 12,156,452 | - | 3,039,113 |
| | 20.507 | CA-2016-029-03 | 43,099,032 | 15,734,332 | 12,587,466 | - | 3,146,866 |
| Federal Transit - Formula Grants: | | | | | | | |
| | 20.507 | CA-2016-062 | 35,649,778 | 1,054,889 | 1,054,889 | - | - |
| | 20.507 | CA-2019-134 | 166,573,833 | 207,625,886 | 166,100,709 | - | 41,525,177 |
| | 20.507 | CA-2019-128 | 8,712,652 | 10,890,815 | 8,712,652 | - | 2,178,163 |
| | | | 551,426,526 | 411,411,453 | 336,734,464 | - | 74,676,987 |
| State of Good Repair Grants Program | | | | | | | |
| | 20.525 | CA-2018-031 | 86,251,460 | 16,174,377 | 12,939,502 | - | 3,234,875 |
| | 20.525 | CA-2019-128 | 115,000,000 | 143,750,000 | 115,000,000 | - | 28,750,000 |
| | | | 201,251,460 | 159,924,377 | 127,939,502 | - | 31,984,875 |
| | | | | | | | |

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

| Federal grantor/cluster title/program title/pass-through grantor/project title | CFDA Number | Direct Program and Pass-through Grant Identifying | Total expended under federal/state/local for the fiscal year ended June 30, 2019 | | | |
|--|-------------|---|--|----------------|------------------------------|--------------------------|
| | | | Total | Federal Share | Federal share passed through | Local Share |
| Bus and Bus Facilities Formula Program | | | | | | |
| Section 5329 Bus Overhauls | 20.526 | CA-2019-056 | 34,547,870 | 32,593,513 | - | 3,182,303 (83,633) |
| FY16/17 Section 5339 Bus Acquisitions, O&M Lease, Workforce Dev/Training, and Preventive Maintenance | 20.526 | CA-2018-062 | 23,987,383 | 11,183,092 | - | 992,697 11,851,594 |
| Bus and Bus Facilities Formula Program Total | | | 78,039,949 | 43,776,605 | - | 4,175,000 11,747,961 |
| Federal Transit Cluster Total | | | 2,155,510,405 | 751,516,665 | 3,024,982 | 4,175,000 379,417,094 |
| Transit Services Programs Cluster | | | | | | |
| Enhanced Mobility of Seniors and Individual with Disabilities | | | | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | CA-16-X066 | 6,092,451 | 901,540 | 901,540 | - 304,552 |
| L.A. County Section 5310 Program Administration | 20.513 | CA-2018-029 | 1,043,894 | 204,685 | - | - 204,685 |
| L.A. County Section 5310 AI Subrecipients FY17 | 20.513 | CA-2018-065 | 9,207,811 | 1,634,209 | 1,634,209 | - 213,781 |
| Enhanced Mobility of Seniors and Individual with Disabilities Total | | | 16,344,156 | 3,256,767 | 2,740,434 | - 518,333 |
| Job Access and Reverse Commute Program | | | | | | |
| L.A. County Job Access and Reverse Commute Program, Administration, FY 06-12 | 20.516 | CA-37-X071 | 5,032,849 | 208,328 | - | - |
| Job Access and Reverse Commute Program Project - LA County Job Access and Program Project | 20.516 | CA-37-X100 | 10,343,881 | 534,610 | 332,399 | - 202,211 |
| Job Access and Reverse Commute - Capital/Operating Asset. | 20.516 | CA-37-X123 | 13,878,024 | 692,773 | 491,817 | - 200,956 |
| LA County Job Access and Program Project - Capital/Operating Asset. | 20.516 | CA-37-X171 | 7,711,637 | 870,982 | 870,982 | - |
| Job Access and Reverse Commute Program | | | 36,966,391 | 1,903,525 | 1,695,198 | - 403,167 |
| New Freedom Program | | | | | | |
| New Freedom - Program Adm, FY 06-12 | 20.521 | CA-57-X003 | 2,152,346 | 155,062 | - | - |
| New Freedom - Capital & Operating, Assistance | 20.521 | CA-57-X084 | 8,702,026 | 1,474,283 | 1,474,283 | - 102,982 |
| New Freedom - Capital & Operating, Assistance | 20.521 | CA-57-X100 | 7,354,678 | 517,655 | 258,827 | - 258,828 |
| New Freedom Program Total | | | 18,209,050 | 2,249,992 | 1,733,110 | - 361,810 |
| Transit Services Programs Cluster Total | | | 71,519,597 | 6,532,131 | 5,964,057 | - 1,283,310 |
| Research and Development Cluster | | | | | | |
| Public Transportation Research, Technical Assistance, and Training | | | | | | |
| FY16 Demonstration of Collision Avoidance and Mitigation Technologies on Los Angeles Metro Bus Service | 20.514 | CA-2017-055 | 1,450,000 | 35,171 | 25,499 | - 9,672 |
| Platform Track Intrusion Detection Demo | 20.514 | CA-26-7015 | 1,722,400 | 290,540 | 152,701 | - 137,839 |
| LA County and Puget Sound First / Last Mile Partnership with Lyft | 20.514 | CA-2017-018 | 1,350,000 | 698,448 | 327,662 | - 370,786 |
| Public Transportation Research, Technical Assistance, and Training Total | | | 4,522,400 | 1,024,159 | 505,862 | - 518,297 |
| Research and Development Cluster Total | | | 4,522,400 | 1,024,159 | 505,862 | - 518,297 |
| Federal Transit Administration Total | | | 3,261,375,033 | 927,893,651 | 9,144,413 | 4,175,000 382,387,650 |
| Office of the Secretary | | | | | | |
| National Infrastructure Investments | | | | | | |
| Willowbrook/Rosa Parks Station Improvements | 20.933 | CA-2016-010 | 10,250,000 | 18,573,748 | 7,746,263 | - 10,827,485 |
| Office of the Secretary Total | | | 10,250,000 | 18,573,748 | 7,746,263 | - 10,827,485 |
| U.S. Department of Transportation Total | | | 3,271,625,033 | 1,332,536,231 | 935,579,914 | 4,175,000 393,225,135 |
| U.S. Department of Homeland Security: | | | | | | |
| Direct Programs | | | | | | |
| Rail and Transit Security Grant Program | | | | | | |
| Transit Security Grant Program | 97.075 | EW-2016-RA-00024-S01 | 1,130,800 | 226,543 | - | - |
| Transit Security Grant Program | 97.075 | EW-2017-RA-00027-S01 | 675,000 | 674,986 | - | - |
| U.S. Department of Homeland Security Total | | | 1,805,800 | 901,529 | - | - |
| Total Federal Grants | | | \$3,273,430,833 | \$ 936,481,443 | \$ 9,144,413 | \$ 4,175,000 393,225,135 |

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

| State Grants: | Federal grantor/cluster title/program title/pass-through grantor/project title | CFDA Number | Direct Program and Pass-through Grant Identifying | Total Award | Total expended under federal/state/local for the fiscal year ended June 30, 2019 | | | |
|---------------|---|-------------|---|----------------|--|---------------|------------------------------|----------------|
| | | | | | Total | Federal Share | Federal share passed through | State Share |
| | | | | | | | | |
| | Prop 1B Security - FY 09-10 | | 6261-0002 FFS#037-91170 | \$ 16,103,043 | \$ 11,059 | \$ - | \$ - | \$ 6,777 |
| | Crenshaw / LAX Transit Corridor Project | | STP 07A-0034-13 A.4 | 36,600,000 | 173,822,839 | - | - | 27,520,000 |
| | Prop 1B Security - FY 11-12 | | 6461-0002 | 16,103,043 | 1,132,054 | - | - | 1,132,054 |
| | Alternative & Renewable Fuel & Vehicle Technology Program | | ARV-13-054 | 492,000 | 13,998 | - | - | 730 |
| | Permeable Pavement and Bioretention Pilot Program, LACMTA Division 4 Maintenance Facility | | 14-440-550 | 752,000 | 1,498,212 | - | - | 562,274 |
| | Regional Transportation Planning and Program Development | | STP-PRM16-6065 (204) | 3,098,000 | (430,186) | - | - | (188,735) |
| | Blue Line Light Rail Signal Improvement Project | | 07LACMTA-PS-01-A1 | 38,494,000 | 33,297,639 | - | - | 21,204,926 |
| | STP-PRM (State Transportation Improvement Program) - Planning, Programming & Monitoring Program | | STP-PRM17-6065 (212) | 6,136,000 | 6,796,204 | - | - | 5,224,901 |
| | LCTOP_Metro Exposition (Expo) Phase 2 Operations | | 17-1B-D07-113 | 12,359,825 | 12,359,825 | - | - | 12,359,825 |
| | LCTOP_Metro Gold Line Foothill Extension Phase 2A Operations | | 17-1B-D07-114 | 12,359,824 | 12,359,824 | - | - | 12,359,824 |
| | Division 20 Turnback and Portal Widening | | 07LACMTA-PS-02 | 5,009,000 | 50,473,250 | - | - | 2,111,975 |
| | Los Angeles - San Fernando Valley North-South Bus Transit | | 07A00034-05 A11 | 27,000,000 | 2,903,510 | - | - | 2,903,510 |
| | I-710 Livability Initiative for Complete Streets & Active Transportation | | 74A0912 | 500,000 | 293,162 | - | - | 175,339 |
| | ROSA PARKS-MEZZANINE | | 07A0034-17 A1 | 14,808,000 | 13,105,781 | - | - | 8,214,578 |
| | West Santa Ana Branch Transit Corridor (WSAB) | | 07A0034-18 | 18,500,000 | 12,266,621 | - | - | 3,837,212 |
| | TAP-FAREBOX UPGRADE | | 07A0034-19 | 22,500,000 | 20,254,157 | - | - | 10,127,079 |
| | Greenhouse Gas Reduction Funds (GGRF) | | ATPL-6065(221) | 2,287,000 | 1,143,452 | - | - | 1,143,452 |
| | Rosecrans/Marquardt Grade Separation Project | | HSR17-19 | 76,665,000 | 21,817,738 | - | - | 11,521,562 |
| | Total State Grants | | | \$ 309,766,735 | \$ 363,223,139 | \$ - | \$ - | \$ 120,217,292 |
| | | | | | | | | \$ 243,005,857 |

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the grant activity of all expenditures of federal and state award programs of the Los Angeles County Metropolitan Transportation Authority (LACMTA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule. The Schedule also includes state grants that do not participate in the federal awards. LACMTA is the reporting entity as defined in Note 1 to the financial statements of LACMTA's basic financial statements.

NOTE 2 – BASIS OF PRESENTATION

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LACMTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – STATE AND LOCAL FUNDS REIMBURSEMENT

LACMTA utilizes state and local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, LACMTA reimburses state and local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred during the current fiscal year, but before a federal grant is executed are included as state or local on the Schedule in the year the expenditures are incurred and are reported as federal on the Schedule in the year the grant was executed.

NOTE 4 – FEDERAL FINANCIAL ASSISTANCE

Pursuant to the Single Audit Act and Uniform Guidance Compliance Supplement, the federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

NOTE 5 – MAJOR PROGRAMS

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for LACMTA are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2019

**NOTE 6 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA)
PROGRAM LOANS**

LACMTA has entered into four Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreements with the United States Department of Transportation for a total amount not to exceed \$1,868,900,000 to finance portions of the Crenshaw/LAX Corridor Project, Regional Connector Transit Corridor Project, and Westside Purple Line Extension Sections 1 and 2 Projects. Total TIFIA loan draws during the fiscal year ended June 30, 2019 totaled \$168,073,272. As of June 30, 2019, the amount outstanding including principal and interest on all TIFIA loans was \$1,465,629,786.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

CFDA 20.500 / 20.507 / 20.525 / 20.526

Federal Transit Cluster

CFDA 20.933

National Infrastructure Investments

Dollar threshold used to distinguish type A and B programs:

 \$ 3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

FEDERAL FUNDING ALLOCATION DATA

Transportation Operating Agency (ID# 90154)

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

Fiscal year ended June 30, 2019

Independent Accountant's Report
on Applying Agreed Upon Procedures

Management and the Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics form (FFA-10) of the Los Angeles County Metropolitan Transportation Authority's (the Authority) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.
- Data is consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures, as described in Attachment A, to the data contained in the accompanying FFA-10 for the fiscal year ending June 30, 2019. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2019 Policy Manual* and were agreed to by the Authority management and the Board of Directors, were applied to assist the Authority in evaluating whether the Authority complied with the standards described in the first paragraph of this part and that the information included in the NTD report FFA-10 for the fiscal year ending June 30, 2019 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2019 Policy Manual*. The District management is responsible for the FFA-10 and compliance with NTD requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures in Attachment A were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of the Authority for the fiscal year ending June 30, 2019 for each of the following modes:

- Motor Bus – directly operated
- Motor Bus – purchased transportation
- Rapid Bus – directly operated
- Heavy Rail – directly operated
- Light Rail – directly operated
- Vanpool – purchased transportation

In performing the procedures, except for the information identified in Attachment A to this report, no matters came to our attention that would be required to be reported to you regarding the information included in the NTD report on the FFA-10 Form for the fiscal year ending June 30, 2019. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2019 Policy Manual*. 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. This report relates only to the information described above and does not extend to the Authority's financial statements taken as a whole, or the forms in the Authority's NTD report other than the FFA-10 form, for any date or period.

This report is intended solely for the information and use of the Board of Directors, the management of the Authority, and the FTA and is not intended to be and should not be used by anyone other than these specified parties.


Crowe LLP

Los Angeles, California
October 31, 2019

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

FTA Suggested Procedures:

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2019 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

Step performed without exception.

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis, and
 - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2019 Policy Manual.

Step performed without exception.

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).

Step performed without exception.

- d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Selected source documents from all modes and from several different months in fiscal years 2018, 2017, and 2016 to ensure they were retained for a minimum of three years. We observed that the source documents were maintained for each fiscal year as required.

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Per inquiry with the management, the individuals reviewing source documents are independent of individuals preparing the information and the review is done on a periodic basis depending on the data being reviewed.

- f. Select a haphazard sample of source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' review.

Selected a haphazard sample of 114 source documents, noting the required approval on all source documents. Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

We obtained the worksheets and agreed the data on the worksheets to the summaries provided and verified the arithmetical accuracy of the summaries without exception for the VP-PT, HR-DO, LR-DO, MB-DO, and RB-DO modes. For the MB-PT mode, the periodic summaries we recalculated totaled 12,307,463 UPT, 5,776,350 VRM, and 498,563 VRH while the FFA-10 form presented 12,066,673 UPT, 5,729,536 VRM, and 493,830 VRH, resulting in variances of 240,790 UPT, 46,814 VRM, and 4,733 VRH. We recalculated the mathematical accuracy of worksheets used to prepare the summaries and 41,964 of the VRM variance and 1,505 of the VRH variance were due to mathematically inaccurate calculations. Per inquiry with management, the variances are due to the exclusion of the Dodger Stadium Express information. The formula errors are in the process of being corrected and checked for accuracy.

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2019 Policy Manual.

For the rail and van pool modes, the Authority utilized a statistical sampling method as described in FTA Circulars 2710.1A. For the bus modes, the Authority utilized a 100% count verification for passenger trips and an estimate of passenger miles based on a statistical sampling method as described in FTA Circulars 2710.2A.

- i. Discuss with transit agency staff, the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- a. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
 - b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
 - c. Service purchased from a seller is included in the transit agency's NTD report.
 - d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2019) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
 - e. Determine how the transit agency estimated annual PMT for the current report year.

Per inquiry with the Authority management, the Authority does not meet any of the three criteria that allows transit agencies to conduct statistical samples for accumulating passenger mile data every third year. Therefore, the Authority conducts statistical sampling annually as described in procedure h.

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a haphazard selection of runs. If the transit agency missed a selected

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

sample run, determine that a replacement sample run was haphazard. Determine that the transit agency followed the stated sampling procedure.

Step performed without exception.

- k. Select a haphazard sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a haphazard sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

Selected a haphazard sample of 150 source documents across all modes from all twelve months in fiscal year 2019, used for accumulating passenger miles traveled (PMT) data and determined they were complete and mathematically accurate. We tested the average trip length and the total trips for each of the samples and recomputed the accumulations for each period. Step performed without exception.

- l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and identify that stated procedures are followed. Select a haphazard sample of source documents used to record charter bus service and test the arithmetical accuracy of the computations.

Step performed without exception.

- m. For actual vehicle revenue miles (VRM) data, document the collection and recording methodology and identify that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a haphazard sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
 - If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a haphazard sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
 - If actual VRMs are calculated from vehicle logs, select haphazard samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, the Authority uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles. Selected a haphazard sample of 77 source documents across all modes and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception for the VP-PT, HR-DO, LR-DO, MB-DO, and RB-DO modes. For the MB-PT mode, we recalculated total deadhead miles of 1,336,363 compared to the S-10 deadhead miles of 1,345,832, resulting in a variance of 9,469 miles. This variance was caused by the incorrect formulas described in procedure g. The formula errors are in the process of being corrected and checked for accuracy by management, as noted in procedure g.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- n. For rail modes, obtain and read the recording and accumulation sheets for actual VRM's and identify that locomotive miles are not included in the computation.

Step performed without exception. There are no locomotives.

- o. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or
 - Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and
 - Access is restricted
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation (see Fixed Guideway Segments form (P-40))
 - High Occupancy / Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

Step performed without exception.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that the he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Per inquiry of management, no service changes resulted in a change in overall DRMs.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the FG-DRMs lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.

Per inquiry of management, a portion of the Blue Line light rail was closed for construction during 2019, however no change in reporting FG DRM was required as the interruption was less than 12 months.

- r. Measure FG/HIB DRM from maps or by retracing route.

We measured all FG/HIB maps. Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

Per inquiry of management, the Authority is the approved operator for all their FG and the Authority is reporting their actual VRM, PMT, and OE for their services. Step performed without exception.

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2019 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2019 report year, the Agency Revenue Service Date must occur within the transit agency's 2019 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

We obtained the FG/HIB segments form. Per inquiry of management, two new FG segments were added in fiscal year 2019 for Flower Street and Figueroa Street Bus Lanes. Step performed without exception.

- u. Compare operating expenses with audited financial data after reconciling items are removed.

We compared the operating expenses to the draft financial data presented for audit without exception. The audited financial statements were not complete as of the date of this report.

- v. If the transit agency purchases transportation (PT) services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

We compared the PT fare revenues to the B-30 form. For one MB-PT contractor, the fare revenues per the monthly invoices totaled to \$922,591 compared to fare revenues per Form B-30 of \$912,406, resulting in a variance of \$10,185. Per inquiry with management, the source of the variances is known and in the process of being corrected. We agreed the fare revenue for other PT providers without exception. This procedure is not applicable for the van pool mode.

- w. If the transit agency's report contains data for PT services and assurances of the data for those services is not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation (IAS-FFA) data of the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the PT data.

We inquired to management and noted that the report does include PT from private operators, but that an Independent Auditor Statement is not required since the Authority is a public transportation provider and the PT expenditures are included on the B-30 form of the NTD.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2019

- x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

We obtained a copy of the PT contract for each provider and noted that the contract included a description of the services to be provided, the monetary consideration obligated by the Authority for the service and the period covered by the contract and that this period is the same as, or a portion of, the period covered by the Authority's NTD report; and is signed by representatives of both parties to the contract. Management stated that copies of the executed contracts are retained for the last three years, as applicable.

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Per management, the Authority provides most of their services in one UZA and therefore it is all allocated to that one UZA. Additionally, all the services provided are in urbanized areas and allocations to non-urbanized areas are not required, therefore the procedure is not applicable.

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

We compared and agreed the data reported on the Federal Funding Allocation Statistics form (Form FFA-10) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. There were no variances greater than 10% in any mode except for LR-DO and RB-DO. In those two modes, we inquired to the Authority and documented the explanations for the variances.

