



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

Agenda - Final

Thursday, July 16, 2026

10:00 AM

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Finance, Budget and Audit Committee

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.

TECHNOLOGY DISRUPTIONS - Although staff will do their due diligence to restore service, if joining the meeting virtually, please be aware that the Committee or Board may continue its meeting notwithstanding a technical disruption that prevents members of the public from attending or observing the meeting via the two-way telephonic service or two-way audio visual platform.

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

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.

ADA REQUIREMENTS

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 working hours) in advance of the scheduled meeting date. Please telephone (213) 364-2837 or (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

Requests can also be sent to boardclerk@metro.net.

LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 364-2837 or (213) 922-4600. Live Public Comment Instructions can also be translated if requested 72 hours in advance.

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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

Live Public Comment Instructions:

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

The Meeting begins at 10:00 AM Pacific Time on July 16, 2026; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-978-8818 and enter
English Access Code: 5647249#
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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.

Instrucciones para comentarios publicos en vivo:

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 16 de Julio de 2026. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

Marque: 888-978-8818 y ingrese el codigo
Codigo de acceso en ingles: 5647249#
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Los comentarios del público se tomaran cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.

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

Post Office Mail:

Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 24, 25, 26, 27, and 28.

Consent Calendar items are approved by one motion unless held by a Director for discussion and/or separate action.

CONSENT CALENDAR

24. SUBJECT: EXCESS LIABILITY INSURANCE PROGRAM [2025-1089](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase Public Entity excess liability policies with up to \$300 million in limits at a not-to-exceed premium of \$31 million for the 12-month period effective August 1, 2026, to August 1, 2027.

Attachments: [Attachment A - Proposed Options and Premiums](#)
 [Attachment B - Proposed Public Entity Liability Carriers and Program Structure](#)
 [Presentation](#)

25. SUBJECT: CYBERSECURITY LIABILITY INSURANCE PROGRAM [2026-0442](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to \$50 million in limits at a cost not-to-exceed \$2.7 million for the 12-month period effective September 1, 2026, to September 1, 2027.

Attachments: [Attachment A - Coverage Options and Premiums](#)
 [Attachment B - Coverage Description](#)
 [Presentation](#)

26. SUBJECT: FY26 LOCAL RETURN CAPITAL RESERVE ACCOUNTS [2026-0393](#)

RECOMMENDATION

CONSIDER:

- A. ESTABLISHING new Local Return funded Capital Reserve Accounts for the Cities of Bell (Measure M), Beverly Hills (Measure M), Compton (Proposition C), Lawndale (Proposition C and Measure M), Lynwood (Proposition C), Palmdale (Proposition C, Measure R, Measure M), Palos Verdes Estates (Proposition C), Rolling Hills Estates (Proposition C, Measure R, Measure M), Rosemead (Proposition C), San Dimas

(Proposition C, Measure M), Santa Monica (Proposition C, Measure M), Sierra Madre (Proposition A), and Torrance (Proposition C), and amending the Local Return funded Capital Reserve Account for the City of Lomita (Proposition C) (Attachment A); and

- B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities in Recommendation A for their Capital Reserve Accounts as approved.

Attachments: [Attachment A - Proposed FY26 Capital Reserve Account Summary Presentation](#)

**27. SUBJECT: FY27 TRANSPORTATION DEVELOPMENT ACT (TDA)
ARTICLE 8 FUND PROGRAM**

[2026-0405](#)

RECOMMENDATION

ADOPT:

- A. FINDINGS and RECOMMENDATIONS (Attachment A) for allocating Fiscal Year 2027 (FY27) Transportation Development Act (TDA) Article 8 funds (Attachment B) estimated at \$35,546,436 as follows:
1. In the City of Avalon, there are no unmet transit needs that are reasonable to meet. Therefore, TDA Article 8 funds in the amount of \$167,800 may be used for street and road projects or transit projects;
 2. In the Cities of Lancaster and Palmdale, there are no unmet transit needs that are reasonable to meet; in the Cities of Lancaster and Palmdale, and the unincorporated portions of the Antelope Valley, transit needs can be met by using other existing fund sources. Therefore, TDA Article 8 funds in the amount of \$8,817,477 for Lancaster and \$8,288,185 for Palmdale may be used for street and road projects or transit projects, if transit needs continue to be met;
 3. In the City of Santa Clarita, there are no unmet transit needs that are reasonable to meet; in the City of Santa Clarita and the unincorporated portions of the Santa Clarita Valley, existing transit needs can be met through the recommended actions using other fund sources. Therefore, \$11,526,141 in TDA Article 8 funds for the City of Santa Clarita may be used for street and road projects or transit projects, if transit needs continue to be met;
 4. In the Los Angeles County Unincorporated areas of North County, the areas encompassing both the Antelope Valley and the Santa Clarita Valley, transit needs are met with other fund sources such as Proposition A and Proposition C Local Return. Therefore, TDA

Article 8 funds in the amount of \$6,746,833 may be used for street and road projects or transit projects, if transit needs continue to be met; and

- B. A RESOLUTION (Attachment C) making a determination of unmet public transportation needs in the areas of Los Angeles County outside the Metro service area.

Attachments: [Attachment A - FY27 Proposed Findings and Recommended Actions](#)
 [Attachment B - FY27 TDA Article 8 Apportionments](#)
 [Attachment C - FY27 TDA Article 8 Resolution](#)
 [Attachment D - History of TDA Article 8 & Definitions of Unmet Transit Needs](#)
 [Attachment E - TDA Article 8 Public Hearing Process](#)
 [Attachment F - FY27 TDA Article 8 Comment Summary Sheet](#)
 [Attachment G - Letters from AVTA & Santa Clarita Transit on Actions Taken Presentation](#)

**28. SUBJECT: TECHNICAL ENHANCEMENT AND BUSINESS PROCESS
ADVISORY SERVICES**

[2026-0170](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

- A. AWARD a five-year on-call firm fixed unit rate Contract No. PS132584000 to KPMG LLP to provide custom application development and maintenance in Oracle, Salesforce, and Microsoft SharePoint in the Not to Exceed (NTE) amount of \$12,198,522, subject to the resolution of any properly submitted protest(s), if any;
- B. AWARD a five-year on-call firm fixed unit rate Contract No. PS132584001 to Crowe LLP to provide business improvement process studies related to Metro financial/accounting functions in the NTE amount of \$1,562,830, subject to the resolution of any properly submitted protest(s), if any; and
- C. AWARD a five-year on-call firm fixed unit rate Contract No. PS132584002 to KPMG LLP to provide organizational and resource planning and management in the NTE amount of \$1,201,825, subject to the resolution of any properly submitted protest(s), if any.

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

NON-CONSENT

29. SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2025

[2026-0463](#)

RECOMMENDATION

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the fiscal year ended June 30, 2025 (FY25).

Attachments:

[Attachment A - FY25 Prop. A and Prop. C Local Return Reports \(Vasquez\)](#)

[Attachment B - FY25 Prop. A and Prop. C Local Return Reports \(Simpson\)](#)

[Attachment C - FY25 Measure R Annual Report](#)

[Attachment D - FY25 Measure M Annual Report](#)

[Presentation](#)

**30. SUBJECT: ACCESS SERVICES FISCAL YEAR 2027 PROPOSED
BUDGET**

[2026-0245](#)

RECOMMENDATION

CONSIDER:

- A. APPROVING local funding request for Access Services (Access) in an amount not to exceed \$240,986,909 for FY27. This amount includes:
 - 1. Local funds for operating and capital expenses in the amount of \$238,218,046
 - 2. Local funds paid directly to Metrolink for its participation in Access' Free Fare Program in the amount of \$2,768,863
- B. AMENDING the FY27 Budget by \$27,150,139 to fully fund Recommendation A; and
- C. AUTHORIZING the Chief Executive Officer (CEO) to negotiate and execute all necessary agreements to implement the above funding program.

Attachments:

[Attachment A - FY27 Access Services ADA Program](#)

[Attachment B - Expenses & Key Performance Indicators](#)

[Presentation](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2026-0494](#)

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 #: 2025-1089, File Type: Program

Agenda Number: 24.

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: EXCESS LIABILITY INSURANCE PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase Public Entity excess liability policies with up to \$300 million in limits at a not-to-exceed premium of \$31 million for the 12-month period effective August 1, 2026, to August 1, 2027.

ISSUE

Metro's Public Entity excess liability insurance policies, which include transit rail and bus operations, will expire on August 1, 2026. Insurance underwriters will not commit to final pricing until two to three weeks before the current program expires on August 1st. Consequently, staff is requesting a not-to-exceed amount for this renewal, pending final pricing and carrier selection. Without this insurance, Metro would be subject to unlimited liability for bodily injury and property damage claims resulting primarily from bus and rail operations.

BACKGROUND

Metro's insurance broker, Marsh USA, LLC (Marsh), is responsible for marketing the excess liability insurance program to qualified insurance carriers. Quotes are currently being received from carriers with A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. The premium indication below is based on current market expectations. Final pricing, however, is not available until approximately 14 days prior to binding coverage.

Metro established a program of excess liability insurance to protect against insured losses. Each year, staff meets with Metro's insurance broker to prepare for the upcoming marketing process.

Initial discussions begin in the third quarter of the fiscal year through an evaluation of market conditions to determine the availability of coverages and at what levels of premium. Marsh conducted stewardship discussions in February 2026 to identify the required data, including loss development, ridership projections, mileage, and revenue hour estimates. Staff obtained the data, including targeted completion dates of various projects, to provide an accurate account of the agency's present and future liability exposures.

The data was then forwarded to Marsh to present to the domestic insurance marketplace as well as international markets in London and Bermuda. Due to timing requirements, Marsh approached underwriters in March and April to ensure the data was deemed current. The initial indications of interest and costs become apparent in May.

Marsh provides a not-to-exceed number that serves two functions. First, the number provides an amount that staff may recommend to the Board to obtain approval for binding of the new program, which mitigates a potential gap in insurance coverage. Second, the number allows Marsh ample time to continue to negotiate with underwriters to ensure that Metro obtains the most competitive pricing available.

DISCUSSION

Staff and Marsh have identified three main objectives for the 2026-2027 excess liability renewal:

1) Mitigating insurer concerns about Metro's risk exposure, 2) maintaining a diverse mix of insurers to foster competition, and 3) maintain total limits of \$300 million with an \$8 million self-insured retention (SIR) for rail claims and \$12.5 million for all other claims, while remaining open to alternative structures.

To achieve these objectives, staff and Marsh will continue to emphasize the lower risk associated with light rail and subway services, along with safety enhancements, to obtain more favorable pricing. Marsh will approach all potential insurers in the US, London, Bermuda, and Germany. Marsh and Metro staff will work to find the best partners for this risk.

The global insurance market faces challenges for US Casualty risks, particularly for public entities in California. The challenging market, driven by loss development related to auto liability and nuclear verdicts/settlements resulting from litigation funding, is reducing carrier capacity and increasing rates. Average increases ranging from 10-15% for loss-free programs and over 20% for those with historical losses. Average rate increases vary based on rail vs. bus exposure, jurisdiction, and the market access point.

Staff presented Metro's risk profile to the global market, which included all major underwriters on Metro's program, as well as prospective underwriters. The presentation serves to foster deeper relationships with these partners while ensuring they understand Metro's evolving risk management philosophy.

Metro's August 1st insurance placement will see increased premiums due to stricter underwriting guidelines and adverse auto liability losses. Marsh recommends maintaining a bifurcated program with an \$8 million self-insured retention (SIR) for rail-related risks and up to \$20 million for bus and other non-rail risks. Ongoing negotiations aim to secure authority to bind Public Entity excess liability coverage with minimum limits of \$75 million, a total minimum limit of \$300 million, and a not-to-exceed SIR of \$20 million. A higher SIR may offer Metro greater flexibility in managing premium costs. Marsh will continue to explore options, including alternative retentions and quota share arrangements, to achieve more favorable premiums until the renewal date.

Attachment A provides an overview of the proposed 2026-2027 Excess Liability Program, which mirrors the current 2025-2026 program structure. Staff recommends proceeding with renewal at a minimum coverage limit of \$300 million and a not-to-exceed premium of \$31 million.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation positively impacts the safety of Metro's patrons and employees. Liability insurance carriers will evaluate potential risks and hazards and provide an overall assessment of Metro's practices as they underwrite the program. In addition, carriers may provide best-practice guidance to enhance Metro's risk profile.

FINANCIAL IMPACT

Funding of \$31.1 million for this action is included in the FY27 Adopted Budget in cost center 0531, Risk Management - Non-Departmental Costs, under projects 300022 - Rail Operations - A Line, 300033 - Rail Operations - C Line, 300044 - Rail Operations - B Line, 300066 - Rail Operations - E Line, 300077 - K Line, 301012 - Bus Operations - G Line, 306001 - Operations Transportation, and 320011 - Union Station.

Since this is a multi-year contract, the cost center manager and the Chief Risk, Corporate Safety, and Asset Management Officer will be accountable for budgeting the cost in the future year.

Impact to Budget

The source of funding for this action will come from federal, state, and local funding sources that are eligible for bus and rail operations.

EQUITY PLATFORM

The insurance policies cover all Metro-owned property, stations, tunnels, bridges, rolling stock fleet, right of ways, facilities, and buildings that provide transportation service and benefits to Metro riders. Metro's liability insurance program ensures that its facilities, rolling stock fleet, and infrastructure, which serve all riders, are covered by insurance policies in the event of major loss or damage. This action has no specific anticipated equity benefit or harm.

VEHICLE MILES TRAVELED OUTCOME

Vehicle 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 provides excess liability coverage for Metro's assets. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the agency's overall function, it 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 strategic plan goal # 5), "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's risk management programs includes the use of insurance to mitigate large financial risks resulting from unlimited liability for bodily injury and property damage claims resulting from, primarily, bus and rail operations.

