



Metro

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

Agenda - Final

Thursday, March 20, 2025

10:00 AM

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Finance, Budget and Audit Committee

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Lindsey Horvath, Vice Chair

Kathryn Barger

James Butts

Imelda Padilla

Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA 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 general 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 General 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 Clerk 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 <https://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 coming before an agency involving a license, permit, or other entitlement for use including all contracts (other than competitively bid contracts that are required by law, agency policy, or agency rule to be awarded pursuant to a competitive process , labor contracts, personal employment contracts, contracts valued under \$50,000, contracts where no party receives financial compensation, contracts between two or more agencies, the periodic review or renewal of development agreements unless there is a material modification or amendment proposed to the agreement, the periodic review or renewal of competitively bid contracts unless there are material modifications or amendments proposed to the agreement that are valued at more than 10 percent of the value of the contract or fifty thousand dollars (\$50,000), whichever is less, and modifications of or amendments to any of the foregoing contracts, other than competitively bid contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$500 made within the preceding 12 months by the party, or the party's agent, to any officer of the agency. When a closed corporation is party to, or participant in, such a proceeding, the majority shareholder must make the same disclosure. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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323.466.3876

x2 *Español (Spanish)*

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

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Live public comment can be given by telephone or in-person.

The Meeting begins at 10:00 AM Pacific Time on March 20, 2025; you may join the call 5 minutes prior to the start of the meeting.

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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

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Los comentarios publicos en vivo se pueden dar por telefono o en persona.

La Reunion de la Junta comienza a las 10:00 AM, hora del Pacifico, el 20 de Marzo de 2025. Puedes unirse a la llamada 5 minutos antes del comienzo de la junta.

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Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.

Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."

Email: BoardClerk@metro.net

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Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

14. SUBJECT: INVESTMENT POLICY

[2025-0043](#)

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA's Officials in Attachment B; and
- C. DELEGATING to the Treasurer or their designees, the authority to invest funds for a one-year period, pursuant to California Government Code ("Code") Section 53607.

Attachments: [Attachment A - Investment Policy-Redline](#)
 [Attachment B - Financial Institutions Resolution](#)
 [Presentation](#)

15. SUBJECT: WEB PLATFORM DEVELOPMENT SERVICES

[2024-1163](#)

RECOMMENDATION

AUTHORIZING the Chief Executive Officer to execute Modification No. 2 to Contract No. PS87947000 with Exemplifi, LLC in the amount of \$400,000 increasing the Not-to-Exceed (NTE) contract value from \$550,000 to \$950,000, and extend the period of performance from August 31, 2025 to June 30, 2026 to continue providing essential digital maintenance and development support for Metro.net and standalone websites (The Source, El Pasajero, and art.metro.net).

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

**16. SUBJECT: FISCAL YEAR 2026 BUDGET DEVELOPMENT STATUS
UPDATE**

[2025-0108](#)

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2026 (FY26) Budget Development Status Update.

Attachments: [Attachment A - Transit Infrastructure Development Projects](#)
[Attachment B - Highway Multimodal Development](#)
[Attachment C - My Metro Budget Activity](#)
[Presentation](#)

**17. SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT
AUDITS**

[2025-0133](#)

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, 2024.

Attachments: Attachment A - SAS 114 Letter
[Attachment B - Single Audit Report](#)
[Attachment C - 90154 Report](#)
[Attachment D - Transportation Development Act Operations Agency](#)
[Attachment E - TDA Schedule of Rev., Exp., & Changes in Fund Balance](#)
[Attachment F - State Transit Assistance Special Revenue Fund Financial Stmts](#)
[Attachment G - Service Authority for Fwy. Emergencies Financial Statements](#)
[Attachment H - Low Carbon Transit Operations Program](#)
[Presentation](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2025-0199](#)

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 #: 2025-0043, File Type: Policy

Agenda Number: 14.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2025

SUBJECT: INVESTMENT POLICY

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA's Officials in Attachment B; and
- C. DELEGATING to the Treasurer or their designees, the authority to invest funds for a one-year period, pursuant to California Government Code ("Code") Section 53607.

ISSUE

Section 53646 of the Code requires the Board, on an annual basis, to review and approve the Investment Policy at a public meeting. Section 53607 of the Code requires the Board to delegate investment authority to the Treasurer on an annual basis. In addition, Section 10.8 of the Investment Policy requires the Treasurer to submit the Financial Institutions Resolutions to the Board annually for approval.

BACKGROUND

Metro's Investment Policy allows for operating funds to be invested consistent with Board approved investment policy guidelines. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. The Investment Policy, which was last updated on March 28, 2024, is updated annually to incorporate changes deemed necessary to meet Metro's primary objectives and to ensure it aligns with any changes in the California Government Code.

DISCUSSION

Changes to the Investment Policy have been made to be consistent with the California Government

Code, limit the number of nationally recognized statistical rating organizations to three, permit floating rate securities (limited to 10 percent maximum of total portfolio), and to add a new section in areas related to Environmental, Social, and Governance to promote potential investment opportunities in entities or projects that support diversity, equity, community development, and sustainability. A redlined version of the Investment Policy changes is presented as Attachment A.

In addition, financial institutions require the Board to approve the Financial Institutions Resolution in order to establish custody, trustee, and commercial bank accounts. The Financial Institutions Resolution is unchanged from the 2024 adopted resolution and is presented as Attachment B

To streamline this board report, the following reference materials may be found on the Internet:

- **Current Investment Policy:** <http://www.metro.net/about/financebudget/<https://gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.metro.net%2Fabout/financebudget/>>
- **California Government Code:** https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?<https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?>

DETERMINATION OF SAFETY IMPACT

This Board Action will not have an impact on safety standards for Metro operations.

FINANCIAL IMPACT

The funds required to update the Investment Policy are included in the FY25 budget in cost center 5210 and project number 100002, 300076 and 610340 in the amount of \$2,565,600.00.

Impact to Budget

The sources of funds budgeted to manage assets in accordance with the Investment Policy are Proposition A, Proposition C, Measure R, Measure M and TDA administration funds. These administrative funds are not eligible for bus and rail operating and capital expenses.

EQUITY PLATFORM

The proposed Investment Policy incorporates a new Environmental, Social and Governance (ESG) section which encourages potential investment opportunities in entities that support community development, sustainability, labor fairness, and equality of rights regardless of sex, race, age, disability or sexual orientation. The Treasury staff will continue to refine the ESG section with guidelines aimed at promoting investments that support community well-being and environmental sustainability through demonstrated ESG policies.

VEHICLE MILES TRAVELED OUTCOME

Vehicles Miles Traveled (VMT) and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it creates a transparent policy for how excess operating funds can be invested. Because the Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Metro Vision 2028 Strategic Plan Goal 5 as follows:

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

Goal 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

ALTERNATIVES CONSIDERED

The Investment Policy and California Government Code requires an annual review and adoption of the Investment Policy, delegation of investment authority, and approval of the Financial Institutions Resolution. Should the Board elect not to delegate investment authority to the Treasurer or their designee, or approve the Investment Policy and Financial Institutions Resolution, the Board would assume responsibility for investing working capital funds on a daily basis and for the approval of routine administrative actions.

NEXT STEPS

Upon Board approval, Metro's Treasury staff shall distribute the Investment Policy to external investment managers and broker-dealers. The Investment Policy and Financial Institutions Resolution will be issued to financial institutions with whom Metro engages.

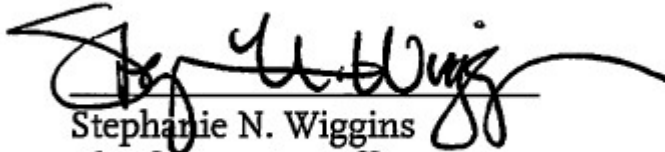
ATTACHMENTS

Attachment A - Investment Policy-Redline

Attachment B - Financial Institutions Resolution

Prepared by: Robert Suh, Principal Financial Analyst (213) 922-4102
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Rodney Johnson, Treasurer, (213) 922-3417

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



Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A

Los Angeles County Metropolitan Transportation Authority

INVESTMENT POLICY

Approved on March 27⁸, 2025⁴

INVESTMENT POLICY

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1.0 Policy

It is the policy of the Los Angeles County Metropolitan Transportation Authority (LACMTA) to ensure that the temporarily idle funds of the agency are prudently invested to preserve capital and provide necessary liquidity, while maximizing earnings, and conforming to state and local statutes governing the investment of public funds.

This investment policy conforms to the California Government Code ("Code") as well as to customary standards of prudent investment management. Investments may only be made as authorized by the Code, Section 53600 et seq., Sections 16429.1 through 16429.4 and this investment policy. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this investment policy. Changes to the Code that are less restrictive than this investment policy may be adopted by the Board of Directors (Board).

2.0 Scope

- 2.1 This investment policy sets forth the guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and any new fund created by the Board, unless specifically exempted. Excluded from this investment policy are guidelines for the investment of proceeds related to debt financing, defeased lease transactions, Agency (Deferred Compensation, 401K, and Benefit Assessment District), Other Post Employment Benefit ("OPEB") Trust funds and Pension Trust Funds.
- 2.2 Internal and external portfolio managers may be governed by Portfolio Guidelines that may on an individual basis differ from the total fund guidelines outlined herein. The Treasurer is responsible for monitoring and ensuring that the total funds subject to this investment policy remain in compliance with this investment policy, and shall report to the Board regularly on compliance.

3.0 Investment Objectives

- 3.1 The primary objectives, in priority order, of investment activities shall be:
 - A. Safety: Safety of principal is the foremost objective of the investment program. The investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. ~~The~~ LACMTA shall seek to ensure that capital losses are avoided whether from institutional default, broker-dealer default, or erosion of market value. Diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - B. Liquidity: The investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.
 - C. Return on Investments: ~~The~~ LACMTA shall manage its funds to maximize the return on investments consistent with the two objectives above, with the goal of exceeding the performance benchmarks (Section 12.0) over a market cycle (typically a three to five year period).

- 3.2 It is policy to hold investments to maturity. However, a security may be sold prior to its maturity and a capital gain or loss recorded if liquidity needs arise, or in order to improve the quality, or rate of return of the portfolio in response to market conditions and/or LACMTA risk preferences.

Internal and external investment managers shall report such losses to the Treasurer and Chief Financial Officer immediately.

- 3.3 When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing LACMTA funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.
- 3.4 The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this investment policy, written portfolio guidelines and procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in the quarterly investment report to the Board, and appropriate action is taken to control adverse developments.

4.0 Delegation of Authority

- 4.1 The Board shall be the trustee of funds received by the LACMTA. In accordance with Code Section 53607, the Board hereby delegates the authority to invest or reinvest the funds, to sell or exchange securities so purchased and to deposit securities for safekeeping to the Treasurer for a one year period, who thereafter assumes full responsibility for such transactions and shall make a monthly report of those transactions to the Board. Subject to review by the Board, the Board may renew the delegation of authority each year.
- 4.2 The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy, including establishment of appropriate written agreements with financial institutions. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The Treasurer may engage independent investment managers to assist in the investment of its financial assets.
- 4.3 No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the Treasurer.
- 4.4 Officers and employees involved in the investment process shall be governed by the standards regarding ethical behavior and conflicts of interest established in the Los Angeles County Metropolitan Transportation Authority Ethics Policy and annually shall file a Statement of Economic Disclosure with the Ethics Office.

5.0 Permitted Investments

5.1 All funds which are not required for immediate cash expenditures shall be invested in income producing investments or accounts, in conformance with the provisions and restrictions of this investment policy as defined in Section 5.1A and as specifically authorized by the Code, (Sections 53600, et seq.). Securities held by ~~the~~ LACMTA's custodial bank must be in compliance with Section 5.0 Permitted Investments at the time of purchase.

5.2 In order to reduce overall portfolio risk, investments shall be diversified among security type, maturity, issuer and depository institutions. See Section 5.1A for specific concentration limits by type of investment.

A. Percentage limitations where listed are only applicable at the date of purchase.

B. In calculating per issuer concentration limits commercial paper, bankers' acceptances, medium term notes, asset-backed securities, placement service assisted deposits, and negotiable certificates of deposit shall be included; deposits collateralized per Section 7.3 of this investment policy are excluded from this calculation.

C. Credit requirements listed in this investment policy indicate the minimum credit rating ~~or~~ its equivalent by ~~any~~ any of the following nationally recognized statistical rating organization ("NRSRO"): S&P Global, Moody's Analytics, and Fitch Ratings required at the time of purchase without regard to modifiers (e.g., +/- or 1,2,3), if any.

5.3 Maturities of individual investments shall be diversified to meet the following objectives:

A. Investment maturities will be first and foremost determined by anticipated cash flow requirements.

B. Where this investment policy does not state a maximum maturity in Section 5.1A, no investment instrument shall be purchased which has a stated maturity of more than five years from the date of settlement, unless the instrument is specifically approved by the Board or is approved by the Board as part of an investment program and such approval must be granted no less than three months prior to the investment. The Board hereby grants express authority for the purchase of new issue securities with a 5 year stated maturity with extended settlement of up to 45 days from date of purchase.

C. The average duration of the externally managed funds subject to this investment policy shall not exceed 150% of the benchmark duration. The weighted average duration of the internal portfolios shall not exceed three (3) years.

~~5.4~~ 5.4 — State and local government sponsored ~~h~~investment ~~p~~ools and money market mutual funds as authorized by this investment policy are subject to due diligence review prior to investing and on a continual basis as established in Section 5.1A, #11 and #12.

~~5.5~~ 5.5 Floating Rate Notes ("FRNs") for U.S. Treasury, Federal Agency, Supranational and Medium-term notes issued by corporations as described in Section 5.1A are permissible provided that the total outstanding par value of FRNs does not exceed 10% of the total portfolio value.

~~5.6~~ 5.6 Securities which have a fixed-to-float rate structure are permissible and will be deemed as FRNs only upon conversion to floating rate mode.

Commented [RS1]: Justification: There are 10 agencies registered with the SEC as NRSROs. The revisions were made to limit the NRSRO's to 3 agencies that are most recognized and utilized by the financial industry.

Commented [RS2]: Justification: (FRNs) can reduce overall risk and potentially improve returns as variable coupon payments adjust upwards when market interest rates increase, effectively mitigating the negative impact on fixed income investments in a rising rate environment.

5.75 This investment policy specifically prohibits the investment of any funds subject to this investment policy in the following securities:

~~A.~~ Derivative securities, defined as any security that derives its value from an underlying instrument, index, or formula, are prohibited. The derivative universe includes, but is not limited to, structured and range notes, securities that could result in zero interest accrual if held to maturity, ~~variable rate, floating rate or~~ inverse floating rate investments, financial futures and options, and mortgage derived interest or principal only strips. Callable or putable securities with no other option features, securities with one interest rate step-up feature, and inflation indexed securities including Treasury Inflation-Protected Securities meeting all other requirements of this investment policy are excluded from this prohibition, as are fixed rate mortgage-backed securities and asset-backed securities.

~~A.~~

B. Reverse repurchase agreements and securities lending agreements.

~~C. Securities of fossil fuel companies, tobacco or tobacco related companies, and companies in support of the production of weapons, military systems, or nuclear power.~~

Commented [RS3]: Justification: The language was struck from this section and incorporated in Section 13 ESG (page 11) of the investment policy.

6.0 Selection of Depository Institutions, Investment Managers and Broker-Dealers

6.1 To minimize the risk to the overall cash and investment portfolio, prudence and due diligence as outlined below shall be exercised with respect to the selection of Financial Institutions in which funds are deposited or invested.

- A. In selecting Depositories pursuant to Code Sections 53630 (et seq.), the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency. The main depository institutions will be selected on a periodic and timely basis.
- B. Deposits which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the collateralization requirements of Section 7.3 of this investment policy, at the Treasurer's discretion. A written waiver of securitization shall be executed, provided to the Depository Institution, and kept on file in the Treasury Department.
- C. The Treasurer shall seek opportunities to deposit funds with disadvantaged business enterprises, provided that those institutions have met the requirements for safety and reliability and provide terms that are competitive with other institutions.

6.2 In selecting external investment managers and brokers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost within the parameters of this investment policy and the Code shall be considered. External investment managers must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor Act of 1940.

- 6.3 Pursuant to Code Section 53601.5, the LACMTA and its investment managers shall only purchase statutorily authorized investments either from the issuer, from a broker-dealer licensed by the state, as defined in Section 25004 of the Corporations Code, from a member of a federally regulated securities exchange, a national or state-chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank.
- A. Internal investment manager will only purchase or sell securities from broker-dealers that are Primary Dealers in U.S. Government Securities or are a direct affiliate of a Primary Dealer. Internal investment manager will only purchase securities from broker-dealers who have returned a signed Receipt of Investment Policy and completed the Broker-Dealer Questionnaire, and have been approved by the Treasurer (see Appendices B and C). A current copy of the Broker-Dealer's financial statements will be kept on file in the Treasury Department. ~~Should market conditions limit access to inventory, the~~ Treasurer may also approve executing transactions through non-Primary Dealers who meet all of the criteria listed below:
- a. The broker dealer must qualify under Securities Exchange Commission rule 15C3-1 (Uniform Net Capital Rule);
 - b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. FINRA, SEC, MSRB);
 - c. Have been in operation for more than five years; and
 - d. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in U.S. Treasuries and Agencies.
- B. In addition to Primary Dealers in U.S. Government Securities and direct affiliates of a Primary Dealer, external investment managers may purchase or sell securities from non-Primary Dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and provided that the dealer is a member of the Financial Industry Regulatory Authority. External investment managers shall submit, at least quarterly, a list of the non-Primary Dealers used during the period.
- C. External investment managers must certify in writing that they will purchase securities in compliance with this investment policy, LACMTA Procedures, and applicable State and Federal laws.
- 6.4 Financial institutions and external investment managers conducting investment transactions with or for LACMTA shall sign a Certification of Understanding. The Certification of Understanding (see Appendix A) states that the entity:

- A. Has read and is familiar with the Investment Policy and Guidelines as well as applicable Federal and State Law;
- B. Meets the requirements as outlined in this investment policy;
- C. Agrees to make every reasonable effort to protect the assets from loss;
- D. Agrees to notify the LACMTA in writing of any potential conflicts of interest.

Commented [RS4]: Justification: The language was revised so that LACMTA can provide smaller firms including regional firms and DVBE with an opportunity to provide broker dealer services to LCAMTA.

Completed certifications shall be filed in the Treasurer's Office. Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by that financial institution, or investment manager and/or the rescission of any and all authority to act as an agent to purchase or invest funds.

6.5 All broker-dealers who do business with the LACMTA's internal investment managers shall sign a Receipt of Investment Policy. The Receipt of Investment Policy (see Appendix B) states that the broker dealer ~~has received and read the investment policy.~~

~~A. Has received, read, and understands this investment policy;~~

~~B. Has communicated the requirements of this investment policy to all personnel who may select investment opportunities for presentation.~~

Failure to submit a Receipt of Investment Policy shall preclude the LACMTA from purchasing or selling securities from such broker-dealer. Completed receipts shall be filed in the Treasurer's Office.

7.0 Custody and Safekeeping of Securities and LACMTA Funds

7.1 A Master Repurchase Agreement must be signed with the bank or dealer before any securities and collateral for repurchase agreements shall be purchased and maintained for the benefit of the LACMTA in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the LACMTA and the bank. Specific collateralization levels are defined in Section 5.1A.

7.2 All investment transactions shall be settled "delivery vs. payment", with the exception of deposits, money market mutual fund investments, and Local Agency Investment Fund or other Local Government Investment Pools. Delivery may be physical, via a nationally recognized securities depository such as the Depository Trust Company, or through the Federal Reserve Book Entry system.

7.3 Funds deposited shall be secured by a Depository in compliance with the requirements of Code Section 53652. Such collateralization shall be designated and agreed to in writing.

8.0 Reports and Communications

8.1 The Treasurer is responsible for ensuring compliance with all applicable Local, State, and Federal laws governing the reporting of investments made with public funds. All investment portfolios will be monitored for compliance. Non-compliance issues will be included in the quarterly Board report as stated in Section 8.3 of this investment policy.

8.2 The Treasurer shall annually submit a statement of investment policy to the Board for approval. The existing approved investment policy will remain in effect until the Board approves the recommended statement of investment policy.

8.3 The Treasurer shall render a quarterly cash, investment, and transaction report to the CEO and Board, and quarterly to the Internal Auditor within 45 days following the end of the quarter covered by the report. The report shall include a description of LACMTA's funds, investments, or programs that are under the management of contracted parties, including lending programs. The report shall include as a minimum:

Commented [RS5]: Justification: The language was struck because broker-dealers do not select any investments for LACMTA. Instead the orders are directed by LACMTA Treasury staff.