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

Step performed without exception.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY
50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY**

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| 50% Expenditure Limitation Schedule | 3 |

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA CODE OF
REGULATIONS (SECTION 6667); REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON 50% EXPENDITURE LIMITATION SCHEDULE

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance with the Transportation Development Act

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements described in the Transportation Development Act Guidelines, including Public Utility Code Section 99245 as enacted and amended by statute, and the allocation instructions and resolutions of the Los Angeles County Metropolitan Transportation Authority (as Planning Agency) as required by Section 6667 of the California Code of Regulations adopted by the California Department of Transportation (collectively, Transportation Development Act [TDA]) that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for LACMTA's TDA program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Transportation Development Act. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the TDA program occurred. An audit includes examining, on a test basis, evidence about LACMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the TDA program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on the Transportation Development Act Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the TDA program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the TDA program and to test and report on internal control over compliance in accordance with the TDA program, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a TDA program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the TDA program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the TDA program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

Report on 50% Expenditure Limitation Schedule

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 50% expenditure limitation schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 50% expenditure limitation schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Amounts expressed in thousands)

| | | | |
|----------|---|-----------|------------------|
| 1 | Total operating cost | \$ | 1,854,960 |
| 2 | Total capital requirements | | 1,702,134 |
| 3 | Total debt service | | 668,625 |
| 4 | Total of lines 1, 2, and 3 | | 4,225,719 |
| 5 | Less federal grant received | | 653,482 |
| 6 | Less State Transit Assistance (STA) funds received | | 193,452 |
| 7 | Total of lines 5 and 6 | | 846,934 |
| 8 | Total of line 4 less line 7 | | 3,378,785 |
| | 50% of line 8 | | 1,689,393 |
| | Total permissible Local Transportation Fund expenditures | \$ | 1,689,393 |



**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA
CODE OF REGULATIONS (SECTIONS 6640-6662); REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance with the Transportation Development Act

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements described in the Transportation Development Act Guidelines, including California Code of Regulations (Sections 6640-6662) (Transportation Development Act [TDA]) that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for LACMTA's TDA program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Transportation Development Act. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the TDA program occurred. An audit includes examining, on a test basis, evidence about LACMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for the TDA program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on the Transportation Development Act Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the TDA program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the TDA program and to test and report on internal control over compliance in accordance with the TDA program, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a TDA program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the TDA program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the TDA program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LACMTA as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balances is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balances is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019
(Amounts expressed in thousands)

| Revenues: | <u>Planning</u> | <u>Administration</u> | <u>Total</u> |
|--------------------------------------|------------------------|------------------------------|---------------------|
| Local grants and contracts | \$ 5,135 | \$ 3,365 | \$ 8,500 |
| Expenditures: | <u>5,135</u> | <u>3,365</u> | <u>8,500</u> |
| Excess of revenues over expenditures | — | — | — |
| Other financing uses; | | | |
| Transfer out | <u>—</u> | <u>—</u> | <u>—</u> |
| Net change in fund balance | — | — | — |
| Fund balance – beginning of year | <u>—</u> | <u>—</u> | <u>—</u> |
| Fund balance – end of year | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

See notes to Schedule of Revenues Expenditures, and Change in Fund Balance.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

(1) Transportation Planning Agency

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is the regional transportation planning agency responsible for long-range transportation planning and is designated under the provisions of Section 65080 of the California Government Code (the Code) to prepare and adopt the Regional Transportation Plan (RTP) and the Regional Transportation Improvement Program (RTIP). Both the RTP and RTIP are directed to achieve a coordinated and balanced regional transportation system for the county in its jurisdiction. LACMTA is also the administrator of the Local Transportation Fund (LTF) under the provisions of Section 9532 of the Code.

The LTF was created by the Transportation Development Act (TDA) to fund transit projects in each county. The LTF retail sales taxes collected statewide by the California Department of Tax and Fee Administration and which are returned to individual counties according to the amount collected within that county. Los Angeles County sales tax receipts are deposited in the Los Angeles County Treasurer's Office. LACMTA, as administrator of the LTF, is authorized to distribute funds from the Treasurer's Office to claimants for transit projects that are in accordance with the Code.

(2) Basis of Accounting

The TDA Fund uses the modified accrual basis of accounting as required by generally accepted accounting principles. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND**

**Financial Statements
Fiscal Years Ended June 30, 2019 and 2018**

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE
SPECIAL REVENUE FUND**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund, of the LACMTA, as of June 30, 2019 and 2018, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the Los Angeles County Metropolitan Transportation Authority, as of June 30, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis, budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers are presented for purposes of additional analysis and are not a required part of the financial statements.

The management's discussion and analysis, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis is fairly stated, in all material respects, in relation to the financial statements as a whole.

The budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the STA Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the STA Fund's internal control over financial reporting and compliance.



Crowe LLP

Los Angeles, California
December 10, 2019

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the STA Fund's financial statements, and have issued our report thereon dated December 10, 2019. As discussed in Note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of LACMTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the STA Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the STA Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the STA Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the STA Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid.

Crowe LLP

Los Angeles, California
December 10, 2019

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2019 and 2018

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

Our discussion and analysis of STA Fund's financial performance presents an overview of the STA Fund's financial activities during the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 8). The financial statements, notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of the management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

2019 Financial Highlights

- Sales tax collected for the year increased by \$44,932 or 29.77% compared with prior year primarily due to increase in the price of diesel and gasoline fuel in addition to the passage of Senate Bill 1 (SB 1) which increased the excise tax rates for motor vehicle and diesel fuel, and also increased the additional statewide sales and use tax rate effective November 1, 2017.
- Actual sales tax received from the State totaled \$195,872 compared with original and final budget of \$150,487 resulting in a favorable variance of \$45,385.
- Total other financing uses of funds increased by \$144,444 or 294.74% compared with the prior year primarily due to an increase in State allocation received and made available to subsidize LACMTA Enterprise Fund for bus and rail operation and maintenance and transportation subsidies to cities/other agencies.

2018 Financial Highlights

- Sales tax collected for the year increased by \$76,913 or 103.90% compared with prior year. The increase was mainly due to additional sales tax received from the passage of Senate Bill 1 (SB 1) with an increase in diesel and gas taxes starting November 1, 2017.
- Actual sales tax received from the State totaled \$150,940 compared to original and final budget of \$60,000 resulting in a favorable variance of \$90,940 mainly due to the supplemental allocations received with the passage of Senate Bill 1 (SB 1) that were not budgeted during the fiscal year 2018.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2019 and 2018

Total other financing uses of funds increased by \$11,480 or 30.59% compared with prior year brought about by an increase in State allocation received and made available to subsidize the LACMTA Enterprise Fund for bus and rail operation and maintenance.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the financial statements. The STA Fund's financial statements consisted of two components: (1) the fund financial statements, and (2) the notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

The condensed balance sheets show the STA Fund's assets and liabilities as of June 30, 2019, 2018, and 2017. The differences between the assets and liabilities are reported as fund balances. The fund balance may serve as a useful indicator of the STA Fund's financial health.

The comparative statements of revenues, expenditures and changes in fund balance for the fiscal years show the underlying events or activities of the fund that impacted the fund balances.

Condensed Balance Sheets

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-------------------------------------|-------------------|-------------------|------------------|
| Total assets | \$ 103,909 | \$ 114,973 | \$ 33,829 |
| Total liabilities | 24,038 | 9,544 | 24,224 |
| Fund balances | 79,871 | 105,429 | 9,605 |
| Total liabilities and fund balances | <u>\$ 103,909</u> | <u>\$ 114,973</u> | <u>\$ 33,829</u> |

Total assets decreased by \$11,064 or 9.62% as of June 30, 2019 compared to June 30, 2018 primarily due to an increase in drawdown from cities/other agencies and subsidies to Enterprise funds for its operation and rail maintenance operations. Total liabilities increased by \$14,494 or 151.87% as of June 30, 2019 compared to June 30, 2018 mainly due to the increase in accrual of subsidies to LACMTA Enterprise fund for its bus and rail operation and maintenance.

Total assets increased by \$81,144 or 239.87% as of June 30, 2018 compared to June 30, 2017 primarily due to higher allocation and larger receivable accrued in FY18 compared to the prior year. Total liabilities decreased by \$14,680 or 60.60% as of June 30, 2018 compared to June 30, 2017 mainly due to the disbursement in FY17 of the amounts due to Enterprise Fund for its operating and capital expenses.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2019 and 2018

Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------------|--------------------------|------------------------|
| Revenues | \$ 197,998 | \$ 151,635 | \$ 74,170 |
| Expenditures and other financing uses of funds | <u>(223,556)</u> | <u>(55,811)</u> | <u>(51,471)</u> |
| Net change in fund balances | (25,558) | 95,824 | 22,699 |
| Fund balances – beginning of year | <u>105,429</u> | <u>9,605</u> | <u>(13,094)</u> |
| Fund balances – end of year | <u><u>\$ 79,871</u></u> | <u><u>\$ 105,429</u></u> | <u><u>\$ 9,605</u></u> |

Total revenues increased \$46,363 or 30.58% during fiscal year 2019 compared to fiscal year 2018 primarily due to an increase in investment income with favorable interest yield and the increase in the price of gasoline and diesel fuel tax with Senate Bill 1 (SB 1) that went into effect in November 1, 2017. Expenditures and other financing uses increased \$167,745 or 300.56% during fiscal 2019 compared to fiscal year 2018 mainly due to an increase in claims for transportation subsidies by cities/other agencies and by LACMTA Enterprise fund for its bus and rail operations where fiscal year 2018 allocations were programmed together in fiscal year 2019.

Total revenues increased by \$77,465 or 104.44% during fiscal year 2018 compared to fiscal year 2017 primarily due to the supplemental sales tax allocations received from the State as a result of the passage of Senate Bill 1 (SB 1). Expenditures and other financing uses increased by \$4,340 or 8.43% during fiscal 2018 compared to fiscal year 2017 mainly due to higher bus and rail operating subsidies to the LACMTA Enterprise Fund.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
 Balance Sheets
 June 30, 2019 and 2018
 (Amounts expressed in thousands)

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 51,400 | \$ 66,803 |
| Interest receivable | 439 | 266 |
| Sales tax receivable | 52,070 | 47,866 |
| Due from other funds | — | 38 |
| Total assets | <u>103,909</u> | <u>114,973</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 611 | 2,655 |
| Due to other funds | 23,427 | 6,889 |
| Total liabilities | <u>24,038</u> | <u>9,544</u> |
| Fund balances | | |
| Restricted | <u>79,871</u> | <u>105,429</u> |
| Total liabilities and fund balances | <u>\$ 103,909</u> | <u>\$ 114,973</u> |

See accompanying notes to financial statements.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Statements of Revenues, Expenditures, and Changes in Fund Balances
Fiscal years ended June 30, 2019 and 2018
(Amounts expressed in thousands)

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-------------------------|--------------------------|
| Revenues: | | |
| Sales tax | \$ 195,872 | \$ 150,940 |
| Investment income | <u>2,126</u> | <u>695</u> |
| Total revenues | 197,998 | 151,635 |
| Expenditures: | | |
| Transportation subsidies | <u>30,104</u> | <u>6,803</u> |
| Excess of revenues over expenditures | <u>167,894</u> | <u>144,832</u> |
| Other financing uses: | | |
| Transfers out | <u>(193,452)</u> | <u>(49,008)</u> |
| Net change in fund balances | (25,558) | 95,824 |
| Fund balances - beginning of year | <u>105,429</u> | <u>9,605</u> |
| Fund balances - end of year | <u><u>\$ 79,871</u></u> | <u><u>\$ 105,429</u></u> |

See accompanying notes to financial statements.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Notes to Financial Statements
June 30, 2019 and 2018

1. Summary of Significant Accounting Policies

(a) General Description

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of retail sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

(b) Basis of Accounting

The STA Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request.

(c) Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The STA Fund is considered a governmental fund. The measurement focus is the determination of changes in financial position, rather than net income determination. Additionally, the STA Fund is considered a special revenue governmental fund. Special revenue funds are used to account for proceeds of specific revenue sources including sales tax that are legally restricted to expenditures for specified purposes.

(d) Financial Statement Presentation

The accompanying financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the LACMTA as of June 30, 2019 and 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Notes to Financial Statements
June 30, 2019 and 2018

(e) Cash and Cash Equivalents

The STA Fund's cash and cash equivalents include deposits with the Los Angeles County Investment Pool (LACIP). The STA Fund is an involuntary participant in the LACIP.

(f) Sales Tax Receivable

Sales tax receivables represent uncollected amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. As of June 30, 2019 and 2018, the STA Fund had receivables of \$52,070 and \$47,866 respectively.

2. Cash and Investments

Cash balances of the STA Fund are pooled with other County funds and invested by the Los Angeles County Treasurer (the Treasurer). These funds are subject to withdrawal from the Treasurer's pool upon demand.

STA Fund's pooled cash and investments with the LACIP amounted to \$51,400 at June 30, 2019 and \$66,803 at June 30, 2018. The County Board of Supervisors provides regulatory oversight for the LACIP. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2019 and 2018.

Detailed information concerning the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be obtained by writing to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

3. Due to/from Other Funds

Due to or from other funds represent payables owed to or receivable from a particular LACMTA fund for temporary loans, advances, goods delivered, or services rendered. As of June 30, 2019 and 2018, the STA Fund had a net payable mainly to LACMTA's Enterprise Fund for \$23,427 and \$6,889, respectively, for various unpaid operating and capital subsidies.

4. Interfund Transfers

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies given out from one fund to another fund. For the fiscal years ended June 30, 2019 and 2018, the STA Fund transferred \$193,452 and \$49,008 to LACMTA Enterprise Fund, respectively.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Notes to Financial Statements
June 30, 2019 and 2018

5. Sales Tax Revenue

Sales tax revenue represents amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. For the years ended June 30, 2019 and 2018, the STA Fund received an allocation of \$195,872 and \$150,940 respectively.

6. Payable to Cities and Jurisdictions

As of June 30, 2019 and 2018, the STA Fund had accrued liabilities to various cities and other jurisdictions of \$611 and \$2,655, respectively. These accrued liabilities represented claims for the current fiscal year allocation that were disbursed by the STA Fund in the following fiscal year.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Unaudited)
Fiscal year ended June 30, 2019

| | Original Budget | Final Budget | Actual | Variance with Final budget |
|--------------------------------------|----------------------------|-------------------------|---------------|---------------------------------------|
| Revenues: | | | | |
| Sales tax | \$ 150,487 | \$ 150,487 | \$ 195,872 | \$ 45,385 |
| Investment income | — | — | 2,126 | 2,126 |
| Total revenues | 150,487 | 150,487 | 197,998 | 47,511 |
| Expenditures: | | | | |
| Transportation subsidies | 25,918 | 25,918 | 30,104 | (4,186) |
| Excess of revenues over expenditures | 124,569 | 124,569 | 167,894 | 43,325 |
| Other financing sources (uses): | | | | |
| Transfers out | (191,076) | (191,076) | (193,452) | (2,376) |
| Net change in fund balances | (66,507) | (66,507) | (25,558) | 40,949 |
| Fund balances – beginning of year | 105,429 | 105,429 | 105,429 | — |
| Fund balances – end of year | \$ 38,922 | \$ 38,922 | \$ 79,871 | \$ 40,949 |

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Supplemental Schedule of Allocations (Unaudited)
Fiscal years ended June 30, 2019 and 2018
(Amounts expressed in thousands)

| CCR Code | Operating 6730(a) | Capital 6730(b) | Rail 6730(c) | 2019 Total | 2018 Total |
|-------------------------------|----------------------|--------------------|------------------|-------------------|-------------------|
| Arcadia | \$ 89 | \$ — | \$ — | \$ 89 | \$ 42 |
| Claremont | 35 | — | — | 35 | 24 |
| Commerce | 113 | — | — | 113 | 65 |
| Culver City | 1,410 | — | — | 1,410 | 807 |
| Foothill Transit | 6,490 | — | — | 6,490 | 3,606 |
| Gardena | 1,415 | — | — | 1,415 | 798 |
| La Mirada | 27 | — | — | 27 | 18 |
| Long Beach | 6,057 | — | — | 6,057 | 3,494 |
| LACMTA | 72,040 | — | 71,490 | 143,530 | 84,090 |
| Montebello | 2,135 | — | — | 2,135 | 1,237 |
| Norwalk | 824 | — | — | 824 | 449 |
| Redondo Beach | 192 | 1 | — | 193 | 109 |
| Santa Monica | 5,208 | — | — | 5,208 | 2,989 |
| Torrance | 1,648 | — | — | 1,648 | 956 |
| Antelope Valley | 585 | — | — | 585 | 410 |
| LADOT | 1,213 | — | — | 1,213 | 839 |
| Santa Clarita | 565 | — | — | 565 | 416 |
| Foothill –BSCP | 263 | — | — | 263 | 183 |
| Total STA fund allocations | <u>\$ 100,309</u> | <u>\$ 1</u> | <u>\$ 71,490</u> | <u>\$ 171,800</u> | <u>\$ 100,532</u> |

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund**

**Supplemental Schedule of Expenditures and Transfers (Unaudited)
Fiscal years ended June 30, 2019 and 2018
(Amounts expressed in thousands)**

| CCR Code | FY2019 | | | | FY2018 | | | |
|-----------------------------|----------------------|--------------------|-----------------|------------|----------------------|--------------------|-----------------|-----------|
| | Operating 6730(a) | Capital 6730(b) | Rail 6730(c) | Total | Operating 6730(a) | Capital 6730(b) | Rail 6730(c) | Total |
| Arcadia | \$ 69 | \$ — | \$ — | \$ 69 | \$ 16 | \$ — | \$ — | \$ 16 |
| Claremont | 13 | 25 | — | 38 | 3 | — | — | 3 |
| Commerce | 162 | — | — | 162 | 46 | — | — | 46 |
| Culver City | 1,771 | — | — | 1,771 | 195 | 37 | — | 232 |
| Foothill Transit | 6,753 | — | — | 6,753 | 1,991 | — | — | 1,991 |
| Gardena | 1,773 | 244 | — | 2,017 | 441 | — | — | 441 |
| La Mirada | — | — | — | — | 6 | — | — | 6 |
| Long Beach | 7,622 | — | — | 7,622 | 1,930 | — | — | 1,930 |
| LACMTA | 103,806 | — | 89,646 | 193,452 | 10,119 | — | 38,889 | 49,008 |
| Montebello | 1,344 | 373 | — | 1,717 | 299 | — | — | 299 |
| Norwalk | 964 | — | — | 964 | 369 | — | — | 369 |
| Redondo Beach | 226 | — | — | 226 | 82 | — | — | 82 |
| Santa Clarita | 981 | — | — | 981 | — | — | — | — |
| Santa Monica | 6,136 | — | — | 6,136 | 722 | — | — | 722 |
| Torrance | 1,648 | — | — | 1,648 | 666 | — | — | 666 |
| Total STA fund expenditures | \$ 133,268 | \$ 642 | \$ 89,646 | \$ 223,556 | \$ 16,885 | \$ 37 | \$ 38,889 | \$ 55,811 |

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (the STA Fund), a special revenue fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheet as of June 30, 2019 and 2018, and the related statement of revenues, expenditures, and changes in fund balance for the years then ended, and have issued our report thereon dated December 10, 2019.

In connection with our audit, nothing came to our attention that caused us to believe that LACMTA failed to comply with the terms, covenants, provisions, or conditions of Section 6751 of the California Code of Regulations, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding LACMTA's noncompliance with the above-referenced terms, covenants, provisions, or conditions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management, LACMTA's Board of Directors, others within LACMTA, and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Los Angeles, California
December 10, 2019



Crenshaw Project Corporation

**(A Component Unit of the Los Angeles County
Metropolitan Transportation Authority)**

Financial Statements

For the Year Ended June 30, 2019

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Financial Statements
For the Fiscal Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crenshaw Project Corporation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Crenshaw Project Corporation (CPC), a blended component unit of the Los Angeles County Metropolitan Transportation Authority, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CPC, as of June 30, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019 on our consideration of the CPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CPC's internal control over financial reporting and compliance.



Crowe LLP

Los Angeles, California

October 4, 2019

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Crenshaw Project Corporation
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Crenshaw Project Corporation (CPC) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements, and have issued our report thereon dated October 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CPC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CPC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CPC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid.

Crowe LLP

Los Angeles, California
October 4, 2019

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

As management of the Crenshaw Project Corporation (CPC), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the CPC for the fiscal year ended June 30, 2019. This discussion and analysis is designed to assist the readers in focusing on the significant financial issues and activities of the CPC.

We encourage the readers to consider the information presented herein in conjunction with the financial statements beginning on page 8. The financial statements, the notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

Background

The Crenshaw Project Corporation (CPC) was formed on March 23, 2012 for the sole purpose of participating in financing public transportation projects of the Los Angeles County Metropolitan Transportation Authority (LACMTA).

The CPC currently serves as the conduit borrower as part of a financing agreement with the United States Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act (TIFIA) program to partially finance the construction of LACMTA's Crenshaw/LAX Transit Corridor Project (Project).