ALTERNATIVES CONSIDERED

Due to the continued hard market, there are no additional limits in coverage for consideration. SIRs above the current structure levels are being proposed and considered, and negotiations are ongoing. Attachment A reflects the proposed program structure, which mirrors the current 2025-2026 policy term. The only variation will be to the SIR, which may end up being higher than the current program structure.

NEXT STEPS

Upon Board approval of this action, staff will advise Marsh to proceed with the placement of the excess liability insurance program outlined herein, effective August 1, 2026.

ATTACHMENTS

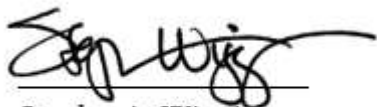
Attachment A - Proposed Options and Premiums

Attachment B - Proposed Public Entity Liability Carriers and Program Structure

Prepared by: William Douglas, Director, Risk Management, (213) 922-2105

Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518

Reviewed by: Kenneth Hernandez, Chief Risk, Corporate Safety, and Asset Management Officer, (213) 922-2990

A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

**Proposed Options and Premiums
Public Entity Program Proposed Options and Premiums**

	Current 2025 / 2026 Program	2026 / 2027 OPTIONS (Estimated)	
		A	B
Self-Insured Retention (SIR)	\$8M rail, \$12.5M bus & other non-rail	\$8M rail, \$12.5M bus & other non-rail	\$8M rail, \$15M bus & other non-rail
Quota Share	Up to \$7.5M in \$25M bus & other non-rail layer	Up to \$7.5M in \$25M bus & other non-rail layer	Up to \$5M in \$25M bus & other non-rail layer
Limit of Coverage	\$300M	\$300M	\$300M
Terrorism Coverage	Yes	Yes	Yes
Premium	\$27.6M	\$30.6M	\$29.8M

**Premium History for Excess Liability Policies
Ending in the Following Policy Periods**

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Self-Insured Retention:										
Rail	\$7.5M	\$7.5M	\$8M	\$8M	\$8M	\$8M	\$8M	\$8M	\$8M	\$8M
Bus + Other Non-Rail	\$7.5M	\$7.5M	\$8M	\$8M	\$10M	\$17.5M	\$20M	\$20M	\$20M	\$20M
Insurance Premium	\$3.7M	\$4.1M	\$4.1M	\$6.2M	\$14.5M	\$16.7M	\$19.1M	\$22.2M	\$24.5M	\$27.6M

Proposed Public Entity Liability Carriers and Program Structure

Marsh USA, LLC Liability Insurance Summary 2026-2027 Los Angeles County Metropolitan Transportation Authority				
Excess Limit	Layer(s)		Participation	Carrier
\$300M	\$35 xs \$265M		\$5,000,000	Lloyds (Aspen)
			\$2,500,000	Lloyds (Convex)
			\$4,000,000	Lloyds (Ascot)
			\$6,000,000	Lloyds (Inigo)
			\$2,500,000	Lloyds (Argo)
			\$5,500,000	ARK
			\$7,000,000	Helix
			\$2,500,000	Lloyds (Arcadian)
\$265M	\$10M xs \$255M		\$10,000,000	Lloyds (Munich Re)
\$255M	\$40M xs \$215M		\$10,000,000	Liberty Specialty
			\$10,000,000	Chubb Bermuda Ins Ltd
			\$10,000,000	AIG
			\$10,000,000	AWAC
\$215M	\$30M xs \$185M		\$7,500,000	Lloyds (Hiscox)
			\$5,000,000	Lloyds (Convex)
			\$10,000,000	Lloyds (Argo)
			\$5,000,000	Lloyds (Munich Re)
			\$2,500,000	Rokstone
\$185M	\$75 xs \$110M		\$7,500,000	Lloyds (Aspen)
			\$7,500,000	Lloyds (Apollo)
			\$5,000,000	Lloyds (Ascot)
			\$7,500,000	Lloyds (Canopius)
			\$5,000,000	Lloyds (Argo)
			\$7,500,000	Hamilton
			\$15,000,000	XL Bermuda Ltd.
			\$2,500,000	Lloyds (Convex)
			\$12,500,000	Lloyds (Inigo)
			\$5,000,000	Lloyds (Vantage)
\$110M	\$17.5M xs \$92.5M		\$5,000,000	(Lloyds (Munich Re)
			\$2,500,000	Lloyds (Apollo)
			\$10,000,000	Hamilton
\$92.5M	\$17.5M xs \$75M		\$7,500,000	Sompo
			\$5,000,000	Ark
			\$5,000,000	Helix
\$75M	\$10M xs \$65M		\$10,000,000	AXA XL
\$65M	\$5M xs \$60M		\$5,000,000	Bowhead
\$60M	\$10M xs \$50M		\$15,000,000	AWAC
\$50M	\$10M xs \$40M		\$10,000,000	Great American
\$40M	\$15M xs \$25M		\$2,500,000	Lloyds (Hiscox)
			\$2,000,000	Lloyds (MAP)
			\$2,500,000	Lloyds (Inigo)
			\$1,000,000	Lloyds (Ascot)
			\$1,000,000	Lloyd's (Argenta)
			\$2,500,000	Lloyds (QBE)
			\$2,000,000	ARK
			\$1,500,000	Helix
\$25M	\$17M Rail - /Queens Island	\$12.5M Bus/All Other - Gemini/Upland	\$17,000,000	Queens Island Rail Quota Share w/Metro 50%
			\$2,500,000	Self-Insured
			\$5,000,000	Upland Specialty Quota Share w/Metro 50%
			\$5,000,000	Gemini Quota Share w/Metro 50%
	\$8M Rail SIR Per Occurrence			
	\$12.5M Bus/All Other SIR Per Occurrence			
Including Public Officials/EPLI – Excess \$75M excluding Public Officials/EPLI				



Excess Liability Insurance Program

Finance, Budget, and Audit Committee

July 16, 2026

File ID #2025-1089



Metro

Excess Liability Insurance Program

Recommendation:

AUTHORIZE the Chief Executive Officer to negotiate and purchase Public Entity excess liability policies with up to \$300 million in limits at a not-to-exceed premium of \$31 million for the 12-month period effective August 1, 2026, to August 1, 2027.

Excess Liability Insurance Program

Background:

- Metro established a program of excess liability insurance to protect against insured losses. Each year, staff meets with Metro's insurance broker, Marsh USA, LLC, to prepare for the upcoming marketing process and obtain the most competitive coverage and premium available.
- Marsh provides a not-to-exceed number that serves two functions. First, the number provides an amount that staff may recommend to the Board to obtain approval for binding of the new program, which mitigates a potential gap in insurance coverage. Second, the number allows Marsh ample time to continue to negotiate with underwriters to ensure that Metro obtains the most competitive pricing available.

Excess Liability Insurance Program

Discussion:

- In March, April, and May 2026, Marsh contacted multiple domestic and international insurance providers to present Metro's property risks and supplemental data. Marsh provided an overview of the Metro transit system during discussions with the underwriters, including its extensive security infrastructure, the most recent safety and security initiatives, fire protection, loss control, and minimal risk of flood exposures.
- The Chief Risk, Corporate Safety, and Asset Management Officer participated in meetings arranged by Marsh with all major underwriters on Metro's program. These encounters with the various markets afforded an opportunity to respond directly to additional questions they had concerning operations, safety, risk management, and claims.

Excess Liability Insurance Program

Proposed Coverage:

- Marsh recommends maintaining a bifurcated program with an \$8 million self-insured retention (SIR) for rail-related risks and up to \$20 million for bus and other non-rail risks. Ongoing negotiations aim to secure authority to bind Public Entity excess liability coverage with minimum limits of \$300 million and a not-to-exceed SIR of \$20 million.
- Liability insurance program quotations are currently being received from carriers with acceptable A.M. Best ratings. Final pricing is pending, and the quotes, including contingencies for unanticipated adjustments, serve to support the not-to-exceed cost before policy binding.



Thank you.



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Board Report

File #: 2026-0442, File Type: Program

Agenda Number: 25.

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: CYBERSECURITY LIABILITY INSURANCE PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to \$50 million in limits at a cost not-to-exceed \$2.7 million for the 12-month period effective September 1, 2026, to September 1, 2027.

ISSUE

Metro's cybersecurity liability insurance policy expires September 1, 2026. Insurance underwriters will not commit to final pricing until three weeks before the current program expires. Consequently, staff recommends a not-to-exceed amount for this renewal pending final pricing. Metro purchases an insurance policy to cover cybersecurity liability exposures. Cybersecurity is the practice of being protected against criminal or unauthorized use of systems and electronic data.

BACKGROUND

For this current renewal, Marsh USA, LLC (Marsh), the insurance broker for Metro, was requested to market Metro's cybersecurity liability insurance program to qualified insurance carriers. Marsh, through its partnership with Howden, a London broker, has received quotes from the incumbent carrier, which has A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. The premium indications below are based on current market expectations and expire on September 1, 2026.

Marsh provides a not-to-exceed number that serves three functions. First, the number provides an amount to cover the recommended premium and contingency that staff can present to the Board to obtain approval for the binding of the program. Second, the number allows the broker ample time to continue to negotiate with underwriters to ensure that Metro obtains the most competitive pricing available. And third, the not-to-exceed amount allows Metro to secure the quoted premium during the board cycle process prior to quote expiration.

DISCUSSION

Public entities continue to be targeted for cyber-attacks as the cyber risk environment evolves. According to Marsh's Cyber Risk Intelligence Center, of the over 1,300 cyber claims they have seen in 2025, 13% of those claims are related to ransomware incidents. Privacy and regulatory claims frequency are on the rise in connection with broader privacy regulations.

Public entities with strong cyber risk controls have the greatest advantage in the current marketplace. Adhering to guidelines set forth by agencies such as the Federal Transit Administration (FTA) and the Cybersecurity and Infrastructure Security Agency (CISA) is critical for public entities like Metro. These organizations provide cybersecurity frameworks, risk assessments, and audits for public entities to comply with.

Metro has completed the Marsh Cyber Self-Assessment, which provides a review of cybersecurity controls. Marsh's analytics suggest purchasing between \$40 million and \$85 million in coverage. The proposed program, from carrier BRIT Re, a Lloyd's of London consortium, provides up to \$50 million in coverage on a claims-made basis with a \$5 million self-insured retention (SIR). Attachment A summarizes the premium options, and Attachment B summarizes the coverages. .

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation positively impacts the safety of Metro's patrons and employees. Cyber Liability insurance carriers will review security procedures utilized in cyber programs to mitigate potential risks or hazards and provide an overall risk assessment of Metro's practices and assets as they underwrite the program. Carriers may provide best-practice guidance to enhance Metro's risk profile, and the policy will limit Metro's liability for claims resulting from a cyber-attack or data breach event.

FINANCIAL IMPACT

Funding of \$2.9 million for this action is included in the FY27 Adopted Budget in cost center 0531, Risk Management - Non Departmental Costs, under projects 100001 General Overhead, 300022 - Rail Operations - A Line, 300033 - Rail Operations C Line, 300044 - Rail Operations - B Line, 300066 - Rail Operations - E Line, 300077 - K Line, 301012 - Bus Operations - G Line, 306001 - Operations Transportation, 306002 - Operations Maintenance, 320011 - Union Station and 610061 - Owned Property.

Since this is a multi-year contract, the cost center manager and the Chief Risk, Corporate Safety, and Asset Management Officer will be accountable for budgeting the cost in the future year.

Impact to Budget

The source of funding for this action will come from federal, state, and local funding sources that are eligible for bus and rail operations.

EQUITY PLATFORM

The proposed action supports Metro's ability to safely serve the communities and customers who rely

on Metro's transportation services and assets by providing insurance coverage that will allow Metro to secure the resources required to respond to a cyber incident and ensure the integrity of internal and external data resources.

VEHICLE MILES TRAVELED OUTCOME

Vehicle 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 provides cybersecurity liability coverage for Metro's assets. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the agency's overall function, it 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 strategic plan goal # 5), "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's risk management programs includes the use of insurance to mitigate large service disruptions and financial risks resulting from cybersecurity events.

ALTERNATIVES CONSIDERED

Various limits of coverage were considered, as outlined in Attachment A, for the cybersecurity liability insurance program. All options include an SIR of \$5 million for the same program. Option A, Metro's current limit, provides \$50 million in coverage, Option B provides \$75 million, and Option C provides \$100 million in coverage.

Option A, which is within Marsh's analytics limits range, is recommended as the best value option while retaining a reasonable amount of risk over the coverage limit.

NEXT STEPS

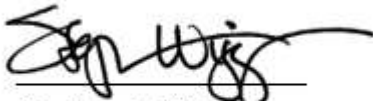
Upon Board approval of this action, staff will advise Marsh to proceed with the placement of the cybersecurity liability insurance program outlined herein, effective September 1, 2026.

ATTACHMENTS

Attachment A - Coverage Options and Premiums
Attachment B - Coverage Description

Prepared by: William Douglas, Director, Risk Management, (213) 922-2105
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Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A**Coverage Options and Premiums**

Carrier: BRIT Re

Cybersecurity Insurance Program Premium and Proposed Options

	CURRENT PROGRAM	OPTIONS		
		A	B	C
Self-Insured Retention (SIR)	\$5 mil	\$5 mil	\$5 mil	\$5 mil
Limit of Coverage	\$50 mil	\$50 mil	\$75 mil	\$100 mil
Premium *	\$2,650,929	\$2,650,929	\$4,175,212	\$5,000,000

Not to Exceed

\$2,700,000

\$4,200,000

\$5,000,000

*Includes commissions, taxes and fees.