- A. Portfolio Holdings by Type of Investment and Issuer
 - B. Maturity Schedule and Weighted Average Maturity (at market)
 - C. Weighted Average Yield to Maturity
 - D. Return on Investments versus Performance Benchmarks on a quarterly basis
 - E. Par, Book and Market Value of Portfolio for current and prior quarter-end
 - F. Percentage of the portfolio represented by each investment category
 - G. Total Interest Earned
 - H. Total Interest Received
 - I. A statement of compliance with this investment policy, or notations of non-compliance.
 - J. At each calendar quarter-end a subsidiary ledger of investments will be submitted with the exception listed in 8.3K.
 - K. For investments that have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in National Credit Union Administration insured accounts in a credit union, in a county investment pool, or in shares of beneficial interest issued by a diversified management company that invest in the securities and obligations as authorized by this investment policy and the Code, the most recent statement received from these institutions may be used in lieu of the information required in 8.3 J.
 - L. At each calendar quarter-end the report shall include a statement of the ability to meet expenditure requirements for the next six months.
 - M. A quarterly gain or loss report on the sale or disposition of securities in the portfolio.
- 8.4 Internal and external investment managers shall monitor investments and market conditions and report on a regular and timely basis to the Treasurer.
- A. Internal and external investment managers shall submit monthly reports to the Treasurer, such reports to include all of the information referenced in Section 8.3, items A-J of this investment policy. Portfolios shall be marked-to-market monthly and the comparison between historical cost (or book value) and market value shall be reported as part of this monthly report.
 - B. Internal and external investment managers shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Treasurer in writing within 24 hours of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this investment policy, the investment manager shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.
 - C. External and internal investment managers shall immediately inform the Treasurer, or the Chief Financial Officer in writing of any major adverse market condition changes and/or major

portfolio changes. The Chief Financial Officer or the Treasurer shall immediately inform the Board in writing of any such changes.

D. External investment managers shall notify ~~the~~ LACMTA internal managers daily of all trades promptly, ~~via fax or~~ via email.

E. Internal investment managers will maintain a file of all trades.

9.0 Portfolio Guidelines

Portfolio Guidelines are the operating procedures used to implement this investment policy approved by the Board. The Treasurer may impose additional requirements or constraints within the parameters set by this investment policy.

10.0 Internal Control

- 10.1 The Treasurer shall establish a system of internal controls designed to prevent losses of public funds arising from fraud, employee or third party error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees or agents. Such internal controls shall be approved by the Chief Financial Officer and shall include authorizations and procedures for investment transactions, custody/safekeeping transactions, opening and dosing accounts, wire transfers, and clearly delineate reporting responsibilities.
- 10.2 Treasury personnel and LACMTA officials with signature authority shall be bonded to protect against possible embezzlement and malfeasance, or at the option of the governing board self-insured.
- 10.3 Electronic transfer of funds shall be executed upon the authorization of two official signatories.
- 10.4 Transaction authority shall be separated from accounting and record keeping responsibilities.
- 10.5 All investment accounts shall be reconciled monthly with custodian reports and broker confirmations by a party that is independent of the investment management function. Discrepancies shall be brought to the attention of the investment manager, the Treasurer and Deputy Executive Officer, Finance in the Treasury Department, the Controller, and if not resolved promptly, to the Chief Financial Officer.
- 10.6 The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide independent confirmation of compliance with policies and procedures.
- 10.7 The Treasurer is responsible for the preparation of the cash flow model. The cash flow model shall be updated monthly based upon the actual and projected cash flow.

Annually, the Treasurer shall notify the external investment managers of the cash flow requirements for the next twelve months. The Treasurer shall monitor actual to maximum maturities within the parameters of this investment policy.

- 10.8 The Treasurer shall annually submit the Financial Institutions Resolution to the Board for approval. The existing resolution will remain in effect until the Board approves the recommended resolution.

11.0 Purchasing Guidelines

- 11.1 Investment managers shall purchase and sell securities at the price and execution that is most beneficial to the LACMTA. The liquidity requirements shall be analyzed and an interest rate analysis shall be conducted to determine the optimal investment maturities prior to requesting bids or offers. Investments shall be purchased and sold through a competitive bid/offer process. Bids/offers for securities of comparable maturity, credit and liquidity shall be received from at least three financial institutions, if possible.
- 11.2 Such competitive bids/offers shall be documented on the investment managers' trade documentation. Supporting documentation from the Wall Street Journal, Bloomberg or other financial information system shall be filed with the trade documentation as evidence of general market prices when the purchase or sale was effected.

12.0 Benchmarks

Internal and external investment managers' performance shall be evaluated against the following agreed upon benchmarks. If the investment manager does not meet its benchmark over a market cycle (3 to 5 years), the Treasurer shall determine and set forth in writing reasons why it is in the best interests of the LACMTA to replace or retain the investment manager.

Portfolio External Intermediate Duration Portfolios	Investment Benchmarks ICE Bank of America/Merrill Lynch AAA-A 1-5 <u>Y</u> year Government & Corporate Index (BV10)
External Short Duration Portfolios	ICE BofA <u>O</u> ne- <u>Y</u> ear US. Treasury Bill Index (GC03)
Internal Short Duration Portfolios	Three <u>M</u> month Treasury

13.0 Environmental, Social, and Governance (ESG) Considerations

While Safety, Liquidity and Return on Investments remain LACMTA's primary objectives, LACMTA encourages investments in entities that support community development, sustainability, labor fairness, and equality of rights regardless of sex, race, age, disability or sexual orientation. Additionally, LACMTA will not purchase securities of fossil fuel companies, tobacco or tobacco-related companies, and companies in support of the production of weapons, military systems, or nuclear power.

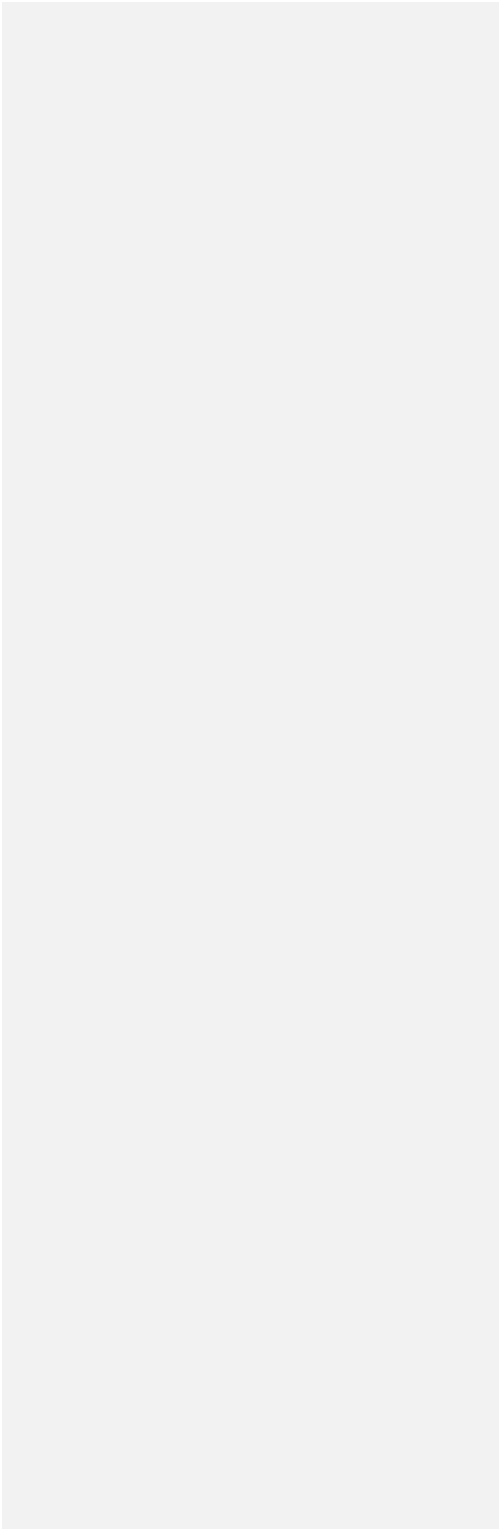
Commented [RS6]: Justification: The ESG section was included to promote potential investment opportunities that consider environmental, social and governance issues. The range of opportunities listed were intended to be broad as specificity may deter LACMTA and investment managers from meeting LACMTA's primary investment objectives.

**Los Angeles County Metropolitan Transportation Authority
Section 5.1A
Statement of Investment Policy ^a**

* The percentage of portfolio authorized is based on market value.

Investment Type	Maximum Maturity	Maximum Allowable Percentage of Portfolio *	Minimum Quality and Other Requirements
Bonds Issued by the LACMTA	5 years ^b	100%	None
U.S. Treasury notes, bonds, bills or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for payment of principal and interest	5 years ^b	100%	None
Registered state warrants or treasury notes or bonds of the other 49 states in addition to California.	5 years ^b	25%	Such obligations must be rated “A-1” <u>or its equivalent</u> or better short term; or “AA” or <u>its equivalent</u> or better long term, by a <u>nationally recognized statistical rating organization</u> NRSRO
Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California	5 years ^b	25%	Such obligations must be rated “A-1” <u>or its equivalent</u> or better short term; or “AA” or <u>its equivalent</u> or better long term, by a <u>nationally recognized statistical rating organization</u> NRSRO
Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government –sponsored enterprises	5 years ^b	100%	None
Bills of exchanges or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances	180 days	40% ^c	The issuer’s short-term debt must have the highest letter and numerical rating as provided for by a <u>nationally recognized statistical rating organization</u> NRSRO
Commercial paper or “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by a <u>nationally recognized statistical rating organization</u> NRSRO	270 days	40% ^d	See Footnote e
Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a state licensed	5 years ^b	30% ^c	See Footnote f

branch of a foreign bank, or a federally licensed branch of a foreign bank.			
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Placement Service Assisted Deposits	5 years b	30% c	See Footnote g
Investments in repurchase agreements	90 days	20%	Limited to no more than 90 days. See Footnote h
United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank.	5 years b	30% c	Maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments shall be rated "AA" <u>or its equivalent</u> or better by a <u>nationally recognized statistical rating organization</u> NRSRO and shall not exceed 30% of the portfolio.
Medium-term notes issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States	5 years b	30% d	Must be rated "A" <u>or its equivalent</u> or better by a <u>nationally recognized statistical rating organization</u> NRSRO . If rated by more than one rating agency, both ratings must meet the minimum credit standards.
Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission, as authorized by Code Section 53601	Not applicable	20% c	See Footnote i
State of California Local Agency Investment fund (LAIF) Code Section 16429.1 through 16429.4 or other Local Government Investment Pool (LGIP) established by public California entities pursuant to Section 53684	Not applicable	Set by LAIF and LGIP	See Footnote j
Asset-backed Securities	5 years b	20% combined with mortgage-backed securities	See Footnote k
Mortgage-backed Securities	5 years b	20% combined with asset-backed securities	See Footnote l

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**Los Angeles County Metropolitan Transportation Authority
Statement of Investment Policy**

Footnotes for Section 5.1A Statement of Investment Policy	
a	Sources: California Government Code Sections 16429.1, 53601, 53601.8, 53635 and 53638
b	Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to the settlement. New issue securities with a stated 5 year maturity can be purchased in the primary market with extended settlements of up to 45 days from the date of settlement.
c	Limited to no more than 10% of the portfolio in any one issuer (i.e. bankers' acceptances, negotiable certificates of deposit, and money market funds)
d	-Limited to no more than 10% of the portfolio in the commercial paper and the medium-term notes of any one issuer.
e	<p>-Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organizationNRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):</p> <p>(1) The entity meets the following criteria: Is organized and operating in the United States as a general corporation; Has total assets in excess of five hundred million dollars (\$500,000,000); Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organizationNRSRO.</p> <p>(2) The entity meets the following criteria: Is organized within the United States as a special purpose corporation, trust, or limited liability company; Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond; Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organizationNRSRO.</p>
f	The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any other specified city officer or employee also serves on the board of directors or certain committees of that credit union
g	Investments in placement services assisted deposits is authorized under Sections 53601.8, 53635.8, and 53601 (i) of the California Government Code.
h	Repurchase agreements shall be executed through Primary Broker-Dealers. The repurchase agreement must be covered by a master repurchase agreement. Repurchase agreements shall be collateralized at all times. Collateral shall be limited to obligations of the United States and Federal Agencies with an initial margin of at least 102% of the value of the investment, and shall be in compliance if brought back up to 102% no later than the next business day. Collateral shall be delivered to a third party custodian in all cases. Collateral for term repurchase agreements shall be valued daily by the LACMTA's investment manager (for internal funds) or external investment manager. Investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. The LACMTA shall obtain a first lien and security interest in all collateral
i	

	Companies must have either 1) the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized statistical rating organizations NRSROs, or (2) retained an investment advisor registered or exempt with the Securities and-Exchange Commission, with no less than five years experience investing in the securities and obligations authorized by California Government Code §53601 a-k inclusive and m-o inclusive and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price may not include any commissions charged by these companies
j	Maximum investment per individual pool limited to the amount for LAIF as set by the State Treasurer's Office. Limit does not include funds required by law, ordinance, or statute to be invested in pool. Each pool must be evaluated and approved by the Treasurer, as to credit worthiness, security, and conformity to state and local laws. An evaluation should cover, but is not limited to establishing, a description of who may invest in the program, how often, what size deposit and withdrawal; the pool's eligible investment securities, obtaining a written statement of investment policy and objectives, a description of interest calculations and how it is distributed; how gains and losses are treated; a description of how the securities are safeguarded and how often the securities are priced and the program audited. A schedule for receiving statements and portfolio listings. A fee schedule, when and how fees are assessed
k	Limited to senior class securities with stated maturities of no more than 5 years. Further limited to securities rated in a rating category of "AAA" or its equivalent or better as provided for by a nationally recognized statistical rating organization NRSRO. Further limited to fixed rate, publicly offered, generic credit card, automobile receivables, and equipment receivables only. Deal size must be at least \$250 million, and tranche size must be at least \$25 million
l	Pass-Through securities; fixed rate, stated maturity no more than 5 years. CMOS: Limited to Government Agency or Government Sponsored Issuers and Planned Amortization Classes (PAC) and <u>Sequential Pay (SEQ)</u> only. Securities eligible for investment under this category shall be rated "AAA" or its equivalent or better by a nationally recognized statistical rating organization NRSRO. The following are prohibited: ARMS, floaters, interest or principal (IOs, POs), Targeted Amortization Classes, companion, subordinated, collateral classes, or zero accrual structures

Commented [RS7]: Justification: The AAA rating should be sufficient. If deals have delivered since their issuance and upgraded to AAA their credit risk should now be considered on par with newly issued senior AAA tranches.

Additionally, the upgraded bonds are likely now or nearer to senior in the capital structure as other senior bonds have likely paid off that prompted the deleveraging and upgrades to happen.

Commented [RS8]: Justification: SEQ is an alternative structure under CMOs that offer investors with various time horizons or risk profiles an opportunity to invest in a particular tranche that works best for their investment strategy. Each tranche is essentially amortized in order of its seniority or maturity.

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION
AUTHORITY

CERTIFICATION OF UNDERSTANDING

The Los Angeles County Metropolitan Transportation Authority (LACMTA) Investment Policy as approved by the Board of Directors requires that all Financial Institutions and Investment Managers' conducting investment transactions with or for LACMTA sign a Certification of Understanding acknowledging that:

1. *You have read and are familiar with the LACMTA's Investment Policy as well as applicable Federal and State laws.*
2. *You meet the requirements as outlined in Investment Policy.*
3. *You agree to make every reasonable effort to protect the assets from loss.*
4. *You agree to notify the LACMTA in writing of any potential conflicts of interest.*
5. *You agree to notify the LACMTA in writing of any changes in personnel with decision-making authority over funds within 24 hours of such event.*

Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by the financial institution or investment manager and the immediate revocation of any rights to act as an agent of the LACMTA for the purchase of securities or investment of funds on behalf of LACMTA.

The Board of Directors is committed to the goals of the Community Reinvestment Act (CRA). As part of the certification process for depository institutions, it is requested that you remit evidence of your most recent CRA rating.

SIGNED: _____ DATE: _____
Print Name and Title _____

After reading and signing this Certification of Understanding please return with *any* supporting documentation to:

LACMTA
Treasury Department
Attention: Treasurer
One Gateway Plaza
Los Angeles, CA 90012-2932

LACMTA use only:

Approved: _____ Disapproved: _____ Date: _____

Signature: _____

LACMTA Treasurer

APPENDIX B

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

BROKER-DEALER RECEIPT OF INVESTMENT POLICY

We are in receipt ~~and have read of the~~ Los Angeles County Metropolitan Transportation Authority’s (LACMTA) Investment Policy.

~~We have read the policy and understand the provisions and guidelines of the policy. All salespersons covering LACMTA’s account will be made aware of this policy and will be directed to give consideration to its provisions and constraints in selecting investment opportunities to present to LACMTA.~~

Commented [RS9]: Justification: The language was struck because broker-dealers do not select any investments for LACMTA. Instead the orders are directed by LACMTA Treasury staff.

Signed _____
Name Name

Title Title

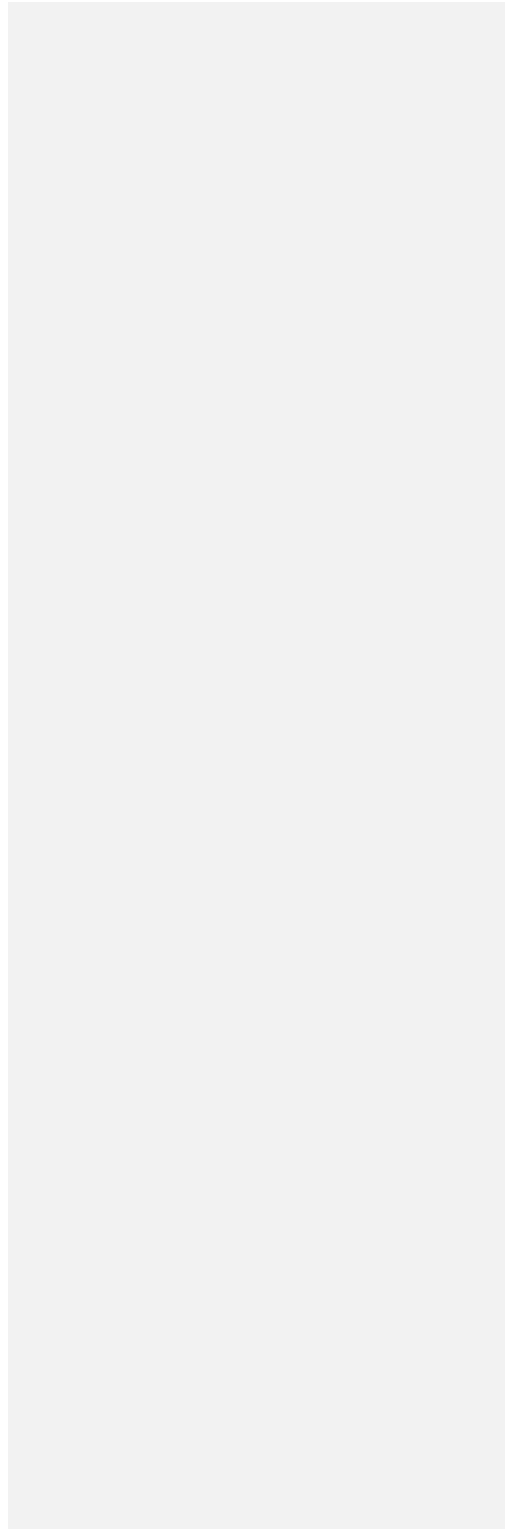
Firm Name

Date Date

After reading and signing this Receipt of Investment Policy, please return with supporting documentation to:

LACMTA
Treasury Department
Attention: Treasurer
One Gateway Plaza
Los Angeles, CA 90012-2932

LACMTA use only:
Approved: _____ Disapproved: _____ Date: _____
Signature: _____
LACMTA Treasurer



APPENDIX C

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION
AUTHORITY

BROKER/DEALER QUESTIONNAIRE

1. Name of Firm _____

2. Address _____
(Local) (National Headquarters)

3. Telephone No. () _____ Telephone No. () _____ =
(Local) (National Headquarters)

4. Primary Representative Manager/Partner-in-Charge
Name _____ Name _____
Title _____ Title _____
Telephone No. _____ Telephone No. _____
No. of Yrs. in Institutional Sales _____ No. of Yrs. in Institutional Sales _____ =
Number of Years with Firm _____ Number of Years with Firm _____ =

5. Are you a Primary Dealer in U.S. Government Securities? [] YES [] NO

If NO, Is the parent company or its subsidiary a Primary Dealer in U.S. Government Securities? Provide proof of certification.
[] YES [] NO

Please explain your firm's relationship to the Primary Dealer below:

Please provide proof certification from the ~~National Association of Securities Dealer Financial Industry Regulatory Authority (FINRA)~~.

6. Are you a Broker instead of Dealer, i.e., you DO NOT own positions of Securities?
[] YES [] NO

Commented [RS10]: Justification: FINRA succeeded the NASD as the prime self-regulatory organization of the securities industry.

7. What is the net capitalization of your Firm? _____

8. What is the date of your Firm's fiscal year-end? _____

9. Is your Firm owned by a Holding Company? If so, what is its name and net capitalization?

10. If your firm is not a primary dealer, has your firm (i) been in operation for more than five years and (ii) have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in U.S. Treasuries and Agencies?
 YES NO

Commented [RS11]: Justification: Question was included to determine whether non-primary dealers that want to provide broker dealer services meet LACMTA's minimum qualifications.

10-11. Please provide your Wiring and Delivery Instructions.

11. Which of the following instruments are offered regularly by your local desk?

- T-Bills Treasury Notes/Bonds Discount Notes NCD's
- Agencies (specify) _____
- BA's (Domestic) BA's (Foreign) Commercial Paper
- Med-Term Notes Repurchase Agreements

Commented [RS12]: Justification: Language was struck since the instruments listed are general products offered by all broker dealers.