Financial Highlights

- In September 2012, the CPC secured a \$545,900 TIFIA loan from the USDOT to partially finance the Project. The loan under the TIFIA program is secured by Measure R sales tax revenues allocated to the Project. As of June 30, 2019, CPC has drawn down the full amount of TIFIA loan proceeds.
- Total assets of \$594,799 represent advances to LACMTA while total liabilities of \$594,799 consist of the principal amount of \$545,900 and the aggregate interest accretion of \$48,899 on the TIFIA loan. Therefore, there is no net position as of June 30, 2019.
- Total expenses of \$24 consist mostly of loan fees and other administration charges which were reimbursed by LACMTA.
- As of June 30, 2019, \$2.02 billion has been expended on the Project and included in LACMTA's Comprehensive Annual Financial Report (CAFR) under the Capital Assets section of the Statement of Net Position of the Enterprise fund.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

Overview of the Basic Financial Statements

This Management's Discussion and Analysis serves as an introduction to the CPC's basic financial statements. The CPC's basic financial statements are: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

The CPC's basic financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as promulgated by the Government Accounting Standards Board (GASB). The CPC is structured as an Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred. See the notes to the financial statements for the summary of the CPC's significant accounting policies.

The Statement of Net Position presents information on all of the CPC's assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the CPC's operations. The Statement of Cash Flows presents the cash flows generated by the CPC to meet its current maturing obligations. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Presented below are the condensed Statement of Net Position and condensed Statement of Revenues, Expenses, and Changes in Net Position as of and for the year ended June 30, 2019.

| | |
|---|------------|
| Condensed Statement of Net Position | |
| Non-current assets | \$ 594,799 |
| Total assets | 594,799 |
| Non-current liabilities | 594,799 |
| Total liabilities | 594,799 |
| Net position | \$ — |
| Condensed Statement of Revenues, Expenses, and Changes in Net Position | |
| Revenues | \$ 24 |
| Expenses | 24 |
| Change in net position | — |
| Net position - beginning of year | — |
| Net position - end of year | \$ — |

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Net Position
June 30, 2019
(Amounts expressed in thousands)

Assets

| | | |
|--------------------|----|----------------|
| Non-current assets | | |
| Advances to LACMTA | \$ | 594,799 |
| Total Assets | | <u>594,799</u> |

Liabilities

| | | |
|-------------------------|--|----------------|
| Non-current liabilities | | |
| Notes payable | | 594,799 |
| Total Liabilities | | <u>594,799</u> |

| | | |
|---------------------|-----------|-----------------|
| Net Position | \$ | <u>—</u> |
|---------------------|-----------|-----------------|

The notes to the financial statements are an integral part of this statement.

Crenshaw Project Corporation
 (A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019
 (Amount expressed in thousands)

| | | |
|--|-----------|---------------|
| Operating revenues | | |
| Charges for services | \$ | 24 |
| Operating expenses | | |
| Professional, technical and other services | | 24 |
| Change in net position | | <hr/> — |
| Net position - beginning of year | | <hr/> — |
| Net position - end of year | \$ | <hr/> <hr/> — |

The notes to the financial statements are an integral part of this statement.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Statement of Cash Flows
For Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

| | |
|---|--------------------|
| Cash flows from operating activities | |
| Receipts from LACMTA | \$ 24 |
| Payments to vendors | (24) |
| Net cash flows from operating activities | <u>—</u> |
| Net increase (decrease) in cash and cash equivalents | — |
| Cash and cash equivalents - beginning of year | — |
| Cash and cash equivalents - end of year | <u><u>\$ —</u></u> |
| Non-cash financing activity | |
| Interest accretion on notes payable | \$ 14,135 |

The notes to the financial statements are an integral part of this statement.

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

The notes to the financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise stated, all dollar amounts are expressed in thousands.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Crenshaw Project Corporation (CPC) was formed for the specific purpose of securing a loan from United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program for the construction of LACMTA's Crenshaw/LAX Transit Corridor Project (Project). The Project has an approved life-of-project (LOP) budget of \$2.05 billion that covers the design and construction of a new 8.5-mile double-track Light Rail Transit (LRT) line, including eight transit stations, procurement of a minimum of 20 light rail vehicles, and the construction of a full service maintenance facility known as the "Southwestern Yard". The Project will extend from the EXPO Line (at the intersection of Exposition and Crenshaw Boulevards) and the Metro Green Line near the existing Aviation/LAX Station.

The CPC is governed by a Board of Directors (CPC Board) consisting of the same members of the Board of Directors of LACMTA (Metro Board). The Chair, First-Chair and Second-Chair of the Metro Board shall have the corresponding positions on the CPC Board. The Board members may serve only as long as they are members of the Metro Board. Each Director shall serve a term commensurate with his or her term on the Metro Board. The CPC is a blended component unit of LACMTA because it is financially dependent upon LACMTA, and LACMTA's approval is needed for the CPC to expend its budgets or charges and issue long-term debt. Although the CPC is a legally separate entity, it is in-substance part of LACMTA's operations, and therefore the data from the CPC is included in LACMTA's financial data. These financial statements present only the CPC and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2019, or the changes in the financial position for the year then ended.

Fund Accounting

The proprietary fund type is used to account for ongoing operations and activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. The CPC uses the proprietary fund type to account for the goods and services provided to LACMTA on a cost reimbursement basis. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include reimbursements from LACMTA for operating expenses. Operating expenses include professional services and administrative expenses. The CPC applies all applicable Government Accounting Standard Board (GASB) pronouncements in accounting and reporting for its

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

proprietary operations. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments, including restricted assets with an original maturity date of 90 days or less, are considered to be cash and cash equivalents. Otherwise, they are considered to be investments.

Receivables and Payables

Interagency receivables/payables are amounts owed to/due from other LACMTA funds for services performed. Payables are amounts due to vendors for goods or services received. There were no accounts payable to vendors outstanding as of June 30, 2019.

Effect of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and the corresponding deferred outflows of resources for AROs. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. There was no impact on the changes in net position as a result of the adoption of this statement.

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. There was no impact on the changes in net position as a result of the adoption of this statement.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before The End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The CPC early implemented this statement for the fiscal year ending June 30, 2019. There was no impact on the changes in net position as a result of the adoption of this statement.

Note 2 - Advances to LACMTA

Advances to LACMTA consist of cash advances to partially finance the construction of the Project. As of June 30, 2019, the outstanding balance of advances to LACMTA totaled \$594,799.

Note 3 - Notes Payable

In September, 2012, the CPC secured a direct loan not to exceed \$545,900 from the United States Department of Transportation (USDOT) under the TIFIA program to partially finance the construction of the Project. The loan, secured by a portion of LACMTA's Measure R sales tax revenues allocated to the Project, bears interest at 2.43% per annum on the outstanding balance with maturity date of June 1, 2034. At June 30, 2019, CPC has fully drawn the \$545,900 principal amount. On each June 1 and December 1, interest accrued in the six-month period

Crenshaw Project Corporation
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)
Notes to the Financial Statements
June 30, 2019

ending on such date is added to the outstanding balance of the TIFIA loan. The principal amount is payable in annual installments on June 1 of each year commencing on June 1, 2021, while the interest payments are payable semi-annually on June 1 and December 1 of each year commencing on December 1, 2020. As of June 30, 2019, the outstanding balance of the TIFIA loan, including \$48,899 in interest accretion, was \$594,799.

In the event of default described under the provisions of the TIFIA Loan Agreement, the TIFIA Lender, by written notice to LACMTA, may declare the unpaid principal amount of the TIFIA loan to be immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the Agreement and other TIFIA Loan Documents. The TIFIA Lender may suspend or debar LACMTA from further participation in any Government program administered by the TIFIA Lender and to notify other departments and agencies of such default.

The CPC's annual debt service requirements (including future interest accretion to principal) are as follows:

| Year Ending | | | | |
|--------------------|-------------------|-------------------|-------------------|--|
| June 30 | Principal | Interest | Total | |
| 2020 | \$ (13,387) | \$ 13,387 | \$ — | |
| 2021 | (59) | 14,759 | 14,700 | |
| 2022 | 8,620 | 14,780 | 23,400 | |
| 2023 | 8,829 | 14,571 | 23,400 | |
| 2024 | 9,024 | 14,376 | 23,400 | |
| 2025-2029 | 219,520 | 63,380 | 282,900 | |
| 2030-2034 | 362,252 | 29,197 | 391,449 | |
| | <u>\$ 594,799</u> | <u>\$ 164,450</u> | <u>\$ 759,249</u> | |

The annual debt service requirements were calculated based on allocation of loan payments from the principal amount of \$545,900.



SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Financial Statements and Supplementary Information
June 30, 2019
(With Independent Auditor's Report Thereon)

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises SAFE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAFE as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SAFE's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of SAFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SAFE's internal control over financial reporting and compliance.



Crowe LLP

Los Angeles, California
November 25, 2019

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Statement of Net Position

June 30, 2019

(Amounts expressed in thousands)

| | <u>Governmental Activities</u> |
|---|--------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 16,698 |
| Investments | 9,720 |
| Intergovernmental receivable | 1,446 |
| Interest receivable | 68 |
| Total assets | <u>27,932</u> |
| Liabilities: | |
| Accounts payable and accrued expenses | <u>667</u> |
| Total liabilities | <u>667</u> |
| Net position: | |
| Restricted for motorist aid system projects | <u>27,265</u> |
| Total net position | <u>\$ 27,265</u> |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Statement of Activities
For year ended June 30, 2019
(Amounts expressed in thousands)

| | <u>Governmental Activities</u> |
|------------------------------------|--------------------------------|
| Program expenses, net of revenues: | |
| Transit operations: | |
| Congestion relief operations | \$ 5,416 |
| Total program expenses | <u>5,416</u> |
| General revenues: | |
| License fees | 8,337 |
| Investment income | <u>768</u> |
| Total general revenues | <u>9,105</u> |
| Change in net position | 3,689 |
| Net position – beginning of year | <u>23,576</u> |
| Net position – end of year | <u>\$ 27,265</u> |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Balance Sheet

June 30, 2019

(Amounts expressed in thousands)

| | <u>Special Revenue Fund</u> |
|---|-----------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 16,698 |
| Investments | 9,720 |
| Intergovernmental receivable | 1,446 |
| Interest receivable | 68 |
| Total assets | <u>\$ 27,932</u> |
| Liabilities: | |
| Accounts payable and accrued liabilities | <u>667</u> |
| Fund balance: | |
| Restricted for motorist aid system projects | <u>27,265</u> |
| Total liabilities and fund balance | <u>\$ 27,265</u> |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority)
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 For the year ended June 30, 2019
 (Amounts expressed in thousands)

| | <u>Special Revenue Fund</u> |
|--|-----------------------------|
| Revenues: | |
| License fees | \$ 8,337 |
| Investment income | 768 |
| Total revenues | <u>9,105</u> |
| Expenditures: | |
| Administration and other transportation projects | <u>5,416</u> |
| Total expenditures | <u>5,416</u> |
| Net change in fund balance | 3,689 |
| Fund balance – beginning of year | <u>23,576</u> |
| Fund balance – end of year | <u>\$ 27,265</u> |

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise indicated, all dollar amounts are expressed in thousands.

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The Service Authority for Freeway Emergencies (SAFE) was created in February 1988 pursuant to California Streets and Highway Code Section 2550 et seq., and is responsible for the operation, maintenance, and administration of the Los Angeles County Kenneth Hahn Call Box system. Under the authority of the above section, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated SAFE for Los Angeles County.

As LACMTA's board is SAFE's board, SAFE is a component unit of LACMTA and is included in LACMTA's financial statements as a blended component unit.

(b) *Operations*

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 625 (not in thousands) call boxes along 436 (not in thousands) miles of freeways, state highways, and selected county roads in Los Angeles County. SAFE also funds, operates, and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit and other related traveler information to the public via the phone, web and mobile application.

(c) *Government-wide Financial Statements*

SAFE's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

The government-wide financial statements report information on all of the non-fiduciary activities of the agency and are reported using the economic resources measurement focus and the accrual basis of accounting.

The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. License fees and investment earnings not considered program revenues are reported as general revenues.

(d) ***Fund Accounting***

SAFE utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for SAFE's activities. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Additionally, the SAFE fund is considered a special revenue governmental fund. Special revenue funds are used to account for specific revenue sources that are legally restricted to specific purposes. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SAFE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented.

(e) ***Fund Balance and Net Position***

Restricted fund balance and net position include amounts that can be spent only for specific purposes stipulated by enabling legislation, by grants, creditors, or by regulations of other governments. SAFE's fund balance and net position were classified as restricted as they can only be used in accordance with the provisions of the California Streets and Highway Code Section 2550 et seq by which the fund was created.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

(f) ***Budgetary Accounting***

Enabling legislation and adopted policies and procedures provide that the SAFE Board of Directors approve an annual budget. The Board of Directors conducts a public hearing for discussion of the proposed annual budget prior to adoption of the final budget. Unexpended appropriations lapse at year-end. The legal level of control is at the fund level, and expenses may not exceed total appropriations without board approval. By policy, the board has provided procedures for management to make revisions within operational or project budgets when there is no net dollar impact to total appropriations. The budget is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

(g) ***Cash and Investments***

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances in excess of \$50 are withdrawn and deposited into the LACMTA internal investment pool. Cash and investments are reported at fair market value which is the quoted market price.

(h) ***Receivables***

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables include license fees due from the State Department of Motor Vehicles. As of June 30, 2019, SAFE has a receivable for license fees of \$1,446.

(i) ***Vehicle Registration Fees***

Vehicle registration fees revenue is recognized when earned and is generated by a \$1 (amount not in thousands) per each car registered in Los Angeles County, which is collected by the State Department of Motor Vehicles.

(j) ***Effects of New GASB Pronouncements***

There were no new GASB Pronouncements applicable to SAFE for the year ended June 30, 2019.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

(2) Cash and Investments

The following is a breakdown of SAFE's cash and investments as of June 30, 2019.

| | |
|------------------------------------|------------------|
| LACMTA investment pool | \$ 25,647 |
| Los Angeles County investment pool | 771 |
| Total | <u>\$ 26,418</u> |

SAFE's cash balances are pooled with other LACMTA funds participating in the investment pool by the LACMTA Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The LACMTA Board of Directors provides regulatory oversight for the LACMTA pool. Each fund maintains an equity interest in the pool and is presented as cash and investments in the Statement of Net Position. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2019. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Comprehensive Annual Financial Report (CAFR). A copy of the LACMTA's CAFR can be obtained by submitting a written request to the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

SAFE's cash balances are also pooled with other County funds and invested by the Los Angeles County Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The County Board of Supervisors provides regulatory oversight for the Los Angeles County Investment Pool (LACIP). The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2019. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be obtained by submitting a written request to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No. 3*, certain required disclosures regarding investment policies and practices with respect

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

to the risk associated with their concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

(a) Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels. As of June 30, 2019, SAFE does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

(b) Custodial Credit Risk

SAFE has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. SAFE measures interest rate risk on its short-term investments using the effective duration method. SAFE maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2019, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2019

(3) Significant Commitments

SAFE has entered into a Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable administrative support services to SAFE. The MOU will remain in effect until terminated by either party with a minimum of sixty (60) days written notice.

SAFE had \$591 of outstanding contractual commitments as of June 30, 2019 that had not been claimed or disbursed.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

For the year ended June 30, 2019

(Amounts expressed in thousands)

| | Original Budget* | Final Budget* | Actual | Variance with Final Budget |
|-----------------------------------|------------------|------------------|------------------|-------------------------------|
| Revenues: | | | | |
| License fees | \$ 7,750 | \$ 7,750 | \$ 8,337 | \$ 587 |
| Investment income | 100 | 100 | 768 | 668 |
| Total revenues | 7,850 | 7,850 | 9,105 | 1,255 |
| Expenditures: | | | | |
| Administration and other | 8,193 | 8,193 | 5,416 | 2,777 |
| Subsidies to LACMTA | 1,000 | 1,000 | — | 1,000 |
| Total expenditures | 9,193 | 9,193 | 5,416 | 3,777 |
| Net change in fund balance | (1,343) | (1,343) | 3,689 | 5,032 |
| Fund balances – beginning of year | 23,576 | 23,576 | 23,576 | — |
| Fund balances – end of year | \$ 22,233 | \$ 22,233 | \$ 27,265 | \$ 5,032 |

*Budget prepared in accordance with GAAP.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the special revenue fund of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAFE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SAFE's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAFE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
November 25, 2019

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)

Status of Prior Year Findings

Year ended June 30, 2019

FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2018-001 – Accounting for Revenue in the Proper Period (Material Weakness)

Condition: May 2017 and June 2017 license fee revenue, totaling \$1,458,262, were improperly accounted for as fiscal year 2018 revenue.

Status: This finding has been corrected.



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

**LOW CARBON TRANSIT OPERATIONS PROGRAM
COMPLIANCE REPORT**

Fiscal year ended June 30, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH RULES AND
REGULATIONS OF THE LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance with Low Carbon Transit Operations Program Guidelines

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements described in the Low Carbon Transit Operations Program (LCTOP) Guidelines adopted by the California Department of Transportation that could have a direct and material effect on LACMTA's compliance with the LCTOP Guidelines for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the LCTOP Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for LACMTA's LCTOP program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the LCTOP Guidelines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the LCTOP program occurred. An audit includes examining, on a test basis, evidence about LACMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the LCTOP program. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on the LCTOP Guidelines

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the LCTOP program for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the LCTOP program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the LCTOP program and to test and report on internal control over compliance in accordance with the LCTOP program, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a LCTOP program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the LCTOP program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the LCTOP program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the LCTOP Guidelines. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Los Angeles, California
December 17, 2019



Board Report

File #: 2020-0081, **File Type:** Agreement

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 18, 2020

SUBJECT: LEASE AGREEMENT WITH NREA-TRC 700, LLC, FOR THE LA METRO TRANSIT CUSTOMER CENTER LOCATED AT 700 W. 7TH STREET, SUITE G80, LOS ANGELES

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute a seven (7)-year lease agreement with NREA-TRC 700, LLC ("Landlord") for an LA Metro Transit Customer Center ("TCC") at 700 West 7th Street, Suite G80, Los Angeles (see Attachment A - Lease Location & Plan Draft), commencing approximately August 1, 2020 with a total lease value of approximately \$1.8 million (see Attachment B - Deal Points).

ISSUE

Customer Care has been searching for a location to provide Metro and other related transportation customer services near the 7th Street Metro Station ("7th Street"). Metro Real Estate has been negotiating with the landlord of THE BLOC Retail Complex to secure a location. The lease term and amount exceed the CEO's signatory authority.

BACKGROUND

Metro Customer Centers provide full transit services to customers in Los Angeles County, which include:

1. loading Metro and regional fares on TAP cards,
2. pre-screening and intake of Reduced Fare applications for K-12 students, college, seniors and persons with disabilities;
3. providing access to photo booths for reduced fare applicants for their Reduced Fare applications,
4. distributing transit information and other special promotional TAP related transit items,
5. certifying, issuing and selling Los Angeles County Transit subsidy (buy-down) fares to eligible customers, as well as other transit subsidies such as Low-Income Fares Made Easy (L.I.F.E.) program for low income patrons,
6. trip planning assistance using direct telephone lines to the Contact Center,
7. displaying bus/rail schedules/ brochures, and

8. answering related Metro questions regarding our service.

Metro was offered the opportunity by THE BLOC property management team to open a new TCC within THE BLOC Retail Complex near 7th Street, which is centrally located in downtown Los Angeles. This new location would provide convenient TAP regional transit fare sales and other related transportation services to customers near one of Metro's busiest station sites.

Metro is currently operating four Customer Centers at the following locations: Union Station (East Portal)), Baldwin Hills, East Los Angeles, and Wilshire/Vermont. Rosa Parks is planned to open in March 2020.

DISCUSSION

Findings

The proposed TCC office is located at The BLOC complex and has been identified as the optimal service location due to its proximity to 7th Street Metro Station and ease of wayfinding. This location uniquely has direct access to the station at the top of the stairs of the south portal.

Considerations

Without a TCC office near the 7th Street Metro Station, Metro will miss the opportunity to meet customer needs for transit fare sales, information about public transportation options, and other transportation services near a central hub in Metro's transportation network. This office will provide a positive impact on customers of Metro, Metrolink, LADOT and neighboring communities and tourists along or near the 7th Street Station.