ATTACHMENT B

Coverage Description

Marsh USA, LLC (Marsh) provided a proposal of coverage for cybersecurity liability insurance. The following summarizes the coverages and exclusions:

Included Coverage

Exposure	Brief Description
SECURITY AND PRIVACY LIABILITY (INCLUDING EMPLOYEE PRIVACY)	Covers the insured's liability for damages resulting from a data breach. Such liability most often results from (1) loss, theft, or unauthorized disclosure of personally identifiable information (PII) in the insured's care, custody, and control; (2) damage to data stored in the insured's computer systems belonging to a third party; (3) transmission of malicious code or denial of service to a third party's computer system; (4) failure to timely disclose a data breach; (5) failure of the insured to comply with its own privacy policy prohibiting disclosure or sharing of PII; and (6) failure to administer an identity theft program required by governmental regulation or to take necessary actions to prevent identity theft. In addition, this insuring agreement covers the cost of defending claims associated with each of these circumstances.
SECURITY BREACH RESPONSE COVERAGE	Coverage for the expenses involved in responding to a data breach. These include legal expenses, forensic experts, costs to notify affected parties and provide credit monitoring, and public relations expenses to mitigate reputational damage.
PRIVACY REGULATORY CLAIMS COVERAGE	The insuring agreement covers the costs of dealing with state and federal regulatory agencies (which oversee data breach laws and regulations), including (1) the costs of hiring attorneys to consult with regulators during investigations; and (2) the payment of regulatory fines and penalties that are levied against the insured (as a result of the breach).
PCI-DSS ASSESSMENT COVERAGE	Payment Card Industry Data Security Standard (PCI DSS) was formed around 2004 by the major credit card companies to establish guidelines in the handling and processing of transactions including personal information. The policy will provide coverage for assessments, fines or penalties imposed by banks or credit card companies due to non-compliance with the Payment Card Industry

	Data Security Standard (PCI DSS) or payment card company rules.
CYBER EXTORTION COVERAGE	Cyber extortion is an online crime in which hackers hold your data, website, computer systems, or other sensitive information hostage until you meet their demands for payment. The policy will cover the cost to investigate a ransomware attack and negotiate with the hackers.
MULTIMEDIA LIABILITY	Multimedia Liability provides coverage for third-party liability claims alleging damage resulting from dissemination of media material. This covers both electronic and non-electronic media material and may include claims of copyright, trademark infringement, or libel.
DIGITAL ASSET RESTORATION COSTS	Digital assets loss occurs when company data or software is corrupted or destroyed because of a network security failure. This type of loss can occur because of an outside network breach or an inside job carried out by an employee. The policy covers the reasonable and necessary cost to replace, restore, or re-collect digital property from written or electronic records. Additionally, investigation expenses such as disaster recovery and computer forensics are also covered.
BUSINESS INCOME LOSS RESULTING FROM A NETWORK DISRUPTION	Business Interruption covers business income loss and extra expenses incurred during a computer network outage. The coverage applies to outages of internally managed IT, such as employee devices or internal networks or databases -- not a cloud computing provider or other type of third-party IT vendor.
BODILY INJURY	Injury to persons (including death).

Excluded Coverage

The proposal of coverage also indicates various exclusions or exposures that will not be covered:

Exposure	Brief Description
BUSINESS INCOME LOSS (PHYSICAL DAMAGE)	Some insurers have brought forward business interruption coverage as part of cyber insurance or as stand-alone business interruption insurance policies. There doesn't have to be a complete shutdown to trigger the coverage. Instead, a system slowdown due to network issues or malicious elements can also be classified as a trigger.

	However, the proposal indicates there will be no coverage for physical damage business interruption claims.
ENSUING PROPERTY DAMAGE LOSS	Exception to an exclusion in a first-party property policy that applies in a special type of fact pattern where the damage caused by an excluded peril operates as a link in the "chain of events" that enables a covered peril to damage other property (proximate cause). Symbolically, a classic ensuing loss fact pattern can be represented as follows: <i>excluded peril - excluded damage - covered peril - ensuing damage</i> . Note that there must be two kinds of damages—an initial loss and an ensuing loss. Most courts will not apply an ensuing loss provision if an excluded peril caused a covered peril that results in only one kind of damage.
INSPECTION AND LOSS PREVENTION/ MITIGATION EXPENSE	Loss prevention aims to reduce the possibility of damage and lessen the severity if such a loss should occur.
DEBRIS REMOVAL	Debris removal insurance is a section of a property insurance policy that provides reimbursement for clean-up costs associated with damage to property.



Cybersecurity Liability Insurance Program

Finance, Budget, and Audit Committee

July 16, 2026

File #2026-0442



Metro

Cybersecurity Liability Insurance Program

Recommendation:

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to \$50 million in limits at a cost not-to-exceed \$2.7 million for the 12-month period effective September 1, 2026, to September 1, 2027.

2026-2027 Renewal Program

Aggregate Limit of Liability: \$50M
Brit UK (Lloyd's)
Annual Premium (NTE): \$2.7M

\$5M/14 Days – Self-Insured
Retention (SIR)

Cybersecurity Coverage Features

First Party Events/Losses:

- Breach Response
 - Forensic/Legal Costs
 - Crisis Management & Notification Costs
- Cyber Extortion/Ransomware
- Business Service & System Disruption Losses
- System & Service Failure Losses
- Data Recovery, Restoration, & Digital Restoration Expenses
- Cyber Crime Losses

Third Party & Regulatory Liability Claims:

- Enterprise Security Event Liability
- Privacy Regulatory Liability
- Media Liability
- PCI Fines & Penalties

Renewal Marketing and Coverage Options

Coverage Options and Premiums

Carrier: BRIT Re

Cyber Security Insurance Program Premium and Proposed Options

	CURRENT PROGRAM	OPTIONS		
		A	B	C
Self-Insured Retention (SIR)	\$5 mil	\$5 mil	\$5 mil	\$5 mil
Limit of Coverage	\$50 mil	\$50 mil	\$75 mil	\$100 mil
Premium *	\$2,650,929	\$2,650,929	\$4,175,212	\$5,000,000

Not to Exceed

\$2,700,000

\$4,200,000

\$5,000,000

*Includes commissions, taxes and fees.



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Thank you.



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Board Report

File #: 2026-0393, **File Type:** Formula Allocation / Local Return

Agenda Number: 26.

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: FY26 LOCAL RETURN CAPITAL RESERVE ACCOUNTS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. ESTABLISHING new Local Return funded Capital Reserve Accounts for the Cities of Bell (Measure M), Beverly Hills (Measure M), Compton (Proposition C), Lawndale (Proposition C and Measure M), Lynwood (Proposition C), Palmdale (Proposition C, Measure R, Measure M), Palos Verdes Estates (Proposition C), Rolling Hills Estates (Proposition C, Measure R, Measure M), Rosemead (Proposition C), San Dimas (Proposition C, Measure M), Santa Monica (Proposition C, Measure M), Sierra Madre (Proposition A), and Torrance (Proposition C), and amending the Local Return funded Capital Reserve Account for the City of Lomita (Proposition C) (Attachment A); and
- B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities in Recommendation A for their Capital Reserve Accounts as approved.

ISSUE

A local jurisdiction may need additional time to accumulate sufficient Local Return funding to implement a project, or to avoid lapsing of funds. To avoid lapsing, a local jurisdiction may request that funding be dedicated in a Capital Reserve Account. Board approval is required to set up these Capital Reserve Accounts and any amendments to existing accounts.

BACKGROUND

Local Return Funds are generated from 4 half-cent sales taxes that are directly allocated to the 88 cities plus the County of Los Angeles based on population share for transit and transportation related projects. Proposition A (voter approved in 1980) local return has a 25% share; Proposition C (voter approved in 1990) local return has a 20% share; Measure R (voter approved in 2008) has a 15% share; and Measure M (voter approved in 2016) local return has a 17% share. Together, these 4 funding sources make up over \$800 million annually in revenue that support projects such as local bus and dial-a-ride services, bus stop improvements, street paving, active transportation, and much

more. Each of these local return revenue sources has a timely use of funds requirement. As a mechanism to help cities avoid lapsing their local return funds and to allow for the accumulation of funds for larger scale transportation projects, Capital Reserve accounts are created on an annual basis if needed.

DISCUSSION

Local Return funds are disbursed to all 89 local jurisdictions monthly to fund their eligible projects once receiving approval from Metro on budgeted projects. An annual audit is conducted to ensure jurisdictions are spending funds as approved by Metro and are following proper accounting and reporting procedures in managing their funds. These audits also determine each jurisdiction's total local return fund balance amount by sales tax ordinance upon audit completion. Based on the audited data, staff uses a First-In-First-Out estimate to determine if a city may be in jeopardy of losing their Local Return funds. These estimates are further validated by updated expenditure data from the final audits. Currently Proposition A and Proposition C utilize a "three year plus current year" period for a total of four years for the timely use of funds requirement. Measure R and Measure M utilize a five-year period for the timely use of funds requirement.

Once potential lapsing amounts are calculated, the cities are notified and given an opportunity to request a capital reserve account for planned larger multi-year projects that will exhaust the lapsing balance. Audits have identified instances where some local jurisdictions are experiencing staff turnover which creates challenges in implementing their local projects in an expeditious manner which may result in large local return balances accruing. The Capital Reserve account is a tool to help these cities maintain their funding while they address administrative challenges and allows them to improve their project planning efforts and fund priority projects.

Metro staff identified potential lapsing funds of \$33,915,232 of Proposition A, \$64,745,700 of Proposition C, \$13,308,839 of Measure R, and \$6,990,364 of Measure M for a total of \$118,960,135 for this report, however past experience has shown that most cities spend down their lapsing funds before the deadline. The audit will determine the final lapsed status of all cities. The cities below with the exception of the City of Bell would have lapsed some or all of their local return funds as described without setting up a capital reserve.

Considerations

Capital Reserve Accounts are permitted with approval from the Board. These accounts may be established so that Los Angeles County local jurisdictions may extend the life of their Local Return funds to accommodate longer term financial and planning commitments for specific capital projects.

Should Local Return funds lapse due to time constraints, per Local Return Guidelines, those lapsed funds would then be returned to Metro so that the Board may redistribute the funds to jurisdictions for discretionary programs of county-wide significance or redistribute to each Los Angeles County local jurisdiction by formula on a per capita basis.

The Cities of Bell, Beverly Hills, Compton, Lawndale, Lynwood, Palmdale, Palos Verdes Estates,

Rolling Hills Estates, Rosemead, San Dimas, and Torrance are all working on large street improvement projects that are costly and difficult to coordinate and construct. The City of Santa Monica is working on a multi-year Pier Bridge Replacement Project that has various stages. The City of Sierra Madre needs additional time to compile local return funds for a Transit Hub project. The City of Lomita requires a time extension on an existing Board Approved Capital Reserve account to complete the construction of their intersection project. The termination date for all these capital reserve accounts will be June 30, 2031, unless a city requests an additional time extension before then.

New Capital Reserve Accounts

City of Bell

The City of Bell is requesting a new Measure M 17% Local Return capital reserve account in the amount of \$1,500,000 for their Bear Ave and Otis Ave Street Improvements Project. This is a street rehabilitation project that includes: sidewalk replacement, pavement section, driveway, curb and gutter maintenance, manhole adjustment, speed humps, and striping. Proposed work will increase safety for pedestrians and vehicles. The capital reserve is needed due to construction delays with the project. The city is not in danger of lapsing funds in FY26. In FY25 Bell had no audit findings.

City of Beverly Hills

The City of Beverly Hills is requesting a new Measure M 17% Local Return capital reserve account totaling \$1,000,000 for their Citywide Street and Alley Improvements Project. The scope of this project includes streets and alley pavement repairs and maintenance per the adopted Pavement Management Program to increase the serviceability of pavement life by at least 25 years. The project will rehab approximately 2.53 miles of streets, 2.76 miles of alley infrastructure, and 38,300 square-feet of pedestrian sidewalk repairs. Approval of this capital reserve will assist in the accumulation of funds for the project and will prevent \$492,753 of Measure M funds from lapsing in FY26. In FY25 Beverly Hills had no audit findings.

City of Compton

The City of Compton is requesting a new Proposition C 20% Local Return capital reserve account in the amount of \$5,000,000 for their Citywide Street Maintenance and Street Rehabilitation Program Project. This is a street maintenance project that includes asphalt replacement and repair, curb and gutter repairs, sidewalk replacement, signs, striping, and storm drain repairs on streets throughout the City that are utilized by public transit. Approval of this capital reserve will prevent funds from lapsing due to delays in the project construction schedule. At the beginning of FY25 the City had a Proposition C potential lapsing amount of \$3,541,026. In FY25 Compton had two audit findings related to Proposition C funds. The City did not maintain proper accounting records, which was unresolved during the audit and the City lapsed \$1,215,734 for which they received an extension from Metro during the audit. Approval of this capital reserve will prevent funds from lapsing and eliminate a potential repeat audit finding in FY26.

City of Lawndale

The City of Lawndale is requesting a new Proposition C 20% Local Return and Measure M 17% Local Return capital reserve account totaling \$1,160,733 for their Hawthorne Blvd Rehabilitation Project. This project will rehabilitate approximately 2.1 miles of Hawthorne Boulevard, a major arterial

corridor extending from Artesia Boulevard to Rosecrans Avenue and includes asphalt resurfacing, striping, and ADA improvements. This capital reserve is required to allow the City to accumulate sufficient regional transportation funds to deliver this large-scale pavement rehab project ensuring compliance with program expenditure deadlines. At the beginning of FY25 the City had a Proposition C potential lapsing amount of \$114,314 and a Measure M potential lapsing amount of \$463,365. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Lawndale received an audit finding for late submittal of the Pavement Management System form. This finding was resolved during the audit.

City of Lynwood

The City of Lynwood is requesting a new Proposition C 20% Local Return capital reserve account in the amount of \$4,000,000 for their Santa Fe Street & State Street - Remove and Reconstruct Project. Scope of Work will involve full-depth street reconstruction of three street segments along Santa Fe Street and State Street that have been identified as high priority based on their state of disrepair. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$1,849,856. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Lynwood received an audit finding for Prop C project expenditures being over 25% of their budget which was resolved during the audit with retroactive approval of budget change.