12. Does your Firm specialize in any of the instruments listed above?

123. Please identify your comparable government agency clients in the LACMTA's geographical area.

Entity	Contact Person	Telephone No.	Client Since

13. What reports, confirmations, and other documentation would LACMTA receive? Please include samples of research reports or market information that your firm regularly provides to government agency clients.

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14. What precautions are taken by your Firm to protect the interests of the public when dealing with government agencies as investors?

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Commented [RS13]: Justification: Questions 14 and 15 were struck because broker-dealers do not select any investments for LACMTA. Instead the orders are directed by LACMTA Treasury staff.

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15-13. Have you or your Firm been censored, sanctioned or disciplined by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities within the past five years? YES NO

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16-14. If yes, please explain

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17.15. Please provide your most recent audited financial statements within 120 days of your fiscal year-end.

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18.16. Please indicate the current licenses of the LACMTA representatives:

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Agent: _____ License or registration: _____

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APPENDIX D
LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
INVESTMENT POLICY GLOSSARY

ASKED: The price at which securities are offered from a seller.

ASSET-BACKED SECURITY (ABS): ABS is a debt instrument collateralized or backed by consumer receivables such as automobile loans, credit card receivables and equipment receivables;

BANKERS' ACCEPTANCE (BA): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (or issuer - the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BID: The price offered by a buyer of securities.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable (marketable or transferable).

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

CUSTODY or SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: Delivery of securities with a simultaneous exchange of money for the securities.

FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES (AGENCIES): U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). They include:

- ◆ Federal Home Loan Banks (FHLB)

- ◆ Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
- ◆ Federal National Mortgage Association (FNMA or “Fannie Mae”)
- ◆ Federal Farm Credit Banks (FFCB)
- ◆ Tennessee Valley Authority (TVA)

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party’s rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Interest bearing, continuously offered debt, issued in the 9 month to ten year maturity range. Deposit notes, like Certificates of Deposit, actually represent an interest bearing deposit at a bank or other depository institution.

MORTGAGE-BACKED SECURITY (MBS): is a bond or security that reflects an interest in a pool of real estate loans as the underlying collateral.

OFFER: The price asked by a seller of securities.

PAR VALUE: The face value, or principal amount payable at maturity.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

QUALIFIED INSTITUTIONAL BUYER (QIB): Defined in SEC 144A as a class of investors that can be conclusively assumed to be sophisticated and in little need of the protection afforded by the Securities Act’s Registration Provisions. They must own and invest on a discretionary basis at least 100 million in securities of issuers that are not affiliated with such a qualified institutional buyer. This includes any institutional investors included in the accredited investor definition, provided they satisfy the \$100 million threshold.

REPURCHASE AGREEMENT (RP OR REPO): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, whereby the security “buyer” in effect lends the “seller” money for the period of the agreement, and the difference between the purchase price and sale price determining the earnings. Dealers use RP extensively to finance their positions.

SECURITIES & EXCHANGE COMMISSION (SEC): An agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEQUENTIAL PAY: Bonds starts to pay principal when classes with an earlier priority have paid to zero. SEQ bonds enjoy uninterrupted payment of principal until paid to zero balance. SEQ bonds may share principal pay down on a pro rata basis w/another class.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY NOTES AND BONDS: Long-term U.S. Treasury securities having initial maturities of 2 to 30 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ATTACHEMENT B
FINANCIAL INSTITUTIONS RESOLUTION

RESOLVED, that any financial institutions, including all banks and their correspondent banks doing business with the Los Angeles County Metropolitan Transportation Authority (LACMTA), are hereby authorized, requested and directed to honor all checks, drafts, wires, or other orders for payment of money drawn in the LACMTA's name on its account(s) (including those drawn on the individual order of any person or persons whose names appear thereon as a signer or signers thereof) when bearing the original and/or facsimile signature of the Chair; Chief Executive Officer; Chief Financial Officer; Deputy Chief Financial Officer; Treasurer; Deputy Executive Officer, Finance in Treasury Department; or Assistant Treasurer (collectively, LACMTA Officials). LACMTA Officials are the only representatives empowered to open, close or authorize changes to accounts on behalf of LACMTA. LACMTA Officials may designate individuals as Official Signatories for financial accounts. The duties of Official Signatories shall be limited to check signing, wire or fund transfers, balance reporting and/or monitoring of bank processes.

And, those financial institutions, including correspondent banks, currently doing business with LACMTA shall be entitled to honor and charge LACMTA for all such checks, drafts, wires, or other orders for the payment of money, regardless of by whom or by what means when the actual or facsimile signature or signatures resemble the specimens filed with those financial institutions by the Secretary or other officer of LACMTA.

CERTIFICATION

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

Dated: _____

Board Clerk

(SEAL)

Investment Policy

**Finance, Budget and Audit Committee
March 20, 2025**

Investment Policy

Recommendation:

- Adopt the Investment Policy;
- Approve the Financial Institutions Resolution; and
- Delegate to the Treasurer the authority to invest funds for a one-year period.

Investment Policy

Changes to the investment policy have been made to:

- Limit the number of nationally recognized statistical rating organizations to three
- Allow investment in Floating Rate Notes, 10% max
- Incorporate Environmental, Social and Governance section
- Allow more opportunities for non-primary dealers that meet the minimum qualifications of the Investment Policy such as SBE, MBE, WBE, VBE and DVBE broker-dealers to serve Metro

Investment Policy

Next Steps:

- Upon Board approval, staff shall distribute the Investment Policy to external investment managers and broker-dealers
- The Investment Policy and Financial Institutions Resolution will be issued to financial institutions with whom Metro does business



Board Report

File #: 2024-1163, File Type: Contract

Agenda Number: 15.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2025

SUBJECT: WEB PLATFORM DEVELOPMENT SERVICES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZING the Chief Executive Officer to execute Modification No. 2 to Contract No. PS87947000 with Exemplifi, LLC in the amount of \$400,000 increasing the Not-to-Exceed (NTE) contract value from \$550,000 to \$950,000, and extend the period of performance from August 31, 2025 to June 30, 2026 to continue providing essential digital maintenance and development support for Metro.net and standalone websites (The Source, El Pasajero, and art.metro.net).

ISSUE

The current Contract No. PS87947000 is set to expire on August 31, 2025. Funding is projected to be exhausted by April 2025 due to higher-than-anticipated usage as the Customer Experience Department works to enhance key areas of its web and blog presence. Critical projects have included the development of the CX Hub, the Public Safety Hub, a new Projects hub and service alerts improvements, as well as the redesign of The Source and El Pasajero blogs.

BACKGROUND

Metro has contracted with various vendors to provide maintenance and support for Metro.net since at least 2016, ensuring the platform remains secure, accessible, and reliable for riders. Over the years, this work has included website security, infrastructure management, compliance monitoring, and user experience improvements.

Contract No. PS87947000 was awarded on August 30, 2022, for a NTE contract amount of \$450,000 for a two-year term. Contract Modification No. 1 continued web maintenance services, increased contract authority from \$450,000 to \$550,000, and extended the period of performance through August 31, 2025.

The scope of work under these contracts has included:

- Security & Compliance - Regular WordPress updates, security monitoring, and ADA Section 508 compliance checks to prevent vulnerabilities and legal risks.
- Infrastructure & Performance - Managing AWS hosting, optimizing performance, and

- preventing downtime to ensure fast, reliable access for riders.
- SEO & Site Maintenance - Fixing broken links, addressing mobile responsiveness issues, and maintaining search engine visibility to improve user experience.
- Emergency Support - Providing on-call assistance for critical website issues and outages.
- Front- and backend development support of website enhancement projects as necessary.

Since 2016, Metro has worked with three different vendors to perform these duties, adapting to evolving technology and agency needs. Extending the current contract ensures continued stability, security, and accessibility while Metro advances its long-term digital strategy.

DISCUSSION

Metro.net and its standalone websites are critical public resources, providing riders with real-time transit information, trip planning tools, and accessibility features that comply with ADA Section 508, Title VI, and Brown Act requirements. Metro.net and its associated websites serve over 4.2 million annual users.

Why Metro.net Matters to Riders:

Riders rely on Metro.net to :

- Check real-time arrivals
- Plan trips
- View schedules
- Access fare assistance (LIFE program)
- Stay updated on Metro services and projects

Ongoing Improvements & Unplanned Enhancements

To enhance the user experience and ensure critical information is accessible, Metro has undertaken major improvements to Metro.net and its blogs. Web development services have supported these initiatives, ensuring seamless integration, compliance, and platform stability.

Recent key enhancements include:

- The CX Hub - A dedicated section featuring plans, survey results, and updates to promote transparency and accountability in Metro's customer experience initiatives.
- The Safety Hub - A new section highlighting Metro's commitment to a safer, cleaner, and more welcoming transit system by providing safety resources, updates, and performance data (In progress).
- The Project Hub - A redesigned landing page for Metro project information, improving access to updates and engagement opportunities (In progress).
- Service Alert Improvements - Enhancements to Metro.net's service alert system, ensuring timely and accurate notifications for delays, disruptions, and service changes.
- Re-design and re-launch of The Source blog to modernize content delivery and accessibility.

Why additional funding is needed:

Metro historically spends \$13,400 per month (\$160,000 annually) on web maintenance and support. While efforts were made to reduce costs, recent unplanned but necessary improvements have exhausted available funds faster than anticipated.

Without this contract modification:

- Essential web services could be disrupted, affecting riders' ability to access information.
- Metro.net could face compliance risks, including ADA Section 508 violations.
- Operational costs could rise, as unexpected security issues or downtime would require emergency interventions.

This modification ensures continuity, stability, and compliance while Metro advances its long-term digital transformation, including a fully redesigned Metro.net by FY27. Renewing the contract is the most efficient and cost-effective solution, allowing Metro to maintain seamless service while improving rider experience and accessibility.

Modifying the existing contract is the most efficient and cost-effective solution to ensure continuity, stability, and compliance while Metro moves forward with long-term digital transformation plans.

Without this modification, Metro faces potential non-compliance risks, service disruptions, and a decline in the user experience for its 4.2 million annual users.

DETERMINATION OF SAFETY IMPACT

Without continued web development services support, Metro.net and associated websites would be vulnerable to security breaches, and becoming noncompliant with ADA Section 508 and Title VI requirements. This would compromise Metro's ability to deliver accurate and reliable information to riders, stakeholders, and the public.

FINANCIAL IMPACT

The funding for this contract modification will be allocated as follows:

- \$30,000 is included in the FY25 Budget under Cost Center 7140 (Marketing), Project 100001 (General Overhead) for planned expenditures.
- \$195,000 for planned work in FY26 will be funded through Project 306006.
- An additional \$175,000 is allocated for spec development work through FY26, ensuring Metro can respond to emerging digital needs as they arise. This contract authority will only be used if necessary, allowing Metro to maintain flexibility for unforeseen enhancement work while remaining fiscally responsible.

Impact to Budget

The source of funds will come from federal, state and local funding sources which may be eligible for

bus and rail operating and capital expenses. Since this is a multi-year contract, the Executive Officer, Marketing, the Deputy Chief, Customer Experience and the Chief Customer Experience Officer will be accountable for budgeting the cost in future years, including any option exercised.

EQUITY PLATFORM

Metro.net and its associated standalone websites, including The Source (Metro's English language blog), El Pasajero (Metro's Spanish-language blog), and Art.metro.net (showcasing visual and performing arts in the transit system), play a vital role in ensuring equitable access to transit information and resources. These platforms are especially vital for low-income, minority, and non-English-speaking populations, serving as key communication tools to provide critical updates, service alerts, and travel information in an accessible and inclusive manner.

Exemplifi has been instrumental in maintaining Metro.net's compliance with Section 508 ADA standards, ensuring that users of all abilities can access the site, while providing translations in 9 additional languages. Their support will also include the upkeep of standalone sites like El Pasajero, which provides Spanish-language content tailored to the needs of Metro's Spanish-speaking riders. This is central to Metro's commitment to equity and inclusion, ensuring underserved communities can easily access reliable transit information.

By extending Exemplifi's contract, Metro will maintain the accessibility and functionality of these platforms, avoiding service disruptions that could disproportionately impact marginalized populations. This contract modification upholds Metro's responsibility to serve all communities equitably, ensuring that riders continue to benefit from the agency's digital services. Exemplifi, LLC, a Small Business Enterprise (SBE) Prime, made a 60% SBE commitment. The project is 95% complete, and the current participation is 60% SBE, meeting the commitment.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT through customer experience activities that will benefit and further encourage transit ridership, ridesharing, and active transportation. Metro.net and its standalone websites are critical public resources, providing riders with real-time transit information, trip planning tools, and accessibility, serving 17,607 daily users and 44,388 daily views, with over 4.2 million annual users. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approving this contract modification aligns with Metro's strategic goals by ensuring the ongoing maintenance, reliability, and accessibility of Metro.net and its associated standalone websites.

1. Provide high-quality mobility options that enable people to spend less time traveling. Metro.net is an essential tool for riders to efficiently plan their journeys, access service alerts, and receive real-time transit information. Exemplifi's continued support guarantees that the site remains functional, reliable, and current, allowing riders to spend less time searching for information and more time traveling to their destinations.

2. Deliver outstanding trip experiences for all users of the transportation system. A well-maintained Metro.net enhances the overall rider experience by offering a seamless digital platform for planning, navigation, and service updates. Exemplifi has improved the usability, accessibility, and performance of Metro.net, ensuring that all users, regardless of ability or language, can access the information they need for a smooth and informed journey.

3. Enhance communities and lives through mobility and access to opportunity. Metro.net is more than just a website; it serves as a gateway to mobility and opportunity for communities throughout Los Angeles. Exemplifi's efforts ensure that the platform remains accessible to all riders, including low-income and minority communities, as well as Spanish-speaking audiences through sites like El Pasajero.

ALTERNATIVES CONSIDERED

The Board may elect not to approve these recommendations. This option is not recommended as Metro faces potential non-compliance risks, service disruptions, and a decline in the user experience for its 4.2 million annual users of our websites.

1. Allow the contract to expire and transition to internal staff. This option is not viable because developer positions are difficult to fill and Metro currently lacks the staff resources and expertise required to maintain and support Metro.net and the standalone websites. As a result, Metro.net and the standalone sites would be at risk of security breaches, non-compliance, and serious performance issues, all of which could jeopardize the rider experience and Metro's public-facing presence.

2. Issue a new RFP for web maintenance services to begin before this contract expires. Issuing a new RFP is not viable given the time constraints. It will take approximately a year for a new contract to be awarded and commence work with the selected vendor. Consequently, Metro would be without any web maintenance support for an extended period. This gap could result in outages, compliance violations, and disruptions to critical public-facing tools.

NEXT STEPS

Upon Board approval, staff will execute Modification No. 2 to Contract No. PS87947000 with Exemplifi, LLC to continue to provide critical digital services through June 30, 2026.

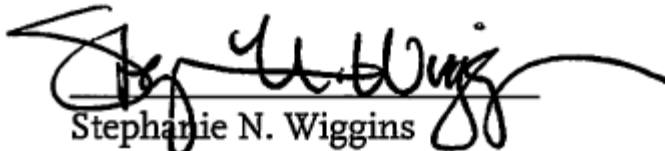
Staff will also begin work on a new procurement for web design and maintenance services contract.

ATTACHMENTS

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

Prepared by: Alex Chaparro, Product Manager, Customer Experience, (213) 922-4139
John Gordon, Deputy Executive Officer, Marketing, (213) 922-2290
Carolina Coppolo, Deputy Chief, Vendor/Contract Management Officer, (213) 922-4471
Monica Bouldin, Deputy Chief, Customer Experience, (213) 922-4081

Reviewed by: Jennifer Vides, Chief Customer Experience Officer, (213) 922-4060


Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

WEB PLATFORM DEVELOPMENT SERVICES / PS87947000

1.	Contract Number: PS87947000		
2.	Contractor: Exemplifi, LLC.		
3.	Mod. Work Description : Continue existing services and extend the period of performance from August 31, 2025 through June 30, 2026.		
4.	Contract Work Description: Provide critical digital services for the maintenance and development support of the Metro websites.		
5.	The Following Data is Current as of: 03/02/2025		
6.	Contract Completion Status		Financial Status
	Contract Awarded:	08/30/22	Contract Award Amount: \$450,000
	Notice to Proceed (NTP):	N/A	Total of Modifications Approved: \$100,000
	Original Complete Date:	08/31/24	Pending Modifications (including this action): \$400,000
	Current Est. Complete Date:	06/30/26	Current Contract Value (with this action): \$950,000
7.	Contract Administrator: Antwaun Boykin		Telephone Number: (213) 922-1056
8.	Project Manager: Alex Chaparro		Telephone Numbers: (213) 922-4139

A. Procurement Background

This Board Action is to approve Modification No. 2 to continue to provide essential digital services for the maintenance and development support of the Metro websites and extend the period of performance from August 31, 2025 through June 30, 2026.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate.

In August 2022, Metro awarded a two-year firm fixed unit rate Contract No. PS87947000 to Exemplifi, LLC to provide web platform development services.

One modification has been issued to date.

Refer to Attachment B – Contract Modification/Change Order Log.

B. Price Analysis

The recommended price has been determined to be fair and reasonable based on the firm fixed unit rates established and evaluated as part of the competitive contract awarded in August 2022 that are lower than current market rates for similar services. The Independent Cost Estimate (ICE) is based on the original negotiated contract rates.

Proposed Amount	Metro ICE	Recommended Amount
\$400,000	\$400,000	\$400,000

CONTRACT MODIFICATION/CHANGE ORDER LOG

WEB PLATFORM DEVELOPMENT SERVICES / PS87947000

Mod. No.	Description	Status (approved or pending)	Date	Amount
1	Continue services and extend the period of performance (POP) through August 31, 2025	Approved	06/04/24	\$100,000
2	Continue services and extend POP through June 30, 2026	Pending	Pending	\$400,000
	Modification Total:			\$500,000
	Original Contract:		08/30/22	\$450,000
	Total:			\$950,000

DEOD SUMMARY

WEB PLATFORM DEVELOPMENT SERVICES / PS87947000

A. Small Business Participation

Exemplifi, LLC, a Small Business Enterprise (SBE) Prime, made a 60% SBE commitment. The project is 95% complete and the current participation is 60% SBE, meeting the commitment.

Small Business Commitment	60% SBE	Small Business Participation	60% SBE
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	SBE Subcontractors	% Committed	Current Participation¹
1.	Exemplifi, LLC (Prime)	60%	60%
	Total	60%	60%

¹Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

B. Living Wage and Service Contract Worker Retention Policy Applicability

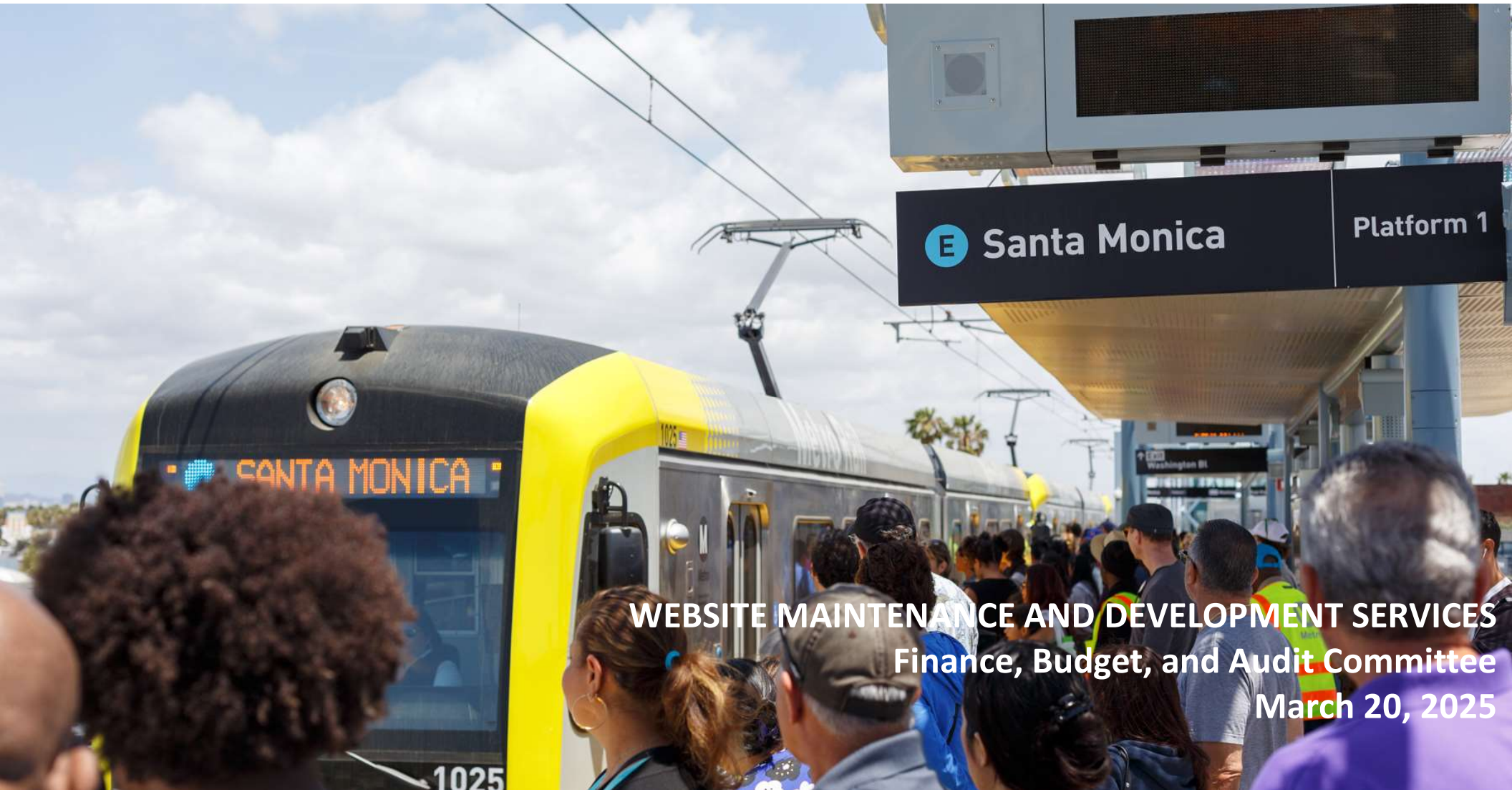
The Living Wage and Service Contract Worker Retention Policy is not applicable to this modification.