Equity Platform

This project addresses Metro's equity platform by improving access to Metro's and other transportation partner's information and customer service, including Reduced Fare, buy-down and L.I.F.E. programs.

DETERMINATION OF SAFETY IMPACT

This board action will not have an impact on safety standards for Metro.

FINANCIAL IMPACT

Approval of the lease with NREA-TRC 700, LLC will cost approximately \$1.8 million over the initial seven (7)-year term, one five (5)-year option term and tenant improvement (TI) costs. The terms are within market for similar space in the area as reported by a professional commercial real estate broker. The TIs are estimated to be a one-time cost at approximately \$750,000 and come from Cost Center 6520 (Project 610061). There is a one-time \$159,000 allowance from the Landlord that lowers Metro's out-of-pocket expenses to \$591,000. The work will be performed by the Landlord and will be invoiced to Metro on a monthly basis. Metro will reimburse the Landlord through money

budgeted in FY2021 from Cost Center 6520. Funding for Cost Center 6520 payment is General Fund and funding for Cost Center 0651 is Enterprise Fund. Both funding sources are eligible for bus and rail operations and capital projects.

Impact to Budget

Real Estate has planned and submitted the cost of this lease as a part of its FY2021 budget in the Non-Departmental Real Estate Cost Center 0651(Project 300044) and separately Tenant Improvement costs as part of FY2021 Real Property and Asset Management Cost Center 6520 (Project 610061).

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Strategic Plan Goal # 2, to provide “Outstanding Trip Experiences for All.”

ALTERNATIVES CONSIDERED

The alternative is to not place the lease site at this location and select an alternative which may be more costly and less convenient.

NEXT STEPS

Complete negotiations of lease terms with the Landlord subject to review and approval by County Counsel. Upon Board authorization, Real Estate will finalize the lease agreement with NREA-TRC 700, LLC, forward to County Counsel for approval review, and submit for execution by the CEO for the initial seven-year lease period.

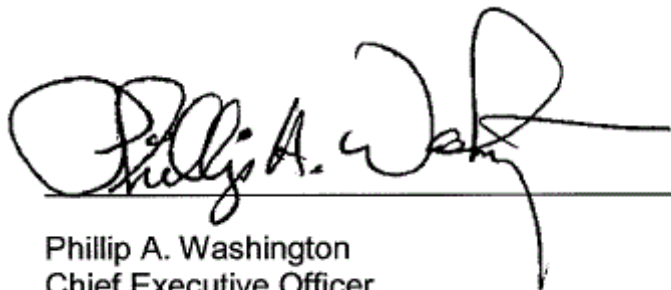
ATTACHMENTS

Attachment A - Lease Location & Plan Draft

Attachment B - Deal Points

Prepared by: John Potts, Executive Officer, Countywide Planning & Development, (213) 928-3397
Holly Rockwell, SEO - Real Estate, Transit Oriented Communities and Transportation
Demand Management, (213) 922-5585

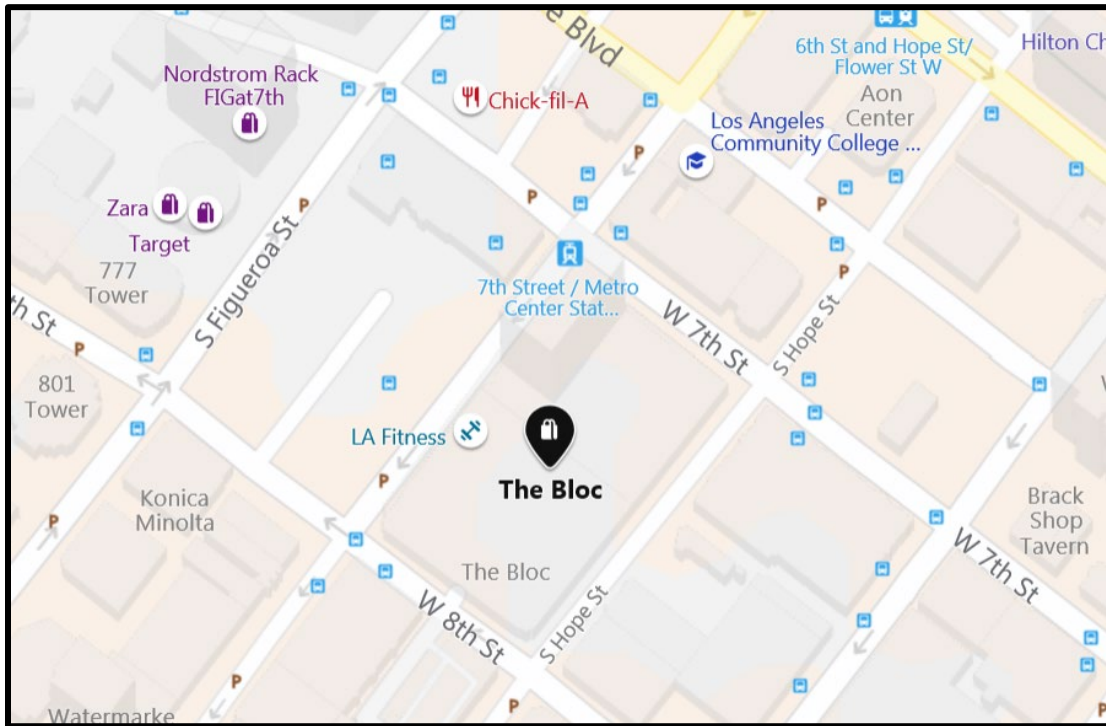
Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920



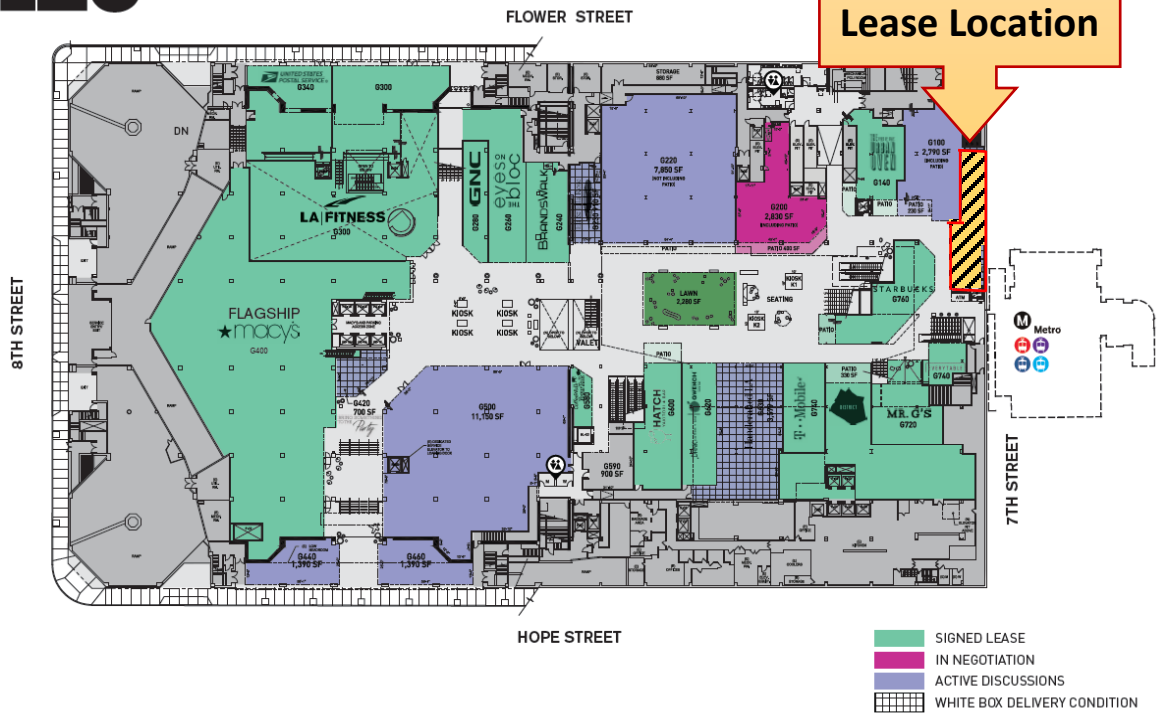
Phillip A. Washington
Chief Executive Officer

Attachment A – Proposed Lease Location and Plan Draft

Location Map



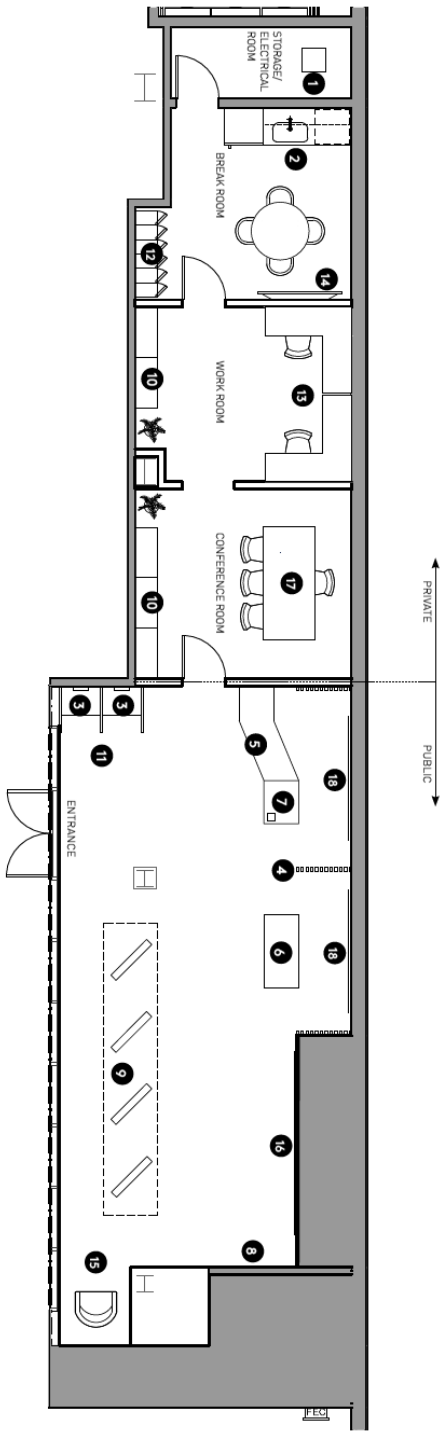
THE BLOC



PLAZA LEVEL



Floor Plan Draft



Attachment B – Deal Points

| | |
|---------------------------------------|--|
| New or renewal | New Lease |
| Landlord/Owner | NREA-TRC 700,LLC |
| Location | 700 West 7th Street, Suite G80, Los Angeles |
| Purpose | A one-stop location for customers to get information on Metro and related public transportation services. |
| Duration (note any extensions) | Seven-years with one five-year extension. |
| Total Cost | The total lease value is approximately \$1.8 million over the initial seven (7)-year term, one five (5)-year option term and tenant improvement (TI) costs. |
| Early Termination Clauses | None. |
| Determination of Lease Value | Market data provided by professional broker, Savills. |
| Background with this Landlord | None. This will be the first transaction with the landlord, NREA-TRC 700, LLC. |
| Special Provisions | The TI's are estimated to cost about \$750,000. There is a \$159,000 allowance from the Landlord that lowers the Metro out of pocket to \$591,000. The work will be performed by the landlord and will be invoiced to Metro on a monthly basis. Metro will reimburse the Landlord through money budgeted 20/21 in CC 6520. |



Board Report

File #: 2020-0156, **File Type:** Contract

Agenda Number: 10.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 18, 2020

**SUBJECT: ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS
COMPONENT UNITS**

ACTION: AWARD CONTRACT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a five-year, firm fixed-price Contract No. PS64807000 to Crowe LLP to provide Annual Financial and Compliance Audit Services in the amount of \$1,836,135 effective April 10, 2020, subject to resolution of protest(s), if any.

ISSUE

Metro is required to have an independent Certified Public Accountant firm perform annual financial and compliance audits. The audit reports are submitted to funding partners and to financing institutions relative to Metro bond issues. The recommended contractor shall begin with the audit of Metro's financial statements and component units starting fiscal year ending June 30, 2020.

DISCUSSION

The scope of services includes the financial and compliance audit requirements of Metro and the component units including:

- Comprehensive Annual Financial Report (CAFR);
- Single Audit Report on Federal grant activities;
- Transportation Development Act (TDA);
- Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account Program (PTMISEA);
- State Transit Assistance (STA);
- Service Authority for Freeway Emergencies (SAFE),
- Low Carbon Transit Operations Program (LCTOP);
- Crenshaw Project Corporation (CPC); and
- National Transit Database (NTD).

The firm is also required to provide a management report which addresses any material weaknesses and/or significant deficiencies in Metro's accounting system and internal controls noted in the auditor's examination of Metro's books and records.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding of \$342,410 for the contracted services will be appropriated in the FY2021 budget in cost center 2510 under project number 405510. Since this is a multi-year contract, Management Audit Services will be accountable for budgeting the cost in future years.

IMPACT TO BUDGET

The source of funds for Project 405510 is Propositions A, C & TDA Administration funds. These funds are not eligible for bus/rail operating or capital expense.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

No alternatives were considered, as laws and regulations require Metro to have financial and compliance audits performed annually by an independent Certified Public Accountant.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS64807000 to Crowe LLP for annual financial and compliance audits, effective April 10, 2020.

ATTACHMENT

Attachment A - Procurement Summary

Attachment B - DEOD Summary

Prepared by: Lauren Choi, Interim Sr. Director, Audit, (213) 922-3926

Reviewed by: Shalonda Baldwin, Interim Chief Auditor, (213) 418-3265
Debra Avila, Chief Vendor/Contract Management Officer
(213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS
COMPONENT UNITS

| | | |
|----|---|--|
| 1. | Contract Number: PS64807000 | |
| 2. | Recommended Vendor: Crowe LLP | |
| 3. | Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order | |
| 4. | Procurement Dates: | |
| | A. Issued: September 3, 2019 | |
| | B. Advertised/Publicized: September 5, 2019 | |
| | C. Pre-Proposal Conference: September 11, 2019 | |
| | D. Proposals Due: September 30, 2019 | |
| | E. Pre-Qualification Completed: February 13, 2020 | |
| | F. Conflict of Interest Form Submitted to Ethics: October 2, 2019 | |
| | G. Protest Period End Date: March 23, 2020 | |
| 5. | Solicitations Picked up/Downloaded: 26 | Bids/Proposals Received: 4 |
| 6. | Contract Administrator: Greg Baker | Telephone Number: (213) 922-7577 |
| 7. | Project Manager: Lauren Choi | Telephone Number: (213) 922-3926 |

A. Procurement Background

This Board Action is to approve the award of Contract No. PS64807000 to Crowe LLP to perform financial and compliance audits of Metro and its component units, including Comprehensive Annual Financial Report (CAFR); Single Audit Report on Federal grant activities; Transportation Development Act (TDA); Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account Program (PTMISEA); State Transit Assistance (STA); Service Authority for Freeway Emergencies (SAFE), Low Carbon Transit Operations Program (LCTOP); Crenshaw Project Corporation (CPC); and the National Transit Database (NTD). Board approval of contract awards are subject to resolution of any properly submitted protest.

On September 3, 2019, Request for Proposal (RFP) No. PS64807 was issued in accordance with Metro's Acquisition Policy. The contract type is firm fixed price. This RFP was issued with a DBE goal of 6%.

No amendments were issued during the solicitation phase of this RFP.

A pre-proposal conference was held on September 11, 2019 and was attended by five participants representing four firms. There were 22 questions received, and Metro provided responses prior to the proposal due date.

A total of 26 firms downloaded the RFP and were included in the planholders' list. A total of four proposals were received on September 30, 2019 from firms listed below in alphabetical order:

1. Crowe LLP
2. Macias, Gini & O'Connell LLP
3. Moss Adams LLP
4. Vasquez & Company LLP

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Management Audit Services and Accounting departments was convened and conducted a comprehensive technical evaluation of the proposals received.

On October 1, 2019, the PET met to review the evaluation criteria package, process confidentiality and conflict of interest forms and take receipt of the four proposals to initiate the evaluation phase. Evaluations were conducted from October 1, 2019 through October 14, 2019.

The proposals were initially evaluated based on pass/fail minimum qualifications criteria to determine proposals that are "technically acceptable". The pass/fail criteria included years of experience as a Certified Public Accountant (CPA) firm doing business in the State of California and satisfactory Peer Review Report within the last 3 years showing compliance with Generally Accepted Government Auditing Standards (GAGAS).

The PET determined that all four firms passed the minimum qualification requirements and continued to evaluate proposals based on the following weighted evaluation criteria:

- | | |
|--|------------|
| • Degree of the Skills and Experience | 35 Percent |
| • Understanding of the Scope of Services | 25 Percent |
| • Effectiveness of Execution Plan | 10 Percent |
| • Cost Proposal | 30 Percent |

The evaluation criteria are appropriate and consistent with criteria developed for similar financial and compliance audit procurements. Several factors were considered when developing these weights, giving the greatest importance to the degree of the skills and experience of the firm and its key personnel.

On October 14, 2019, the PET reconvened and determined that of the four proposals deemed "technically acceptable", three were within the competitive range; one firm was determined outside the competitive range and was not included for further consideration. The three firms within the competitive range are listed below in alphabetical order:

1. Crowe LLP
2. Macias, Gini & O'Connell LLP
3. Moss Adams LLP

On November 1, 2019, oral presentations were held with the three firms within the competitive range. The project managers and key team members from each firm were invited to present their firm's respective qualifications and respond to the PET's questions.

In general, each team provided an overview of existing clientele, presented the industry experience of each team member, proposed commitment to the project and existing engagements that may impact work performance on this contract. The team also discussed their existing process in performing audits particularly in handling changes in reporting requirements and resolving disagreements with auditees/clients regarding preliminary findings and recommendations.

Qualifications Summary of Firms within the Competitive Range:

Crowe LLP

Crowe LLP is a CPA firm with a well-rounded breadth and depth of public transit experience, including external audit, risk management, performance improvement, and financial advisory and forensic services. The firm has been in business for more than 50 years and currently provides financial and compliance audit services to Metro. It has provided financial and compliance audit services to numerous entities in the private and public sector. Clients include Southern California Rail Authority, Washington Metropolitan Area Transportation Authority, Dallas Area Rapid Transit, and Chicago Transit Authority.

Macias, Gini & O'Connell LLP

Macias, Gini & O'Connell LLP, established in 1987, is headquartered in Sacramento, California. It is a CPA and advisory firm with extensive experience working with public agency clients on financial, operational, performance, and information technology engagements. Clients include Los Angeles World Airports, San Francisco Bay Area Rapid Transit District, City of Santa Monica (Big Blue Bus), and Burbank-Glendale-Pasadena Airport Authority.

Moss Adams LLP

Moss Adams LLP, founded in 1913 is headquartered in Seattle, Washington. It serves as auditors for several regional transit agencies, including Sound Transit, King County Metro Transit, Community Transit, and Tri-Met. It performs annual

compliance audits of federal and state funding subsidies, agreed-upon procedures engagements specific to NTD reporting, and various consulting projects.

At the conclusion of the oral presentations, Crowe LLP was determined to be the top ranked firm. Negotiations of terms and conditions with the firm commenced in November 2019 and concluded in February 2020.