City of Palmdale

The City of Palmdale is requesting two separate capital reserve accounts. The first is for their Avenue T Street Improvements project for \$3,000,000 of Measure M 17% Local Return funds. The second capital reserve is for their Ave R and R-8 Street Improvements Project totaling \$10,800,000 of Proposition C 20% Local Return and Measure R 15% Local Return funds. The Avenue T Street Improvements Project will rehabilitate roadway pavement, shoulders, street widening, construction of a new traffic signal, and curb ramps. The Ave R and R-8 Street Improvements Project scope of work includes improvements to all existing features from curb to curb, ADA Ramps, to all above ground utilities, and the addition of centerlines, property lines, and right-of-way lines. Approval of these capital reserves will allow for additional accumulation of funds that is necessary for higher than anticipated construction and engineering costs. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$2,018,433, Measure R potential lapsing amount of \$4,502,932, and Measure M potential lapsing amount of \$285,851. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Palmdale received one Proposition C audit finding for late submittal of the Pavement Management System form; this finding was resolved during the audit.

City of Palos Verdes Estates

The City of Palos Verdes Estates is requesting a new Proposition C 20% Local Return capital reserve account in the amount of \$1,500,000 for their Pavement Rehabilitation and Resurfacing Program Project. This project provides for the planning, design, and construction of roadway resurfacing and rehabilitation improvements on selected City streets identified through the Palos Verdes Estates Pavement Management Program (PMP). Street segments are evaluated annually using PMP data to assess pavement conditions, prioritize needs, and identify the most cost-effective treatment strategies to preserve roadway assets and extend service life. Establishing a Local Return capital reserve account is necessary because this program represents a large-scale, multi-year capital investment that cannot be efficiently delivered within a single fiscal year of Local Return allocations. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$843,264.

Approval of this capital reserve will prevent these funds from lapsing. In FY25 Palos Verdes Estates received 2 Proposition C audit findings. The City expended funds on projects without receiving approval from Metro. The projects were eligible expenses and Metro retroactively approved them during the audit. In addition, the City did not have proper accounting procedures in place. Since the close of the audit Metro has been working closely with the City to ensure all accounting procedures are able to meet future audit reviews.

City of Rolling Hills Estates

The City of Rolling Hills Estates is requesting a new Proposition C 20% Local Return, Measure R 15% Local Return, and Measure M 17% Local Return capital reserve account totaling \$631,446 for their Intersection Capacity Improvements at Palos Verdes Drive North and Dapplegray School Entrance Project. The project is intended to increase intersection capacity and reduce congestion during peak school and commuter hours while maintaining safe access for vehicles, pedestrians, bicyclists, and school-related traffic. Improvements include roadway widening, pavement rehabilitation, new and modified curb and gutter, retaining walls, drainage features, ADA-compliant pedestrian facilities, traffic signal modifications, signing and striping, and associated utility adjustments. Due to the limited scale of Rolling Hills Estate's local budget, the City has strategically leveraged multiple funding sources to supplement the Measure M Subregional Grant funds dedicated to this project. Following the bid opening in April, project costs exceeded initial estimates. Establishment of this capital reserve account will secure Proposition C, Measure R, and Measure M Local Return funds ensuring they remain available and do not lapse before the project's completion. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$26,873. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Rolling Hills Estates had no audit findings.

City of Rosemead

The City of Rosemead is requesting a new Proposition C 20% Local Return capital reserve account in the amount of \$2,200,000 for their Walnut Grove & Valley Blvd Roadway Improvements Project. The scope of this project includes roadway resurfacing, ADA upgrades, streetscape and raised medians, a bicycle feasibility study, and LA County fire crossing enhancements. Additional time and fund accumulation is needed for this project with construction scheduled to begin first quarter of 2027. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$1,020,040. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Rosemead had no audit findings.

City of San Dimas

The City of San Dimas is requesting a new Proposition C 20% Local Return and Measure M 17% Local Return capital reserve account totaling \$1,600,000 for their Arrow Highway Street Improvement Project. The scope of this project includes removal and replacement of two inches of existing asphalt to restore the roadway surface, removal and replacement of damaged sidewalk, curb and gutter rehabilitation, and upgrades to existing curb ramps. Additional time needed to complete this project due to delays associated with receipt of federal funding programmed for the project. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$818,441 and Measure M lapsing amount of \$304,919. In FY25 San Dimas received one Proposition C audit finding for lapsed funds. Metro granted an extension for these lapsed funds. Approval of this capital reserve will prevent funds from lapsing and eliminate a potential repeat audit finding in FY26.

City of Santa Monica

The City of Santa Monica is requesting a new Proposition C 20% Local Return and Measure M 17% Local Return capital reserve account totaling \$5,441,609 for their Pier Bridge Replacement Project. This project will replace the existing, outdated structure with a wider structure providing one vehicular traffic lane in each direction with wider sidewalks. Because this project has multiple stages with different lead times, establishment of a capital reserve is necessary to ensure that funds remain available through all project stages. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$2,294,992. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Santa Monica had no audit findings.

City of Sierra Madre

The City of Sierra Madre is requesting a new Proposition A 25% Local Return capital reserve account in the amount of \$1,000,000 for their Sierra Madre Transit Hub and Passenger Amenity Modernization Project. This project will modernize the City's primary transit waiting and transfer area at Kersting Court, along with complementary upgrades at 9 additional Metro Line 268 stop locations within Sierra Madre. The scope is limited to direct-transit passenger amenities and transit-supportive infrastructure within the active waiting areas and, where applicable, within 25 feet of the designated bus stop signposts. This capital reserve is needed to support the phased implementation and final refinement of this long-term multistage project. At the beginning of FY26 the City had a Proposition A potential lapsing amount of \$466,613. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Sierra Madre had no audit findings.

City of Torrance

The City of Torrance is requesting a new Proposition C 20% Local Return capital reserve account in the amount of \$6,000,000 for their FY26 Arterial Pavement Improvement I-139 Project. This project will repair arterial pavement in areas designated by the City's pavement management program. This project was deferred due to the construction of a separate grant-funded project within the project area for new traffic signals that would disturb the new pavement of this project should it have been prioritized. As a result, Prop C funds could not be used within the timeframe that was originally anticipated and need to be placed in a capital reserve account to complete the project. At the beginning of FY26 the City had a Proposition C potential lapsing amount of \$1,718,615. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Torrance had no audit findings.

Amended Capital Reserve Accounts***City of Lomita***

The City of Lomita is requesting a time extension to their Board approved Lomita/Narbonne Intersection - ADA project, Proposition C 20% Local Return capital reserve account totaling \$7,000,000. The scope of this project involves ADA improvements to the intersection of Lomita Blvd & Narbonne Ave. This project was delayed because of a Citywide School Loading Zone Study that impacted the project area and design. The capital reserve account needs to be extended so the project can be completed. In FY25 Lomita had no audit findings.

DETERMINATION OF SAFETY IMPACT

Approval of the new capital reserve accounts that include street and road improvement projects would provide additional safety features for local communities.

FINANCIAL IMPACT

Adoption of the staff recommendation would have no impact on the Metro Budget, or on Metro's Financial Statements. The capital reserve account funds originate from Propositions A and C, and Measures R and M funds. As specified by the ordinances, these funds are allocated to and held by each Los Angeles County local jurisdiction by formula.

Impact to Budget

Adoption of the staff recommendation would have no impact on the Metro Budget as these funds have been previously disbursed to the cities. These funds are not eligible for Metro bus and rail operations.

EQUITY PLATFORM

Under Board-adopted guidelines, this item enables the programming of funds to recipients to support the implementation of various transportation projects and improvements throughout the region (see Attachment A). For Bell, Beverly Hills, Compton, Lawndale, Lomita, Lynwood, Palmdale, Palos Verdes Estates, Rolling Hills Estates, Rosemead, San Dimas and Torrance, these projects will provide better street conditions to enhance mobility for pedestrians, cyclists, transit users, and individuals with disabilities. The City of Sierra Madre's Transit Hub and Passenger Amenity Modernization Project will greatly improve transit and pedestrian access for residents and workers within the city. The City of Santa Monica's Pier Bridge Replacement Project will modernize vehicular and pedestrian access to the pier and adjacent area.

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.

The projects result from the funding adjustments presented in this report have mixed outcomes, but on a whole, most of the projects in this report will likely decrease VMT in LA County. Within this suite of projects, Metro seeks to reduce single-occupancy vehicle trips, provide a safe transportation system, and increase accessibility to destinations via transit, cycling, walking, and carpooling. Some of the projects within this status report include items that will ease congestion for cars and trucks 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. The VMT-related effects of each of the projects in this report are discussed in Attachment A.

*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 the following Strategic Plan Goals by funding the improvement projects presented in Attachment A:

- Goal 1: Provide high-quality mobility options that enable people to spend less time traveling;
- Goal 2: Deliver outstanding trip experiences for all users of the transportation system; and
- Goal 3: Enhance communities and lives through mobility and access to opportunity

ALTERNATIVES CONSIDERED

Should the Board choose not to approve the staff recommendations the cities may not be able to accumulate sufficient funds necessary to implement the capital projects as described in Attachment A and the projects may not be constructed in a timely manner.

NEXT STEPS

With the Board's approval of the recommendation, staff will negotiate and execute all necessary agreements between Metro and the listed cities for their capital reserve accounts as approved. Staff will continue to monitor the accounts, including the annual Local Return audit, to ensure that the cities comply with the Local Return Guidelines and the terms of the agreement.

Staff is currently developing a consolidated Local Return guidelines document to merge the three existing guidelines into one consistent set of administrative procedures to improve local jurisdiction program compliance. While administrative processes will be updated and modernized, the eligibility and other foundational requirements of the four Local Return programs authorized by their respective sale tax ordinances will remain unchanged. As related to this report, the new proposed guidelines will offer an alternative to Capital Reserve Accounts for lapsing funds. This alternative would provide jurisdictions the option to partner with Metro to implement localized Board priority transportation projects that provide immediate benefits, such as Open and Slow Streets funding and improvements to support the 2028 Olympic and Paralympic Games.

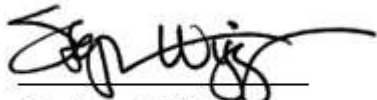
ATTACHMENT

Attachment A - Proposed FY26 Capital Reserve Account Summary

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A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

PROPOSED FY26 CAPITAL RESERVE ACCOUNT SUMMARY

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Bell (New)	<u>Project:</u> Bear Ave and Otis Ave Street Improvements <u>Justification:</u> The capital reserve is needed due to delays in construction. <u>VMT:</u> This project will likely increase VMT	\$1,500,000	Measure M 17% Local Return	6/30/31
City of Beverly Hills (New)	<u>Project:</u> Citywide Street and Alley Improvements <u>Justification:</u> Capital reserve will prevent funds from lapsing due to delays and timing of the construction schedule of this project. <u>VMT:</u> This project will likely increase VMT	\$1,000,000	Measure M 17% Local Return	6/30/31
City of Compton (New)	<u>Project:</u> Citywide Street Maintenance and Street Rehabilitation Program <u>Justification:</u> Capital reserve will prevent funds from lapsing due to project delays and \$40 million bond. <u>VMT:</u> This project will likely increase VMT	\$5,000,000	Prop C 20% Local Return	6/30/31
City of Lawndale (New)	<u>Project:</u> Hawthorne Blvd Rehabilitation Project <u>Justification:</u> Establishing a capital reserve for this project will allow the City to accumulate sufficient regional transportation funds to deliver this large-scale pavement rehabilitation project while ensuring compliance with program expenditure deadlines. <u>VMT:</u> This project will likely increase VMT	\$114,314 \$1,046,419	Prop C 20% Local Return Measure M 17% Local Return	6/30/31

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Lomita (Extension)	<u>Project:</u> Lomita/Narbonne Intersection Project - ADA <u>Justification:</u> The project has not yet been completed due to significant project delays from Citywide School Loading Zone Study. <u>VMT:</u> This project will likely decrease VMT	\$7,000,000	Prop C 20% Local Return	6/30/31
City of Lynwood (New)	<u>Project:</u> Santa Fe Street & State Street - Remove and Reconstruct (Design and Construction) <u>Justification:</u> The planning process was delayed due to staff turnover of key department heads and prioritization of other projects. Capital reserve account allows city to prevent lapsing funds and budget deficit. <u>VMT:</u> This project will likely increase VMT	\$4,000,000	Prop C 20% Local Return	6/30/31
City of Palmdale (New)	<u>Project:</u> Avenue T Street Improvements <u>Justification:</u> Project is finalizing design; engineers estimate high construction costs. Establishment of capital reserve will allow for funds to be in place before contract award. <u>VMT:</u> This project will likely increase VMT	\$3,000,000	Measure M 17% Local Return	6/30/31
City of Palmdale (New)	<u>Project:</u> Ave R & R-8 Street Improvements <u>Justification:</u> Project is finalizing design; engineers estimate high construction costs. Establishment of capital reserve will allow for funds to be in place before contract award. <u>VMT:</u> This project will likely increase VMT	\$4,800,000 \$6,000,000	Prop C 20% Local Return Measure R 15% Local Return	6/30/31

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Palos Verdes Estates (New)	<u>Project:</u> Pavement Rehabilitation and Resurfacing Program <u>Justification:</u> A capital reserve account will enable completion of this large-scale, multiyear capital investment that cannot be efficiently delivered within a single fiscal year of Local Return allocations. <u>VMT:</u> This project will likely increase VMT	\$1,500,000	Prop C 20% Local Return	6/30/31
City of Rolling Hills Estates (New)	<u>Project:</u> Intersection Capacity Improvements at Palos Verdes Drive North and Dapplegray School Entrance <u>Justification:</u> Extra time is needed to collect local return funds to complete this project due to the City's limited resources and funding. <u>VMT:</u> This project will likely increase VMT	\$334,478 \$139,204 \$157,764	Prop C 20% Local Return Measure R 15% Local Return Measure M 17% Local Return	6/30/31
City of Rosemead (New)	<u>Project:</u> Walnut Grove Ave & Valley Blvd Roadway Improvements <u>Justification:</u> Additional time and fund accumulation needed for project with construction scheduled to begin first quarter of 2027. <u>VMT:</u> This project will likely increase VMT	\$2,200,000	Prop C 20% Local Return	6/30/31
City of San Dimas (New)	<u>Project:</u> Arrow Highway Street Improvement Project <u>Justification:</u> Additional time needed to complete project due to delays associated with federal funding for this project <u>VMT:</u> This project will likely increase VMT	\$1,200,000 \$400,000	Prop C 20% Local Return Measure M 17% Local Return	6/30/31