C. Prevailing Wage Applicability

Prevailing Wage is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

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



WEBSITE MAINTENANCE AND DEVELOPMENT SERVICES
Finance, Budget, and Audit Committee
March 20, 2025



Metro®

Background

Metro has contracted with various vendors to provide maintenance and support for Metro.net since at least 2016, ensuring the platform remains secure, accessible, and reliable for riders. Over the years, this work has included website security, infrastructure management, compliance monitoring, and user experience improvements.

Contract No. PS87947000 was awarded on August 30, 2022, for a NTE contract amount of \$450,000 for a two-year term. Contract Modification No. 1 continued web maintenance services, increased contract authority from \$450,000 to \$550,000, and extended the period of performance through August 31, 2025.

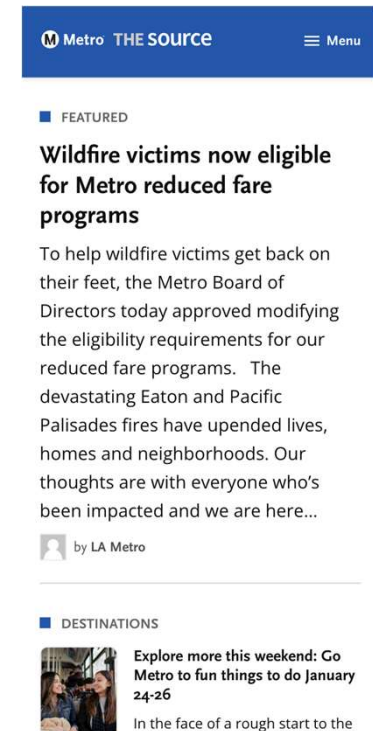
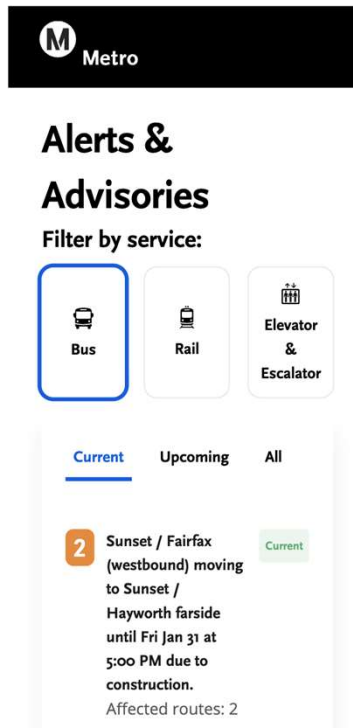
The scope of work under these contracts has included:

- Security & Compliance – Regular WordPress updates, security monitoring, and ADA Section 508 compliance checks to prevent vulnerabilities and legal risks.
- Infrastructure & Performance – Managing AWS hosting, optimizing performance, and preventing downtime to ensure fast, reliable access for riders.
- SEO & Site Maintenance – Fixing broken links, addressing mobile responsiveness issues, and maintaining search engine visibility to improve user experience.
- Emergency Support – Providing on-call assistance for critical website issues and outages.
- Front and backend development support of website enhancement projects as necessary.

Since 2016, Metro has worked with three different vendors to perform these duties, adapting to evolving technology and agency needs. Extending the current contract ensures continued stability, security, and accessibility while Metro advances its long-term digital strategy.

Contract Extension for Essential Communication

Metro.net and its associated websites, including The Source (English blog), El Pasajero (Spanish blog), and Art.metro.net (arts platform), ensure equitable access to transit information, particularly for low-income, minority, and non-English-speaking populations. These platforms provide vital updates, service alerts, and travel information in an inclusive manner, serving over 4.2 million annual users.



Alternatives Considered

The Board may elect not to approve these recommendations. This option is not recommended as Metro faces potential non-compliance risks, service disruptions, and a decline in the user experience for its 4.2 million annual users of our websites.

1. Allow the contract to expire and transition to internal staff. This option is not viable because developer positions are difficult to fill, and Metro currently lacks the staff resources and expertise required to maintain and support Metro.net and the standalone websites. As a result, Metro.net and the standalone sites would be at risk of security breaches, non-compliance, and serious performance issues, all of which could jeopardize the rider experience and Metro's public-facing presence.
2. Issue a new RFP for web maintenance services. Issuing a new RFP is not viable given the time constraints. It will take approximately a year for a new contract to be awarded and commence work with the selected vendor. Consequently, Metro would be without any web maintenance support for an extended period. This gap could result in outages, compliance violations, and disruptions to critical public-facing tools.

Recommendation

AUTHORIZING the Chief Executive Officer to execute Modification No. 2 to Contract No. PS87947000 with Exemplifi, LLC in the amount of \$400,000 increasing the Not-to-Exceed (NTE) contract value from \$550,000 to \$950,000, and extend the period of performance from August 31, 2025 to June 30, 2026 to continue providing essential digital maintenance and development support for Metro.net and standalone websites (The Source, El Pasajero, and art.metro.net).



Board Report

File #: 2025-0108, **File Type:** Informational Report

Agenda Number: 16.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
MARCH 20, 2025**

SUBJECT: FISCAL YEAR 2026 BUDGET DEVELOPMENT STATUS UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2026 (FY26) Budget Development Status Update.

ISSUE

This report continues the monthly updates to the Board on the FY26 Budget development process, culminating in a planned May 2025 Board Adoption. It focuses on Metro’s diverse portfolio of major infrastructure projects included in Transit Infrastructure Development, Highway Multimodal Development, and Regional Rail Programs.

Additionally, it provides an overview of Metro’s Regional Allocation and Pass Throughs (Subsidy) funding programs. This report also provides an update on Metro’s comprehensive budget outreach efforts.

BACKGROUND

The annual budget request reflects the 12-month financial increments required for advancing through each project’s development phase. It serves to monitor the cash flow requirements for activities in each project phase and considers factors such as the existing level of Board authorization, the respective project delivery schedules, and the identification of eligible and available funding sources. These sources may include federal, state, and local grants, sales taxes, and various financing mechanisms.

Most of the projects within the major capital programs adopt a multiyear Life of Project (LOP) Budget. For projects utilizing the alternative delivery methods, a multi-year Pre-Construction Budget is adopted prior to establishing a full LOP Budget. The purpose of the multi-year budget is to establish the financial resources necessary for the duration of a particular project phase in the case of Pre-Construction Budget, and for the completion of the project in the case of a full LOP Budget. The LOP budget encompasses the Pre-Construction Budget and planning phase expenditures. These multi-

year budgets seek Board approval independently from the annual budget process.

DISCUSSION

Major Infrastructure Capital Investment

LA County's infrastructure expansion plan is one of the nation's most ambitious and transformative transportation construction and enhancement programs, enabled by the sales tax revenues from the voter approved Measure R and Measure M Ordinances along with funds from state and federal grants. Major infrastructure projects are subject to market conditions, environmental conditions, and natural disasters which pose financial and schedule risks. While FY26 Preliminary Budget assumes no change in the federal funds obligated to these projects, the uncertainties surrounding these funds exacerbate the situation. Should any of these factors be realized, they must be evaluated and mitigated for a successful project delivery.

The following programs are covered in this report:

Transit Infrastructure Development: The FY26 Preliminary Budget provides funding for planning and constructing new transit projects for LA County per the voter approved Measure R and Measure M sales tax ordinances.

Highway Multimodal Development: The FY26 Preliminary Budget provides funding from voter approved Measure R and Measure M sales tax ordinances to advance design and construction activities for highway, streets and multimodal infrastructure projects in LA County, along with HOV and ExpressLanes and Bus Only Lane projects.

Regional Rail: The FY26 Preliminary Budget supports commuter rail projects such as Metro-led commuter rail projects and ongoing subsidy support for Metrolink's operating and State of Good Repair/capital components.

The major infrastructure capital projects typically make up one third of the annual budget. The FY26 Preliminary Budget represents the annual incremental cashflow required to advance these capital projects based on the phase of each project.

Transit Infrastructure Development

The Transit Infrastructure Development (TID) Program consists of expansion and enhancements of transit lines outlined in the Measure R and Measure M Ordinances, as well as those capital projects critical to operating these expansion lines once in service. These initiatives involve various project development stages, which are divided into planning, construction, and program support and administration.

Typically, the planning phase commences with a feasibility study followed by alternative analyses, ultimately leading to environmental clearance and selection of Locally Preferred Alternative by the

Board. Subsequently, the project moves into the construction phase before being handed over to Operations upon completion.

Fig 1:

Transit Infrastructure Development						
(\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change		
1 Transit Construction	\$ 1,796.8	\$ 1,964.9	\$ 168.1	9.4%		
2 Transit Planning	104.8	131.3	26.5	25.3%		
3 Program Support/Admin	23.6	25.5	1.9	8.1%		
4 Program Total	\$ 1,925.2	\$ 2,121.7	\$ 196.5	10.2%		

For FY26, the Preliminary Budget for the entire Transit Infrastructure Development Program stands at \$2.1 billion, reflecting an increase of \$196.5 million or 10.2% compared to the FY25 Budget as shown in Figure 1. Much of the FY26 Budget request is geared towards supporting the ongoing construction of key projects such as the Purple Line Subway Extension and East San Fernando Valley Light Rail Transit. As the A Line Foothill Extension to Pomona readies to open for revenue service in summer of 2025, the next leg of extension from Pomona to Montclair will start in 2025 and continue through FY26 and beyond. The increase of \$168.1 million or 9.4% from FY25 in the Transit Construction budget is attributed to the advancement of Southeast Gateway Line early works and right-of-way acquisitions, construction on G Line Improvements, and engineering and design work on Eastside Extension Phase 2. The increase of \$26.5 million or 25.3% from FY25 in the Transit Planning budget is largely due to the Sepulveda Transit Corridor Pre-Development Agreement.

The FY26 Preliminary Budget numbers are still under development and may be updated between now and Proposed Budget Book publication.

A more detailed project discussion can be found in Attachment A.

Highway Multimodal Development

The FY26 Preliminary Budget of \$628.7 million represents a \$52.2 million or 7.7% decrease over the FY25 Budget as shown in Figure 2. The FY26 Preliminary Budget reflects Metro’s ongoing investments in HOV and ExpressLanes construction, the expansion of bus-only lanes, subregional street improvements, as well as safety enhancements to freeways, interchanges and arterial streets. As the Highway Multimodal Development program evolves, Metro will continue to integrate pedestrian oriented and multi-modal components into freeway and surface street projects, and advance an equity-focused approach that minimizes displacement and emphasizes community participation.

In FY26, the Highway Multimodal Development budget supports the construction phase of the I-105 ExpressLanes project, the expansion of bus-only lanes and bus infrastructure throughout LA County, including customer-oriented amenities to bus stop shelters. This Preliminary Budget also supports the re-imagining of the I-710 South and I-605 Hot Spots projects, and ongoing construction for the I-5 North (North County) and the SR-57/SR-60 confluence projects.

Fig 2:

Highway Multimodal Development Project (\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change
1 Bus Improvements	\$ 36.9	\$ 36.7	\$ (0.2)	-0.4%
2 Capacity Improvements	131.4	138.5	7.1	5.4%
3 Express/HOV Improvements	190.2	163.4	(26.8)	-14.1%
4 General Planning	3.1	4.3	1.2	38.8%
5 Local Subregion/Street/Safety/Op Improvements	288.9	278.5	(10.3)	-3.6%
6 Property Maintenance	1.3	2.0	0.7	52.6%
7 Traffic Noise Reduction	29.1	5.2	(23.9)	-82.0%
8 Total Highway Multimodal Development	\$ 680.9	\$ 628.7	\$ (52.2)	-7.7%

See Attachment B for additional Highway Multimodal Development project details.

Highway capital projects are subject to the same market conditions generating cost escalations in our TID program, namely rising labor and material costs. Unforeseen conditions, extreme weather impacts and more stringent environmental regulations also pose financial risk to highway construction projects by triggering work stoppages, change orders, emergency remediation provisions, and mitigation provisions to offset emissions impacts from expanded roadways. All these risk factors could impact construction costs and available funding resources.

Metro Regional Rail

Metro oversees the planning, programming, and implementation of commuter rail projects in LA County that are or will be operated by external agencies such as the Southern California Regional Rail Authority (Metrolink), Amtrak, California High Speed Rail Authority, and commercial freight carriers. Metro also manages and coordinates capital improvement projects along approximately 150 miles of Metro owned, and Metrolink operated railroad right-of-way.

The FY26 Preliminary Budget of \$118.1 million is a \$61.4 million or 108.1% increase from the FY25 Budget. The increase is primarily driven by an increase in annual funding for the Link Union Station project to support the advancement of the Construction Manager / General Contractor (CM/GC) contract in FY26. Other increases are attributable to the start of the construction phase for the Doran Street Grade Separation project and preliminary engineering efforts for a high-speed rail service from Palmdale via the High Desert Corridor to the future Apple Valley station of Brightline's privately funded high-speed rail line to Las Vegas

Other major activities include closeout activities for the Rosecrans/Marquardt Grade Separation Project, ongoing construction activities for the first segment of the Brighton to Roxford Double Tracking Project in the east San Fernando Valley, and design efforts for an in-fill Metrolink station at the LA General Medical Center. Additionally, the Lone Hill to White Double Tracking Project in the San Gabriel Valley will develop a full funding plan in preparation for the construction phase.

Fig 3:

Regional Rail Project (\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change
1 Link Union Station	\$ 10.5	\$ 42.9	\$ 32.4	308.6%
2 Rosecrans & Marquardt Grade Separation	6.0	12.2	6.2	103.7%
3 Brighton to Roxford Double Track	6.7	9.0	2.3	34.3%
4 High Desert Corridor	10.7	14.3	3.6	33.6%
5 Doran Street Grade Separation	7.8	19.5	11.7	150.0%
6 Lone Hill to CP White Double Track	6.7	11.4	4.7	70.1%
7 Other Metro Regional Rail	8.4	8.8	0.4	5.3%
8 Total Metro Regional Rail	\$ 56.8	\$ 118.1	\$ 61.4	108.1%

Metrolink Commuter Rail

At the time of this report, Metrolink is developing its FY26 operating and capital budget. Metro will work with Metrolink and the other partner agencies to align subsidy levels with eligible financial resources. Final budget amounts for Metrolink will be based on a separate board report brought forward in June 2025.

All modes of transportation in LA County are experiencing funding challenges due to the slower than anticipated growth of sales tax revenues, a severe deficit at the State level, and persistent inflationary pressures on labor, fuel, construction materials and other operating and capital costs. Additionally, ongoing uncertainty around federal funding for transit infrastructure poses a novel risk to existing and future funding for Metro’s Regional Rail program.

The financial impact on commuter rail agencies has been particularly acute, as telecommuting has eroded commuter rail’s core ridership and source of fare revenue. Whereas urban transit ridership has significantly rebounded, Metrolink’s ridership has plateaued at 50% of pre-covid levels. As a result, Metrolink’s subsidy requirement needs to be evaluated to match eligible funding sources for commuter rail in LA County. Final allocation amounts for this program will be brought forward by the Regional Rail group for specific Board approval in June, detailing the operating, state-of-good repair and new capital subsidy funding amounts.

Regional Allocations and Pass Throughs

The Regional Allocations and Pass Throughs program represents resources distributed to regional partners to carry out local transportation needs. This program is directly tied to locally imposed and collected sales taxes as well as Metro oversight and distribution of local, state and federal pass-through grant funding, which includes:

- Pass-through funding awarded to local jurisdictions and municipal and local transit operators through Local Agency Programs (i.e. Local Return) and Regional Transit Funding (i.e. Regional Transit Formula and Access Services)
- Pass-through funding for Major Projects being implemented by local agencies, including

Antelope Valley Metrolink Line Projects

- Grants allocated to local agencies through Other Local Programs such as the Congestion Reduction Demonstration (CRD) Toll Revenue grant program, Open Streets grant program, Active Transportation Program (ATP), Federal Pass-Throughs, and the Transit Oriented Development (TOD) Planning grant initiative

The FY26 Preliminary Budget of \$1.8 billion is a decrease of \$247.8 million, 11.9% below the FY25 Budget as shown in Figure 4. About 88% of this program is comprised of Local Agency Programs and Regional Transit Funding. Current economic conditions are signaling lower anticipated sales tax revenues for FY26 than were assumed in the adopted FY25 Budget. Thus, direct subsidies, provided by local and state sales tax-based programs that are passed through to Los Angeles County transit operators and local jurisdictions, are expected to decrease.

Fig 4:

Regional Allocations and Pass Throughs					
(\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change	
1 Local Agency Programs	\$ 921.4	\$ 844.8	\$ (76.6)	-8.3%	
2 Regional Transit	805.6	763.3	(42.3)	-5.3%	
3 Major Projects	211.0	76.6	(134.4)	-63.7%	
4 Other Local Programs	81.0	86.8	5.8	7.1%	
5 Regional Federal Grants	22.9	20.5	(2.4)	-10.3%	
6 Fare Assistance	33.3	35.3	2.0	6.1%	
7 Program Total	\$ 2,075.1	\$ 1,827.3	\$ (247.8)	-11.9%	

Local Agency Programs

Local Return and Transit Development Act (TDA) Article 3 and Article 8 funding make up this subprogram. This subprogram will decrease by \$76.6 million, a decrease of 8.3% over the FY25 budgeted amounts. Most of this decrease, about \$64.5 million, is the result of lower sale tax revenue projections for FY26.

Regional Transit Funding, Including Access Services

Similar to Local Agency Programs, Regional Transit Funding programs are projected to decrease during FY26 by \$42.3 million, a 5.3% decrease, primarily from the lower expected sales taxes. This subprogram is comprised of the transit formula funding allocated to Los Angeles County municipal, local transit operators, and Access Services. Formula programs for the municipal and local transit operators included in this subprogram include Proposition A Discretionary funding, Measure M 20%, Measure R 20%, SB1 State of Good Repair, TDA Article 4, and other fund programs.

In addition, preliminary funding of \$203.2 million is proposed for Access Services operations in Los Angeles County, including the direct Metro subsidy to support Access riders on Metrolink within the County, an increase of \$13.3 million over the FY25 Budget. The final subsidy amount is subject to Access Services' final budget request. The main cost drivers that could force Access Services to submit a budget request greater than the preliminary estimate include higher operating costs and a

backlog in purchasing replacement vehicles due to supply chain disruptions.

Final allocation amounts for this program will be brought forward for specific Board approval in June, detailing subsidy funding amounts for transit agencies, Access Services and local jurisdictions.

Major Projects

This subprogram is comprised of the Antelope Valley Line Projects and Inglewood Transit Connector and is decreasing by \$134.4 million, or 63.7% compared to the FY25 Budget as depicted in Figure 5. This is due to reduced cash flow needs in FY26 as the design phase is nearing completion for the Inglewood Transit Connector and Antelope Valley Line Projects. Further work on the Alameda Corridor East Phase II Project is now being funded via a Board approved Measure M loan vehicle and is included under the Highway Multimodal Development program. Sankofa Park has been completed. As a result, these two projects are not included in the Regional Allocations program in FY26.

Fig 5:

Major Projects						
(\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change		
1 Alameda Corridor East Phase II	\$ 14.0	\$ -	\$ (14.0)	-100.0%		
2 Antelope Valley Metrolink Line Projects	16.3	10.4	(5.9)	-36.3%		
3 Inglewood Transit Connector	179.5	66.2	(113.3)	-63.1%		
4 Sankofa Park Projects	1.1	-	(1.1)	-100.0%		
5 Total	\$ 211.0	\$ 76.6	\$ (134.4)	-63.7%		

Other Local Programs & Regional Federal Grant Programs

Other Local Programs is increasing by \$5.8 million or 7.1% for ATP-related grants, CRD Toll Revenue Grant Program, Federal Earmarks, and TOD Planning Grants.

Regional Federal Grant Programs is decreasing by \$2.4 million or 10.3% due to projects moving toward completion.

Fare Assistance - Low Income Fare is Easy (LIFE) Program

The LIFE program is anticipated to continue to grow during the coming year, and the budget request has increased accordingly to \$35.3 million to support the Board approved expansion and improvements to the program. This represents a 6.1% increase over the FY25 budgeted amount for the program.

FY25 Public Budget Outreach Update

For the development of the FY26 Budget, Metro remains dedicated to a robust public and stakeholder engagement process. Starting in October of 2024, OMB staff launched an improved version of the My Metro Budget Activity as part of the outreach efforts. This was followed by a budget Telephone Town Hall hosted by Metro’s CEO, senior leadership, and Board Members on February 4,

2025.