A summary of the PET scores is provided below:

| 1 | Firm | Average Score | Factor Weight | Weighted Average Score | Rank |
|----|---|---------------|----------------|------------------------|----------|
| 2 | Crowe LLP | | | | |
| 3 | Degree of the Skills and Experience | 94.46 | 35.00% | 33.06 | |
| 4 | Understanding of the Scope of Services | 90.68 | 25.00% | 22.67 | |
| 5 | Effectiveness of Execution Plan | 85.00 | 10.00% | 8.50 | |
| 6 | Cost Proposal | 100.00 | 30.00% | 30.00 | |
| 7 | Total | | 100.00% | 94.23 | 1 |
| 8 | Macias, Gini & O'Connell LLP | | | | |
| 9 | Degree of the Skills and Experience | 87.77 | 35.00% | 30.72 | |
| 10 | Understanding of the Scope of Services | 84.68 | 25.00% | 21.17 | |
| 11 | Effectiveness of Execution Plan | 77.50 | 10.00% | 7.75 | |
| 12 | Cost Proposal | 96.87 | 30.00% | 29.06 | |
| 13 | Total | | 100.00% | 88.70 | 2 |
| 14 | Moss Adams LLP | | | | |
| 15 | Degree of the Skills and Experience | 78.87 | 35.00% | 27.60 | |
| 16 | Understanding of the Scope of Services | 69.32 | 25.00% | 17.33 | |
| 17 | Effectiveness of Execution Plan | 74.20 | 10.00% | 7.42 | |
| 18 | Cost Proposal | 82.97 | 30.00% | 24.89 | |
| 19 | Total | | 100.00% | 77.24 | 3 |

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon adequate price competition, price analysis and technical analysis. Metro's independent cost estimate (ICE) is higher than the recommended price because it was based on historical cost which included an optional audit task that is not

included in the current Statement of Work. Further, the ICE assumed the high-end of labor rates available in the market.

| | Proposer Name | Proposal Amount | Metro ICE | Award Amount |
|----|------------------------------|------------------------|------------------|---------------------|
| 1. | Crowe LLP | \$1,836,135 | \$4,090,330 | \$1,836,135 |
| 2. | Macias, Gini & O'Connell LLP | \$1,895,341 | \$4,090,330 | N/A |
| 3. | Moss Adams LLP | \$2,212,940 | \$4,090,330 | N/A |

D. Background on Recommended Contractor

The recommended firm, Crowe, LLP (Crowe) is headquartered in Chicago, IL. It is a multinational professional services network consisting of more than 220 offices with over 42,000 employees in 13 countries.

Crowe provides audit, tax, consulting, enterprise risk and financial advisory services. Crowe has been providing financial and compliance audit services to Metro since 2015 and performance has been satisfactory.

Crowe's team includes one DBE subcontractor: Qui Accountancy which shall assist in providing annual financial and compliance audits.

The proposed Lead Engagement Partner and Managing Director have over 44 years of combined accounting experience, that is centered primarily on public transportation.

DEOD SUMMARY

ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS
COMPONENT UNITS / PS64807000**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) established a 6% Disadvantaged Business Enterprise (DBE) goal for this solicitation. Crowe LLP exceeded the goal by making a 16.01% DBE commitment.

| | | | |
|----------------------------|---------------|----------------------------------|-------------------|
| Small Business Goal | 6% DBE | Small Business Commitment | 16.01% DBE |
|----------------------------|---------------|----------------------------------|-------------------|

| | DBE Subcontractor | % Committed |
|----|-----------------------------|--------------------|
| 1. | Qui Accountancy Corporation | 16.01% |
| | Total Commitment | 16.01% |

B. Living Wage / Service Contract Worker Retention Policy Applicability

The Living Wage / Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.



Board Report

File #: 2020-0164, **File Type:** Contract

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 18, 2020

SUBJECT: CURRENCY PROCESSING SERVICES

ACTION: APPROVE CONTRACT MODIFICATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 3 to Contract No. OP39497-2000 to exercise three (3), one-year options with Los Angeles Federal Armored Services, Inc. to provide currency processing services, in the amount of \$572,000 for Option Year 2, \$629,000 for Option Year 3, and \$686,400 for Option Year 4, for a combined total amount of \$1,887,400, increasing the contract value from \$972,400 to \$2,859,800, and extending the contract term to December 31, 2022.

ISSUE

This Contract is for a currency processing service company to process single, unstacked, loose bills from bus farebox operations from the Metro Central Cash Counting Office , of which Metro collects about \$55 million per year.

To continue providing the currency processing services, a contract modification is required to exercise each of the one-year options, extending the period of performance through December 31, 2022.

DISCUSSION

On January 1, 2018, Metro entered into a five-year contract to Los Angeles Federal Armored Services, Inc. in the amount not-to-exceed \$2,859,800 inclusive of four one-year options, of which \$972,000 has been completed and paid, leaving \$1,887,400 for the remaining three (3) one-year options.

Staff is requesting Board authorization to exercise each of the remaining option terms. Staff has determined that expenditures over the remaining life of this contract will not exceed the anticipated annual contract value.

DETERMINATION OF SAFETY IMPACT

Processing currency via the services of the outside agency on a daily basis aid in the safekeeping and accounting of Metro funds.

FINANCIAL IMPACT

Funding required for the current fiscal year was included in the FY2020 Adopted Budget. Since this is a multi-year contract, the Executive Officer, TAP Operations and Revenue Collections cost center manager is responsible for future year budgets.

IMPACT TO BUDGET

The sources of funds for this action are fare revenues and other bus operations eligible sales tax revenues.

ALTERNATIVES CONSIDERED

The goal of Revenue Collection is to process as much currency in-house as possible and to use the services of the contractor as needed to efficiently process the collection of currency. Every effort is made daily to minimize the outside costs associated with the use of an outside contractor.

NEXT STEPS

Upon approval by the Board, staff will execute Contract Modification No. 3 with Los Angeles Federal Armored Services, Inc., to exercise the option terms and extend the period of performance through December 31, 2022.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

Prepared by: Tisha Bruce, Deputy Executive Officer, Revenue Collection, (213) 922-7621

Reviewed by: David Sutton, Executive Officer, Finance (TAP), (213) 922-5633
Nalini Ahuja, Chief Financial Officer, (213) 922-3088
Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

CURRENCY PROCESSING SERVICES / OP39497-2000

| | | | | |
|----|--|------------|---|----------------|
| 1. | Contract Number: OP39497-2000 | | | |
| 2. | Contractor: Los Angeles Federal Armored Services, Inc. | | | |
| 3. | Mod. Work Description: Exercise option years | | | |
| 4. | Contract Work Description: Provide currency processing services to process single, unstacked, loose bills from bus farebox operations from the Metro Central Cash Counting Office | | | |
| 5. | The following data is current as of: 4 February 2020 | | | |
| 6. | Contract Completion Status | | Financial Status | |
| | | | | |
| | Contract Awarded: | 01/01/2018 | Contract Award Amount: | \$457,600.00 |
| | Notice to Proceed (NTP): | 01/18/2018 | Total of Modifications Approved: | \$514,800.00 |
| | Original Complete Date: | 12/31/2019 | Pending Modifications (including this action): | \$1,887,400.00 |
| | Current Estimated Complete Date: | 12/31/2022 | Current Contract Value (with this action): | \$2,859,800.00 |
| 7. | Contract Administrator: Antwaun Boykin | | Telephone Number: (213) 922-1056 | |
| 8. | Project Manager: Tisha Bruce | | Telephone Number: (213) 922-7621 | |

A. Procurement Background

This Board Action is to approve Contract Modification No. 2 to Contract No. OP39497-2000 to exercise all three (3) one-year options with Los Angeles Federal Armored Services, Inc. to continue providing currency processing services through December 31, 2022.

This contract modifications will be processed in accordance with Metro's Acquisition Policy and the contract type is Firm Fixed Unit Rate.

ATTACHMENT A

On November 15, 2017 the Board approved a five-year contract, inclusive of four, one-year options to Los Angeles Federal Armored Services, Inc., to provide currency processing service to ensure that revenue from bus fareboxes is collected daily and processed for deposit.

(Refer to Attachment B – Contract Modification/Change Order Log)

B. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon rates that were negotiated and established as part of the competitive contract awarded in 2018. The 2019-2020 CPI indicated an increase of 1.4%. The rates remain unchanged, therefore, exercising the options is in the best interest of Metro.

| OPTION YEARS AMOUNT | METRO ICE | MODIFICATION AMOUNT |
|---------------------|----------------|---------------------|
| \$1,887,400.00 | \$1,887,400.00 | \$1,887,400.00 |

CONTRACT MODIFICATION/CHANGE ORDER LOG
CURRENCY PROCESSING SERVICES / OP39497-2000

| Mod. No. | Description | Date | Amount |
|-----------------|------------------------------|----------------|--------------------|
| 1 | Exercise Option Year 1 | 12/28/18 | \$514,800 |
| 2 | Exercise Option Year 2 | Pending | \$572,000 |
| 3 | Exercise Option Year 3 | Pending | \$629,000 |
| 4 | Exercise Option Year 4 | Pending | \$686,400 |
| | Modification Total: | | \$2,402,200 |
| | Original Contract: | 1/11/18 | \$457,600 |
| | Total Contract Value: | | \$2,859,800 |

DEOD SUMMARY

CURRENCY PROCESSING SERVICES / OP39497-2000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not establish a Disadvantaged Business Enterprise (DBE) goal for this solicitation due to a lack of subcontracting opportunities. It is expected and confirmed by the Project Manager that Los Angeles Federal Armored Services will perform this scope with its own workforce.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this contract.



Board Report

File #: 2020-0151, File Type: Resolution

Agenda Number: 12.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 18, 2020

SUBJECT: PROPOSITION C BONDS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

ADOPT a resolution, Attachment A, that:

- A. AUTHORIZES the issuance of bonds by competitive sale to refund the Proposition C Series 2010-A Bonds, consistent with the Debt Policy to achieve approximately \$4.4 million in net present value savings over the three-year life of the bonds;
- B. APPROVES the forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Escrow Agreement, Continuing Disclosure Certificate and Preliminary Official Statement on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the resolution; and
- C. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the refunding bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)

ISSUE

Low interest rates offer an opportunity for Metro to lower its debt service costs by refunding on a current basis the outstanding Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A (the "2010-A Bonds"). Approximately \$37.15 million of the outstanding 2010-A Bonds can be refunded. Under current market conditions, the issuance of the Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds (the "Refunding Bonds") would achieve approximately \$4.4 million in net present value savings over the three plus year life of the bonds.

BACKGROUND

The 2010-A Bonds may be current refunded in early April 2020 as their call date is July 1, 2020. The Debt Policy establishes criteria to evaluate refunding opportunities. The refunding of the 2010-A Bonds is currently estimated to provide net present value savings in excess of the

minimum 3% of the refunded par amount set forth in the Debt Policy criteria for evaluating refunding opportunities.

DISCUSSION

The Refunding Bonds will be sold as fixed rate bonds. The Refunding Bonds will be issued using a competitive process where prospective underwriters bid on the date of sale. The Refunding Bonds will be sold to the underwriter offering the lowest true interest cost. The timing of the bond sale is contingent upon our ability to take advantage of favorable market conditions as they arise. In the event that bids do not meet our criteria, all bids will be rejected, and the sale will be rescheduled.

DETERMINATION OF SAFETY IMPACT

Approval of this report will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

The costs of issuance for the Refunding Bonds will be paid from proceeds of the financing and will be budget neutral. Savings from the Refunding Bonds will be reflected in future budgets under principal account 51101 and the bond interest account 51121.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following Metro Strategic Plan Goal:

Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board could defer the issuance of the Refunding Bonds to a later time or indefinitely. This is not recommended because we cannot predict that interest rates will remain low enough to generate comparable benefit. Federal Reserve Bank actions and political and other market and economic conditions may push interest rates higher and result in a loss of refunding savings.

NEXT STEPS


- Develop bond issuance documentation
- Obtain ratings
- Distribute the Preliminary Official Statement and Notice Inviting Bids to prospective underwriters and potential investors and publish the Notice of Intention to Sell Bonds
- Receive electronic bids from underwriters
- Finalize bond documentation and deliver the Refunding Bonds

ATTACHMENTS

Attachment A - Authorizing Resolution

Prepared by: Rodney Johnson, Senior Director, Finance (213) 922-3417
Donna Mills, Treasurer (213) 922-4047

Reviewed by: Nalini Ahuja, Chief Financial Officer (213) 922-3088



Phillip A. Washington
Chief Executive Officer

Authorizing Resolution

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF ITS LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY PROPOSITION C SALES TAX REVENUE REFUNDING BONDS, APPROVING THE EXECUTION AND/OR DELIVERY OF A SUPPLEMENTAL TRUST AGREEMENT, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, A NOTICE OF INTENTION TO SELL BONDS, A NOTICE INVITING BIDS AND PRELIMINARY AND FINAL OFFICIAL STATEMENTS, AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH.

(PROPOSITION C SALES TAX)

W I T N E S S E T H:

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “LACMTA”), as successor to the Los Angeles County Transportation Commission (the “Commission”), is authorized, under Chapter 5 of Division 12 of the California Public Utilities Code (the “Act”), to issue bonds to finance and refinance the acquisition, construction or rehabilitation of facilities to be used as part of a countywide transit system; and

WHEREAS, pursuant to the provisions of Section 130350 of the California Public Utilities Code, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles (the “County”) subject to the approval by the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 49 adopted August 28, 1990 (“Ordinance No. 49”), imposed a ½ of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the “Proposition C Tax”), and such tax was approved by the electors of the County on November 6, 1990; and

WHEREAS, the revenues received by the LACMTA from the imposition of the transactions and use tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payments or provision for the payment of the principal of the bonds and any premium, interest on the bonds and the costs of issuance of the bonds; and

WHEREAS, the LACMTA is planning and engineering a Countywide rail, bus and highway transit system (the “Rail, Bus and Highway Transit System”) to serve the County and has commenced construction of portions of the Rail, Bus and Highway Transit System; and

WHEREAS, to facilitate the development and construction of the Rail, Bus and Highway Transit System, the LACMTA, as authorized by the Act, pursuant to the terms of the Amended and Restated Trust Agreement, dated as of January 1, 2010, as amended and supplemented (the

“Trust Agreement”), by and between the LACMTA and U.S. Bank National Association, as trustee (the “Trustee”), has issued multiple series of bonds, including its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A (the “Series 2010-A Bonds”); Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A; Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2013-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2016-A; Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2017-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A; Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2019-A (Green Bonds); Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2019-B; and Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2019-C (collectively, the “Prior Senior Bonds”); and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more series of its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, from time to time and in one or more transactions (collectively, the “Refunding Bonds”) to: (a) current refund all or a portion of the outstanding Series 2010-A Bonds (the Series 2010-A Bonds so refunded shall be collectively referred to herein as the “Refunded Series 2010-A Bonds”), provided that the refunding of the Refunded Series 2010-A Bonds is consistent with the Debt Policy of the LACMTA (the “Debt Policy”) as in effect at the time of pricing of the applicable series of Refunding Bonds; (b) fund or make provision for one or more reserve funds or accounts, if necessary or desirable, for the Refunding Bonds; and (c) pay certain costs of issuance related thereto (collectively, the “Financing”); and

WHEREAS, the LACMTA desires to sell the Refunding Bonds on a competitive basis in accordance with the Debt Policy; and

WHEREAS, forms of the following documents are on file with the Secretary of the Board of Directors of the LACMTA and have been made available to the members of the Board of Directors of the LACMTA (the “Board”):

(a) a Supplemental Trust Agreement (the “Supplemental Trust Agreement”), by and between the LACMTA and the Trustee, which will supplement the Trust Agreement for the purposes of providing the terms and conditions of the Refunding Bonds;

(b) an Escrow Agreement (the “Escrow Agreement”), among the LACMTA, the Trustee and U.S. Bank National Association, as escrow agent, which will be executed and delivered in connection with the refunding and defeasance of the Refunded Series 2010-A Bonds;

(c) a Preliminary Official Statement (the “Preliminary Official Statement”), which will provide information about the Refunding Bonds, the LACMTA, the Proposition C Tax and certain other related matters, and will be used, from time to time, in connection with the offer and sale of the Refunding Bonds;

(d) a Notice of Intention to Sell Bonds (the “Notice of Intention to Sell Bonds”), which will be published in connection with any proposed sale of the Refunding Bonds;

(e) a Notice Inviting Bids (the “Notice Inviting Bids”), which will set forth the terms and the manner in which proposals from qualified bidders for the purchase of the Refunding Bonds shall be received; and

(f) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), which will be executed by the LACMTA and will be used in order to assist the underwriters of the Refunding Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), and which will provide for the annual and periodic update of certain financial and operating data with respect to the LACMTA and the collection of the Proposition C Tax, among other things, and certain enumerated events; and

WHEREAS, the LACMTA has been advised by its Bond Counsel that such documents are in appropriate form, and the LACMTA hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the Refunding Bonds, whether the Refunding Bonds are issued in a single issuance or multiple issuances, and that said documents are subject to completion to reflect the results of the sale of the Refunding Bonds; and

WHEREAS, the LACMTA has pledged the Proposition C Tax (less the 20% local allocation and the California Department of Tax and Fee Administration’s costs of administering such tax) (the “Pledged Taxes”) pursuant to the terms of the Trust Agreement to secure the Prior Senior Bonds and certain other obligations of the LACMTA, and once issued, the Refunding Bonds will be “Bonds” and “Senior Bonds” as defined in the Trust Agreement and will be secured by the pledge of the Pledged Revenues under the Trust Agreement; and

WHEREAS, the LACMTA desires to designate the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and any such officer serving in an acting or interim capacity, and any written designee of any of them as an “Authorized Authority Representative” for all purposes under the Trust Agreement and the Supplemental Trust Agreement; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the governing body of a public body obtain from an underwriter, financial advisor or private lender and disclose, prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the Financing and to authorize the execution and/or delivery of a Supplemental Trust Agreement, an Escrow Agreement, a Notice of Intention to Sell Bonds, a Notice Inviting Bids and a Continuing Disclosure Certificate, the preparation of one or more Preliminary Official Statements and the preparation, execution and delivery of one or more Official Statements (as hereinafter defined) for the purposes, in the manner and upon the terms provided; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

Section 1. Findings. The LACMTA hereby finds and determines that:

(a) The issuance of one or more series of its Refunding Bonds under the Trust Agreement to current refund all or a portion of the Series 2010-A Bonds (provided that the refunding of the Refunded Series 2010-A Bonds is consistent with the Debt Policy as in effect at the time of pricing of the applicable series of Refunding Bonds), to fund or make provision for one or more reserve funds or accounts, if necessary or desirable, for the Refunding Bonds, and to pay certain costs related to the issuance of the Refunding Bonds, is in the public interest.

(b) Under the provisions of Ordinance No. 49, all of the Pledged Taxes are revenues of the LACMTA available for rail, bus and highway transit purposes and are available to be and are, by the terms of the resolutions and the Trust Agreement under which the Prior Senior Bonds were issued, pledged, along with the Pledged Revenues, to secure the Prior Senior Bonds and are pledged to secure the Refunding Bonds, and, by this Resolution, such pledge is reaffirmed.

(c) The provisions contained in the Trust Agreement, as previously amended and supplemented, and to be set forth in the Supplemental Trust Agreement, are reasonable and proper for the security of the holders of the Refunding Bonds.

Section 2. Issuance of Refunding Bonds. The Board hereby authorizes the issuance by the LACMTA of one or more series of Refunding Bonds, from time to time and in one or more transactions, for the purposes of (a) current refunding all or a portion of the Series 2010-A Bonds (provided that the refunding of the Refunded Series 2010-A Bonds is consistent with the Debt Policy as in effect at the time of pricing of the Refunding Bonds as determined and calculated at the discretion of the Treasurer of the LACMTA, which shall be conclusive for all purposes of this Resolution), (b) funding or making provision for one or more reserve funds or accounts, if necessary or desirable, for the Refunding Bonds, and (c) paying certain costs of issuance related to the issuance of the Refunding Bonds. The aggregate principal amount of the Refunding Bonds issued by the LACMTA shall not exceed an amount sufficient (taking into account any original issue discount) to refund all or a portion of the Series 2010-A Bonds, fund or make provision for

one or more reserve funds or accounts, if necessary or desirable, for the Refunding Bonds, and pay certain costs related to the issuance of the Refunding Bonds (including, but not limited to, underwriters' discount), and in any event the aggregate principal amount of all Refunding Bonds shall not exceed \$37.5 million. The True Interest Cost of the Refunding Bonds shall not exceed 3.00%, as such shall be calculated by LACMTA's municipal advisor as of the date of delivery of each series of the Refunding Bonds. The Refunding Bonds shall not mature later than the final maturity date of the Refunded Series 2010-A Bonds that are being refunded with proceeds of the Refunding Bonds.

The Refunding Bonds shall be issued in a manner by which the interest thereon is excludable from gross income under the Internal Revenue Code of 1986, as amended. The Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and any such officer serving in an acting or interim capacity, and any written designee of any of them (each, a "Designated Officer"), acting in accordance with this Section 2, are each hereby severally authorized to determine the actual aggregate principal amount of the Refunding Bonds to be issued (not in excess of the maximum amount set forth above), and to direct the execution and authentication of the Refunding Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. The Refunding Bonds shall be in fully registered form and shall be issued as Book-Entry Bonds as provided in the Supplemental Trust Agreement. Payment of the principal of, interest on and premium, if any, on the Refunding Bonds shall be made at the place or places and in the manner provided in the Supplemental Trust Agreement.