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Santa Monica (New)	<u>Project:</u> Pier Bridge Replacement Project <u>Justification:</u> The Project includes various stages with different lead times: demolition of the existing bridge, and construction of a temporary bridge for pedestrian and vehicular access. Expenditures are expected to ramp up within the next 6 months. Capital reserve will ensure that funds are available for the project when they are needed. <u>VMT:</u> This project will likely increase VMT	\$1,810,126 \$3,631,483	Prop C 20% Local Return Measure M 17% Local Return	6/30/31
City of Sierra Madre (New)	<u>Project:</u> Sierra Madre Transit Hub and Passenger Amenity Modernization Project <u>Justification:</u> Additional funds needed to assist in the completion of this long-term project and prevent funds from lapsing <u>VMT:</u> This project will likely decrease VMT	\$1,000,000	Prop A 25% Local Return	6/30/31
City of Torrance (New)	<u>Project:</u> FY26 Arterial Pavement Improvement I-139 project <u>Justification:</u> Project deferred due to a grant-funded project within project area for new traffic signals that would disturb the new pavement. As a result, Prop C funds could not be used within the timeframe that was originally anticipated and need to be placed in a capital reserve account to complete the project. <u>VMT:</u> This project will likely decrease VMT	\$6,000,000	Prop C 20% Local Return	6/30/31



Metro

FY26 Local Return Capital Reserve Accounts - Item# 2026-0393

Finance, Budget & Audit Committee

July 16, 2026

Issue & Background

- Metro annually allocates Local Return funds to LA County jurisdictions to implement local projects
 - › Proposition A
 - › Proposition C
 - › Measure R
 - › Measure M
- Local Return funds must be spent within 4 or 5 years, depending on fund source
 - › If not spent, funds could lapse and jurisdiction can lose revenues
- Jurisdictions may need additional time to accumulate funding to implement projects
- To prevent lapsing, jurisdictions may request Capital Reserve Account
- Board approval is required to establish or amend Capital Reserve Accounts

Capital Reserve Account Projects

NEW CAPITAL RESERVES		
Jurisdiction Name	Amount	Project
Bell (Meas M)	\$ 1,500,000	NEW Project - Bear Ave and Otis Ave Street Improvement
Beverly Hills (Meas M)	1,000,000	NEW Project - Citywide Street and Alley Improvement
Compton (Prop C)	5,000,000	NEW Project - Citywide Street Maintenance and Street Rehabilitation Program
Lawndale (Prop C & Meas M)	1,160,733	NEW Project - Hawthorne Blvd Rehabilitation Project
Lynwood (Prop C)	4,000,000	NEW Project - Santa Fe Street & State Street - Remove and Reconstruct (Design and Construction)
Palmdale (Meas M)	3,000,000	NEW Project - Avenue T Street Improvements
Palmdale (Prop C & Meas R)	10,800,000	NEW Project - Ave R & R-8 Street Improvements
Palos Verdes Estates (Prop C)	1,500,000	NEW Project - Pavement Rehabilitation and Resurfacing Program
Rolling Hills Estates (Prop C, Meas R & Meas M)	631,446	NEW Project - Intersection Capacity Improvements at Palos Verdes Drive North & Dapplegray School Entrance
Rosemead (Prop C)	2,200,000	NEW Project - Walnut Grove Ave & Valley Blvd Roadway Improvements
San Dimas (Prop C & Meas M)	1,600,000	NEW Project - Arrow Highway Street Improvement Project
Santa Monica (Prop C & Meas M)	5,441,609	NEW Project - Pier Bridge Replacement Project
Sierra Madre (Prop A)	1,000,000	NEW Project - Sierra Madre Transit Hub & Passenger Amenity Modernization Project
Torrance (Prop C)	6,000,000	NEW Project - FY26 Arterial Pavement Improvement I-139 Project

AMEND CAPITAL RESERVES		
Jurisdiction Name	Amount	Project
Lomita (Prop C)	\$ 7,000,000	EXTENSION - Lomita/Narbonne Intersection Project - ADA

Recommendation

CONSIDER:

- A. ESTABLISHING new Local Return funded Capital Reserve Accounts for the Cities of Bell (Measure M), Beverly Hills (Measure M), Compton (Proposition C), Lawndale (Proposition C and Measure M), Lynwood (Proposition C), Palmdale (Proposition C, Measure R, Measure M), Palos Verdes Estates (Proposition C), Rolling Hills Estates (Proposition C, Measure R, Measure M), Rosemead (Proposition C), San Dimas (Proposition C, Measure M), Santa Monica (Proposition C, Measure M), Sierra Madre (Proposition A), Torrance (Proposition C), and amending the existing Local Return funded Capital Reserve Account for the City of Lomita (Proposition C) (Attachment A); and
- B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities in Recommendation A for their Capital Reserve Accounts as approved.



Board Report

File #: 2026-0405, File Type: Resolution

Agenda Number: 27.

FINANCE, BUDGET AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: FY27 TRANSPORTATION DEVELOPMENT ACT (TDA) ARTICLE 8 FUND PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

ADOPT:

- A. FINDINGS and RECOMMENDATIONS (Attachment A) for allocating Fiscal Year 2027 (FY27) Transportation Development Act (TDA) Article 8 funds (Attachment B) estimated at \$35,546,436 as follows:
1. In the City of Avalon, there are no unmet transit needs that are reasonable to meet. Therefore, TDA Article 8 funds in the amount of \$167,800 may be used for street and road projects or transit projects;
 2. In the Cities of Lancaster and Palmdale, there are no unmet transit needs that are reasonable to meet; in the Cities of Lancaster and Palmdale, and the unincorporated portions of the Antelope Valley, transit needs can be met by using other existing fund sources. Therefore, TDA Article 8 funds in the amount of \$8,817,477 for Lancaster and \$8,288,185 for Palmdale may be used for street and road projects or transit projects, if transit needs continue to be met;
 3. In the City of Santa Clarita, there are no unmet transit needs that are reasonable to meet; in the City of Santa Clarita and the unincorporated portions of the Santa Clarita Valley, existing transit needs can be met through the recommended actions using other fund sources. Therefore, \$11,526,141 in TDA Article 8 funds for the City of Santa Clarita may be used for street and road projects or transit projects, if transit needs continue to be met;
 4. In the Los Angeles County Unincorporated areas of North County, the areas encompassing both the Antelope Valley and the Santa Clarita Valley, transit needs are met with other fund sources such as Proposition A and Proposition C Local Return. Therefore, TDA Article 8 funds in the amount of \$6,746,833 may be used for street and road projects or transit projects, if transit needs continue to be met; and
- B. A RESOLUTION (Attachment C) making a determination of unmet public transportation needs

in the areas of Los Angeles County outside the Metro service area.

ISSUE

State law requires that the Los Angeles County Metropolitan Transportation Authority (Metro) make findings regarding unmet transit needs in areas outside of Metro's service area. If any unmet transit needs are identified as reasonable to meet, they must be met before TDA Article 8 funds can be allocated for street and road purposes.

BACKGROUND

Under the State of California TDA Article 8 statute, state transportation funds are allocated to the portions of Los Angeles County outside Metro's service area. These funds are for "unmet transit needs that may be reasonable to meet." However, if no such needs exist, the funds can be spent for street and road purposes. See Attachment D for a summary of the history of TDA Article 8 and definitions of unmet transit needs.

Before allocating TDA Article 8 funds, the Act requires Metro to conduct a public hearing process (Attachment E). If there are determinations that unmet transit needs exist, which are reasonable to meet and Metro adopts such a finding, then these transit needs must be met before TDA Article 8 funds can be used for street and road purposes. By law, Metro must adopt a resolution annually that states the findings regarding unmet transit needs. Attachment C presents the FY27 Resolution. The proposed findings and recommendations are based on the results of the public hearing process and the recommendations of the Social Service Transportation Advisory Council (SSTAC) and the Hearing Board.

Antelope Valley Transit Authority Transit Service Updates

Over the past year, Antelope Valley Transportation Authority (AVTA) achieved several important milestones, including installing new media boards at the South Valley Transit Center, adding Automatic Passenger Counters with full FTA certification for the commuter fleet, graffiti film replacement at Owen Memorial Park shelters. The agency also completed quarterly audits of commuter bus stops, and a late-2025 fare evasion campaign that helped improve farebox recovery.

AVTA also finalized planning and scheduling for AV ALTA home games for the 2025 season and continues focusing on service reliability, safety, and rider experience. The agency is exploring an off-the-grid charging solution using a solar farm paired with battery storage, aiming to create a more sustainable and resilient energy source for its fleet, in collaboration with the City of Lancaster and the Federal Transit Administration.

For 2027 proposed service changes, AVTA is conducting community outreach through meetings, town councils, local events, and transit center popups to gather feedback, refine routes, improve efficiency, and support growing residential areas. AVTA continues to promote the LA Metro GoPass program. Participating institutions include Antelope Valley Union High School District, Antelope Valley College, and Palmdale Academy Charter School for the 25/26 year. Middle schools are also being encouraged to participate. During the 24/25 GoPass year, 1,690 students registered, generating 45,647 boardings across the AVTA system.

City of Santa Clarita Transit Service Updates

Over the past year, the City of Santa Clarita has continued advancing public transportation by strengthening its partnership with Los Angeles County and enhancing transit infrastructure throughout the Santa Clarita Valley. Even without requests for new service, the City expanded on-demand service, improved fixed route operations, and experienced ridership growth across local routes, on-demand trips, and dial-a-ride services.

Since March 2025, the City has made significant progress, including improving fixed route service to the Five Point development, ordering additional zero emission fuel cell buses, beginning construction of a hydrogen electrolyzer and fueling station, and adding new electric vehicles for Go! Santa Clarita. The City also received new CNG dial-a-ride buses, upgraded 26 bus stops with new amenities, and launched a unified dispatching and scheduling system for multiple transit services. Looking ahead, Santa Clarita Transit will continue pursuing funding opportunities and collaborating with regional partners to implement its Transit Development Plan and deliver efficient, high-quality service for all Santa Clarita Valley residents.

DISCUSSION

Metro has complied with state law by conducting public hearings and obtaining input from the Social Service Transportation Advisory Council (SSTAC) regarding unmet transit needs. The SSTAC is comprised of riders representing seniors, individuals with disabilities, social service providers, and other interested parties from the North County areas.

- Attachment A presents the proposed FY27 SSTAC recommendations.
- Attachment G summarizes the recommendations made and actions taken by area transit agencies during FY2026

On May 5, 2026, the TDA Article 8 Hearing Board convened on behalf of the Metro Board of Directors to conduct the required public hearing process. The Hearing Board developed findings and made recommendations for the use of TDA Article 8 funds based on input from the SSTAC and the public hearing process.

Funds will be released to eligible jurisdictions upon:

1. Transmittal of the Metro Board-adopted findings and recommendations,
2. Transmittal of public hearing documentation to Caltrans, and
3. Caltrans approval

A delay in adopting the findings, recommendations, and the resolution contained in Attachments A and C would delay the allocation of \$35,546,436 in TDA Article 8 funds to the recipient local jurisdictions.

DETERMINATION OF SAFETY IMPACT

Approval of this project will have no impact on Safety.

FINANCIAL IMPACT

The TDA Article 8 funds for FY27 are estimated at \$35,546,436 (Attachment B). Funding for this action is included in the FY27 Adopted Budget in cost center 0443, project number 410059 TDA Subsidies - Article 8. TDA Article 8 funds are state sales tax revenues designated by law for use by Los Angeles County local jurisdictions outside Metro's service area. Metro allocates these funds based on population and disburses them monthly, once each jurisdiction's claim form is received, reviewed, and approved.

Impact to Budget

These funds are not eligible for Metro bus and rail operations.

EQUITY PLATFORM

This State-established process requires Caltrans approval before funds can be released. Funds are allocated based on jurisdiction population, while local agencies retain control over eligible expenditure decisions. Projects funded through the TDA Article 8 program serve Metro-defined Equity Focus Communities (EFC). For FY27 approximately 67 percent of program allocations will benefit EFCs in the Antelope Valley, including the cities of Palmdale, Lancaster and unincorporated Los Angeles County. While participating jurisdictions did not identify unmet transit needs that could reasonably be met, TDA Article 8 funds support locally identified transportation improvements that help residents access employment, education, healthcare, transit services, and other essential destinations.

Public hearings were held on March 3, 2026, in Palmdale/Lancaster and Santa Clarita in both in-person and virtual formats, and on March 17, 2026, in the City of Avalon during its city council meeting. Public hearing notices were published in the Daily News, La Opinión, and local newspapers serving Antelope Valley, Santa Clarita, San Fernando Valley, Catalina Island, and Long Beach. Spanish interpreters were available if requested at all hearings, and all public hearing spaces were accessible in compliance with the American with Disabilities Act (ADA).

Outreach efforts included e-blasts, LACMTA Calendar postings, emailed flyers to North County Town Councils, mailed notices to local businesses, and outreach at the I-5 North Enhancement community meeting. A dedicated TDA Article 8 webpage and QR code linked to the online comment form were also created to improve public access and participation. Comments were accepted online, by email, and by mail.