The My Metro Budget Activity, a key tool for public education and collecting feedback remains critical to budget decision making. As of February 28, 2025, the activity received over 4,200 responses and over 3,200 written comments. Public safety, service frequency and reliability, and cleanliness on the Metro system remain essential topics across all the feedback channels. OMB has collaborated closely with other agency groups and departments to ensure these key concerns are addressed by the appropriate team. This information is used to align Metro's budgetary decisions with the public's priorities. Attachment C contains updates about the outreach initiatives shared in last month's budget updates.

EQUITY PLATFORM

Budget equity is an integral part of the budget development process. For FY26, Metro continues to uphold its commitment to equity through the continued application of the Equity Zero-Based Budgeting (EZBB) evaluation process. Metro's Budget is shaped by the following pillars of equity: "Listen and Learn" and "Focus and Deliver."

These pillars have guided the allocation of \$2.9 billion of Preliminary Budget across three main infrastructure programs: Transit Development, Highway Multimodal, and Regional Rail. For projects in planning phase, Metro actively engages communities to hear their concerns and preferences. These inputs are incorporated into needs-based analyses which ultimately contribute to project definition encompassing mode, alignment, and cost. The FY26 allocation reflects the 12-month slice of funds needed to progress the projects through the respective phases. As each project is delivered, it expands and enhances existing network of transportation systems - whether it be public transit, active transportation, street improvements, or highways - within Los Angeles County. This in turn increases access to opportunities for all Angelenos.

The \$1.8 billion Regional Allocations and Pass Throughs are mostly formula-based distribution to regional partners for respective local transportation needs. Metro does not have direct control over the regional partners' allocations over respective entities budget.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with the declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

Most of the budget related to transit and regional rail infrastructure development will support projects that will decrease VMT in LA County. Within this suite of projects, Metro seeks to reduce single-occupancy vehicle trips, better connect Los Angeles County through public transit, and provide fare assistance for low-income riders.

Some of the projects noted in this status report, such as highway capacity enhancements and HOV improvements, will ease congestion for cars and trucks, or expand vehicle capacity, resulting in the possibility of increased VMT. However, these projects also provide for carpooling infrastructure and reinvestment of funding towards transit projects. The projects' multi-modal benefits may contribute to offsetting the possible increase in VMT.

Overall, the budget discussed in this status report supports Metro's systemwide strategy to reduce VMT through planning, constructing and funding activities that will improve and further encourage transit ridership, ridesharing, and active transportation. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and the FY26 Preliminary Budget identified in this report aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from the highway performance monitoring system data between 2001 - 2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the following Metro Strategic Plan Goal:

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

NEXT STEPS

Staff continues to review and refine the FY26 Preliminary Budget as it advances through the EZBB process, being mindful of the promise embodied in the two Ordinances and the revenue projections identified in previous months' budget status report. Next month's budget development update will address Metro Transit Operations & Maintenance, Metro Transit Capital Improvements, Congestion Management, and Planning & Administration Programs.

ATTACHMENTS

Attachment A - Transit Infrastructure Development Projects

Attachment B - Highway Multimodal Development

Attachment C - My Metro Budget Activity

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Attachment A

Transit Infrastructure Development (TID) Projects

TID Projects in Construction Phase:

The FY26 Preliminary Construction Budget of \$1.96 billion supports construction activities on Measure R and Measure M projects.

- *A Line (Gold) Foothill Extension*

The A Line (Gold) Foothill Extension will provide 12.3 miles of new rail to the east, beyond the current end point of the line in Azusa, adding 6 new stations. The FY26 Preliminary Budget of \$148.9 million supports improvements to Azusa Depot, retaining wall work, punch list items along Azusa to Pomona, and construction work for the last stretch to Montclair.

- *Airport Metro Connector*

The Airport Metro Connector, now renamed LAX/Metro Transit Center, is a station hub at Aviation Bl/96th Street on the Crenshaw/LAX Transit line, which will allow direct transfer from the Metro network to the LAX Automated People Mover. This station hub will include a light rail station, bus plaza, bicycle parking, and customer service center. FY26 Preliminary Budget of \$22.9 million supports close-out activities and punch list items.

- *C Line Extension to Torrance*

This project will extend the C Line (Green) 4.5 miles, adding 2 new stations, Redondo Beach Transit Center and Torrance Transit Center. When completed, this alignment is projected to be serviced as part of the Metro K Line and provides a direct ride between Torrance and the Metro E Line (Expo). In FY26, Metro will be performing field work and investigations in the project area to collect relevant information. The FY26 Preliminary Budget request is \$58.1 million.

- *D Line (Purple) Extension*

This project encompasses three sections of the D Line (Purple) subway extension, expanding westward from the current terminus at Wilshire/Western, and collectively adding seven new stations. The FY26 Preliminary Budget of \$782.9 million supports the wrap up in Section 1, ongoing progress of tunneling, station box, and trackwork construction activities along Sections 2 and 3. The revenue service dates for Sections 1, 2, and 3 are slated for 2025, 2026, and 2027, respectively. Additionally, the Division 20 Portal Widening project involves the construction of a new turnback facility to accommodate the headway requirements for the entire D Line.

- *E Line Eastside LRT Phase 2*

The Eastside Transit Corridor Phase 2 project extends the E Line (Expo) 9 miles further east, from its current terminus at Atlantic Station in East Los Angeles to City of Whittier. The \$84.9 million FY26 Preliminary Budget includes design and preliminary engineering services.

- *East San Fernando Valley LRT*

Attachment A

The East San Fernando Valley LRT project spans a total of 9.2 miles with 14 stations, extending northward from the G Line (Orange) Van Nuys station to the Sylmar/San Fernando Metrolink station. This project is divided into two segments, with the first initial operating segment (IOS) covering a 6.7-mile stretch from the G Line Van Nuys station to San Fernando Road in Pacoima. Most of the advanced design phase has been completed and will be further developed using the Progressive Design Build delivery method, for which the contract has been awarded. The FY26 Preliminary Budget of \$266.4 million supports right-of-way acquisition and construction activities.

- *G Line (Orange) BRT Improvements*

The G Line (Orange) BRT Improvements will provide better transit service in the San Fernando Valley area with grade separations on major streets, better signal priority technology, electric bus connectivity and a four-quad gating system for safer and faster trips. FY26 Preliminary Budget is \$214.3 million.

- *K Line (Crenshaw/LAX) Light Rail Transit*

The Crenshaw/LAX Transit Project is a north/south light rail line that serves the cities of Los Angeles, Inglewood, Hawthorne and El Segundo as well as portions of unincorporated Los Angeles County. The alignment extends 8.5 miles, from the intersection of Crenshaw and Exposition Boulevards to a connection with the Metro C Line south of the Aviation/LAX Station. The project provides major connections with the Los Angeles International Airport (LAX) as well as links to the C Line (Green), the E Line (Expo) and the countywide bus network. The FY26 Preliminary Budget request is \$11.6 million.

- *North Hollywood to Pasadena BRT Connector*

Metro is planning Bus Rapid Transit (BRT) to connect the cities of Los Angeles (North Hollywood and Eagle Rock communities), Burbank, Glendale, and Pasadena. Environmental review was completed in 2022 and the FY26 Preliminary Budget of \$83.9 million will support final design and construction activities. Utility survey work may begin as early as Summer 2025.

- *Rail & Bus Operations Control Center Upgrade (ROC/BOC)*

The Metro Rail & Bus Operations Control Center is a technologically advanced, centralized, and critical component of safe bus and rail operations. The FY26 Preliminary Budget is \$17.3 million for design.

- *Regional Connector*

The 1.9-mile Regional Connector in Downtown Los Angeles includes three new stations: Little Tokyo/Arts District, Historic Broadway and Grand Av Arts/Bunker Hill. These stations have been providing seamless rail access to the core of downtown. The Connector enables a one-seat ride from East LA to Santa Monica on the east-west alignment, and Azusa to Long Beach on the north-south alignment. The \$5.2 million FY26 Preliminary Budget supports close-out and punch list items.

- *Southeast Gateway Line (Pioneer to Slauson)*

Attachment A

The Southeast Gateway Line is a proposed light rail transit (LRT) line that will connect the Slauson/A Line Station in Los Angeles to Pioneer Station in the City of Artesia. This segment stretches 14.5 miles and will include 9 stations traversing through Artesia, Cerritos, Bellflower, Paramount, Downey, South Gate, Cudahy, Bell, Huntington Park, Vernon, Los Angeles, and the unincorporated community of Florence-Firestone. It will also include 1 new infill C Line Station. This project is progressing into early works and right-of-way acquisitions. The FY26 Preliminary Budget request is \$267.7 million.

TID Projects in Planning Phase:

The Planning Studies FY26 Preliminary Budget of \$195.5 million supports conceptual engineering, environmental clearance, and Locally Preferred Alternative selection.

- *Countywide BRT Planning*

Countywide BRT Planning conducts technical analysis, to determine Bus Rapid Transit feasibility and configurations across the Broadway, Atlantic, and Venice transit corridors. The FY26 Preliminary Budget request is \$3.5 million.

- *East San Fernando Valley LRT (Planning)*

This project focuses environmental studies on the shared corridor stretching between San Fernando Station terminus of the southern segment of the LRT and Metrolink Sylmar Station. The FY26 Preliminary Budget request of \$0.7 million includes funds for first/last mile study along the same location.

- *K Line Northern*

This project plans a northern extension of the K Line, from its current terminus at Crenshaw/Expo and the Metro E Line (Expo) to the Metro D Line (Purple). An optional terminus station to Hollywood Bowl is also being considered. Metro is currently in the environmental review process for the project under the California Environmental Quality Act. The FY26 Preliminary Budget request is \$8.9 million.

- *North San Fernando Valley BRT*

Metro is proposing improvements to the north San Fernando Valley bus network, to provide higher-quality services and transit infrastructure. These improvements reimagine the existing network, to better serve customers and complement the NextGen Bus Plan. The funds for this effort is assumed in various operating and capital improvement projects, in addition to the FY26 Preliminary Budget request of \$0.6 million.

- *Sepulveda Transit Corridor*

This project aims to improve transit between the San Fernando Valley and the Westside communities. Currently in the environmental review phase, the FY26 Preliminary Budget of \$89.9 million supports technical studies, a Planning and Environmental Linkages study engaging federal agencies early, and an Environmental Impact Statement addressing transportation needs comprehensively.

Attachment A

- *SGV Feasibility Study*

The San Gabriel Valley Feasibility Study seeks to evaluate high-quality transit service options to serve the San Gabriel Valley. The study also seeks to include recommendations for a Funding Plan for the San Gabriel Valley and Gateway cities subregions. The FY26 Preliminary Budget is \$1.4 million.

- *Southeast Gateway Line (Slauson to DTLA)*

This study covers an approximately 4.8-mile route extension, from the Slauson A Line Station to LA Union Station with 3 proposed new stations in-between. The FY26 Preliminary Budget of \$5.1 million supports essential planning activities and community outreach.

- *Vermont Transit Corridor*

The Vermont Transit Corridor Project aims to improve travel times and provide more reliable service along Metro's most heavily traveled bus route, Vermont Ave., between Sunset Blvd and 120th Street. The \$21.1 million FY26 Preliminary Budget supports the immediate implementation of bus improvements and continue planning activities on near-term Bus Rapid Transit (BRT) and a long-term rail study. Bus improvements include restriping, curb cutouts, and wayfinding while dedicated bus lanes, zero emission buses, and enhanced stations are considered for BRT. These upgrades will enhance passenger comfort, safety and security.

Attachment A

Transit Infrastructure Development		Expenditure	FY25	FY26	Life of	Ordinance
Project (\$ in millions)		thru FY24	Budget	Preliminary	Project	Start Date
					Budget	(Fiscal Year)
Transit Construction						
1	A Line (Gold) Foothill Extension 2A & 2B	\$ 1,858.6	\$ 146.7	\$ 148.9	\$ 2,345.1	2010
2	Airport Metro Connector	714.6	143.5	22.9	902.2	2010
3	C Line Extension to Torrance	36.1	51.2	58.1	-	2026
4	D Line (Purple) Extension ⁽¹⁾	7,279.0	694.7	782.9	10,334.6	2013
5	E Line (Expo) LRT	2,409.4	3.0	0.7	2,300.2	2010
6	E Line Eastside LRT Phase 2	77.1	48.6	84.9	-	
7	East San Fernando Valley LRT ⁽²⁾	233.4	279.9	266.4	884.5	2013
8	G Line (Orange) BRT ⁽²⁾	100.7	106.8	214.3	668.5	2019
9	K Line (Crenshaw/LAX) Light Rail Transit	2,702.8	21.5	11.6	2,715.9	2010
10	North Hollywood to Pasadena BRT Connector	19.9	114.4	83.9	135.2	2020
11	Rail & Bus Operations Control Center Upgrade	1.2	16.9	17.3	-	
12	Regional Connector	1,816.5	37.7	5.2	1,864.2	2014
13	Southeast Gateway Line (Pioneer to Slauson)	111.2	131.8	267.7	-	2024
14	Transit Construction Subtotal	\$ 17,360.5	\$ 1,796.8	\$ 1,964.9	\$ 22,150.4	
Transit Planning						
16	Countrywide BRT Planning	\$ 0.1	\$ 2.4	\$ 3.5	\$ -	2020
17	Eastside Access ⁽³⁾	43.2	0.6	0.2	29.7	2010
18	East San Fernando Valley LRT ⁽²⁾	-	1.3	0.7	-	2013
19	K Line Northern	33.2	8.0	8.9	-	2041
20	North San Fernando Valley BRT	8.4	1.1	0.6	-	2019
21	Sepulveda Corridor	191.4	63.6	89.9	-	2024
22	SGV Feasibility Study	3.5	1.0	1.4	-	
23	Southeast Gateway Line (Slauson to DTLA)	-	6.8	5.1	-	2015
24	Vermont Transit Corridor	13.3	20.1	21.1	-	2024
25	Transit Planning Subtotal	\$ 293.0	\$ 104.8	\$ 131.3	\$ 29.7	
26	Program Control Support		23.6	25.5	-	
27	Total Transit Infrastructure Development	\$ 17,653.5	\$ 1,925.2	\$ 2,121.7	\$ 22,180.1	

Note: Totals may not add due to rounding

(1) - D Line (Purple) Extension includes all three sections, Division 20 Portal Widening & other supporting projects.

(2) - LOP budget for East San Fernando LRT & G (Orange) Line BRT is for pre-construction phase only.

(3) - LOP budget of \$29.7M is for Eastside Access Phase 3 only; other numbers include all three phases.

Attachment B

Highway Multimodal Development

The Highway Multimodal Development Program continues to evolve, as legacy expansion projects move towards completion or undergo rescoping with robust community participation, new ExpressLanes advance through the design and implementation phase, and multimodal components are integrated into freeway and street projects.

The Highway Multimodal Development Program differs from the Transit Construction Program in that completed projects represent non-Metro owned capital assets despite similarities in delivery and construction phases. For most Highway projects, Metro oversees the planning and early engineering phases, then transitions the project to Caltrans to execute right-of-way acquisitions and construction. Upon completion, Highway projects are capitalized as a Caltrans asset with Caltrans assuming primary responsibility for operations and maintenance.

The FY26 preliminary Highway Multimodal Development budget of \$628.7 million represents a \$52.2 million or 7.7% decrease from the FY25 Adopted Budget. This decrease is primarily driven by right-sizing project budgets across Metro's Highway Program and better aligning financial resources with historical burn rates and detailed project-level forecasts. The FY26 Preliminary Budget supports Metro's aggressive expansion of bus-only lane infrastructure and enhancements to bus stop shelters throughout L.A. County, the construction phase of the I-105 ExpressLanes, and incorporation of multi-modal and active transportation components into Metro's Multimodal Highway portfolio. Additionally, the FY26 preliminary budget allocates financial resources to support ongoing construction for the SR-57/SR-60 confluence project, the I-5 North (North County) project, and comprehensive packages of mobility improvement projects in the I-710 North and South regions.

Attachment B

Highway Multimodal Development Project (\$ in millions)		Exp thru FY24	FY25 Budget	FY26 Preliminary	Subregion
1	MR/MM Projects				
2	Countywide Soundwall Constructions	\$ 181.3	\$ 29.1	\$ 5.2	sc
3	Highway Demand Based Program (SG)	0.1	0.1	2.6	sg
4	Highway Efficiency Program	64.4	34.4	58.5	av, lvm, nc
5	Highway Operational Improvements in Arroyo Verdugo Subregion	66.6	5.0	10.0	av
6	Highway Operational Improvements in Las Virgenes/Malibu Subregion	132.8	2.1	6.2	lvm
7	I-105 ExpressLane from I-405 to I-605	256.7	179.3	156.7	sc
8	Sepulveda Pass Transit Corridor (Ph 1 - I-405 ExpressLane)	27.4	7.6	6.7	sf
9	Interstate 405, I-110, I-105 and SR-91 Ramp & Interchange Improvements (South Bay)	249.4	30.1	15.6	sb
10	I-5 Capacity Enhancement from SR-134 to SR-170	158.0	4.5	0.2	av, sf
11	Interstate 5 Capacity Enhancement from I-605 to Orange County Line	158.8	12.0	12.4	gc
12	Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line (Truck Lanes)	329.7	52.9	86.9	nc
13	Interstate 5/St. Route 14 Capacity Enhancement (North County)	5.2	1.0	1.1	nc
14	Interstate 605 corridor "Hot Spot" Interchanges (Gateway Cities)	345.0	109.9	71.9	gc
15	Interstate 710 South and/or Early Action Projects (Gateway Cities)	244.3	38.5	40.0	gc
16	South Bay Highway Operational Improvements	2.0	0.5	5.3	sb
17	SR-57/SR-60 Interchange Improvements	263.3	82.7	31.0	sg
18	SR-71 Gap from I-10 to Rio Rancho Road	92.8	30.0	29.8	sg
19	SR-710 N Corridor Mobility Improvements	11.7	4.8	24.1	av, cc, sg
20	State Route 138 Capacity Enhancements (North County)	81.1	5.0	3.0	nc
21	SR-14 Safety Improvements	3.6	2.5	5.2	nc
22	Transportation System and Mobility Improvement Program (South Bay)	55.9	5.5	12.0	sb
23	MR/MM Projects Total	\$ 2,730.1	\$ 637.4	\$ 584.4	
24	Other				
25	Caltrans Property Maintenance	\$ 13.6	\$ 1.3	\$ 2.0	
26	Highway Planning	156.8	3.1	4.3	
27	I-210 Barrier Replacement	18.2	1.7	0.6	
28	I-405 Carpool Lane	1,143.4	0.5	0.6	
29	NextGen Bus Lanes	47.6	36.9	36.7	
30	Total Highway Multimodal Development	\$ 4,109.7	\$ 680.9	\$ 628.7	

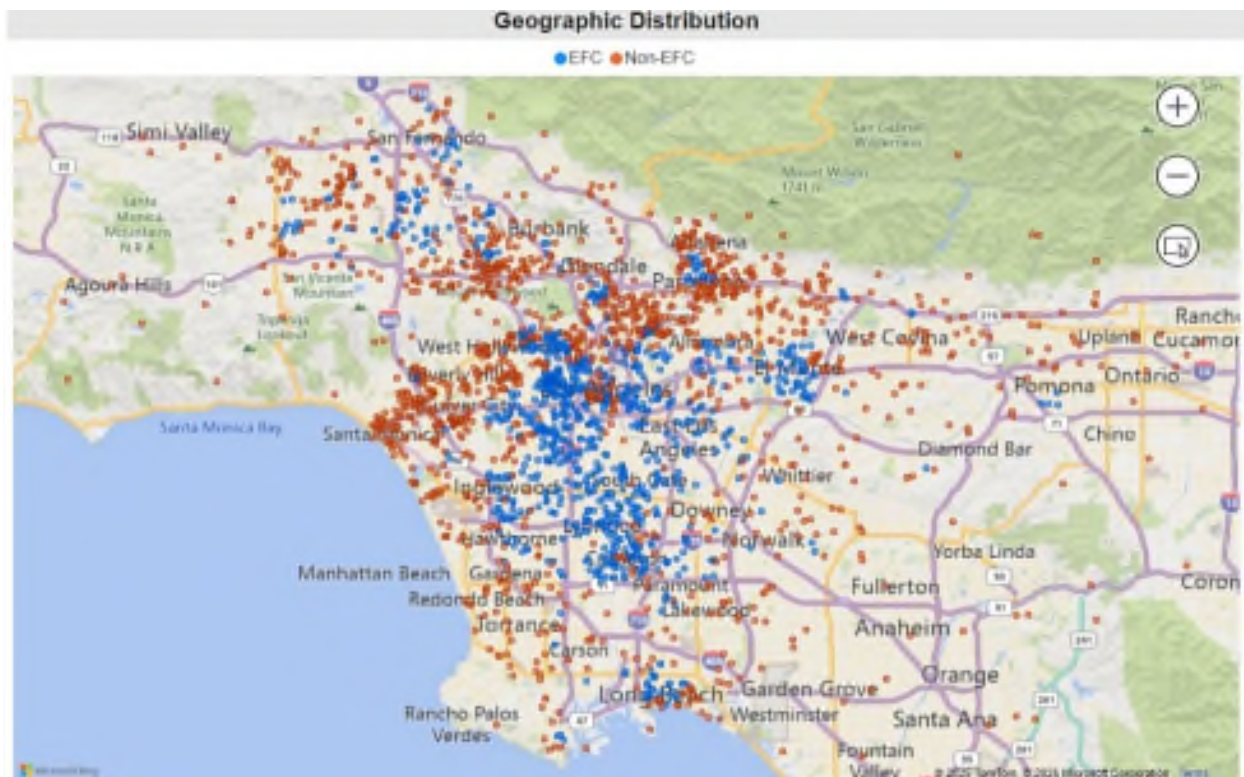
* Totals may not add up due to rounding.