As used herein, the term "True Interest Cost" shall be the interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the Refunding Bonds and to the principal amount, and premium or discount if any, of the Refunding Bonds. For the purpose of calculating the True Interest Cost, the principal amount of the Refunding Bonds scheduled for mandatory sinking fund redemption as part of a term bond shall be treated as a serial maturity for such year. The calculation of the True Interest Cost shall include such other reasonable assumptions and methods as determined by the LACMTA's municipal advisor.

Section 3. Terms of the Refunding Bonds. The Refunding Bonds shall be issued as current interest bonds and shall be available in denominations of \$5,000 and integral multiples thereof. The Refunding Bonds, when issued, shall be in the aggregate principal amounts and shall be dated as shall be provided in the final form of the Supplemental Trust Agreement. The Refunding Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Supplemental Trust Agreement. Interest on the Refunding Bonds shall be paid at the rates and on the dates set forth in the Supplemental Trust Agreement. No Refunding Bond shall bear interest at a rate in excess of 5.00% per annum. The Refunding Bonds shall be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the Supplemental Trust Agreement, or not be subject to redemption. The Refunding Bonds issued as term bonds also shall be subject to mandatory sinking fund redemption as shall be set forth in the Supplemental Trust Agreement(s).

Execution and delivery of the Supplemental Trust Agreement, which document will contain the maturities, principal amounts, interest rates and the fixed interest payment obligations of the LACMTA within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, principal amounts, interest rates and payment obligations.

Section 4. Special Obligations. The Refunding Bonds shall be special obligations of the LACMTA secured by and payable from the Pledged Revenues and from the funds and accounts held by the Trustee under the Trust Agreement. The Refunding Bonds shall also be secured by and be paid from such other sources as the LACMTA may hereafter provide.

Section 5. Form of Refunding Bonds. The Refunding Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in Exhibit A to the Supplemental Trust Agreement on file with the Secretary of the Board and made available to the Board, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Trust Agreement or the Supplemental Trust Agreement or as appropriate to adequately reflect the terms of such Refunding Bonds and the obligations represented thereby.

Section 6. Execution of Refunding Bonds. Each of the Refunding Bonds shall be executed on behalf of the LACMTA by any Designated Officer and any such execution may be by manual or facsimile signature, and each bond shall be authenticated by the endorsement of the Trustee or an agent of the Trustee. Any facsimile signature of such Designated Officer shall have the same force and effect as if such officer had manually signed each of such Refunding Bonds.

Section 7. Approval of Documents, Authorization for Execution. The form, terms and provisions of the Supplemental Trust Agreement, the Escrow Agreement, the Notice of Intention to Sell Bonds, the Notice Inviting Bids and the Continuing Disclosure Certificate on file with the Secretary of the Board and made available to the Board within the parameters set forth in this Resolution are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA one or more Supplemental Trust Agreements, one or more Escrow Agreements, one or more Notices of Intention to Sell Bonds, one or more Notices Inviting Bids and one or more Continuing Disclosure Certificates, including counterparts thereof. The Supplemental Trust Agreement(s), the Escrow Agreement(s), the Notice(s) of Intention to Sell Bonds, the Notice(s) Inviting Bids and the Continuing Disclosure Certificate(s), as executed and delivered, shall be in substantially the forms now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Supplemental Trust Agreement, the Escrow Agreement, the Notice of Intention to Sell Bonds, the Notice Inviting Bids and the Continuing Disclosure Certificate now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of each Supplemental Trust Agreement, each Escrow Agreement, each Notice of Intention to Sell Bonds, each Notice Inviting Bids and each Continuing Disclosure Certificate, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with

the provisions of each Supplemental Trust Agreement, each Escrow Agreement, each Notice of Intention to Sell Bonds, each Notice Inviting Bids and each Continuing Disclosure Certificate.

Section 8. Sale of Refunding Bonds.

(a) Each Designated Officer is hereby authorized, from time to time, to choose such times and dates as such Designated Officer shall, in his or her discretion, deem to be necessary or desirable to provide for the sale of the Refunding Bonds, to receive proposals from qualified bidders for the purchase of the Refunding Bonds (through the receipt of bids through the use of computerized bidding systems) upon the terms and in the manner set forth in each Notice Inviting Bids.

(b) Each Designated Officer is hereby authorized and directed to execute one or more Notices Inviting Bids, from time to time, in such form as the Designated Officer executing the same shall approve, and call for bids for the sale of the Refunding Bonds from qualified bidders in accordance with each such Notice Inviting Bids.

(c) Each Designated Officer is hereby authorized and directed to cause each Notice of Intention to Sell Bonds to be published from time to time (after completion, modification or correction thereof reflecting the terms of each series of the Refunding Bonds, as approved by said Designated Officer, such approval to be conclusively evidenced by such publication) in *The Bond Buyer* (or such other publication as may be selected by Bond Counsel and/or a Designated Officer), a financial publication generally circulated throughout the State of California or reasonably expected to be disseminated among prospective bidders for the Refunding Bonds, at least five days prior to the sale of each series of the Refunding Bonds in accordance with Section 53692 of the Government Code of the State of California and any such action previously taken is hereby confirmed, ratified and approved.

(d) Each Designated Officer is authorized and directed to cause each Notice Inviting Bids to be published, if determined by Bond Counsel and/or a Designated Officer to be necessary or desirable (after completion, modification or correction thereof reflecting the terms of each series of the Refunding Bonds, as approved by said Designated Officer, such approval to be conclusively evidenced by such publication) in such publication(s) as selected by a Designated Officer and Bond Counsel and any such action previously taken is hereby confirmed, ratified and approved.

(e) Each Designated Officer is authorized and directed to distribute each Notice Inviting Bids (including via electronic methods) to such municipal broker-dealers, banking and financial institutions and other persons as such Designated Officer deems necessary or desirable, and any such action previously taken is hereby confirmed, ratified and approved.

(f) Each Designated Officer is hereby authorized and directed for and on behalf of the LACMTA to accept the best bid for the Refunding Bonds received from qualified bidders pursuant to and subject to the terms and conditions set forth in this Resolution and the Notice(s) Inviting Bids herein approved and to award the Refunding Bonds, from time to time, to such best bidder(s).

(g) Each Designated Officer is hereby authorized and directed to take any other action such Designated Officer determines is necessary or desirable to cause any such competitive sale to comply with the LACMTA's Debt Policy and applicable law.

Section 9. Preliminary Official Statement and Official Statement. One or more Preliminary Official Statements shall be used by the LACMTA in connection with the sale and issuance of the Refunding Bonds. The form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board is hereby approved. The Preliminary Official Statement shall be substantially in the form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board with such changes as a Designated Officer approves (such approval to be conclusively evidenced by the execution and delivery of the certificate referenced in the following sentence). The Preliminary Official Statement shall be circulated (via printed format and/or through electronic means) for use in selling the Refunding Bonds at such time or times as a Designated Officer shall deem such Preliminary Official Statement to be final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by said Designated Officer to said effect. The Preliminary Official Statement shall contain a description of the finances and operations of the LACMTA, a description of the Proposition C Tax and a description of historical receipts of sales tax revenues substantially in the form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board with such changes as any Designated Officer determines are appropriate or necessary. The Preliminary Official Statement shall also contain a description of the Refunding Bonds and the terms and conditions of the Trust Agreement and the Supplemental Trust Agreement together with such information and description as a Designated Officer determines is appropriate or necessary.

Upon the sale of the Refunding Bonds, one or more of the Designated Officers shall provide for the preparation, publication, execution and delivery of one or more final Official Statements in substantially the form of the Preliminary Official Statement deemed final by a Designated Officer with such changes as any Designated Officer approves, such approval to be conclusively evidenced by the execution of such final Official Statement. Any Designated Officer is hereby authorized and directed to execute and deliver one or more final Official Statements in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement(s) or revised final Official Statement(s) may be prepared and delivered reflecting updated and revised information as any Designated Officers deems appropriate or necessary. Each final Official Statement shall be circulated (via printed format and/or through electronic means) for use in selling the Refunding Bonds at such time or times as a Designated Officer deems appropriate after consultation with the LACMTA's Municipal Advisor, LACMTA's Disclosure Counsel and LACMTA's Bond Counsel and such other advisors as a Designated Officer believes to be useful.

Section 10. Trustee, Paying Agent and Registrar. U.S. Bank National Association is hereby appointed as Trustee, Paying Agent and Registrar for the Refunding Bonds. Such appointments shall be effective upon the issuance of the Refunding Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 11. Escrow Agent. U.S. Bank National Association is hereby appointed as Escrow Agent under the Escrow Agreement. Such appointment shall be effective upon the issuance of the Refunding Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 12. Authorized Authority Representative. The Board hereby designates each of the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA, and any such officer serving in an acting or interim capacity, as an “Authorized Authority Representative” for all purposes under the Trust Agreement, the Supplemental Trust Agreement, and any amendments or supplements to the Trust Agreement or the Supplemental Trust Agreement. Such appointment shall remain in effect until modified by resolution. The prior designation of officers, including the Chairperson of the Board and the Chief Executive Officer of the LACMTA, as Authorized Authority Representatives under the Trust Agreement and any amendments or supplements thereto shall continue.

Section 13. Additional Authorization. The Designated Officers, for and on behalf of the LACMTA, be and they hereby are authorized and directed to do any and all things necessary to effect the issuance of the Refunding Bonds, and the execution and delivery of each Supplemental Trust Agreement, each Escrow Agreement, each Notice of Intention to Sell Bonds, each Notice Inviting Bids and each Continuing Disclosure Certificate, and to carry out the terms thereof. The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments and take all other actions that may be required in order to carry out the authority conferred by this Resolution or the provisions of the Trust Agreement, each Supplemental Trust Agreement, each Escrow Agreement, each Notice of Intention to Sell Bonds, each Notice Inviting Bids and each Continuing Disclosure Certificate or to evidence said authority and its exercise. The foregoing authorization includes, but is in no way limited to, the direction (from time to time) by a Designated Officer of the investment of the proceeds of the Refunding Bonds and of the Pledged Revenues including the execution and delivery of investment agreements or purchase agreements related thereto, the execution by a Designated Officer and the delivery of one or more tax certificates as required by each Supplemental Trust Agreement for the purpose of complying with the rebate and arbitrage requirements and restrictions of the Internal Revenue Code of 1986, as amended; and the execution and delivery of documents required by The Depository Trust Company in connection with the Book-Entry Bonds. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

Any Designated Officer, on behalf of the LACMTA, is further authorized and directed to cause written notice(s) to be provided to the California Debt and Investment Advisory Commission (“CDIAC”) of the proposed sale of the Refunding Bonds, said notice(s) to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice(s) of final sale with CDIAC, to file the rebates and notices required under section 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended, if necessary, and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Refunding Bonds, and any such notices are hereby ratified, confirmed and approved.

Section 14. Continuing Authority of Designated Officers. The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the Chief Executive Officer, the Chief Financial Officer, the Treasurer, any Deputy Executive Officer, Finance, or any Assistant Treasurer (or such other titles as the LACMTA may from time to time assign for such respective positions), shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

Section 15. Investments. From and after the delivery of the Refunding Bonds, each Designated Officer is hereby authorized to invest the proceeds of the Refunding Bonds in accordance with the Trust Agreement, the Supplemental Trust Agreement, the Escrow Agreement and the LACMTA's Investment Policy and is further authorized to enter into or to instruct the Trustee to enter into one or more investment agreements, float contracts, swaps or other hedging products (hereinafter collectively referred to as the "Investment Agreement") providing for the investment of moneys in any of the funds and accounts created under the Trust Agreement, the Supplemental Trust Agreement and the Escrow Agreement, on such terms as the Designated Officer shall deem appropriate. Pursuant to Section 5922 of the California Government Code, the LACMTA hereby finds and determines that the Investment Agreement will reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the Investment Agreement and is designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Refunding Bonds or enhance the relationship between risk and return with respect to investments.

Section 16. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth in Exhibit A attached hereto: (a) the true interest cost of the Refunding Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Refunding Bonds, (c) the amount of proceeds of the Refunding Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Refunding Bonds, and (d) the sum total of all debt service payments on the Refunding Bonds calculated to the final maturity of the Refunding Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Refunding Bonds.

Section 17. Further Actions. From and after the delivery of the Refunding Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify each Supplemental Trust Agreement, each Escrow Agreement and each Continuing Disclosure Certificate at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement, or modification, upon consultation with the LACMTA's municipal advisor and LACMTA's Bond Counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof.

Section 18. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of the Refunding Bonds, to be used to pay costs of issuance of the Refunding Bonds, including, but not limited to, costs of attorneys, accountants, verification agents, municipal advisors, trustees, escrow agents, the costs associated with rating agencies, printing, publication and mailing expenses and any related filing fees.

Section 19. Severability. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 20. Effective Date. This Resolution shall be effective upon adoption and shall be effective with respect to the Refunding Bonds issued on or before December 31, 2020.

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CERTIFICATION

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2020.

[SEAL]

By _____
Board Secretary, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2020

EXHIBIT A**GOOD FAITH ESTIMATES**

The following information was obtained from [Municipal Advisor] (the “Municipal Advisor”) with respect to the bonds (the “Refunding Bonds”) approved in the attached Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Refunding Bonds:

Section 1. True Interest Cost of the Refunding Bonds. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Refunding Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Refunding Bonds, is 1.015652%.

Section 2. Finance Charge of the Refunding Bonds. Based on market interest rates prevailing at the time of preparation of this information and certain other available information, a good faith estimate of the finance charge of the Refunding Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Refunding Bonds), is \$268,816.45, as follows:

| | | |
|-----|--------------------------------------|------------------|
| (a) | Underwriters' Discount | \$72,300.00 |
| (b) | Bond Counsel and Disbursements | 39,500.00 |
| (c) | Disclosure Counsel and Disbursements | 50,000.00 |
| (d) | Municipal Advisor and Disbursements | 16,200.00 |
| (e) | Rating Agencies | 54,500.00 |
| (f) | Other | <u>46,316.45</u> |
| | Total | \$268,816.45 |

Section 3. Amount of Proceeds to be Received. Based on market interest rates prevailing at the time of preparation of this information and certain other available information, a good faith estimate of the amount of proceeds expected to be received by the LACMTA for sale of the Refunding Bonds less the finance charge of the Refunding Bonds described in Section 2 above and any reserves or capitalized interest paid or funded with proceeds of the Refunding Bonds, is \$32,267,629.55.

Section 4. Total Payment Amount. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the LACMTA will make to pay debt service on the Refunding Bonds plus the finance charge of the Refunding Bonds described in Section 2 above not paid with the proceeds of the Refunding Bonds, calculated to the final maturity of the Refunding Bonds, is \$33,450,800.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Refunding Bonds sale, the amount of Refunding Bonds sold, the amortization of the Refunding Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Refunding Bonds sold will be determined by the LACMTA based on the need to provide funds for the Financing and other factors. The actual interest rates at which the Refunding Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Refunding Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the LACMTA's control. The LACMTA has approved the issuance of the Refunding Bonds with a maximum true interest cost of 3.00%.



Board Report

File #: 2020-0086, File Type: Resolution

Agenda Number: 13.

FINANCE, BUDGET & AUDIT COMMITTEE MARCH 18, 2020

SUBJECT: MEASURE R BONDS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. Adopting a Resolution, Attachment A, that:
1. Authorizes Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds in one or more series, to refinance one or more of Metro's Transportation Infrastructure Finance and Innovation Act ("TIFIA") Loans to achieve up to \$170 million estimated net present value savings over the 18-year life of the bonds through the negotiated bond sale of up to \$1.75 billion of bonds.
 2. Approves the forms of the supplemental trust agreement, second amended and restated trust agreement, junior subordinate trust agreement, supplemental junior subordinate trust agreement, continuing disclosure certificate, preliminary official statement and such other documents as required for the issuance of the bonds, and approves related documents on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the Resolution;
 3. Approves the form of the bond purchase contract on file with the Board Secretary, that will be entered into with the underwriters as listed in Attachment B hereto; and
 4. Authorizes taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of the bond purchase contract and bond documentation associated with the issuance of the Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds (the "Refunding Bonds").
- B. Establishing an underwriter pool as shown in Attachment B that will be used to select underwriters for all future negotiated debt issues through June 30, 2024.
- C. Appointing the underwriter team selected for the Refunding Bonds from the above underwriter pool as shown in Attachment B that will be used to market the refunding bonds.

(Requires separate, simple majority Board vote.)

ISSUE

Long-term interest rates are at historic lows and currently provide the opportunity to refinance one or more of Metro's TIFIA loans. Issuing tax-exempt bonds to refinance the loans will lower debt expense.

BACKGROUND

The Refunding Bonds will refinance one or more of the TIFIA loans. The TIFIA Loans were secured as project specific financing for the Crenshaw/LAX Transit Corridor (2012), Regional Connector Transit Corridor (2014), the Westside Purple Line Extension Section 1 (2014), the Westside Purple Line Section 2 (2016) projects. The Refunding Bonds are currently estimated to provide net present value savings in excess of the minimum 3% of refunded par amount set forth in the Debt Policy criteria for evaluating refunding opportunities.

DISCUSSION

The Measure R Ordinance (Ordinance) anticipated and authorized the use of debt to finance projects in the Measure R Expenditure Plan. Metro's Long Range Transportation Plan (LRTP) assumes the issuance of long-term debt to deliver projects faster than the alternative "pay as you go" basis.

The primary benefits of using TIFIA loans to finance large capital projects occur during design and early construction phases. The TIFIA loans provided greater flexibility than traditional tax-exempt bonds during the early phases of the projects. Early phase benefits included:

- Loan draws based on our actual cash flow needs over time
- Up to 5-years of deferred draw-down of loan did not reset interest rate
- Interest did not accrue until the initial draw on the loan
- No prepayment penalty

The use of TIFIA loans proved to be not only prudent but successful in facilitating board approved infrastructure projects throughout Los Angeles County. However low rates available in the current market environment, coupled with the no prepayment penalty present an opportunity to replace the loans with lower cost debt, resulting in an economic benefit to Metro.

In accordance with Section 8(i)(4) of the Measure R Ordinance, the Proposition R Independent Taxpayers Oversight Committee of Metro (the "Oversight Committee") is required to find that the benefits of any proposed Measure R debt outweigh the costs of financing. After a review of the Ordinance, it was determined by County Counsel that the TIFIA refinancing does not require a finding of benefit by the Oversight Committee. This is due to the prior findings of benefit for each respective loan (Attachment C).

The negotiated sale method is recommended for this sale of Measure R Junior Subordinate Bonds. This is in accordance with the Debt Policy criteria for determining the method of bond sale, including

the relatively large size of the proposed sale on the junior subordinate lien level. Further, recent interest rate volatility in the bond markets due to economic uncertainty and geopolitical events also supports a negotiated sale. If market conditions change suddenly, a negotiated sale puts Metro in the best position to alter the sale date and/or bond structure as needed.

Additionally, a negotiated sale gives us greater ability to target investor groups dedicated to purchasing green bonds. Pending self-certification, the Crenshaw portion of the Refunding Bonds, approximately \$600 million, are expected to be refinanced as green bonds. The Crenshaw project has been previously verified by First Environment to meet the requirements under the Climate Bonds Initiative for low carbon assets and infrastructure.

The underwriter's sales force will assist with addressing any investor concerns regarding the issue size and junior subordinate lien. In performing due diligence, Metro met with firms in the investment community that purchase municipal debt. The firms were presented with the proposed details of the refinancing. Each of the firms conveyed a strong interest in Metro-backed debt and confirmed there will be strong market interest in the sale. Underwriters from the board-approved, negotiated pool will pre-market the issue, assist with the rating process and advise on market timing for pricing the bonds.

Consistent with the Metro Debt Policy, in order to select underwriters for this transaction, a competitive Request for Proposal (RFP) process was conducted by Montague DeRose and Associates (MDA), our lead Municipal Advisor. MDA received twenty-seven proposals. Treasury staff and MDA reviewed the proposals, evaluating them based on the criteria listed in the RFP. Of the twenty-seven received, fifteen are recommended for the negotiated underwriting pool. Four of the fifteen recommended firms are DBE/SBE/DVBE.