The outreach strategy was intended to reach as many residents and transit riders as possible. The e-blast alone reached approximately 6,928 registered TAP card users in the participating regions, of which 4,029 were riders in EFCs. As a result of these outreach efforts, comment submissions increased compared to the previous year. Metro's goal is to ensure all residents in participating regions are informed of the opportunity to make their voices heard.

On March 16, 2026, staff also convened the Social Services Transportation Advisory Council (SSTAC) with representatives from senior (65 and older), disability, low-income, and community-based organizations. At this meeting, the committee discussed transit needs and suggested that existing transit needs are addressed through current funding and service.

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 effect on VMT.

The projects result from the funding adjustments presented in this report have mixed outcomes, but on a whole, most of the projects in this report will likely decrease VMT in LA County. Within this suite of projects, Metro seeks to reduce single-occupancy vehicle trips, provide a safe transportation system, and increase accessibility to destinations via transit, cycling, walking, and carpooling. Some of the projects within this status report include items that 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.

While TDA Article 8 funds are distributed based on population and the outcome of the unmet transit needs process, the investments they support have a meaningful impact on travel behavior. In FY27, the Antelope Valley Transit Authority (AVTA), the City of Santa Clarita, and the City of Avalon are advancing projects that expand access to public transit, improve service quality, and reduce reliance on single-occupancy vehicles. AVTA has also enhanced rider experience and operations by installing media boards at the South Valley Transit Center, along with certifying FTA-compliant Automatic Passenger Counters. Santa Clarita modernized its operations and expanded its network by upgrading local on-demand options and extending fixed-route service to the Five Point development north of Interstate 5. Avalon, where private vehicle use is already limited, continues to enhance mobility options through improved transit access and public engagement. Collectively, these TDA Article 8-funded initiatives align with Metro's broader VMT reduction strategy by encouraging sustainable travel choices across the county.

*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 program advances several Strategic Plan Goals including:

- Goal #1: High-quality mobility options that enable people to spend less time traveling
- Goal #2: Deliver outstanding trip experiences for all users of the transportation system
- Goal #4: Transform LA County through collaboration and leadership

ALTERNATIVES CONSIDERED

The Board of Directors could adopt findings or conditions other than those developed in consultation with the Hearing Board, with input from the state required SSTAC (Attachment A), and through the public hearing process. However, this is not recommended because adopting the proposed findings and recommendations made by the SSTAC and adopted by the Hearing Board has been developed

through a public hearing process, as described in Attachment E, and in accordance with the TDA statutory requirements.

NEXT STEPS

Once Caltrans reviews and approves the Board-adopted resolution and documentation of the hearing process, TDA Article 8 funds will be allocated to the recipient local jurisdictions.

ATTACHMENTS

Attachment A - FY27 Proposed Findings and Recommended Actions
Attachment B - FY27 TDA Article 8 Apportionments
Attachment C - FY27 TDA Article 8 Resolution
Attachment D - History of TDA Article 8 and Definitions of Unmet Transit Needs
Attachment E - TDA Article 8 Public Hearing Process
Attachment F - FY27 TDA Article 8 Comment Summary Sheet
Attachment G - Letters from AVTA & Santa Clarita Transit on Actions Taken

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Stephanie Wiggins
Chief Executive Officer

FY27 TDA ARTICLE 8

PROPOSED FINDINGS AND RECOMMENDED ACTIONS

HEARING BOARD & SOCIAL SERVICE TRANSPORTATION ADVISORY COUNCIL

CATALINA ISLAND AREA

- Proposed Finding: In the City of Avalon, there are no unmet transit needs that are reasonable to meet. Therefore, TDA Article 8 funds may be used for street and road projects, or transit projects.
- Recommended Actions: City of Avalon should maintain funding sources for transit services, if reasonable to meet.

ANTELOPE VALLEY AREA

- Proposed Finding: There are no unmet transit needs that are reasonable to meet; in the Cities of Lancaster and Palmdale and the unincorporated portions of North Los Angeles County, existing transit needs can be met through other existing funding sources. Therefore, TDA Article 8 funds may be used for street and road projects, or transit projects.
- Recommended Actions: Antelope Valley Transit Authority (AVTA) should continue to evaluate funding opportunities for transit services.

SANTA CLARITA VALLEY AREA

- Proposed Finding: There are no unmet transit needs that are reasonable to meet; in the City of Santa Clarita, and the unincorporated portions of the Santa Clarita Valley, existing transit needs can be met through the recommended actions using other funding sources. Therefore, TDA Article 8 funds may be used for street and road projects, or transit projects.
- Recommended Actions: Santa Clarita Transit should continue to evaluate funding opportunities for transit services.

**FY27 TDA ARTICLE 8 APPORTIONMENTS
(Transit/Streets & Highways)**

AGENCY	POPULATION [1]	ARTICLE 8 PERCENTAGE	ALLOCATION OF TDA ARTICLE 8 REVENUE
Avalon	3,383	0.47%	\$ 167,800
Lancaster	177,768	24.81%	8,817,477
Palmdale	167,097	23.32%	8,288,185
Santa Clarita	232,377	32.43%	11,526,141
LA County Unincorporated [2]	136,022	18.98%	6,746,833
Total	716,647	100.00%	\$ 35,546,436
Estimated Revenues:			\$ 35,546,436

[1] Population estimates are based on the State of California Department of Finance's (DOF) 2025 population estimates

[2] The Unincorporated Population figure is based on 2007 estimates by Urban Research.

**RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION
AUTHORITY MAKING A DETERMINATION AS TO
UNMET PUBLIC TRANSPORTATION NEEDS IN LOS ANGELES COUNTY
FOR FISCAL YEAR 2027**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated Transportation Planning agency for the County of Los Angeles and is, therefore, responsible for the administration of the Transportation Development Act, Public Utilities Code Section 99200 et seq.; and

WHEREAS, under Sections 99238, 99238.5, 99401.5 and 99401.6, of the Public Utilities Code, before any allocations are made for local street and road use, a public hearing must be held and from a review of the testimony and written comments received and the adopted Regional Transportation Plan, make a finding that 1) there are no unmet transit needs; 2) there are no unmet transit needs that are reasonable to meet; or 3) there are unmet transit needs, including needs that are reasonable to meet; and

WHEREAS, at its meetings of June 25, 1998 and June 24, 1999, the Board of Directors approved definitions of unmet transit need and reasonable to meet transit need; and

WHEREAS, public hearings were held by LACMTA in Los Angeles County in Palmdale/Lancaster on March 3, 2026, Santa Clarita on March 3, 2026 and in Avalon on March 17, 2026, after sufficient public notice of intent was given, at which time public testimony had the opportunity to be made and received; and

WHEREAS, a Social Service Transportation Advisory Council (SSTAC) was formed by LACMTA and has recommended actions to meet the transit needs in the areas outside the LACMTA service area; and

WHEREAS, a Hearing Board was appointed by LACMTA, and has considered the results of the public hearing process and the recommendations of the SSTAC; and

WHEREAS, the SSTAC and Hearing Board reaffirmed the definitions of unmet transit need and reasonable to meet transit need; and

WHEREAS, staff in consultation with the Hearing Board recommends the finding that in the City of Avalon there are no unmet transit needs that are reasonable to meet; therefore TDA Article 8 funds may be used for street and road projects, or transit projects; and

WHEREAS, staff in consultation with the Hearing Board recommends the finding that in the City of Santa Clarita, and the unincorporated portions of the Santa Clarita Valley, there are no unmet transit needs that are reasonable to meet. In the City of Santa Clarita, and the unincorporated portions of the Santa Clarita Valley, existing transit needs can be met through the recommended actions using other funding sources. Therefore, TDA Article 8 funds may be used for street and road projects, or transit projects; and

WHEREAS, staff in consultation with the Hearing Board recommends the finding that there are no unmet transit needs that are reasonable to meet. In the Cities of Lancaster and Palmdale and the unincorporated portions of North Los Angeles County, existing transit needs can be met through using other existing funding sources. Therefore, TDA Article 8 funds may be used for street and road projects, or transit projects.

NOW THEREFORE,

- 1.0 The Board of Directors approves on an on-going basis the definition of Unmet Transit Needs as any transportation need, identified through the public hearing process, which could be met through the implementation or improvement of transit or paratransit services; and the definition of Reasonable to Meet Transit Need as any unmet transit needs that can be met, in whole or in part, through the allocation of available transit revenue and be operated in a cost efficient and service effective manner, without negatively impacting existing public and private transit options.
- 2.0 The Board hereby finds that, in the City of Avalon, there are no unmet transit needs that are reasonable to meet; therefore, TDA Article 8 funds may be used for street and road projects, or transit projects.
- 3.0 The Board hereby finds that in the City of Santa Clarita, and the unincorporated portions of the Santa Clarita Valley, there are no unmet transit needs that are reasonable to meet. In the City of Santa Clarita, and the unincorporated portions of the Santa Clarita Valley, existing transit needs can be met through the recommended actions using other funding sources. Therefore, TDA Article 8 funds may be used for street and road projects, or transit projects.
- 4.0 The Board hereby finds that in the Cities of Lancaster and Palmdale and the unincorporated portions of North Los Angeles County, there are no unmet transit needs that are reasonable to meet. In the Cities of Lancaster and Palmdale and the unincorporated portions of North Los Angeles County, existing transit needs can be met through using other existing funding sources. Therefore, TDA Article 8 funds may be used for street and road projects, or transit projects.

CERTIFICATION

The undersigned, duly qualified and acting as the Board Clerk of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct representation of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on Thursday, July 23, 2026.

COLLETTE LANGSTON
LACMTA Board Clerk

DATED: July 23, 2026

History of Transportation Development Act (TDA) 8

The Mills-Alquist-Deddeh act, better known as the Transportation Development Act (SB325), was enacted in 1971 to provide funding for transit or non-transit related purposes that comply with regional transportation plans. Funding for Article 8 was included in the original bill.

In 1992, after the consolidation of SCRTD and LACTC, AB1136 (Knight) was enacted to continue the flow of TDA 8 funds to outlying cities which were outside of the SCRTD's service area.

Permanent Adoption of Unmet Transit Needs Definitions

Definitions of Unmet Transit Need and Reasonable to Meet Transit Need were originally developed by the SSTAC and Hearing Board and adopted by Metro Board Resolution in May 1997 as follows:

- Unmet Transit Need - any transportation need, identified through the public hearing process, that could be met through the implementation or improvement of transit or paratransit services.
- Reasonable to Meet Transit Need - any unmet transit need that can be met, in whole or in part, through the allocation of additional transit revenue and be operated in a cost-efficient and service-effective manner, without negatively impacting existing public and private transit options.

Based on discussions with and recommendations from Caltrans Headquarters' staff, these definitions have been adopted on an ongoing basis by the resolution. The Metro Board did approve the definitions of unmet transit need and reasonable to meet transit needs at its meetings held on June 25, 1998, and June 24, 1999.

These definitions will continue to be used each year until further action by the Metro Board.

TDA ARTICLE 8 PUBLIC HEARING PROCESS

Article 8 of the California Transportation Development Act (TDA) requires annual public hearings in those portions of the County that are not within the Metro transit service area. The purpose of the hearings is to determine whether there are unmet transit needs which are reasonable to meet. We established a Hearing Board to conduct the hearings on its behalf in locations convenient for the residents of the affected local jurisdictions. The Hearing Board, in consultation with staff, also makes recommendations to the Board of Directors for adoption: 1) a finding regarding whether there are unmet transit needs that are reasonable to meet; and 2) recommended actions to meet the unmet transit needs, if any.

In addition to public hearing testimony, the Hearing Board received input from the Social Service Transportation Advisory Council (SSTAC), created by state law and appointed by staff, to review public hearing testimony and written comments and, from this information, identify unmet transit needs in the jurisdictions.

FY27 Hearing Board:

- Dave Perry, Transportation Deputy, Los Angeles County (5th District)
- Marvin Crist, Vice Mayor, City of Lancaster
- Richard Loa, Councilmember, City of Palmdale represented the North County
- Marsha McLean, Councilmember, City of Santa Clarita
- Jason Gibbs, Councilmember, City of Santa Clarita represented Santa Clarita Valley

Also, membership was formed on the FY27 Social Service Transportation Advisory Council (SSTAC) required of the Transportation Development Act Statutes and California Code of Regulations. Staff had adequate representation of the local service providers and represented jurisdictions, therefore the SSTAC meeting convened with proposed recommendations as included in Attachment A.

Hearing and Meeting Dates

In-person and virtual public hearings were held by the Hearing Board in Santa Clarita and the North County areas on March 3, 2026, and in Avalon in conjunction with the Council meeting on March 17, 2026. A summary sheet that includes the public testimony received at the hearings along with the written comments submitted during the open comment period, is provided in Attachment F.

The SSTAC met on March 16, 2026. Attachment A contains the SSTAC's recommendations, which were considered by the Hearing Board at its May 5, 2026 meeting.