Subregion Key
AV = Arroyo Verdugo
CC = Central City
GC = Gateway Cities
LVM = Las Virgenes-Malibu
NC = North County
SB = South Bay
SC = System Connectivity
SF = San Fernando

Attachment C

My Metro Budget Activity

The My Metro Budget Activity, designed to gather public input on budget priorities, remains open for participation until May. All public and stakeholder feedback received, including budget priorities and written comments, will be used to inform the development of the FY26 budget. To facilitate analysis, Metro has developed an internal dashboard. This dashboard allows staff to view results related to the geographic distribution of Equity Focus Communities (EFCs), scenarios questions, categorized comments, demographic breakdowns of participants, regional priorities, and more. The geographic data component is useful as it enables Metro to assess and address the equity needs of the community as reflected in the responses. Below is an overview of the geographic information and comments.





FY26 My Metro Budget Activity Map



Attachment C

My Metro Budget Activity Comments

This year, Metro's internal dashboard includes new AI-powered features for enhanced comment analysis. The features include categorization and summarization. Categorization uses over 60 topics to organize comments, and the summarization feature provides concise summaries of key themes. These AI-driven tools enable more effective review of the over 3,200 unique comments collected so far. Below are AI-assisted comment summaries and responses for the programs included in this month's budget update.

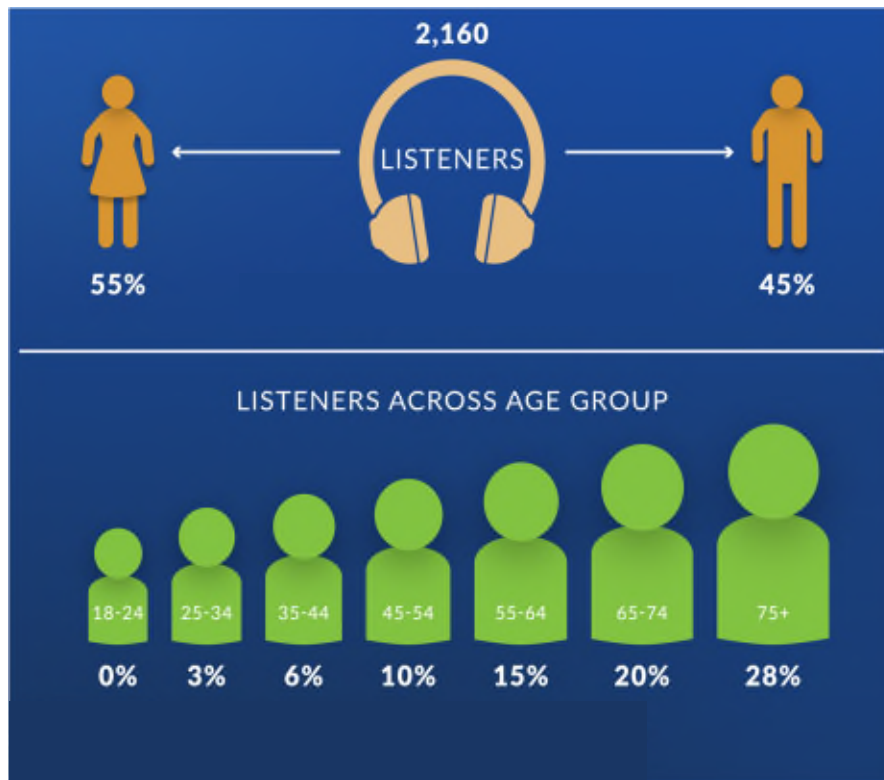
Program	Comment Summary	What Metro is Doing
<p>Regional Rail (55 Comments)</p> 	<ul style="list-style-type: none"> • Advocate funding emphasis on: <ul style="list-style-type: none"> ○ Double-tracking ○ Increased frequency ○ Expanded service areas ○ Reliability and efficiency • Concerns about: <ul style="list-style-type: none"> ○ Cost ○ Overall design and feasibility 	<ul style="list-style-type: none"> • Metro is advancing construction for Brighton to Roxford Double Tracking project (\$9m in FY26) & seeking construction funding for Lone Hill to White project (\$230m estimated) • As of October 2024, Metrolink increased service frequency & added off-peak trains (\$139.9m operating subsidy in FY25 / FY26 is still TBD) • Studies underway for additional in-fill stations (\$5.25m in FY26)
<p>Highway Multimodal Development (87 Comments)</p> 	<ul style="list-style-type: none"> • Advocate funding emphasis on: <ul style="list-style-type: none"> ○ Improving public transit ○ Increasing bus lanes ○ Rail improvements ○ Pedestrian safety infrastructure • Concerns about: <ul style="list-style-type: none"> ○ Using Metro funds to expand highways ○ Effectiveness of highway widening in reducing congestion 	<ul style="list-style-type: none"> • FY26 Budget provides ongoing support for countywide bus-only lane expansion (\$36.7m in FY26) • I-710 North (\$1.03b) & South (\$697m in Measure R and M) expansion projects re-scoped into mobility improvement packages driven by community preferences • Integrating pedestrian safety & multimodal components into freeway / street projects

Attachment C

<p>Transportation Infrastructure Development (125 Comments)</p> 	<ul style="list-style-type: none"> Advocate funding emphasis on: <ul style="list-style-type: none"> LAX/Metro Transit center access D Line Purple System East San Fernando Valley North Hollywood to Pasadena Transit Corridor 	<ul style="list-style-type: none"> LAX/Metro Transit Center access -- \$20.9M, will open in FY25 D Line Purple System -- \$782.9M for PLE 1, 2, & 3 East San Fernando Valley -- \$480.7M, for ESFV and G-Line projects North Hollywood to Pasadena Transit Corridor -- \$83.9M
<p>Regional Allocations and Pass-Throughs (37 Comments)</p> 	<ul style="list-style-type: none"> Advocate funding emphasis on: <ul style="list-style-type: none"> Increasing bus service frequency Improving street & sidewalk conditions Accessibility for disabled riders Core transit improvements Support government partner oversight 	<ul style="list-style-type: none"> Cities prioritize the allocation of their local return dollars. Cities use these dollars to make transit improvements within their jurisdictions which include streets, sidewalks, and funding of their local transit operators (\$1.6B in FY26) Audits are conducted annually on the eligible use of funds to provide oversight over these funds

Telephone Town Hall

Below are the summary statistics for February 4, 2025, Telephone Town Hall (TTH).

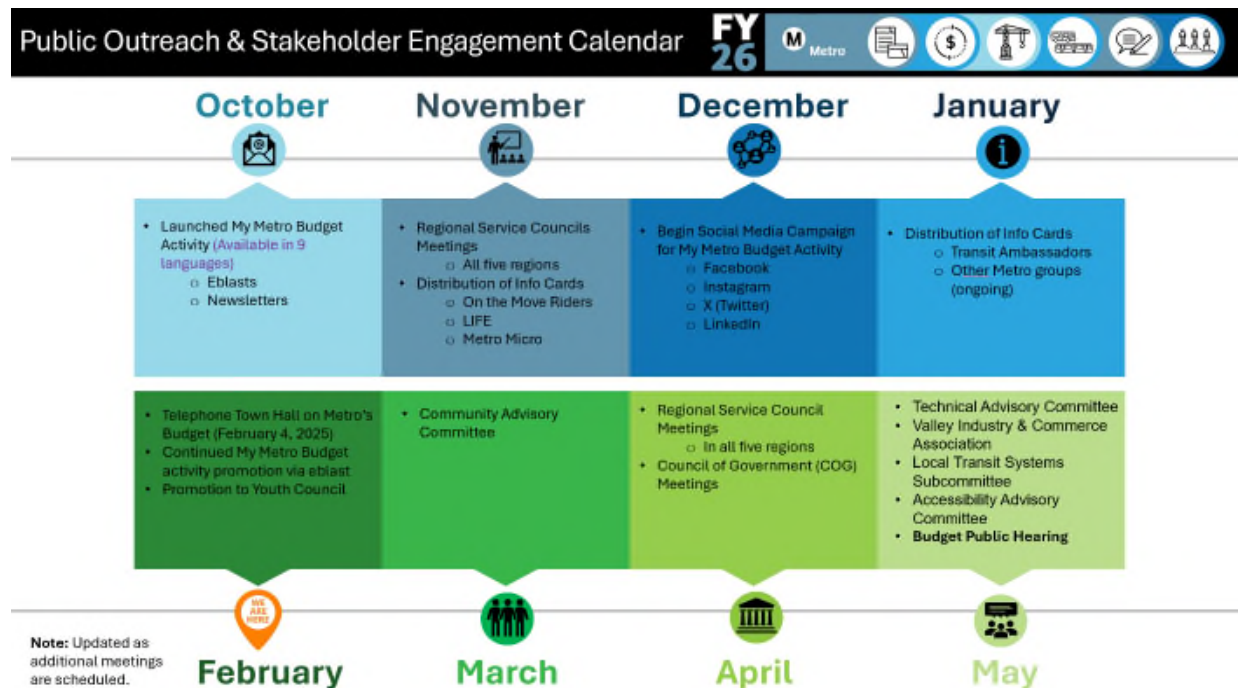


Attachment C

The TTH had over 2,100 listeners, including more than 120 Spanish listeners. Participants had the opportunity to directly engage with senior leadership, posing questions and receiving answers on key issues. The TTH events have been an invaluable outreach activity for reaching the Equity Focus Community (EFC) and particularly beneficial for residents who would not typically have time to attend a regular public meeting or who cannot participate online. Key concerns centered around station lighting, cleanliness, elevator maintenance, expanded interaction with Small Businesses and Disadvantaged Business Enterprises (DBEs), Bikeshare, and Fare Programs. The recording of the February 4, 2025 TTH is available on the budget portal.

Stakeholder Meetings and Outreach Efforts

Metro will continue to hold stakeholder meetings throughout March and April, culminating in May with the legally required budget public hearing and possible board approval of the FY26 Budget. These meetings will be guided by a commitment to Putting People First, ensuring that Metro listens and learns from stakeholder input. Detailed schedules, meeting information, and up-to-date budget data will be posted on the Finance and Budget portal (<https://budget.metro.net>) in advance of each event.





Fiscal Year 2026 Budget Development Update

March 2025 | Finance, Budget and Audit Committee



Transit Infrastructure Development \$2.1B FY26



Planning

\$131.3M

Countrywide BRT Planning	\$	3.5
Eastside Access		0.2
East San Fernando Valley LRT		0.7
K Line Northern		8.9
North San Fernando Valley BRT		0.6
Sepulveda Corridor		89.9
SGV Feasibility Study		1.4
SGL (Slauson to DTLA)		5.1
Vermont Transit Corridor		21.1

In Construction

\$1,971.3M

A Line (Gold) Foothill Ext. 2A & 2B	\$	148.0
C Line Extension to Torrance		58.1
D Line (Purple) Extension		776.6
E Line Eastside LRT Phase 2		84.9
East San Fernando Valley LRT		266.4
G Line (Orange) BRT		214.3
NoHo to Pasadena BRT Connector		83.9
Rail&Bus Ops Control Center		17.3
SGL (Pioneer to Slauson)		267.7

Revenue Readiness

\$30.0M

Airport Metro Connector	\$	22.9
A Line (Gold) Foothill Ext. 2B		0.8
D Line (Purple) Extension Section 1		6.3



- \$17.6M budget for closeout projects such as K Line (Crenshaw/LAX), Regional Connector, etc.
- \$25.5M Program support and administration including Business Solution Center

- FY26 Budget of \$2.1B reflects a \$196.5M or 10.2% increase from FY25.
- Transit Construction grows by \$168.1M (9.4%), driven by new projects like SGL advancing to the early construction phase and continued work on projects such as ESFV LRT and the Purple Line Extension.
- Planning & Studies increases by \$26.5M (25.3%) to support planning efforts for various transit projects.
- Program support & admin increases by \$1.9M (8.1%), accounting for roughly 1% of overall program.

Highway Multimodal Program \$628.7M

FY
26

M Metro



**Bus
Improvements**

\$36.7M

-\$0.2m (-0.4%)



**Capacity
Improvements**

\$138.5M

+\$7.1m (5.4%)



**Express /
HOV
Improvements**

\$163.4M

-\$26.8m (-14.1%)



**General
Planning**

\$4.3M

+\$1.2m (38.8%)



**Local
Subregional
Improvements**

\$278.5M

-10.3m (-3.6%)



**Traffic Noise
Reduction &
Property
Maintenance**

\$7.2M

-\$23.2m (-76.3%)

Overview:

- FY26 Preliminary Highway Budget is a \$52.2m or 7.7% reduction from FY25 (\$680.9M)
- Decreases attributable to re-alignment with project schedules and project phasing.
- Investments in Bus-Only Lanes and Bus Infrastructure is 200% higher than FY24.
- Slight increase in Capacity Improvement investments as construction accelerates for the I-5N (North County) project, partially offset by a decrease in the SR-91 Atlantic/Cherry project. Other capacity improvement projects remain flat year-over-year.

Regional Rail \$118.1M

FY
26

M Metro



Link Union Station:

- Procure CM/GC contract
- Pre-construction, design activities

\$42.9M

+32.4m (308.6%)



Grade Separation Projects:

- Rosecrans: closeout activities
- Doran St: ramp up construction

\$31.7M

+\$17.9m (129.7%)



Double Tracking Projects:

- Brighton to Roxford: construction ongoing
- Lone Hill to White: funding plan

\$20.4M

+\$7m (52.2%)



High Desert Corridor Rail Service Plan and Other Metro Regional Rail Projects

\$23.1M

+\$4m (20.9%)



Metrolink's FY26 Budget is still under development and will be available upon receipt

Currently In Development

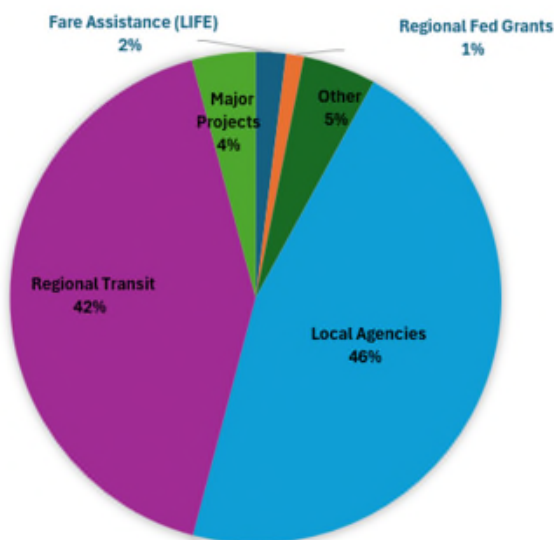
Overview:

- Double Tracking and Grade Separation projects advance into the Construction Phase
- High Desert Corridor finalizing Service Development Plan and proceeding with preliminary design
- The growth rate of Metrolink's operating subsidy requests are outpacing sales tax revenue growth

Regional Allocation & Pass Throughs \$1.8B

FY
26

M Metro



Regional Allocations & Pass Throughs (\$ millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change
Local Agencies	\$ 921.4	\$ 844.8	\$ (76.6)	-8.3%
Regional Transit	805.6	763.3	(42.3)	-5.3%
Major Projects	211.0	76.6	(134.4)	-63.7%
Other Local Programs	81.0	86.8	5.8	7.1%
Regional Federal Grants	22.9	20.5	(2.4)	-10.3%
Fare Assistance (LIFE)	33.3	35.3	2.0	6.1%
Total	\$ 2,075.1	\$ 1,827.3	\$ (247.8)	-11.9%

Note: Funds allocated to other agencies to implement projects

- **Overall Program:** 11.9% decline forecasted over FY25 adopted Budget
- **Sales Taxes:** Majority (Local Agencies & Regional Transit Programs) linked to sales tax estimates – FY26 **projected** to be lower than FY25 Adopted
- **Major Projects:** Allocations decreased due to completion of certain projects
- **Local Funding:** 88% allocated to Jurisdictions and Transit operators
- **ADA & Fare Assistance:** 13% reserved for Access Services & LIFE
- **Funds Distribution:** Governed by Federal / State laws & Board policies

Note: This program is primarily driven by sales tax projections. FY25 actual sales tax receipts are trending below budget. The FY26 budget assumes a 2% increase over FY25 estimated actual receipts but remains lower than the FY25 adopted amounts.



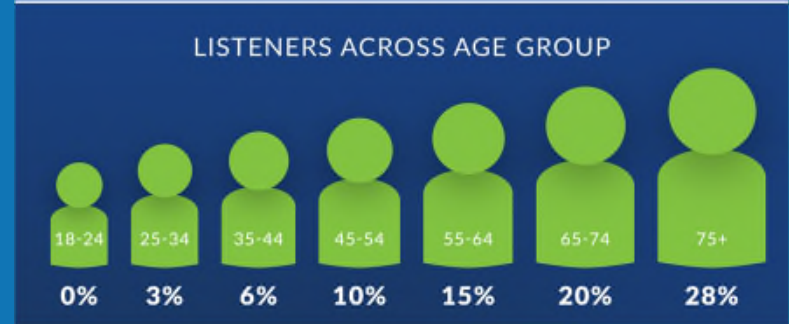
FY26 My Metro Budget Activity*



*FY26 collection period: October 2024 - May 2025

*Responses to Date (February 28, 2025)

Telephone Town Hall February 4, 2025



Public Comments

- Station lighting
- Cleanliness
- Elevator maintenance
- Fare programs
- Small Businesses & Disadvantaged Business Enterprises
- Bikeshare

Next Steps (April – May)

FY
26

M Metro



- Metro Transit – Operations & Maintenance (O&M) and Capital Improvement Program (CIP)
- Congestion Management
- Planning and Administration

Apr.

FY26 Proposed Budget:

- Public Hearing and Board Adoption

May



Board Report

File #: 2025-0133, File Type: Informational Report

Agenda Number: 17.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2025

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, 2024.

ISSUE

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and the following component audits for the fiscal year ending June 30, 2024 (FY24):

- Annual Comprehensive Financial Report for the Los Angeles County Metropolitan Transportation Authority;
- Independent Auditor's Statement of Auditing Standards (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 the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements for the fiscal years ended June 30, 2024, and 2023.
- Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements; and

-
- 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.

BACKGROUND

State law requires Metro to publish a complete set of audited financial statements within six months of the close of each fiscal year. In compliance with those requirements, this report seeks to provide Metro's Annual Comprehensive Financial Report, completed in December 2024, to the Board.

In addition to regulatory requirements, professional auditing standards require that Crowe communicate certain matters to keep Metro adequately informed about matters related to the financial statement audit that are significant and relevant in overseeing the financial reporting process. The financial and compliance audits must be conducted in accordance with these auditing standards. The main goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement, whether due to fraud or error.

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 FY24. Receiving an unmodified opinion indicates that all financial statements for FY24 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Crowe identified one finding in the Single Audit report related to Schedule of Expenditures of Federal Awards misstatements pertaining to incorrect clustering of programs and incorrect presentation of passed through vs direct expenditures. This is not a repeat finding.

The auditors also identified two findings in the 90154 Report related to variances.

One passed adjustment is related to not recording Low Carbon Fuel Standard credits at their estimated fair value. As a result, approximately \$31M will be recognized when the credits are sold. The second passed adjustment is related to Regional Tap Service Center (RTAP) cash and accounts payable that should be reported in the fiduciary fund instead of the enterprise fund. As a result, the enterprise fund net position should be approximately \$7M lower, and the fiduciary fund net position should be \$7M higher. The adjustments were repeated from prior years as Accounting Management opted to continue recording the transactions in the enterprise fund instead of the fiduciary fund, which did not result in any material difference and cause a finding.

Due to the considerable size of the document, the Annual Comprehensive Financial Report is on file with the Board Clerk. The report is also accessible on Metro's website at

<https://lacmta.sharepoint.com/sites/Accounting2/Annual%20Comprehensive%20Financial%20Reports%20ACFR/Forms/AllItems.aspx?id=%2Fsites%2FAccounting2%2FAnnual%20Comprehensive%20Financial%20Reports%20ACFR%2FFY24%20%2D%20LA%20Metro%20>

[20ACFR%2Epdf&parent=%2Fsites%2FAccounting2%2FAnnual%20Comprehensive%20Financial%20Reports%20ACFR>](#)

EQUITY PLATFORM

The basic financial statements and component financial statement audits in this report support the completion of the Annual Comprehensive Financial Report, which provides Metro with opportunities to identify equity impacts. There are no equity impacts or concerns from audit services conducted to complete the Annual Financial Comprehensive Report.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides information on audits of Metro's projects and programs. Because the Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Management Audit Services will continue reporting audit activities on the basic financial statements and component financial statements in the next fiscal year.