Staff is recommending a team of underwriters to be led by Wells Fargo Securities, who was ranked first in the selection process to lead the marketing and sales effort for the Refunding Bonds. The additional underwriting team members are Citigroup Global Markets, Bank of America Securities Inc., Barclays Capital, Loop Capital Markets LLC, and Ramirez & Co, Inc. Attachment B sets forth not-to-exceed "take down (commission)" the underwriters will receive as consideration for underwriting the transaction.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

The costs of issuance for the bonds will be paid from proceeds of the financing and will be budget neutral. The fund source for the bond principal and interest expense will be Measure R 35% Transit Capital. Expenses for this financing will be included in future budgets as follows: bond principal, account 51101 and bond interest account 51121.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following Metro Strategic Plan Goal:

Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

Authorization of the sale and the appointment of the underwriters could be delayed. This is not recommended as market and geopolitical conditions could push interest rates higher, reducing or potentially eliminating the economic benefit of the transaction.

NEXT STEPS

- Obtain ratings on the bonds
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing effort
- Negotiate the sale of the bonds with the underwriters

ATTACHMENTS

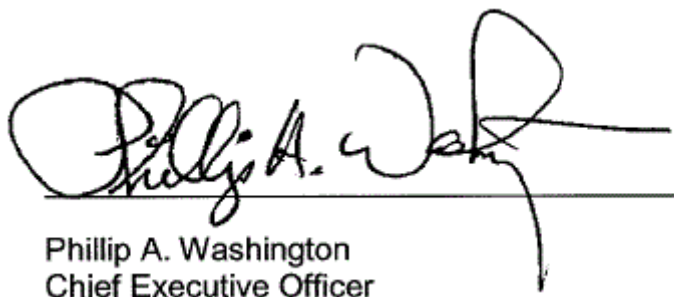
Attachment A - Authorizing Resolution

Attachment B - Summary of Underwriter Selection

Attachment C - Findings of Benefit

Prepared by: Donna R. Mills, Treasurer, (213) 922-4047
Rodney Johnson, Senior Director (213) 922-3417

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

Authorizing Resolution

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF ITS LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY MEASURE R JUNIOR SUBORDINATE SALES TAX REVENUE REFUNDING BONDS, APPROVING THE EXECUTION AND DELIVERY OF A SIXTH SUPPLEMENTAL TRUST AGREEMENT, A SECOND AMENDED AND RESTATED TRUST AGREEMENT, A JUNIOR SUBORDINATE TRUST AGREEMENT, A FIRST SUPPLEMENTAL JUNIOR SUBORDINATE TRUST AGREEMENT, A PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY AND FINAL OFFICIAL STATEMENTS, AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

(MEASURE R SALES TAX)

W I T N E S S E T H :

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “LACMTA”) is a county transportation commission duly organized and existing pursuant to Section 130050.2 of the California Public Utilities Code; and

WHEREAS, the LACMTA is authorized by Sections 130350.4 and 130350.5 of the California Public Utilities Code to impose a retail transactions and use tax at a rate of 0.5% that is applicable in the incorporated and unincorporated areas of the County of Los Angeles, California (the “County”) if authorized by at least two-thirds of the electors voting on the issue; and

WHEREAS, in accordance with such provision, the LACMTA, on July 24, 2008, adopted Ordinance No. 08-01, known as the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (the “Ordinance”) imposing the transactions and use tax for a period of 30 years, and the Ordinance was submitted to the electors of the County in the form of Measure R and approved by more than a two-thirds vote at an election held on November 4, 2008; and

WHEREAS, the Ordinance, as so approved, imposes for a period of 30 years, beginning July 1, 2009, a tax upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax (the “Measure R Sales Tax”); and

WHEREAS, Section 130500 et seq. of the California Public Utilities Code (the “Act”) provides that the LACMTA may issue bonds, which terms includes indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, and all of such obligations shall be special obligations of the LACMTA, payable from the proceeds of the Measure R Sales Tax; and

WHEREAS, to facilitate the development and construction of the Rail, Bus and Highway Transit System, the LACMTA, as authorized by the Act, has heretofore executed and delivered (i) the TIFIA Loan Agreement, dated as of December 20, 2016, between the LACMTA and the United States Department of Transportation (the “TIFIA Lender”), (ii) the TIFIA Loan Agreement, dated as of May 21, 2014, between the LACMTA and the TIFIA Lender, and (iii) the TIFIA Loan Agreement, dated as of February 20, 2014 (collectively, the “Primary TIFIA Loan Agreements”), and the TIFIA Loan Agreement, dated as of September 28, 2012, between the Crenshaw Project Corporation (“CPC”) and the TIFIA Lender, the related Funding Agreement, dated as of September 28, 2012, between the LACMTA and CPC, and the related Direct Agreement, dated as of September 28, 2012, between the LACMTA and the TIFIA Lender (collectively, and as amended, the “Crenshaw TIFIA Loan Agreement,” and together with the Primary TIFIA Loan Agreements, the “TIFIA Loan Agreements”); and

WHEREAS, pursuant to the Act and the provisions of the Amended and Restated Trust Agreement, dated as of February 1, 2014 (as supplemented and amended from time to time, the “Trust Agreement”), between the LACMTA and U.S. Bank National Association, as trustee (the “Trustee”), the LACMTA is authorized to issue Senior Bonds, Subordinate Obligations and Junior Subordinate Obligations (each as defined in the Trust Agreement); and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more Series from time to time and in one or more transactions of its Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds (the “Bonds”), as Junior Subordinate Obligations, to (a) repay and retire all or a portion of its obligations under the TIFIA Loan Agreements (such TIFIA Loan Agreements repaid in full shall be referred to herein as “Refunded TIFIA Loan Agreements”); (b) finance Costs of the Project (as defined in the Trust Agreement) in an amount equal to the aggregate undrawn amounts under the Refunded TIFIA Loan Agreements; (c) fund a reserve fund and/or capitalized interest, at the discretion of a Designated Officer (as defined herein); and (d) pay the costs of issuance related thereto (collectively, the “Financing”); and

WHEREAS, to the extent that all obligations of the LACMTA under the Primary TIFIA Loan Agreements are repaid and retired in connection with the Financing, or the TIFIA Lender so consents, and any other required consents are obtained, to the extent that a Designated Officer determines that it is in the interest of the LACMTA to do so, the LACMTA desires to amend and restate the Trust Agreement, and execute and deliver a Junior Subordinate Trust Agreement and First Supplemental Junior Subordinate Trust Agreement to provide for the issuance of the Bonds (collectively, the “Amendment,” and together with the Financing, the “Transaction”), and

WHEREAS, the LACMTA has determined that it is in its best interest to sell the Bonds to the public through a negotiated sale to the underwriters selected through a competitive process by the LACMTA and approved by the Board pursuant to this Resolution (the “Underwriters”); and

WHEREAS, forms of the following documents are on file with the Secretary of the Board of Directors of the LACMTA and have been made available to the members of the Board of Directors of the LACMTA (the “Board”):

(a) a Sixth Supplemental Trust Agreement (the “Sixth Supplemental Trust Agreement”), by and between the LACMTA and the Trustee, which, along with the Trust

Agreement, shall set forth the terms and provisions of the Bonds if the Second Amended and Restated Trust Agreement is not executed and delivered;

(b) a Second Amended and Restated Trust Agreement (the “Second Amended and Restated Trust Agreement”), by and between the LACMTA and the Trustee, amending and restating the Trust Agreement;

(c) a Junior Subordinate Trust Agreement (the “Junior Subordinate Trust Agreement”), by and between the LACMTA and U.S. Bank National Association, as trustee (the “Junior Subordinate Trustee”), providing for the issuance of Junior Subordinate Obligations if the Second Amended and Restated Trust Agreement is executed and delivered;

(d) a First Supplemental Junior Subordinate Trust Agreement (the “First Supplemental Junior Subordinate Trust Agreement”), by and between LACMTA and Junior Subordinate Trustee, which, along with the Second Amended and Restated Trust Agreement and the Junior Subordinate Trust Agreement, shall set forth the terms and provisions of the Bonds if the Second Amended and Restated Trust Agreement is executed and delivered;

(e) a Purchase Contract (the “Purchase Contract”), to be entered into by one or more of the Underwriters and the LACMTA, which shall set forth the terms of the sale of the Bonds;

(f) a Preliminary Official Statement (the “Preliminary Official Statement”), which will provide information about the Bonds, the LACMTA, the Measure R Sales Tax and certain other related matters, and will be used, from time to time, in connection with the offer and sale of the Bonds; and

(g) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to be executed by the LACMTA, which will assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”); and

WHEREAS, the LACMTA has been advised by its Bond Counsel that such documents are in appropriate form, and the LACMTA hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the Bonds and said documents are subject to completion to reflect the results of the sale of the Bonds; and

WHEREAS, the Board of the LACMTA desires to permit the issuance of the Bonds in one or more Series and from time to time so long as the refunding portion of each issuance complies with the interest savings or other provisions of the Debt Policy of the LACMTA (including the provisions that give the Treasurer discretion with respect to various matters); and

WHEREAS, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the Transaction and to authorize the execution and delivery of the Sixth Supplemental Trust Agreement, the Second Amended and Restated Trust Agreement, the Junior Subordinate Trust Agreement, the First Supplemental Junior Subordinate Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate, the preparation of the Preliminary

Official Statement and the execution and delivery of the Official Statement (as hereinafter defined) for the purposes, in the manner and upon the terms provided; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the governing body of a public body obtain from an underwriter, financial advisor or private lender and disclose, prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement and the Sixth Supplemental Trust Agreement or alternatively in the Second Amended and Restated Trust Agreement, the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement (each in the forms hereof made available to the Board);

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

Section 1. Findings. The Board finds and determines that the foregoing recitals are true and correct.

Section 2. Issuance of Bonds. The Board of the LACMTA hereby authorizes the issuance of one or more Series of Bonds from time to time in an aggregate principal amount not to exceed \$1,750,000,000, for the purpose of (a) repaying and retiring all or any portion of the obligations of the LACMTA under the TIFIA Loan Agreements; (b) financing Costs of the Project in an amount equal to the aggregate undrawn amounts under the Refunded TIFIA Loan Agreements; (c) funding a reserve fund and/or capitalized interest, at the discretion of a Designated Officer; and (d) paying the costs of issuance related thereto; *provided, however*, that, as of the date of sale of the Bonds, the issuance of such Series of Bonds satisfies the requirements of the Debt Policy of the LACMTA as determined and calculated in the discretion of the Treasurer of the LACMTA, which shall be conclusive for all purposes of this Resolution. The LACMTA hereby specifies that the Bonds shall not mature later than June 1, 2037. The Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, a Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and any such officer serving in an acting or interim capacity, and any written designee of any of them (each, a “Designated Officer”), acting in accordance with this Section 2, are each hereby authorized to determine whether all or any portion, and which portion, of the obligations of the LACMTA under the TIFIA Loan Agreements shall be repaid and retired, whether any proceeds of the Bonds will fund a debt service reserve fund or capitalized interest and the amount thereof, the actual aggregate principal amount of each Series of Bonds to be issued and to direct the execution

and authentication of the Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized, and the execution of the Bonds shall be conclusive evidence of such determinations.

Section 3. Terms of Bonds. The Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the Supplemental Trust Agreement, or alternatively in the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement. The Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Sixth Supplemental Trust Agreement, or alternatively in the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement. Interest on the Bonds shall be paid on the dates set forth in the Sixth Supplemental Trust Agreement, or alternatively in the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement. The Bonds may be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the Sixth Supplemental Trust Agreement, or alternatively in the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement, or not be subject to redemption. The Bonds may also be subject to mandatory sinking fund redemption as and to the extent set forth in the Sixth Supplemental Trust Agreement, or alternatively in the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement. Payment of principal of, and interest and premium, if any, on the Bonds shall be made at the place or places and in the manner provided in the Sixth Supplemental Trust Agreement, or alternatively in the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement.

Execution and delivery of the Sixth Supplemental Trust Agreement, or alternatively the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement, which documents will contain the maturities, interest rates and the payment obligations of the LACMTA within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, interest rates and payment obligations.

Section 4. Special Obligations. The Bonds shall be special obligations of the LACMTA payable from and secured (on a junior subordinate basis) by a portion of the proceeds of the Measure R Sales Tax, and from certain funds and accounts held by the Trustee under the Trust Agreement or the Second Amended and Restated Trust Agreement as specified therein. The Bonds shall also be payable from and secured by such other sources as the LACMTA may hereafter provide.

Section 5. Execution of Bonds. Each of the Bonds shall be executed on behalf of the LACMTA by any Designated Officer and any such execution may be by manual or facsimile signature, and each bond shall be authenticated by the endorsement of the Trustee or an agent of the Trustee. Any facsimile signature of such Designated Officer(s) shall have the same force and effect as if such officer(s) had manually signed each of such Bonds.

Section 6. Approval of Sixth Supplemental Trust Agreement. The form, terms and provisions of the Sixth Supplemental Trust Agreement on file with the Secretary of the Board and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and

directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Sixth Supplemental Trust Agreement, including counterparts thereof, as determined by a Designated Officer. The Sixth Supplemental Trust Agreement, as executed and delivered, shall be in substantially the form now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Sixth Supplemental Trust Agreement now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Sixth Supplemental Trust Agreement, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Sixth Supplemental Trust Agreement.

Section 7. Approval of Second Amended and Restated Trust Agreement. The form, terms and provisions of the Second Amended and Restated Trust Agreement on file with the Secretary of the Board and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Second Amended and Restated Trust Agreement, including counterparts thereof, as determined by a Designated Officer. The Second Amended and Restated Trust Agreement, as executed and delivered, shall be in substantially the form now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Second Amended and Restated Trust Agreement now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Second Amended and Restated Trust Agreement, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Second Amended and Restated Trust Agreement.

Section 8. Approval of Junior Subordinate Trust Agreement. The form, terms and provisions of the Junior Subordinate Trust Agreement on file with the Secretary of the Board and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Junior Subordinate Trust Agreement, including counterparts thereof, as determined by a Designated Officer. The Junior Subordinate Trust Agreement, as executed and delivered, shall be in substantially the form now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Junior Subordinate Trust Agreement now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Junior Subordinate Trust Agreement, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may

be necessary to carry out and comply with the provisions of the Junior Subordinate Trust Agreement.

Section 9. Approval of First Supplemental Junior Subordinate Trust Agreement.

The form, terms and provisions of the First Supplemental Junior Subordinate Trust Agreement on file with the Secretary of the Board and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the First Supplemental Junior Subordinate Trust Agreement, including counterparts thereof, as determined by a Designated Officer. The First Supplemental Junior Subordinate Trust Agreement, as executed and delivered, shall be in substantially the form now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the First Supplemental Junior Subordinate Trust Agreement now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the First Supplemental Junior Subordinate Trust Agreement, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the First Supplemental Junior Subordinate Trust Agreement.

Section 10. Sale of Bonds.

(a) The Board hereby authorizes the initial sale of the Bonds to the public through a negotiated sale to the Underwriters. The Bonds shall be sold subject to an underwriters' discount (excluding original issue discount and premium) not to exceed \$1.50 per \$1,000 in principal amount of the Bonds and subject to the terms and conditions set forth in the form of the Purchase Contract. The true interest cost of the Bonds shall not exceed 3.00%. The form, terms and provisions of the Purchase Contract on file with the Secretary of the Board and made available to the Board, within the parameters set forth in this Resolution, and the Underwriters named therein, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver from time to time the Purchase Contract, including counterparts thereof, as determined by a Designated Officer, in the name of and on behalf of the LACMTA. The Purchase Contract, as executed and delivered, shall be in substantially the form now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the LACMTA's approval of any and all changes or revisions therein from the form of the Purchase Contract now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Purchase Contract, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Purchase Contract.

(b) The form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board is hereby approved. The Preliminary Official Statement shall be substantially in the form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board with such changes as a Designated Officer approves (such approval to be conclusively evidenced by the execution and delivery of the certificate referenced in the following sentence). The Preliminary Official Statement shall be circulated for use in selling the Bonds at such time or times as a Designated Officer shall deem such Preliminary Official Statement to be final within the meaning of Rule 15c2-12, said determination to be conclusively evidenced by a certificate signed by said Designated Officer to said effect. The Preliminary Official Statement shall contain a description of the finances and operations of the LACMTA, a description of the Measure R Sales Tax and a description of historical receipts of sales tax revenues substantially in the form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board with such changes as any Designated Officer determines are appropriate or necessary. The Preliminary Official Statement shall also contain a description of the Bonds and the terms and conditions of the Trust Agreement, the Sixth Supplemental Trust Agreement, the Second Amended and Restated Trust Agreement, the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement, together with such information and description as a Designated Officer determines is appropriate or necessary. The Underwriters are hereby authorized to circulate (via printed format and/or through electronic means) the Preliminary Official Statement for use in selling the Bonds from time to time. The Underwriters are hereby further authorized to distribute (via written format and/or through electronic means) copies of the LACMTA's most recent annual audited financial statements and such other financial statements of the LACMTA as any Designated Officer shall approve.

(c) Upon the execution and delivery of the Purchase Contract, from time to time, one or more of the Designated Officers shall provide for the preparation, publication, execution and delivery of one or more final Official Statements in substantially the form of the Preliminary Official Statement deemed final by a Designated Officer with such changes as any Designated Officer approves, such approval to be conclusively evidenced by the execution of such final Official Statement. Any Designated Officer is hereby authorized and directed to execute and deliver one or more final Official Statements in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement(s) or revised final Official Statement(s) may be prepared and delivered to the Underwriters reflecting updated and revised information as shall be acceptable to the Underwriters and as the Designated Officers, or any one of them, approve. Each final Official Statement shall be circulated (via printed format and/or through electronic means) for use in selling the Bonds at such time or times as a Designated Officer deems appropriate after consultation with the Underwriters, the LACMTA's Municipal Advisor and Bond Counsel and such other advisors as a Designated Officer believes to be useful. The Underwriters are hereby authorized to circulate (via printed format and/or through electronic means) the final Official Statement, any supplement to the final Official Statement and any revised final Official Statement, as the case may be.

(d) The form, terms and provisions of the Continuing Disclosure Certificate on file with the Secretary of the Board and made available to the Board, within the parameters

set forth in this Resolution, are hereby approved and the LACMTA's obligation to provide the information as described therein is approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Continuing Disclosure Certificate. The Continuing Disclosure Certificate, as executed and delivered, shall be in substantially the form on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the LACMTA's approval of any and all changes or revisions therein from the form of the Continuing Disclosure Certificate on file with the Secretary of the Board and made available to the Board, and from and after the execution and delivery of the Continuing Disclosure Certificate, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Certificate.

(e) Each Designated Officer's authority to approve the final terms of the sale of the Bonds and to execute or to direct the execution of the Purchase Contract shall commence upon the date of adoption of this Resolution and shall continue for twelve calendar months thereafter unless rescinded or modified by subsequent action of the LACMTA prior to the time that a Purchase Contract has been duly signed and delivered.

Section 11. Bond Insurance. In connection with the sale of all or a portion of the Bonds, any Designated Officer is hereby authorized on behalf of the LACMTA to purchase or otherwise arrange for the provision of (including the payment of such premiums, fees and other costs and expenses as such Designated Officer determines acceptable), one or more policies of municipal bond insurance or surety policies to support the timely payment of principal of and interest on all or a portion of the Bonds, said municipal bond insurance or surety policies to contain such terms and conditions as such Designated Officer(s) shall determine is appropriate or necessary for the issuance of the Bonds.

Section 12. Investments. Each Designated Officer is hereby authorized to invest the proceeds of the Bonds in accordance with (i) the LACMTA's Investment Policy and (ii) the Trust Agreement and the Sixth Supplemental Trust Agreement or alternatively the Second Amended and Restated Trust Agreement, the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement, and is further authorized to enter into or to instruct the Trustee to enter into one or more investment agreements, float contracts, swaps or other hedging products (hereinafter collectively referred to as the "Investment Agreement") providing for the investment of moneys in any of the funds and accounts created under the Trust Agreement and the Sixth Supplemental Trust Agreement or alternatively with the Second Amended and Restated Trust Agreement, the Junior Subordinate Trust Agreement and the First Supplemental Junior Subordinate Trust Agreement, on such terms as the Designated Officer shall deem appropriate. Pursuant to Section 5922 of the California Government Code, the LACMTA hereby finds and determines that the Investment Agreement will reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the Investment Agreement and is designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a

lower cost of borrowing when used in combination with the Bonds or enhance the relationship between risk and return with respect to investments.