**FY27 TDA ARTICLE 8 UNMET NEEDS PUBLIC TESTIMONY AND WRITTEN COMMENTS
SUMMARY TABULATION SHEET - ALL HEARINGS**

		Santa Clarita	Antelope Valley	Avalon	Unincorporated Areas of North County
1	General increase in service, including longer hours, higher frequency, and/or more days of operation				
1.1	Bus service currently runs infrequently outside typical commuter hours and should extend its service schedule further into the night.	2	1		
1.2	Allocate bus service for residents living on Jakes Way in Canyon Country.	1			
1.3	I would like Santa Clarita Transit to offer three time slots-morning, afternoon, and early evening-from Canyon County to the medical building on Tourney Road in Valencia.	1			
1.4	I would like Santa Clarita Transit Routes 4/14 and 1/2 to run as early and as late as they did before the 2020 pandemic service changes.	1			
1.5	Provide bus service along W Avenue H in Lancaster for employees working at the Michaels Distribution Center.		1		
2	Scheduling, reliability, transfer coordination				
2.1	Santa Clarita Transit Route 632 only runs once in the morning, limiting its usefulness for students.	1			
3	Bus stops and stations				
3.1	Station amenities are frequently out of service, and departure boards are often non-functional.	1			
3.2	For safety reasons in Canyon Country, a Route 12 stop should be added at Sierra Highway and Soledad Canyon Road to allow a safer connection to Routes 5/6 toward Sand Canyon.	1			
4	Metrolink and active transportation				
4.1	Allocate funding to the Metrolink Antelope Valley Line to construct needed double-track extensions, sidings, and related improvements to support half-hourly service to Santa Clarita and hourly service to Palmdale/Lancaster.	2			1
4.2	Why is the Vista Canyon Metrolink Station bus hub in Canyon Country not being used?	1			
4.3	There is a lack of active transportation trails in eastern Canyon Country (Santa Clarita).	1			
4.4	The Via Princessa Metrolink Station is located in a pedestrian-hostile area, with only minimal sidewalk infrastructure.	1			
5	General comments				
5.1	There is no consistent definition of what constitutes an unmet need, and the term 'reasonable to meet' is so loosely defined that it allows significant interpretive flexibility.	1			
5.2	Opposes the use of any TDA funds for streets and roads.	1			
5.3	General comment highlighting budget allocation practices, how teams are formed, personal background influences, and the challenges involved in redirecting organizational resources.		1		
Sub-total:		15	3	-	1

Grand Total: 19

A total of 19 comments were compiled from both verbal and written feedback provided by 11 individuals.



Board of Directors

Chairman
Marvin Crist
City of Lancaster

Vice Chair
Dianne M. Knippel
County of Los Angeles

Director
Richard Loa
City of Palmdale

Director
Eric Ohlsen
City of Palmdale

Director
Raj Malhi
City of Lancaster

Director
Michelle Royal
County of Los Angeles

Executive Director/CEO
Martin J. Tompkins

March 3, 2026

TDA Article 8 Hearing Board Chair
Juan Miranda, Program Manager
Metropolitan Transit Authority
One Gateway Plaza
Los Angeles, California 90012

RE: Fiscal Year 2025/2026 TDA Article 8 Unmet Needs Hearings

Dear Mr. Miranda:

During last year's TDA Article 8 Unmet Needs public hearings, there were no requests for additional transit service, nor were any comments received related to the transit service operated by the Antelope Valley Transit Authority (AVTA)

AVTA is committed to enhancing public transportation and developing essential infrastructure.

Bus Stop and Service Improvements:

In the 12 months since the last TDA Article 8 public hearing, the AVTA has accomplished several key milestones, such as:

- Media boards, including a screen on the building and three medallions, were installed at the South Valley Transit Center.
- Automatic Passenger Counters (APCs) were installed on the commuter fleet, and all units were certified with the Federal Transit Administration (FTA)
- The City of Lancaster also replaced the graffiti film on the windows of all Owen Memorial Park (OMP) shelters, improving the overall rider experience.
- A thorough quarterly audit of all bus stops on commuter routes was completed to ensure compliance and quality.
- In terms of service and rider engagement, the fare evasion campaign launched in October 2025, followed by the installation of fare evasion signs at transit centers and bus stops near high schools in November. Since this engagement started, AVTA has measured a slight increase in farebox recovery.

March 3, 2026
Page 2 of 2

- Planning and scheduling were completed for AV ALTA home games for the 2025 season, ensuring smooth transportation for attendees.
- These initiatives reflect our commitment to enhancing service reliability, safety, and customer satisfaction across the network.

Future Projects:

AVTA continues to evaluate an "off-the-grid" charging solution using a solar farm and battery storage. AVTA is working with the City of Lancaster and the Federal Transit Administration on this solution.

Community Outreach Efforts:

AVTA is currently conducting outreach to communicate proposed service changes scheduled for 2027. Outreach is highly focused on collecting feedback from the Antelope Valley community regarding these changes. AVTA staff members are holding community meetings, attending town councils, attending community events, and conducting transit center pop-up outreach activities, all to communicate the proposed service changes and gather feedback on the proposed route scheduling enhancements. AVTA's goals with these route refinements are to better use service hours, gain route efficiencies, reach new areas of residential growth, and implement improvements based on rider and operator feedback.

AVTA continues to promote the LA Metro GoPass program to high school and community college students in the Antelope Valley. AV Union High School District and Antelope Valley College (AVC) renewed in the 25/26 GoPass year, providing bus passes to all students enrolled in AV Union High School District or at AVC. The Palmdale School District enrolled their one high school, Palmdale Academy Charter School, in the GoPass Program in the 25/26 Year. AVTA still encourages middle schools in the Antelope Valley to consider the GoPass program for their students. AVTA had 1,690 total students registered in the 24/25 GoPass Year, with 45,647 AVTA system boardings.

AVTA is dedicated to serving the community and to providing excellent customer service. Community outreach is a high-priority goal, and we continually seek to improve our efforts:

- To maintain a close relationship with our riders and potential riders, AVTA actively participates in all in-person community events hosted by the cities of Lancaster and Palmdale. These events allow us to connect with our riders and the AV community to address potential transportation needs. Additionally, AVTA conducts community outreach to rural Los Angeles County communities within our service area to reach transit-dependent populations and raise awareness of AVTA's available services.

March 3, 2026
Page 3 of 2

- Our community outreach and travel training programs continue to educate and connect our residents, especially veterans, seniors, those with disabilities, and students, to our transportation system.
- To better reach our student-age residents and their families, AVTA engages with the high school and community college-age students in the Antelope Valley in an ongoing effort to raise awareness of AVTA's services, AVTA's and LA Metro's GoPass Program, as well as LA Metro's LIFE program (a low-income fare assistance program).
- AVTA continues to reach out to the local business community and its customers regarding transportation needs. AVTA actively engages with representatives from senior centers, veterans' organizations, rural communities, transportation vendors, adult disabled groups, and other rider groups. This ongoing communication helps AVTA to identify unmet needs, understand the strengths and weaknesses of our transportation services, and enhance our offerings for all passengers.
- AVTA continues to promote our Non-Emergency Medical Transport program to the health care service providers in the Antelope Valley. We also provide transportation assistance to health fairs for low-income and/or homeless individuals to connect them with the vital services offered there.
- Each year, AVTA, the cities of Lancaster and Palmdale, and other community partners provide meal boxes, frozen turkeys, toys, and gifts to needy families in the AV. In December 2025, the AVTA Grocery and Toy Giveaway event distributed 2,800 Butterball turkeys (courtesy of the Cities of Lancaster/Palmdale), in partnership with the Teamster Union Local 848, 2,100 food boxes with holiday meal supplies, more than 400 bicycles (courtesy of A.V. Boosters), more than \$50,000 in toys (courtesy of the AVTA Stuff-a-Bus toy sponsors and community donations), and hundreds of boys' and girls' winter coats to the needy families that attended our event.

AVTA values the input of our customers and stakeholders and continues to take a proactive approach to address the transit needs in the Antelope Valley. If you have any questions, please contact me on (661) 729-2206.

Sincerely,


Martin J. Tompkins
Executive Director/CEO



City of
**SANTA CLARITA
TRANSIT**

City of Santa Clarita Transit • Transit Maintenance Facility
28250 Constellation Road • Santa Clarita, CA 91355
Phone: (661) 295-6300 • Fax: (661) 295-6393
santa-clarita.com

March 3, 2026

Santa Clarita Valley Area
TDA Article 8 Hearing

Over the past 12 months the City of Santa Clarita (City) has continued its efforts to promote public transportation and build the vital infrastructure needed to support public transit now and in the future. In that time, the City has also worked closely with our transportation partner the County of Los Angeles, to improve bus service in the unincorporated areas of the Santa Clarita Valley despite the fact that there were no requests for additional transit service within the Santa Clarita valley, nor comments received related to the transit service operated by Santa Clarita Transit during the 2025 Article 8 hearings.

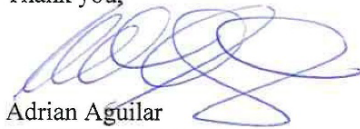
In addition to the fixed route service improvements, the City also expanded the level of service on its on-demand service. As a result of these efforts, ridership aboard the City's local fixed-route, on demand, and dial-a-ride services continue to increase.

While it is not practical to list all of the accomplishments and milestones the City has achieved since the last hearing, I would like to highlight a few. Since March 2025, the City has:

- Improved fixed route service to the Five Point development north of Interstate 5.
- Awarded a contract for the purchase of three zero-emission fuel cell electric buses. This brings the total number of fuel cell buses on order to ten. The first of which are scheduled to be delivered this spring.
- Begun construction of a hydrogen electrolyzer and fueling station at the City Transit Maintenance Facility.
- Placed an order for five zero emission electric Transit vehicles to support the on-demand *Go! Santa Clarita* service.
- Took delivery of six CNG powered dial-a-ride buses.
- Installed new amenities including shelters, benches, lighting, and trash receptacles at 26 bus stops within the Santa Clarita Valley.
- Implemented a new dispatching and scheduling system that allows riders to schedule and track their dial-a-ride, Access, and *Go! Santa Clarita* trips from a single platform.

In the coming year, the City and Santa Clarita Transit will continue to evaluate local, state, and federal funding opportunities for transit services as it develops a strategy for the continued implementation of the recommendations outlined in the City Transit Development Plan. Additionally, the City will work closely with our transportation partners as we strive towards our goal of providing effective and efficient service that improves the quality of life for all residents within the Santa Clarita Valley.

Thank you,



Adrian Aguilar
Transit Manager



Item #2026-0405

Fiscal Year 2027 TDA Article 8 Fund Program
Finance, Budget & Audit Committee
July 16, 2026

2018

Transportation Development Act (TDA) Statutes and California Code of Regulations



Division of Rail and Mass Transportation
July 2018

Background

- TDA Article 8 state funds allocated to:
 - LA County jurisdictions outside Metro's service area
 - Avalon, Lancaster, Palmdale, Santa Clarita & LA County Unincorporated
 - Address "unmet transit needs, reasonable to meet."
- Funds may be used for streets & roads if no such need identified
- TDA requires Metro to:
 - Conduct a public hearing process
 - Collect comments in person, electronically or by mail
- Proposed findings & recommendations based on:
 - Public Hearing Process
 - Social Service Transportation Advisory Council (SSTAC)
 - Hearing Board



FY27 Proposed TDA Article 8 Allocations

FY27 TDA Article 8 Fund Allocations	
Jurisdiction Name	Amount
Avalon	\$ 167,800
Lancaster	8,817,477
Palmdale	8,288,185
Santa Clarita	11,526,141
LA County	6,746,833
Total	\$ 35,546,436

Key Recommendations

ADOPT:

A. Findings and Recommendations (Attachment A) for allocating Fiscal Year 2027 (FY27) Transportation Development Act (TDA) Article 8 funds (Attachment B) estimated at \$35,546,436 as follows:

1. In the City of Avalon, there are no unmet transit needs that are reasonable to meet. Therefore, TDA Article 8 funds in the amount of \$167,800 may be used for street and road projects or transit projects;
2. In the Cities of Lancaster and Palmdale, there are no unmet transit needs that are reasonable to meet; in the Cities of Lancaster and Palmdale, and the unincorporated portions of the Antelope Valley, transit needs can be met by using other existing fund sources. Therefore, TDA Article 8 funds in the amount of \$8,817,477 for Lancaster and \$8,288,185 for Palmdale may be used for street and road projects or transit projects, if transit needs continue to be met;

Key Recommendations (Continued)

3. In the City of Santa Clarita, there are no unmet transit needs that are reasonable to meet; in the City of Santa Clarita and the unincorporated portions of the Santa Clarita Valley, existing transit needs can be met through the recommended actions using other fund sources. Therefore, \$11,526,141 in TDA Article 8 funds for the City of Santa Clarita may be used for street and road projects or transit projects, if transit needs continue to be met;
4. In the Los Angeles County Unincorporated areas of North County, the areas encompassing both the Antelope Valley and the Santa Clarita Valley, transit needs are met with other fund sources such as Proposition A and Proposition C Local Return. Therefore, TDA Article 8 funds in the amount of \$6,746,833 may be used for street and road projects or transit projects, if transit needs continue to be met; and

B. Resolution (Attachment C) making a determination of unmet public transportation needs in the areas of Los Angeles County outside the Metro service area.



Board Report

File #: 2026-0170, **File Type:** Contract

Agenda Number:

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: TECHNICAL ENHANCEMENT AND BUSINESS PROCESS ADVISORY SERVICES

ACTION: AWARD CONTRACTS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

- A. AWARD a five-year on-call firm fixed unit rate Contract No. PS132584000 to KPMG LLP to provide custom application development and maintenance in Oracle, Salesforce, and Microsoft SharePoint in the Not to Exceed (NTE) amount of \$12,198,522, subject to the resolution of any properly submitted protest(s), if any;
- B. AWARD a five-year on-call firm fixed unit rate Contract No. PS132584001 to Crowe LLP to provide business improvement process studies related to Metro financial/accounting functions in the NTE amount of \$1,562,830, subject to the resolution of any properly submitted protest(s), if any; and
- C. AWARD a five-year on-call firm fixed unit rate Contract No. PS132584002 to KPMG LLP to provide organizational and resource planning and management in the NTE amount of \$1,201,825, subject to the resolution of any properly submitted protest(s), if any.

ISSUE

Metro's Strategic Financial Management (SFM) requires access to specialized business processes and technical expertise on an as-needed basis. These services will support Metro's custom financial, budget, and accounting technology applications, business process improvement initiatives, and resource planning and management functions.

This approach enables SFM to respond promptly to time-sensitive policy analysis and procedural implementation demands that arise outside regular budgetary and financial cycles. It also ensures continued financial sustainability while safeguarding internal controls in compliance with multi-governmental funding partners and oversight requirements.

BACKGROUND

The Strategic Financial Management (SFM) cabinet is responsible for maintaining Metro's financial stability, ensuring robust cash flow, and delivering a balanced budget. As Metro accelerates rail infrastructure construction to complete the countywide network envisioned by Measure R and Measure M, implements "putting people first" safety, security, and customer-focused transit service enhancements, and prepares to "welcome the world" for the upcoming global events, financial management challenges are increasing in complexity.