ATTACHMENTS

Attachment A - SAS 114 Letter

Attachment B - Single Audit Report

Attachment C - 90154 Report

Attachment D - Transportation Development Act Operations Agency

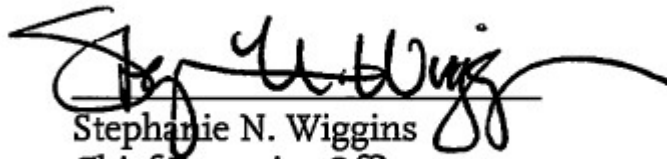
Attachment E - Transportation Development Act Schedule of Revenues, Expenditures, and Changes in Fund Balances

Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements

Attachment G - Service Authority for Freeway Emergencies Financial Statements
Attachment H - Low Carbon Transit Operations Program

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Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101



Stephanie N. Wiggins
Chief Executive Officer



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Fiscal year ended June 30, 2024

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Fiscal year ended June 30, 2024

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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, 2024, 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 18, 2024. 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*.

Report on 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) as a basis for designing 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free from 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 financial statements. 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*.

LACMTA's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the LACMTA's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The LACMTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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
December 18, 2024

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

Opinion on Each Major Federal Program

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2024. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to LACMTA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

(Continued)

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, 2024, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 18, 2024, 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 18, 2024

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Fiscal year ended June 30, 2024

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
Federal Grants								
U.S. Department of Transportation								
Federal Highway Administration								
Passed through State of California Department of Transportation:								
Highway Planning and Construction Cluster								
Highway Planning and Construction								
Extension of Transit way on 1-110 to Downtown LA	20.205	EA 07-278008	\$ 6,272,632	\$ 238,907	\$ 180,964	\$ -	\$ -	\$ 57,944
I-5 Chokepoint Relief Project	20.205	07-5187	247,000,000	52,870,940	6,606,637	-	12,872,862	33,391,442
Freight Advanced Traveler Information System (FRATIS)	20.205	ATCMTDL-6065(218)	3,000,000	67,860	33,930	-	-	33,930
605/South Street	20.205	HIPL-6065(253)	15,791,000	568,761	(110,807)	-	-	679,569
605/Beverly	20.205	HIPL-6065(262)	16,976,220	127,288	43,087	-	-	84,201
Soundwall Package#10	20.205	HIPL-6065(251)	48,649,000	28,363,712	26,186,974	-	-	2,176,738
SR-57/60 CONFLUENCE CHOKE POINT	20.205	07-5244	99,000,000	53,783,087	35,222,711	35,222,711	-	18,560,376
07-LA-091-R11.8 to R13.2	20.205	07-5258	29,000,000	4,456,700	1,742,011	-	-	2,714,689
I-605/SR-91 Interchange Improvements	20.205	07-5186	29,100,000	451,588	(183,070)	-	150,587	484,071
Highway Planning and Construction Cluster Total			<u>494,788,852</u>	<u>140,928,843</u>	<u>69,722,437</u>	<u>35,222,711</u>	<u>13,023,449</u>	<u>58,182,960</u>
The Nationally Significant Multimodal Freight and Highway Projects								
SR-57/60 Confluence Choke Point	20.934	INFRAL-6065 (254)	27,000,000	15,260,236	15,095,448	15,095,448	-	164,789
Federal Highway Administration Total			<u>521,788,852</u>	<u>156,189,079</u>	<u>84,817,885</u>	<u>50,318,159</u>	<u>13,023,449</u>	<u>58,347,749</u>
Federal Transit Administration								
Direct Programs:								
Federal Transit Cluster:								
Federal Transit Capital Improvement Grants:								
Sec 5309 Westside Purple Line Ext. - Section 1 New Starts	20.500	CA-2016-017	1,085,000,000	483,855,009	139,144,883	-	-	344,710,126
Sec 5309 Westside Purple Line Ext Section 2 New Starts	20.500	CA-2016-047	1,021,983,701	258,362,393	88,835,456	-	-	169,526,937
Sec 5309 Westside Purple Line Extension 3 New Starts	20.500	CA-2019-170	821,983,701	140,419,289	49,006,249	-	-	91,413,040
Sec 5309 Westside Purple Line Ext Section 3 CIG-Section 165	20.500	CA-2024-061	59,583,554	59,583,554	59,583,554	-	-	-
Federal Transit - Capital Improvement Grants Total			<u>2,988,550,956</u>	<u>942,220,245</u>	<u>336,570,142</u>	<u>-</u>	<u>-</u>	<u>605,650,103</u>
Federal Transit - Formula Grants:								
Sec 5307 RAIL TO RAIL ATC (SEGMENT A-1) - ATP	20.507	CA-2022-206	8,326,000	42,482,494	4,455,522	-	-	38,026,972
Sec 5307 Westside Purple Line Ext Section 3 CMAQ & STBG	20.507	CA-2022-144	115,000,000	38,516,510	36,494,953	-	-	2,021,557
Sec 5307 Systemwide Light Rail Vehicles	20.507	CA-2016-026	149,430,000	33,290,122	21,916,824	-	-	11,373,298
Sec 5307 Bus Preventive Maintenance & ATI Project	20.507	CA-2024-065	320,030,833	338,461,043	270,768,834	-	-	67,692,209
Federal Transit - Formula Grants Total			<u>592,786,833</u>	<u>452,750,169</u>	<u>333,636,133</u>	<u>-</u>	<u>-</u>	<u>119,114,036</u>
State of Good Repair Grants Program								
5337 LA Metro Rail Vehicle Midlife Overhauls	20.525	CA-2018-031	222,000,000	264,277,534	211,422,027	-	-	52,855,507
Sec 5337 FY22-23 Rail Preventive Maintenance	20.525	CA-2023-163	151,251,460	36,633,492	33,563,558	-	-	3,069,934
State of Good Repair Grants Program Total			<u>373,251,460</u>	<u>300,911,026</u>	<u>244,985,585</u>	<u>-</u>	<u>-</u>	<u>55,925,441</u>
Bus and Bus Facilities Formula Program								
Section 5339 Bus Overhauls	20.526	CA-2019-056	146,810,553	42,214,677	24,549,578	-	-	17,665,099
Bus and Bus Facilities Formula Program Total			<u>146,810,553</u>	<u>42,214,677</u>	<u>24,549,578</u>	<u>-</u>	<u>-</u>	<u>17,665,099</u>
Federal Transit Cluster Total			<u>4,101,399,802</u>	<u>1,738,096,117</u>	<u>939,741,438</u>	<u>-</u>	<u>-</u>	<u>798,354,679</u>

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Fiscal year ended June 30, 2024

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
Direct Programs:								
Transit Services Programs Cluster								
Enhanced Mobility of Seniors and Individual with Disabilities								
Sec 5310 L.A. County Section 5310 All Subrecipients - FY19	20.513	CA-2020-167	9,787,049	1,604,451	1,170,142	1,044,626	-	434,308
Sec 5310 LA County Section 5310 All Subrecipients FY17	20.513	CA-2018-065	9,207,811	338,396	254,572	197,507	-	83,824
Sec 5310 Program Administration FFY19	20.513	CA-2021-226	1,115,715	461,187	461,187	-	-	-
Sec 5310 Enhanced Mobility of Senior and Individuals with Disability- ARPA	20.513	CA-2022-142	1,254,836	236,659	236,659	236,659	-	-
Sec 5310 Enhanced Mobility of Senior and Individuals with Disability	20.513	CA-2022-143	7,959	7,959	7,959	7,959	-	-
Sec 5310 Enhanced Mobility of Senior and Individuals with Disability- CRRSAA	20.513	CA-2022-141	1,254,817	595,496	595,496	595,496	-	-
Sec 5310 FY 2022-2023 FTA L.A. County Subrecipient Projects	20.513	CA-2023-236	13,891,798	631,228	552,177	552,177	-	79,051
Enhanced Mobility of Seniors and Individual with Disabilities Total			36,519,985	3,875,376	3,278,192	2,634,424	-	597,184
Job Access and Reverse Commute Program								
Sec 5316 L A County Job Access and Reverse Commute (JARC) Program Administration. FY06-12	20.516	CA-37-X071	5,032,849	160,244	160,244	-	-	-
Sec 5316 Job Access and Reverse Commute Program. Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	1,921,195	960,510	358,126	-	960,685
Job Access and Reverse Commute Program			15,376,730	2,081,439	1,120,754	358,126	-	960,685
New Freedom Program:								
Sec 5317 New Freedom - Capital & Operating. Assistance	20.521	CA-57-X100	7,354,678	137,555	68,778	68,778	-	68,778
Sec 5317 New Freedom - Capital & Operating. Assistance	20.521	CA-57-X048	1,755,553	170,147	85,074	85,074	-	85,074
Sec 5317 New Freedom - Capital & Operating. Assistance	20.521	CA-57-X084	8,702,026	60,407	60,407	60,407	-	-
New Freedom Program Total			17,812,257	368,110	214,259	214,259	-	153,852
Transit Services Programs Cluster Total			69,708,972	6,324,925	4,613,205	3,206,809	-	1,711,721
Research, Development, Demonstration and Deployment Program								
Sec 5312 FY20 AIM Travel Rewards Research Pilot	20.530	CA-2021-012	700,000	130,332	80,332	-	-	50,000
Research, Development, Demonstration and Deployment Program Total			700,000	130,332	80,332	-	-	50,000
Community Project Funding Congressionally Directed Spending								
Sec 22-CMPJ-1 Inglewood Transi Connector ROW Propoerty Acquisition	20.534	CA-2023-228	5,000,000	6,250,000	5,000,000	5,000,000	-	1,250,000
Community Project Funding Congressionally Directed Spending Total			5,000,000	6,250,000	5,000,000	5,000,000	-	1,250,000
Strengthening Mobility and Revolutionizing Transportation (SMART) Grants Program								
Executed SMART Grant agreement	20.941	95-4401975	2,000,000	151,420	151,420	-	-	-
Strengthening Mobility and Revolutionizing Transportation (SMART) Grants Program Total			2,000,000	151,420	151,420	-	-	-
Public Transportation Emergency Relief Program								
Sec 5324 FY2023 Emergency Relief, Metro Division 21 RockFall Recovery	20.527	CA-2024-011	1,200,000	1,200,000	1,200,000	-	-	-
Public Transportation Emergency Relief Program Total			1,200,000	1,200,000	1,200,000	-	-	-
Federal Transit Administration Total			4,180,008,774	1,752,152,793	950,786,395	8,206,809	-	801,366,399
U.S. Department of Transportation Total			4,701,797,626	1,908,341,872	1,035,604,280	58,524,968	13,023,449	859,714,148

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Fiscal year ended June 30, 2024

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
U.S. Department of Homeland Security:								
Direct Programs								
Rail and Transit Security Grant Program								
Transit Security Grant Program	97.075	EMW-2019-RA-00019	7,208,108	3,568,245	3,568,245	-	-	-
Video Management System/Security Intelligence	97.075	EMW-2020-RA-00029	12,180,025	1,210,385	1,210,385	-	-	-
Rail and Transit Security Grant Program Total			<u>19,388,133</u>	<u>4,778,630</u>	<u>4,778,630</u>	-	-	-
Passed through State of California Department of Transportation:								
Disaster Grants - Public Assistance								
COVID-19 - FEMA-4482-DR-CA	97.036	FEMA-4482-DR-CA	4,550,598	4,550,598	4,550,598	-	-	-
U.S. Department of Homeland Security Total								
			<u>23,938,731</u>	<u>9,329,228</u>	<u>9,329,228</u>	-	-	-
Total Federal Grants			<u>\$ 4,725,736,357</u>	<u>\$ 1,917,671,100</u>	<u>\$ 1,044,933,508</u>	<u>\$ 58,524,968</u>	<u>\$ 13,023,449</u>	<u>\$ 859,714,148</u>

Grantor/cluster title/program title/pass-through grantor/project title	Total State Award	Total Expenditures	State Share	Local Share	
State Grants:					
75GS6132 Rosecrans/Marquardt Grade Separation Project	\$ 15,000,000	\$ 686,461	\$ 686,461	\$ -	
HSR 17-19 Rosecrans/Marquardt Grade Separation Project	76,665,000	17,439,568	17,109,530	330,038	
ACCESS FOR ALL	-	7,373,124	7,373,124	-	
AIRPORT METRO CONNECT 96th Street transit Station	150,000,000	206,907,284	(11,903,452)	218,810,736	
CRENSHAW PRE-REVENUE	51,241,974	32,056,833	31,121,945	934,888	
Extension of the Green Line	9,000,000	6,016,633	911,019	5,105,614	
07A5025 FY21-24 FSP	3,000,000	2,523	2,523	-	
Metro Electric Bus Charging Infrastructure Project	39,098,039	570,844	(824,212)	1,395,056	
Metro Red Line and Purple Line Core Capacity Improvements	93,671,000	114,629,335	37,731,496	76,897,839	
NETWORK INTEGRATION	7,000,000	508,282	508,282	-	
M-004-22 A03 Regional Early Action Planning (REAP) Grant REAP Grant SCS	500,684	317,541	52,492	265,049	
SOUTHERN CALIFORNIA OPTIMIZED RAIL EXPANSION (LINK US PHASE A)	227,420,000	15,036,027	10,578,598	4,457,429	
STIP PPM22-6065(257)	4,002,000	4,002,000	4,002,000	-	
VMT MITIGATION PROGRAM (CALTRANS)	700,000	501,921	384,582	117,339	
VERMONT TRANSIT CORR	5,000,000	6,250,613	998,223	5,252,390	
NEXTGEN BUS IMPROVEMENTS	25,000,000	6,977,109	6,374,904	602,205	
MGL FOOTHILL EXT PHASE 2B	249,200,000	249,200,000	249,200,000	-	
FY23/24 Agreement #FSP24SB1-6065(268)	6,700,712	6,700,712	6,700,712	-	
M-008-24 LA04 -Regional Early Action Planning Grants Program of 2021 (REAP 2.0) Traffic Reduction Study (LA04)	1,000,000	194,679	158,286	36,393	
State Only Funds (From Caltrans)	18,185,151	18,185,151	18,185,151	-	
Regional Early Action Planning Grants Program of 2021 (REAP 2.0) Mobility Wallet (LA08) : City of Los Angeles (CARB/STEP)	4,023,750	1,847,349	1,847,349	-	
Total State Grants		<u>\$ 986,408,310</u>	<u>\$ 695,403,988</u>	<u>\$ 381,199,013</u>	<u>\$ 314,204,975</u>

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2024

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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2024

SECTION I – 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?

X Yes _____ 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:

ALN 20.500 / 20.507 / 20.525 / 20.526 – Federal Transit Cluster

ALN 20.513 / 516 / 521 – Transit Services Programs Cluster

ALN 20.934 – Nationally Significant Freight and Highway Projects

ALN 20.534 – Community Project Funding

ALN 97.036 – FEMA Disaster Grants – Public Assistance

Dollar threshold used to distinguish type A and B programs:

\$ 3,134,801

Auditee qualified as low-risk auditee?

X Yes _____ No

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2024-001 – Preparation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Criteria

2 CFR 200.510 (b) requires "...the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements which must include the total federal awards expended. At a minimum, the schedule must.... (1). For a cluster of programs, the non-Federal entity must provide the cluster name, a list of individual Federal programs within the cluster, and provide the Federal agency name and the applicable Assistance Listing number(s)... (3) provide total federal awards expended for each individual federal program and the [related] Assistance Listings Number... (4) include the total amount provided to subrecipients from each Federal Program." In addition, the auditee should ensure they have proper internal controls to ensure that the SEFA is fairly stated in relation to the financial statements.

Condition

During our review of the SEFA provided by management, we noted the following errors:

1. Two programs (Public Transportation Innovation and the Community Project Funding Congressionally Directed Spending) totaling \$5,080,332 in federal expenditures were incorrectly clustered with the Federal Transit Cluster (FTC Cluster).
2. One program (Strengthening Mobility and Revolutionizing Transportation (SMART) Grants Program) totaling \$151,420 in federal expenditures was incorrectly included with the Transit Services Program Cluster (TSP Cluster).
3. One grant within the Transit Services Cluster incorrectly presented expenditures in the amount of \$461,187 as pass through to subrecipient when they were direct internal payroll costs.
4. The expenditures for one grant, the Nationally Significant Multimodal Freight & Highway Projects Program, in the amount of \$15,095,448, were not presented as passed through to subrecipients.

Cause

Management's review of the SEFA was not conducted at a precision sufficient to identify errors in presentation of the amounts presented.

Effect

1. As a result of the two programs being incorrectly included with the FTC Cluster, the Public Transportation Innovation Program was understated by \$80,332 and the Community Project Funding Congressionally Directed Spending Program was understated by \$5,000,000 while the FTC Cluster was overstated by \$5,080,332.
2. The TSP Cluster was overstated by \$151,420 while the SMART Program was understated by the same amount.
3. \$461,187 in Transit Services Cluster expenditures were incorrectly classified as subrecipient expenditures.
4. The expenditures presented as passed through to subrecipients for the Nationally Significant Multimodal Freight & Highway Projects Program were understated by \$15,095,448.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2024

Recommendation

We recommend that management strengthen their review process over the SEFA to ensure that all expenditures are appropriately and accurately reflected and that all minimum requirements as noted in 2 CFR 200.510 (b) are met.

Management's Response

We agree with the recommendation and had already corrected the FY24 SEFA. We will strengthen our review process by performing 100 percent review of the grants for proper Cluster classification. We will also review the subrecipient expenditures for any inclusion of direct internal payroll costs. Finally, we will work closely with the other SEFA contributors to identify any expenditures that should be presented as passed through to subrecipients.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in current year.



**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, 2024

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the attached procedures on the Federal Funding Allocation Statistics Form FFA-10 (FFA-10), related to the District's compliance with the Federal Transit Administration's (FTA) Declarations section of the 2024 Policy Manual and 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, as of June 30, 2024. LACMTA management is responsible for compliance with those requirements.

LACMTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating assisting users in understanding compliance with the above specified requirements. Additionally, FTA has agreed to and acknowledged that the procedures are appropriate to meet their purposes. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures and reporting on findings based on the procedures performed.

The procedures and the associated findings are in Attachment A.

We were engaged by LACMTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors, the management of LACMTA, 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
January 8, 2025

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2024

The procedures below 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 LACMTA for the fiscal year ending June 30, 2024 for each of the following modes:

- Motor Bus – directly operated (MB-DO)
- Motor Bus – purchased transportation (MB-PT)
- Rapid Bus – directly operated (RB-DO)
- Heavy Rail – directly operated (HR-DO)
- Light Rail – directly operated (LR-DO)
- Vanpool – purchased transportation (VP-PT)
- Demand Response – directly operated (DR DO)

- 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 2024 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

Findings: Procedure 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 2024 Policy Manual.

Findings: Procedure 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).

Findings: Procedure 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.

Findings: We selected a haphazard sample of source documents from all modes and from several different months in fiscal years 2023, 2022, and 2021 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.

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2024

- 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.

Findings: 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.

Findings: We selected a haphazard sample of source documents, noting the documents that required approval included approval on all source documents. Step performed without exception.

- 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.

Findings: 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 modes MB-DO, RB-DO, HR-DO, LR-DO, VP-PT and DR-DO. For MB-PT, we identified a 30,667 variance when comparing Unlinked Passenger Trips (UPT) in the period summary to the Federal Funding Allocation Statistics form.

- 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 2024 Policy Manual.

Findings: For rail and van pool modes, LACMTA utilized a statistical sampling method as described in FTA Circulars 2710.1A. For bus and demand response modes, LACMTA 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 2020 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 (2024) 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.

Findings: Per inquiry with LACMTA management, LACMTA does not meet any of the three criteria that allows transit agencies to conduct statistical samples for accumulating passenger

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2024

mile data every third year. Therefore, LACMTA 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 sample run, determine that a replacement sample run was haphazard. Determine that the transit agency followed the stated sampling procedure.

Findings: 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.

Findings: We selected a haphazard sample of source documents across all modes from all twelve months in fiscal year 2024, used for accumulating passenger miles traveled (PMT) data. 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.

Findings: 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.

Findings: Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, LACMTA uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles.

We selected a haphazard sample of source documents across all modes and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception.

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2024

- 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.

Findings: 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))

Findings: Step performed without exception.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that 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.

Findings: Step performed without exception.

- 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.

Findings: Per inquiry of management, no temporary interruptions in transit service occurred in fiscal year 2024.

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

Findings: Step performed without exception.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2024

- 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.

Findings: Per inquiry of management, LACMTA is the approved operator for all their FG and LACMTA 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 2024 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 2024 report year, the Agency Revenue Service Date must occur within the transit agency's 2024 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.

Findings: Per inquiry with management, there were no new segments added during the year. No exceptions were noted as a result of this procedure.

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

Findings: Operating expenses were compared to the trial balance subject to audit without exception for modes MB-DO, HR-DO, LR-DO, VP-PT and DR-DO. Per review of operating expenses compared to audited financial data for MB-PT, a variance of \$6,313 or 0.01% was noted. Per review of operating expenses compared to audited financial data for RB-DO, a variance of \$5,228,598 or 24% was noted.

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

Findings: For MB-PT we compared the PT fare revenues to the B-30 form without exception. This procedure is not applicable for the VP-PT.

- w. If the transit agency's report contains data for purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

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

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2024

- x. If the transit agency purchases transportation services, obtain a copy of the purchased transportation 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.

Findings: 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 LACMTA 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 LACMTA'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.

Findings: Per management, LACMTA 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.

Findings: We compared and agreed the data reported on the FFA-10 form to comparable data for the prior report year and calculated the percentage change from the prior year to the current year.