Section 13. Additional Authorizations. All actions heretofore taken by the officers, employees and agents of the LACMTA with respect to the Transaction and the issuance and sale of the Bonds are hereby ratified, confirmed and approved. The officers, employees and agents of the LACMTA are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the LACMTA, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, including, without limitation, any escrow agreements, any tax certificates or agreements, any amendments to existing agreements relating to obligations payable from the Measure R Sales Tax, any documents with respect to the termination of the Refunded TIFIA Loan Agreements or related agreements, any agreements for depository services, and any agreements for rebate compliance services, which they, or any of them, may deem necessary or advisable in order to consummate the Transaction and the issuance and sale of the Bonds, to manage and administer the Transaction after the issuance and sale of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of the Ordinance, this Resolution, the Bonds and the documents approved hereby.

All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the Bonds, including, without limitation, any of the foregoing that may be necessary or desirable in connection with any investment of proceeds of the Bonds, or in connection with the addition, substitution or replacement of underwriters, or any agreements with paying agents or the Trustee or any similar action may be given or taken by any Designated Officer without further authorization or direction by the LACMTA, and each Designated Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Designated Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 14. Continuing Authority of Designated Officers. The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Treasurer of the LACMTA, or any Assistant Treasurer of the LACMTA shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

Section 15. Further Actions. From and after the delivery of the Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify the Trust Agreement, the Sixth Supplemental Trust Agreement, the Second Amended and Restated Trust Agreement, the Junior Subordinate Trust Agreement, the First Supplemental Junior Subordinate Trust Agreement and the Continuing Disclosure Certificate at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement, or modification, upon consultation with the LACMTA's Municipal Advisor and Bond Counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof. Further, the Designated Officers and each of them are hereby authorized and directed to terminate any

municipal bond insurance policy, surety policy or investment agreement and enter into one or more municipal bond insurance policies, surety policies or investment agreements as any such Designated Officer shall determine is appropriate or necessary.

Section 16. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of the Bonds, to be used to pay costs of issuance of the Bonds, including, but not limited to, costs of attorneys, accountants, financial advisors, trustees, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

Section 17. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 18. Effective Date. The effective date of this Resolution shall be the date of its adoption.

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Montague DeRose and Associates (the “Municipal Advisor”) with respect to the bonds (the “Bonds”) approved in the attached Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

1. *True Interest Cost of the Bonds.* Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 2.00%.

2. *Finance Charge of the Bonds.* Based on market interest rates prevailing and other information available at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$3,068,000, as follows:

| | | |
|----|--------------------------------------|---------------|
| a) | Underwriters’ Discount | \$2,185,000 |
| b) | Credit Enhancement | 0 |
| c) | Bond Counsel and Disbursements | 195,000 |
| d) | Disclosure Counsel and Disbursements | 50,000 |
| e) | Municipal Advisor and Disbursements | 150,000 |
| f) | Rating Agency | 400,000 |
| g) | Other Expenses | <u>88,000</u> |
| | Total | \$3,068,000 |

3. *Amount of Proceeds to be Received.* Based on market interest rates prevailing and other information available at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the LACMTA for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$1,900,000,000.

4. *Total Payment Amount.* Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the LACMTA will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$2,150,000,000.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bond sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the LACMTA based on need for escrow funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the

Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the LACMTA's control. The LACMTA has approved the issuance of the Bonds with a maximum true interest cost of 3.00%.

CERTIFICATION

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2020.

[SEAL]

By _____
Board Secretary, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2020

Summary of Underwriter Selection**Recommended Firms for 2020 Measure R Refunding Bonds**

| Position | Firm |
|-------------------|--|
| Senior Manager | Wells Fargo Securities |
| Co-Senior Manager | BofA Securities, Inc. |
| Co-Senior Manager | Barclays Capital Inc. |
| Co-Senior Manager | Citigroup Global Markets |
| Co-Manager | Loop Capital Markets LLC (Minority Business Enterprise) |
| Co-Manager | Ramirez & Co., Inc. (Minority Business Enterprise) |

Proposed Price (Takedown): Up to \$1.50 per \$1,000 of Bonds (0.15% of the bond issue)

The takedown is normally the largest component of the spread, similar to a commission, which represents the income the selling broker or dealer derives from the sale of the bonds. It compensates the underwriters for their work in structuring the transaction, marketing the transaction, and underwriting any bonds that are not pre-sold to investors. Note that the actual takedown rate varies by bond maturity and will be in accordance with the senior manager's proposal. The takedown rates for all the firms will be at the rates of the senior manager. Out of pocket expenses will be an additional charge.

Recommended Firms for Underwriting Pool (in alphabetical order)

Bank of America Merrill Lynch
Barclays Capital Inc.
Citigroup Global Markets Inc.
Drexel Hamilton LLC (Disabled Veteran Owned Enterprise)
FHN Financial Capital Markets
Goldman Sachs & Co. LLC
J.P. Morgan Securities LLC
Loop Capital Markets LLC (Minority Business Enterprise)
Morgan Stanley
Ramirez & Co., Inc. (Minority Business Enterprise)
RBC Capital Markets, LLC
Siebert Williams Shank & Co., LLC (Minority Business Enterprise)
Stifel, Nicolaus & Company, Incorporated
UBS Financial Services Inc.
Wells Fargo Bank, N.A.

Evaluation of Proposals

The Request For Proposals (“RFP”) was sent on December 18, 2019 to 47 firms who had previously expressed interest in serving as underwriter on our bonds or were known as active in the California market. Proposals were due January 17, 2020 and were received from the 27 firms listed below:

| List of Proposers |
|--|
| 280 Securities |
| Academy Securities, Inc. |
| AmeriVet Securities, Inc. |
| BofA Securities, Inc. |
| Barclays Capital Inc. |
| Blaylock Van, LLC |
| Cabrera Capital Markets LLC |
| Citigroup Global Markets Inc. |
| D.A. Davidson & Co. |
| Drexel Hamilton, LLC |
| FHN Financial Capital Markets |
| Goldman Sachs & Co. LLC |
| J.P. Morgan Securities LLC |
| Loop Capital Markets LLC |
| Mischler Financial Group, Inc. |
| Morgan Stanley & Co. LLC |
| Oppenheimer & Co. Inc. |
| Ramirez & Co., Inc. |
| RBC Capital Markets, LLC |
| Rice Financial Products Company |
| Siebert Williams Shank & Co., LLC |
| Stern Brothers & Co. |
| Stifel, Nicolaus & Company, Incorporated |
| Sumitomo Mitsui Banking Corp. |
| TD Securities (USA) LLC |
| UBS Financial Services Inc. |
| Wells Fargo Securities |

Proposals were evaluated in accordance with the guidelines and the following criteria established in the RFP:

- Relevant experience of the firm and its individuals 25%
- Capabilities of the firm of underwriting & distributing LACMTA’s debt 30%
- Demonstrated commitment of the firm to LACMTA 25%
- Quality of the proposal 20%

Relevant experience included transportation debt, experience working directly with TIFIA or on debt that was secured by revenues that also secured TIFIA loans, toll revenue bonds, grant anticipation notes, and private activity bonds. In addition to experience, firms were asked to provide evidence demonstrating their commitment to LACMTA which included items such as bidding on recent competitive bond issues, liquidity support, or other materials that had been recently provided. The RFP also included questions about providing specific suggestions for the structuring of LACMTA's bonds as well as suggestions for our debt program, in general. The selection committee made up of four staff and LACMTA's general municipal advisor reviewed all proposals and scored the firms based on the evaluation criteria. The fifteen firms that ranked the highest are being recommended for inclusion in the underwriting pool.

Part of the review process included determining the preferred approach to structuring the Measure R refunding bonds, which, together with experience with related securities, weighed heavily in the selection of the firms recommended for the 2020 Measure R underwriting. These recommendations also reflect the LACMTA's Debt Policy of finding opportunities to contract with small, local and disadvantaged firms; given the large size of the transaction, this bond issue provides an opportunity to fulfill this policy goal. Two co-managers are minority owned firms. The other four members of the recommended underwriting team are large broker-dealers with strong marketing and distribution capabilities. A key factor in evaluating the firms' capabilities was the level of their participation in prior competitive bids for LACMTA bonds, their performance in such bids, and other areas of support.

Findings of Benefit

ATTACHMENT C

(Crenshaw/LAX Project TIFIA Loan Finding of Benefit Resolution)

RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE
BENEFITS OF A TIFIA LOAN UP TO \$546 MILLION EXCEED ISSUANCE AND
INTEREST COSTS

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over the next 30 years; and

WHEREAS, the America Fast Forward Initiative proposed by the Mayor of Los Angeles and adopted by the MTA Board of Directors in April 2010 proposes to complete construction of the 12 transit capital projects in 10 rather than 30 years; and

WHEREAS, implementation of the America Fast Forward Initiative would reduce project costs by approximately \$3.8 billion by minimizing anticipated cost escalation due to inflation; and

WHEREAS, accelerated construction would take advantage of any continuation of the current soft construction market to reduce costs potentially; and

WHEREAS, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans for qualified transportation projects of regional and national significance; and

WHEREAS, MTA was awarded a \$546 million TIFIA loan for the Crenshaw/LAX Project; and

WHEREAS, MTA retains the right to use traditional tax-exempt borrowing for the Crenshaw/LAX Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the proposed TIFIA loan for the Crenshaw/LAX Project would free up Measure R funds to meet the cash flow necessary to pay for an accelerated construction program for other Measure R transit capital projects; and

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program will generate 165,990 annual full-time equivalent jobs.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$546 million TIFIA loan, which would free up Measure R funds to accelerate delivery of Measure R transit capital projects, exceed issuance and interest costs.

Adopted this 4th day of April, 2012.

Findings of Benefit

ATTACHMENT C

(Regional Connector Project TIFIA Loan Finding of Benefit Resolution)

ATTACHMENT A

RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE BENEFITS OF A TIFIA LOAN UP TO \$160 MILLION EXCEED ISSUANCE AND INTEREST COSTS

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over the next 30 years; and

WHEREAS, the America Fast Forward Initiative adopted by the MTA Board of Directors in April 2010 proposes to complete construction of the 12 transit capital projects in 10 rather than 30 years; and

WHEREAS, accelerated construction would take advantage of any continuation of the current soft construction market to reduce costs potentially; and

WHEREAS, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans for qualified transportation projects of regional and national significance; and

WHEREAS, MTA was invited to apply for a \$160 million TIFIA loan for the Regional Connector Project; and

WHEREAS, MTA retains the right to use traditional tax-exempt borrowing for the Regional Connector Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the proposed TIFIA loan for the Regional Connector Project would free up Measure R funds to meet the cash flow necessary to pay for a potential future accelerated construction program for other Measure R transit capital projects; and

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

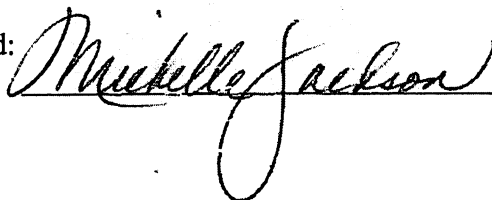
WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program will generate 165,990 annual full-time equivalent jobs.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$160 million TIFIA loan, which would free up Measure R funds to potentially accelerate delivery of Measure R transit capital projects, exceed issuance and interest costs.

Prepared by: Ron Stamm, Principle Deputy County Counsel

Adopted this 9th day of October 2013.

Signed:



Michelle Jackson, Metro Board Secretary

Findings of Benefit

(Westside Purple Line Extension Section 1 Project TIFIA Loan Finding of Benefit
Resolution)

ATTACHMENT C

RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE BENEFITS OF A TIFIA LOAN UP TO \$856 MILLION EXCEED ISSUANCE AND INTEREST COSTS

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over the next 30 years; and

WHEREAS, the America Fast Forward Initiative adopted by the LACMTA Board of Directors in April 2010 proposes to complete construction of the 12 transit capital projects in 10 rather than 30 years; and

WHEREAS, accelerated construction would avoid inflationary cost growth; and

WHEREAS, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans for qualified transportation projects of regional and national significance; and

WHEREAS, LACMTA was invited to apply for a \$856 million TIFIA loan for the Westside Purple Line Extension Section 1 Project; and

WHEREAS, LACMTA retains the right to use traditional tax-exempt borrowing for the Westside Purple Line Extension Section 1 Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the proposed TIFIA loan for the Westside Purple Line Extension Section 1 Project would free up Measure R funds to meet the cash flow necessary to pay for a potential future accelerated construction program for other Measure R transit capital projects; and

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program will generate 165,990 annual full-time equivalent jobs.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of LACMTA finds that the economic, environmental and transit benefits of the \$856 million TIFIA loan, which would free up Measure R funds to potentially accelerate delivery of Measure R transit capital projects, exceed issuance and interest costs.

Adopted this 7th day of March 2014.

Findings of Benefit

(Westside Purple Line Extension Section 2 Project TIFIA Loan Finding of Benefit
Resolution)

Finding of Benefit Resolution

**RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE
BENEFITS OF A TIFIA LOAN UP TO \$307 MILLION EXCEED ISSUANCE AND
INTEREST COSTS**

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over 30 years; and

WHEREAS, accelerated construction would avoid inflationary cost growth; and

WHEREAS, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans for qualified transportation projects of regional and national significance; and

WHEREAS, LACMTA is seeking a \$307 million TIFIA loan for the Westside Purple Line Extension Section 2 Project; and

WHEREAS, LACMTA retains the right to use traditional tax-exempt borrowing for the Westside Purple Line Extension Section 2 Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program has generated 49,850 annual full-time and part-time jobs since 2010; and is expected to generate 124,030 annual full-time and part-time jobs during the remaining construction program.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$307 million TIFIA loan, which would accelerate project delivery and avoid inflationary cost growth, exceed issuance and interest costs.

Adopted this 19th day of July, 2016

Signed:



Michele Jackson
LACMTA Board Secretary

Measure R TIFIA Loan Refinancing

**Finance, Budget and Audit Committee
March 18, 2020**

Measure R TIFIA Loan Refinancing

Existing TIFIA* Loan Summary

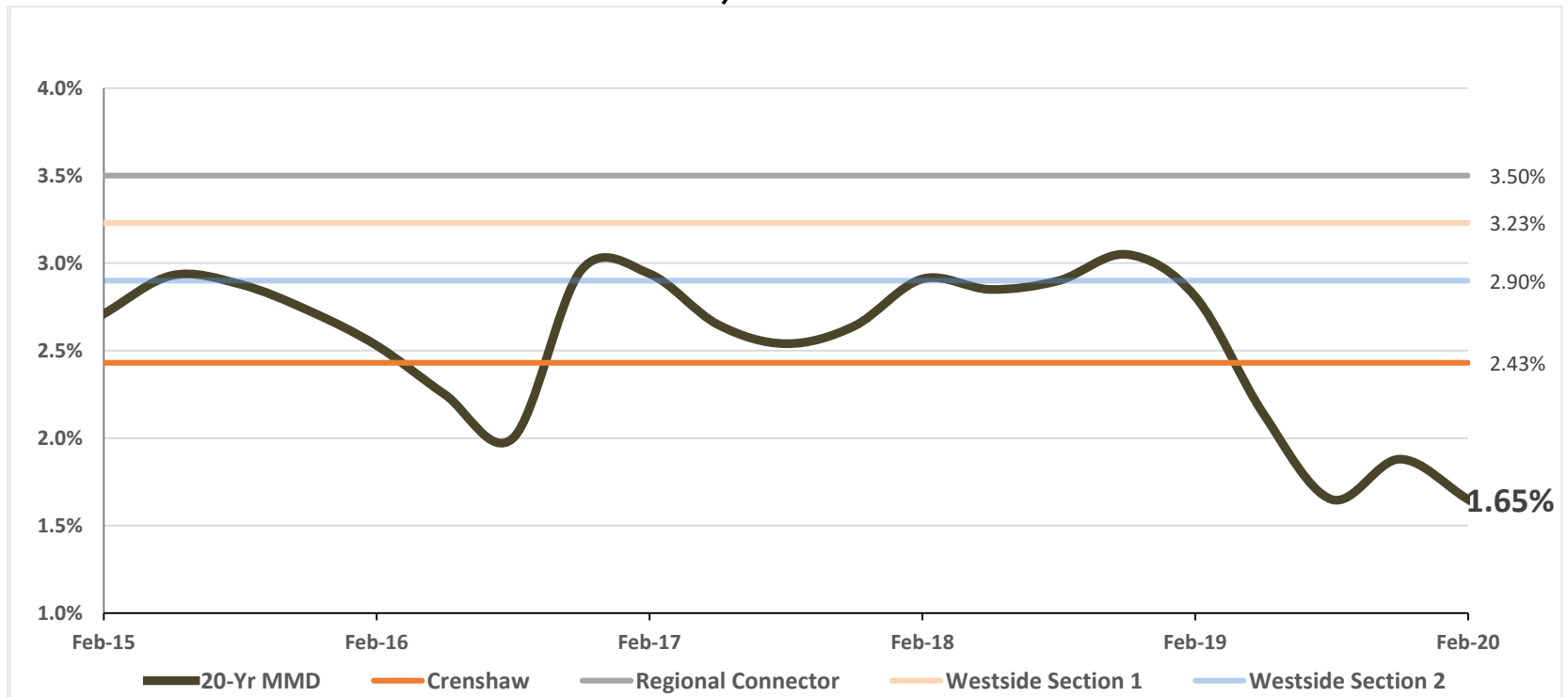
- Direct Loan with U.S. Department of Transportation
- Low-cost, project-specific financing of four major Metro projects

| TIFIA Loans (repaid from Measure R) (in millions) (as of March 1, 2020) | | | | | |
|--|---------------|-------------|---------------|---------|----------------|
| Project | Interest Rate | Loan Amount | Drawn to Date | Undrawn | Final Maturity |
| Crenshaw/LAX | 2.43% | \$545.9 | \$545.9 | - | FY2034 |
| Regional Connector | 3.50% | 160.0 | 141.9 | \$18.1 | FY2036 |
| Westside Section 1 | 3.23% | 856.0 | 642.6 | 213.4 | FY2037 |
| Westside Section 2 | 2.90% | 307.0 | 307.0 | | FY2037 |
| Grand Total | | \$1,868.9 | \$1,637.4 | \$231.5 | |

Measure R TIFIA Loan Refinancing

Historical 20-YR MMD* vs. TIFIA Interest Rates

February 2015-Present



* Municipal Market Data rate (interest rate)

The current interest rate environment presents Metro the opportunity to achieve meaningful savings.



Metro

Measure R TIFIA Loan Refinancing

Summary of Estimated Refinancing Results

| <u>Outstanding TIFIA Loans</u> | Crenshaw | Regional Connector | Westside 1 | Westside 2 | Total |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| Initial TIFIA Amount (\$) | \$545,900,000 | \$160,000,000 | \$856,000,000 | \$307,000,000 | \$1,868,900,000 |
| Outstanding Balance to be Refunded (\$)* | \$608,382,850 | \$169,657,333 | \$874,243,556 | \$316,453,805 | \$1,968,737,544 |
| Initial TIFIA Rate (%) | 2.43% | 3.50% | 3.23% | 2.90% | -- |
| | | | | | |
| <u>Projected Refinancing Results</u> | | | | | |
| Refinancing Bond Par Amount | \$484,615,000 | \$105,915,000 | \$633,345,000 | \$231,175,000 | \$1,455,050,000 |
| Escrow Deposit | \$607,388,102 | \$153,892,824 | \$670,027,455 | \$320,089,262 | \$1,751,397,643 |
| All -In TIC | 1.83% | 2.11% | 2.21% | 2.10% | 2.06% |
| NPV Savings (\$) | \$42,139,472 | \$18,860,263 | \$86,221,668 | \$25,652,082 | \$172,873,485 |
| NPV Savings (%) | 6.93% | 11.12% | 9.86% | 8.11% | 8.78% |

- Crenshaw/LAX portion of refinancing will be self-certified Green Bonds
- Baseline MMD AAA index as of 01/29/2020 plus credit spread of 10bps
- Refinancing all four loans can result approximately \$172.8 million of present value savings on Junior Subordinate Lien



*Balance = (Loan Amount + Capitalized Interest) + (Undrawn Amount)

Measure R TIFIA Loan Refinancing

Recommendation:

- A. Adopt a resolution authorizing the negotiated sale of up to \$1.75 billion of Measure R Bonds;
- B. Establish an underwriter pool for all future negotiated debt issues through June 30, 2024; and
- C. Appoint the underwriter team selected for the Refunding Bonds from the underwriter pool.

Next Steps:

- Obtain credit ratings on the bonds
- Complete legal documentation and initiate the pre-marketing effort
- Price the bonds

Measure R TIFIA Loan Refinancing

Discussion