The following changes outside the threshold were identified for each mode. For all changes identified, we inquired to LACMTA and documented the explanations for the variances.

- VP-PT no changes greater than 10%
- MB-DO no changes greater than 10%
- MB-PT OE decreased greater than 10%
- RB-DO OE decreased greater than 10%
- HR-DO PMT decreased greater than 10% and OE increased greater than 10%
- LR-DO PMT, VRM and OE increased greater than 10%
- DR-DO PMT increased greater than 10% and OE decreased greater than 10%

(Continued)

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
ATTACHMENT A – AGREED UPON PROCEDURES
June 30, 2024

- 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.

Findings: 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, 2024

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
OPERATIONS AGENCY

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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 for the Transportation Development Act Program

Opinion on the Transportation Development Act Program

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, 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, 2024.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2024.

Basis for Opinion on the Transportation Development Act Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the Transportation Development Act. Our responsibilities under those standards and the Transportation Development Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Transportation Development Act program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Transportation Development Act program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 the Transportation Development Act program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Transportation Development Act 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 Transportation Development Act 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2024, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 18, 2024, 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 as required by the Transportation Development Act 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 18, 2024

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT
50% EXPENDITURE LIMITATION SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Amounts expressed in thousands)

1	Total operating cost	\$	2,358,811
2	Total capital requirements		2,055,999
3	Total debt service		552,323
4	Total of lines 1, 2, and 3		<u>4,967,133</u>
5	Less federal grant received		1,026,975
6	Less State Transit Assistance (STA) funds received		271,194
7	Total of lines 5 and 6		<u>1,298,169</u>
8	Total of line 4 less line 7		3,668,964
	50% of line 8		<u>1,834,482</u>
	Total permissible Local Transportation Fund expenditures	\$	<u>1,834,482</u>

**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, 2024

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION DEVELOPMENT ACT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA
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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 for the Transportation Development Act Program

Opinion on the Transportation Development Act Program

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, including California Code of Regulations (Sections 6640-6662) (Transportation Development Act [TDA]) and SB1 State of Good Repair that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2024.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2024.

Basis for Opinion on the Transportation Development Act Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the Transportation Development Act. Our responsibilities under those standards and the Transportation Development Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Transportation Development Act program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Transportation Development Act program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 the Transportation Development Act program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Transportation Development Act 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 Transportation Development Act 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 LACMTA as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 18, 2024, 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 as required by the Transportation Development Act 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

Los Angeles, California
December 18, 2024

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

TRANSPORTATION DEVELOPMENT ACT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024**

(Amounts expressed in thousands)

Revenues:	<u>Planning</u>	<u>Administration</u>	<u>Total</u>
Local grants and contracts	\$ 10,500	\$ 4,379	\$ 14,879
Expenditures:	10,500	4,379	14,879
Excess of revenues over expenditures	—	—	—
Other financing uses;			
Transfer out	—	—	—
Net change in fund balance	—	—	—
Fund balance – beginning of year	—	—	—
Fund balance – end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

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 30,2024

(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.

(3) State of Good Repair

Total State of Good Repair (SGR) funds received for the year totals \$37,617 consisting of \$16,273 for PUC Section 99313 and \$21,344 for PUC Section 99314. Total expenditures and transfers out are \$13,992 and \$9,206 for PUC Sections 99313 and 99314 respectively.

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

Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

**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 Audit of the Financial Statements***Opinion***

We have audited the financial statements of the State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund, of LACMTA, as of June 30, 2024 and 2023, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LACMTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 LACMTA, as of June 30, 2024 and 2023, and 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 STA Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024 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 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 STA Fund's 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
Crowe LLP

Los Angeles, California
December 18, 2024

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) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2024, 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 18, 2024. 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 accordance with accounting principles generally accepted in the United States of America.

Report on 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) as a basis for designing 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 or significant deficiencies 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 from 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 financial statements. 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 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
December 18, 2024

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2024 and 2023

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, 2024, and 2023. 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.

2024 Financial Highlights

- Sales tax revenues for the fiscal year decreased by \$35,524 or 11.84% compared with the prior year. Sales tax in FY24 decreased mainly due to lower allocations received from the State brought about by changes in consumer purchases and fuel prices.
- Actual sales tax revenues in FY24 totaled \$264,610 was higher by \$76,645 or 40.78% than the original and final budget of \$187,965 which was projected at 37.37% lower than FY23 actual revenues.
- Total transfers out increased by \$106,562 or 64.73% compared to the previous year mainly due to the increase in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also increased by \$17,048 or 59.60% over FY23 due to higher claims and higher city allocations in the current year.

2023 Financial Highlights

- Sales tax revenues for the fiscal year increased by \$91,527 or 43.88% compared with the prior year. Sales tax in FY23 significantly increased due to higher gas prices and more people travelling after the Covid-19 pandemic.
- Actual sales tax revenues in FY23 totaled \$300,134 was higher by \$106,472 or 55% than the original and final budget of \$193,662 which was projected at 7.72% lower than FY22 actual revenues.
- Total transfers out increased by \$76,601 or 87.02% compared to the previous year mainly due to the increase in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also increased by \$8,458 or 41.98% over FY22 due to higher claims and higher city allocations in the current year.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management's Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2024 and 2023

Overview of Financial Statements

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

The condensed balance sheets show the STA Fund's assets and liabilities as of June 30, 2024, 2023, and 2022. The differences between the assets and liabilities are reported as fund balance. 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

	2024	2023	2022
Total assets	\$ 371,303	\$ 313,817	\$ 165,726
Total liabilities	176,573	77,063	41,230
Fund balances	194,730	236,754	124,496
Total liabilities and fund balances	\$ 371,303	\$ 313,817	\$ 165,726

Total assets increased by \$57,486 or 18.32% as of June 30, 2024 compared to June 30, 2023 primarily due to the increase in the interfund receivables and interest receivables. Total liabilities increased by \$99,510 or 129.13% as of June 30, 2024 compared to June 30, 2023 mainly due to the increase in the interfund payables and accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

Total assets increased by \$148,091 or 89.36% as of June 30, 2023 compared to June 30, 2022 primarily due to the increase in sales receipts and higher sales tax and interest receivables. Total liabilities increased by \$35,833 or 86.91% as of June 30, 2023 compared to June 30, 2022 mainly due to the increase in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Management’s Discussion and Analysis (Unaudited)
Fiscal years ended June 30, 2024 and 2023

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues	\$ 274,822	\$ 305,494	\$ 209,072
Expenditures and other financing uses of funds	<u>(316,846)</u>	<u>(193,236)</u>	<u>(108,177)</u>
Net change in fund balances	(42,024)	112,258	100,895
Fund balances – beginning of year	<u>236,754</u>	<u>124,496</u>	<u>23,601</u>
Fund balances – end of year	<u>\$ 194,730</u>	<u>\$ 236,754</u>	<u>\$ 124,496</u>

Total revenues decreased by \$30,672 or 10.04% during fiscal year 2024 compared to fiscal year 2023 primarily due to decrease in sales tax revenues. Expenditures and other financing uses increased by \$123,610 or 63.97% during fiscal 2024 compared to fiscal year 2023 mainly due to increase in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and an increase in local transportation subsidies claims by the cities/other local transportation agencies.

Total revenues increased by \$96,422 or 46.12% during fiscal year 2023 compared to fiscal year 2022 primarily due to increase in sales tax revenues. Expenditures and other financing uses increased by \$85,059 or 78.63% during fiscal 2023 compared to fiscal year 2022 mainly due to increase in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and an increase in local transportation subsidies claims by the cities/other local transportation agencies.

**Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Balance Sheets
June 30, 2024 and 2023
(Amounts expressed in thousands)**

	2024	2023
Assets		
Cash and cash equivalents	\$ 163,128	\$ 220,753
Interest receivable	2,253	2,115
Sales tax receivable	71,472	77,927
Due from other funds	134,450	13,022
Total assets	371,303	313,817
Liabilities		
Accounts payable and accrued liabilities	11,405	7,013
Due to other funds	165,168	70,050
Total liabilities	176,573	77,063
Fund balances		
Restricted	194,730	236,754
Total liabilities and fund balances	\$ 371,303	\$ 313,817

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, 2024 and 2023
(Amounts expressed in thousands)

	2024	2023
Revenues:		
Sales tax	\$ 264,610	\$ 300,134
Investment income	10,212	5,360
Total revenues	274,822	305,494
Expenditures:		
Transportation subsidies	45,652	28,604
Excess of revenues over expenditures	229,170	276,890
Other financing uses:		
Transfers out	(271,194)	(164,632)
Net change in fund balances	(42,024)	112,258
Fund balances - beginning of year	236,754	124,496
Fund balances - end of year	\$ 194,730	\$ 236,754

See accompanying notes to financial statements.

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

Notes to Financial Statements
June 30, 2024 and 2023

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. Disbursements 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, 2024 and 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance 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, 2024 and 2023

(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, 2024 and 2023, the STA Fund had receivables of \$71,472 and \$77,927 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 \$163,128 at June 30, 2024 and \$220,753 at June 30, 2023. 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, 2024 and 2023.

Detailed information concerning the County's pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County's ACFR 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, 2024 and 2023, the STA Fund had a net payable mainly to LACMTA's Enterprise Fund for \$165,168 and \$70,050, respectively, for various unpaid operating and capital subsidies. Due mainly from Enterprise Fund is \$134,450 as of June 30, 2024 and \$13,022 as of June 30, 2023.

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, 2024 and 2023, the STA Fund transferred \$271,194 and \$164,632 to LACMTA Enterprise Fund, respectively.

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, 2024 and 2023, the STA Fund received an allocation of \$264,610 and \$300,134 respectively.

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

Notes to Financial Statements
June 30, 2024 and 2023

6. Payable to Cities and Jurisdictions

As of June 30, 2024 and 2023, the STA Fund had accrued liabilities to various cities and other jurisdictions of \$11,405 and \$7,013, 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, 2024

	Original Budget	Final Budget	Actual	Variance with Final budget
Revenues:				
Sales tax	\$ 187,965	\$ 187,965	\$ 264,610	\$ 76,645
Investment income	—	—	10,212	10,212
Total revenues	187,965	187,965	274,822	86,857
Expenditures:				
Transportation subsidies	41,131	41,131	45,652	(4,521)
Excess of revenues over expenditures	146,834	146,834	229,170	82,336
Other financing sources (uses):				
Transfers out	(141,020)	(141,020)	(271,194)	(130,174)
Net change in fund balances	5,814	5,814	(42,024)	(47,838)
Fund balances – beginning of year	236,754	236,754	236,754	—
Fund balances – end of year	\$ 242,568	\$ 242,568	\$ 194,730	\$ (47,838)

Los Angeles County
Metropolitan Transportation Authority
State Transit Assistance
Special Revenue Fund
Schedule of Allocations (Unaudited)
Fiscal years ended June 30, 2024 and 2023
(Amounts expressed in thousands)

CCR Code	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	2024 Total	2023 Total
Arcadia	\$ 122	\$ —	\$ —	\$ 122	\$ 89
Claremont	43	—	—	43	29
Commerce	156	—	—	156	82
Culver City	1,974	—	—	1,974	1,557
Foothill Transit	9,363	—	—	9,363	7,469
Gardena	1,934	—	—	1,934	1,428
La Mirada	35	—	—	35	22
Long Beach	8,726	—	—	8,726	6,450
LACMTA	104,578	—	154,578	259,156	164,211
Montebello	2,999	—	—	2,999	2,290
Norwalk	1,145	—	—	1,145	891
Redondo Beach	294	—	—	294	206
Santa Monica	7,443	—	—	7,443	5,684
Torrance	2,294	—	—	2,294	1,848
Antelope Valley	1,026	—	—	1,026	780
LADOT	2,283	—	—	2,283	1,668
Santa Clarita	854	—	—	854	653
Foothill –BSCP	459	—	—	459	361
Total STA fund allocations	\$ 145,728	\$ —	\$ 154,578	\$ 300,306	\$ 195,719

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

Schedule of Expenditures and Transfers (Unaudited)
Fiscal years ended June 30, 2024 and 2023
(Amounts expressed in thousands)

CCR Code	FY2024				FY2023			
	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total
Antelope Valley	\$ —	\$ 450	\$ —	\$ 450	\$ —	\$ —	\$ —	\$ —
Arcadia	122	—	—	122	121	—	—	121
Claremont	—	—	—	—	—	—	—	—
Commerce	156	—	—	156	83	—	—	83
Culver City	1,974	—	—	1,974	1,557	—	—	1,557
Foothill Transit	9,822	—	—	9,822	7,830	—	—	7,830
Gardena	1,934	—	—	1,934	1,428	16	—	1,444
La Mirada	—	—	—	—	37	—	—	37
Long Beach	8,725	—	—	8,725	6,451	—	—	6,451
LACMTA	77,437	—	193,757	271,194	78,909	—	85,723	164,632
LADOT	8,260	—	—	8,260	—	—	—	—
Montebello	1,722	457	—	2,179	1,385	88	326	1,799
Norwalk	1,145	—	—	1,145	891	—	—	891
Redondo Beach	294	—	—	294	206	—	—	206
Santa Clarita	854	—	—	854	653	—	—	653
Santa Monica	7,443	—	—	7,443	5,684	—	—	5,684
Torrance	2,294	—	—	2,294	1,848	—	—	1,848
Total expenditures & transfers	\$ 122,182	\$ 907	\$ 193,757	\$ 316,846	\$ 107,083	\$ 104	\$ 86,049	\$ 193,236

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) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheet as of June 30, 2024 and 2023, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and have issued our report thereon dated December 18, 2024.

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 18, 2024

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

Financial Statements and Supplementary Information

June 30, 2024

(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
Service Authority for Freeway Emergencies
Los Angeles, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities and the major 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, 2024, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of SAFE as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAFE, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SAFE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 schedule of revenues, expenditures, and changes in fund balances – budget and actual 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 schedule of revenues, expenditures, and changes in fund balances – budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024 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 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 SAFE's 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 SAFE's internal control over financial reporting and compliance.



Crowe LLP

Los Angeles, California
December 18, 2024

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority)
 Statement of Net Position
 June 30, 2024
 (Amounts expressed in thousands)

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 12,786
Investments	31,118
Intergovernmental receivable	1,395
Accounts receivable	3
Interest receivable	223
Total assets	45,525
 Liabilities:	
Accounts payable and accrued expenses	706
Total liabilities	706
 Net position:	
Restricted for motorist aid system projects	44,819
Total net position	\$ 44,819

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, 2024
(Amounts expressed in thousands)

	<u>Governmental Activities</u>
Program expenses, net of revenues:	
Transit operations:	
Congestion relief operations	\$ 4,387
Total program expenses	<u>4,387</u>
General revenues:	
License fees	7,957
Investment income	1,845
Total general revenues	<u>9,802</u>
Change in net position	5,415
Net position – beginning of year	<u>39,404</u>
Net position – end of year	<u><u>\$ 44,819</u></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, 2024

(Amounts expressed in thousands)

	<u>Special Revenue Fund</u>
Assets:	
Cash and cash equivalents	\$ 12,786
Investments	31,118
Intergovernmental receivable	1,395
Accounts receivable	3
Interest receivable	223
Total assets	<u>\$ 45,525</u>
Liabilities:	
Accounts payable and accrued liabilities	<u>706</u>
Fund balance:	
Restricted for motorist aid system projects	44,819
Total liabilities and fund balance	<u>\$ 45,525</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 Revenues, Expenditures, and Changes in Fund Balance
 For year ended June 30, 2024
 (Amounts expressed in thousands)

	Special Revenue Fund
Revenues:	
License fees	\$ 7,957
Investment income	1,845
Total revenues	9,802
Expenditures:	
Administration and other transportation projects	4,387
Total expenditures	4,387
Net change in fund balance	
Fund balance – beginning of year	39,404
Fund balance – end of year	\$ 44,819

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, 2024

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, 2024

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 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, 2024

(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 on a generally accepted accounting principles (GAAP) basis.

(g) *Cash and Investments*

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances more than \$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 experience. Receivables include license fees due from the State Department of Motor Vehicles. As of June 30, 2024, SAFE has a receivable for license fees of \$1,395.

(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, 2024.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 (A Component Unit of the
 Los Angeles County Metropolitan Transportation Authority)
 Notes to the Basic Financial Statements
 June 30, 2024

(2) Cash and Investments

The following is a breakdown of SAFE’s cash and investments as of June 30, 2024.

LACMTA investment pool	\$	43,168
Los Angeles County investment pool		736
Total	\$	43,904

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, 2024. Detailed information regarding the LACMTA’s pooled cash and investments can be found in the LACMTA Annual Comprehensive Financial Report (ACFR). A copy of the LACMTA’s ACFR 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, 2024. Detailed information regarding the County’s pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County’s ACFR 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, 2024

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, 2024, 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, 2024, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

(3) Significant Commitments

SAFE has entered a Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Notes to the Basic Financial Statements
June 30, 2024

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 \$610 of outstanding contractual commitments as of June 30, 2024 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 Fiscal year ended June 30, 2024
(Amounts expressed in thousands)

	Original Budget*	Final Budget*	Actual	Variance with Final Budget
Revenues:				
License fees	\$ 8,297	\$ 8,297	\$ 7,957	\$ (340)
Investment income	100	100	1,498	1,398
Net appreciation in fair value of investments	—	—	347	347
Total revenues	8,397	8,397	9,802	1,405
Expenditures:				
Administration and other transportation projects	8,756	8,756	4,387	4,369
Total expenditures	8,756	8,756	4,387	4,369
Net change in fund balance	(359)	(359)	5,415	5,774
Fund balances – beginning of year	39,405	39,405	39,404	—
Fund balances – end of year	\$ 39,046	\$ 39,046	\$ 44,819	\$ 5,774

*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
Service Authority for Freeway Emergencies
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 major 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, 2024, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated December 18, 2024.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAFE's financial statements are free from 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 financial statements. 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 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
Crowe LLP

Los Angeles, California
December 18, 2024



**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
LOW CARBON TRANSIT OPERATIONS PROGRAM
COMPLIANCE REPORT**

Fiscal year ended June 30, 2024

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 for the Low Carbon Transit Operations Program Guidelines

Opinion on the Low Carbon Transit Operations Program Guidelines

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit 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, 2024.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the LCTOP program for the year ended June 30, 2024.

Basis for Opinion on the Low Carbon Transit Operations Program Guidelines

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the LCTOP Guidelines. Our responsibilities under those standards and the LCTOP Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the LCTOP Guidelines. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the LCTOP program.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the LCTOP Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the LCTOP.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the LCTOP Guidelines, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the LCTOP Guidelines, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 the LCTOP Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Guidelines 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 Guidelines 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Los Angeles, California
December 18, 2024



Los Angeles County Metropolitan Transportation Authority

FY24 Annual Financial and Compliance Audits | March 20, 2025



Audit Deliverables

Financial Audits

- Annual Comprehensive Financial Report (ACFR)
- Service Authority for Freeway Emergencies (SAFE)
- State Transit Assistance fund (STA)

Compliance and Other Audits

- Single Audit for Federal Funds
- Transportation Development Act Compliance
 - California Code of Regulations Section 6667
 - California Code of Regulations Section 6640-6662
 - Low Carbon Transit Operations Program (LCTOP)
- National Transit Database Report on Federal Funding Allocation Statistics Form (NTD FFA-10)

Audit Results

Opinions on Financial Statements	• Unmodified
Opinion on Uniform Guidance Compliance for Major Programs	• Unmodified
New Accounting Pronouncements	• No significant new accounting pronouncements
Corrected Misstatements	• One posted adjustment – transfer in the amount of \$5M to record acquisition in the correct fund
Uncorrected Misstatements	• Two passed adjustments – total net position understated by \$31M *

* Repeated from prior years: One passed adjustment is related to not recording Low Carbon Fuel Standard credits at their estimated fair value. As a result, approximately \$31M will be recognized when the credits are sold. The second passed adjustment is related to Regional Tap Service Center (RTAP) cash and accounts payable that should be reported in the fiduciary fund instead of the enterprise fund. As a result, the enterprise fund net position should be approximately \$7M lower and the fiduciary fund net position should be \$7M higher.

Audit Results

Control deficiency requiring written communication:

Preparation of the Schedule of Expenditures of Federal Awards (SEFA) - Significant Deficiency

Condition: During our review of the SEFA provided by management, we noted errors relating to incorrect clustering of programs and incorrect presentation of passed through vs direct expenditures.

Cause: Management's review of the SEFA was not conducted at a precision sufficient to identify errors in presentation of the amounts presented.

Recommendation: We recommend that management strengthen their review process over the SEFA to ensure that all expenditures are appropriately and accurately reflected and that all minimum requirements as noted in 2 CFR 200.510 (b) are met.

Management's Response: Management agrees with the recommendation and corrected the FY24 SEFA. Management will strengthen the review process by performing 100 percent review of the grants for proper cluster classification. Management will also review the subrecipient expenditures for proper inclusion. Finally, Management will work closely with the SEFA contributors to identify any expenditures that should be presented as passed through to subrecipients.

Required Communications

- Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Management has disclosed the summary of significant accounting policies in footnote I of the Annual Comprehensive Financial Report (ACFR).
- 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.

Our values



CARETRUSTCOURAGESTEWARDSHIP

Required Communications

We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters

Our values



CARETRUSTCOURAGESTEWARDSHIP



Questions?

Thank You

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