These demands are further compounded by volatile economic conditions. In response, SFM seeks to acquire specialized technical development and business process advisory services on an on-call basis. These services will augment SFM's capabilities in financial technology, business process improvement, and resource planning to address one-time, customized, and dynamic financial demands.

DISCUSSION

The three proposed on-call technical enhancement and process advisory contracts will provide SFM with specialized skillsets tailored to Metro's financial technology platforms. They will also provide independent, external perspectives to assess process gaps, strengthen internal controls, and support organizational resource planning to sustain financial performance.

1. Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint

Metro's Budget, Accounting, Treasury, TAP, and Procurement functions rely on a combination of customized Oracle, Salesforce, and Microsoft platforms. On-call technical services will enable SFM to efficiently incorporate new Collective Bargaining Agreement (CBA) provisions, legal requirements, and grant conditions into existing financial systems, ensuring continued alignment between business rules and system functionality.

2. Business Improvement Process Studies

As SFM advances initiatives to safeguard Metro assets and ensure responsible stewardship of public funds, independent process studies will objectively identify inefficiencies, process gaps and control weaknesses through a compliance-focused lens. This effort will enhance audit trails and reduce financial and operational risk.

3. Organizational and Resource Planning and Management

These services will evaluate current resource utilization and recommend strategies to optimize workforce and financial resource alignment. This is critical as Metro expands its transit and transportation investments and associated financial obligations.

Staff recommends that the Board award three on-call contracts each with a five-year term. Task orders will be issued on an as-needed basis. This structure will allow SFM to respond effectively to emerging needs while maintaining continuity in ongoing financial operations. The contracts will provide access to specialized expertise to advance financial business process best practices, support

the development of applications for tracking revenue and funding sources, and align resource allocation with strategic priorities.

DETERMINATION OF SAFETY IMPACT

This Board action has no direct impact on safety.

FINANCIAL IMPACT

Awarding these contracts will not have a financial impact on the FY27 budget. Funding has been included in SFM budget in various projects and cost centers. The individual tasks to be completed by the contractors will be funded with funding sources identified for the specific project. Since this is a multi-year contract, the cost center managers and Chief Financial Officer will be responsible for budgeting costs in the future years.

Impact to Budget

The funding for these services is general overhead and/or general fund that could consist of federal, state, or local funds.

EQUITY PLATFORM

Awarding the contracts will support SFM in its oversight of Metro's Equity-based budget process, to ensure the Agency allocates fair and equitable funding for projects and activities that result in reliable and safe service to the citizens of Los Angeles County.

The Diversity and Economic Opportunity Department (DEOD) established an overall 10% Small Business Enterprise (SBE) goal for this solicitation. Proposers could meet the overall SBE goal through any combination of SBE and/or DVBE participation. Each prime consultant, KPMG LLP and Crowe LLP, committed to meeting the overall 10% SBE goal.

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.

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

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 will ensure appropriate budget and funding are allocated for a reliable and safe transit system. Because the Metro Board has adopted an agency

-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #5 "Provide responsive, accountable, and trustworthy governance within the LA Metro organization. It promotes efficient use of Metro resources and allows the department to more effectively manage Metro's budget and funding.

ALTERNATIVES CONSIDERED

The Board can decide not to award the three contracts as recommended. However, this will take away SFM's ability to timely incorporate terms for CBA, Legal and Grant compliance into current processes, explore industry expertise to deploy best practices in financial process, as well as plan resource needs accordingly. Not awarding these contracts will hinder Metro's expediency in responding to emerging financial challenges.

NEXT STEPS

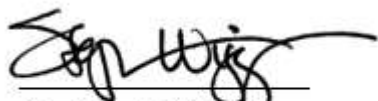
Upon Board approval, staff will execute Contract Nos. PS132584000 and PS132584002 with KPMG LLP and Contract No. PS132584001 with Crowe LLP.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - DEOD Summary

Prepared by: Thu Nguyen, Senior Executive Officer, Finance, (213) 922-4490
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer, (213) 922-4471
Melissa Wang, Deputy Chief Financial Officer, Finance, (213) 922-6024

Reviewed by: Michelle Navarro, Chief Financial Officer (Interim), (213) 922-3056



Stephanie Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

**STRATEGIC FINANCIAL MANAGEMENT ON-CALL SERVICES
PS132584000 THROUGH PS132584002**

1.	Contract Number: PS132584000 (Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint) PS132584001 (Business Improvement Process Studies) PS132584002 (Organizational and Resource Planning and Management)	
2.	Recommended Vendor: KPMG LLP (PS132584000) Crowe LLP (PS132584001) KPMG LLP (PS132584002)	
3.	Type of Procurement (check one): ☐ IFB ☒ RFP ☐ RFP-A&E ☐ Non-Competitive ☐ Modification ☐ Task Order	
4.	Procurement Dates:	
	A. Issued: September 5, 2025	
	B. Advertised/Publicized: September 5, 2025	
	C. Pre-Proposal Conference: September 15, 2025	
	D. Proposals Due: October 15, 2025	
	E. Pre-Qualification Completed: February 27, 2026	
	F. Ethics Declaration Forms submitted to Ethics: October 16, 2025	
	G. Protest Period End Date: July 21, 2026	
5.	Solicitations Downloaded: 86	Bids/Proposals Received: 5 (Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint) 4 (Business Improvement Process Studies) 3 (Organizational and Resource Planning and Management)
6.	Contract Administrator: Bryan Truong	Telephone Number: (213) 922-4241
7.	Project Manager: Thu Nguyen	Telephone Number: (213) 922-4490

A. Procurement Background

This Board Action is to approve Contract Nos. PS132584000 (Oracle Application Development and Maintenance), PS132584001 (Business Improvement Process Studies), and PS132584002 (Organizational and Resource Planning and Management) to provide on-call consulting services to augment staff resource needs and support Oracle, Salesforce, and Microsoft applications. Board approval of contract awards is subject to the resolution of any properly submitted protest(s), if any.

On September 5, 2025, Request for Proposals (RFP) No. PS132584 was issued as a competitive procurement in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate. The Diversity & Economic Opportunity Department established an overall 10% Small Business Enterprise (SBE) goal, which can be achieved through commitments to SBEs and/or Disabled Veteran

Business Enterprises (DVBE) in any combination. It was also subject to the Local Small Business Enterprise Preference Program, which awards a bonus of 5 preference points for utilization of local small business firms.

Proposers were allowed to propose on one or more disciplines. The RFP stated that only one contract per discipline would be awarded, with no limit on the number of contracts that may be awarded to a single firm.

Work under each contract will be authorized through the issuance of task orders. Each future task order will contain a specific scope of services and will be issued based on on-call needs.

One amendment was issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on September 29, 2025, extended the RFP proposal due date from October 6, 2025, to October 15, 2025.

A total of 86 downloads of the RFP were included in the planholders' list. A virtual pre-proposal conference was held on September 15, 2025, and was attended by 12 participants representing 12 firms. There were 54 questions received and responses were issued prior to the proposal due date.

A total of 12 proposals were received by the proposal due date of October 15, 2025, and are listed below in alphabetical order. No proposals were received for the Fare Restructuring discipline.

Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint

1. Deloitte Consulting LLP (Deloitte)
2. Financial Management Consulting (FMC)
3. KPMG LLP (KPMG)
4. Numentica LLC (Numentica)
5. Speridian Technologies LLC (Speridian)

Business Improvement Process Studies

1. Alvarez & Marsal Public Sector Services LLC (Alvarez)
2. Crowe LLP (Crowe)
3. KPMG LLP (KPMG)
4. The Boston Consulting Group, Inc. (BCG)

Organizational and Resource Planning and Management

1. Crowe LLP (Crowe)
2. KPMG LLP (KPMG)

3. The Boston Consulting Group, Inc. (BCG)

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Countywide Planning and Development, Vendor/Contract Management (V/CM), and Office of Management and Budget was convened and conducted a comprehensive technical evaluation of the proposals received.

From November 5, 2025, through December 15, 2025, the PET independently evaluated the proposals based on the following criteria for all categories:

Phase I: Minimum Qualifications Requirements: Proposers must meet the following minimum qualifications requirements at the time of proposal submittal:

Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint

1. Five years of development experience in Oracle Application Express (APEX) v21 or higher.
2. Five years of development experience in Asynchronous JavaScript and XML (AJAX) and JavaScript.
3. Five years of development experience in Procedural Language extensions to the Structured Query Language (PL/SQL).
4. Five years of development experience in Oracle E-Business Suite (EBS) version 12.2 or higher.
5. Five years of development experience with Oracle workflow within EBS.
6. Five years of development experience in webADI.
7. Experience configuring EBS user authentication.
8. Three years of Microsoft SharePoint platform development experience.
9. Three years of experience in developing and updating Microsoft PBI.
10. Five years of experience developing Salesforce applications.

Business Improvement Studies

1. Three years of experience in developing KPIs and evaluating efficiency of organizational structure.
2. Three years of experience in financial modeling.
3. Three years of experience in developing templates and tools for streamlining business processes.
4. Three years of experience preparing and submitting Federal NTD reports for transit operations.

Organizational and Resource Planning and Management

1. Three years of experience in succession planning.
2. Three years of experience in resource planning.

Of the 12 proposals received, the PET determined the proposals submitted by FMC and Speridian were non-responsive as they did not meet the Phase I Minimum Qualifications Requirements and were excluded from further evaluation. The remaining 10 proposals were evaluated based on the following Phase II evaluation criteria and weights:

- Prime Contractor/Team's Skill and Experience 25%
- Qualifications and Experience of Proposed Key Personnel 30%
- Resource Allocation Plan/Approach 30%
- Price 15%
- Local Small Business Enterprise (LSBE) Preference Program 5%

Several factors were considered when developing these weights, giving the greatest importance to qualifications and experience of proposed key personnel and resource allocation plan/approach.

The PET determined that 10 proposals submitted by six firms were within the competitive range and are listed below by discipline in alphabetical order:

Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint

1. Deloitte
2. KPMG
3. Numentica

Business Improvement Process Studies

1. Alvarez
2. BCG
3. Crowe
4. KPMG

Organizational and Resource Planning and Management

1. BCG
2. Crowe
3. KPMG

At the conclusion of the evaluation, the PET determined Deloitte to be the top-ranked firm for Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint; Crowe for Business Improvement Process Studies; and KPMG for Organizational and Resource Planning and Management.

However, following fact-finding and negotiations, Deloitte was eliminated from further consideration due to the extensive exceptions taken to Metro's Terms and Conditions.

Qualifications Summary of Firms within the Competitive Range:

KPMG LLP (KPMG)

KPMG was founded in 1987, and its U.S. headquarters is located in New York, New York. KPMG's main expertise lies in audit, tax, and consulting services. KPMG has experience in providing clients with skilled, adaptable, and qualified resources to meet a wide spectrum of technological needs. KPMG's experience spans both the public and private sectors, including long-standing relationships with federal, state, and local entities across the country, including the State of California.

KPMG possesses hands-on experience in leveraging Oracle Apex to build sophisticated, custom applications tailored to complex public sector workflows. KPMG has experience advising executive levels, state and local organizations within Los Angeles such as the City of Los Angeles, Los Angeles County Department of Justice Compliance Office, Los Angeles Sheriff's Department, Los Angeles World Airports, Port of Los Angeles, Los Angeles Police Department, Los Angeles Department of Water and Power, Los Angeles Community College District, and Los Angeles County Office of Education.

Numentica LLC (Numentica)

Numentica was founded in 2008 and is headquartered in Los Angeles, California. Numentica is an IT consulting and solutions partner specializing in enterprise application development, system integration, and data management.

Numentica has delivered on-call IT services to government, financial, and enterprise clients, including urgent fixes, ad hoc reporting, and critical patching within the defined service level agreement. Numentica has experience in Oracle ERP/APEX, Salesforce, and SharePoint.

Alvarez & Marsal Public Sector Services LLC (A&M)

A&M was founded in 1983 and is headquartered in New York, New York. A&M is a management consulting firm specializing in providing consulting services to companies, investors, and government agencies.

A&M has experience in delivering strategic financial and operational management services to transportation and government agencies. A&M has provided consulting services to the Massachusetts Bay Transportation Authority, Gateway Development Commission, and the Houston-Galveston Area Council.

Crowe LLP (Crowe)

Crowe was founded in 1942 and is headquartered in Chicago, Illinois. Crowe is a public accounting and consulting firm and has been serving government organizations for more than 50 years, including those within the State of California for more than 30 years.

Crowe has current experience with transportation agencies across the country, providing global insights into financial reporting and operational issues faced by transit and transportation providers, planners, and other funders. Crowe has provided a variety of services for transportation entities such as the Arkansas State Highway Commission, Foothill Transit, Miami-Dade County Transit, Indianapolis Public Transit, and Massachusetts Bay Transportation Authority. Crowe's team also provides a blend of consulting, planning, financial, manufacturing, and operations experience, together with in-depth transit industry knowledge.

Crowe proposes a structured yet flexible delivery framework to efficiently manage quality, accountability, and responsiveness. Crowe's approach is to adapt while maintaining consistent standards of project governance, communication, and quality assurance across each engagement.

The Boston Consulting Group, Inc. (BCG)

BCG was founded in 1963 and is headquartered in Boston, Massachusetts. BCG specializes in management consulting services to help organizations innovate and create succession strategies.

BCG has completed more than 3,000 public sector engagements, including transit-focused work for over 75 federal, state, and local agencies. Government agencies that BCG has supported include the City of Los Angeles, Employment Development Department, California Public Utilities Commission, California Department of Transportation, Washington Metropolitan Area Transit Authority, and New York Metropolitan Transit Authority.

The following is a summary of the PET scores:

Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Deloitte Consulting LLP				
3	Prime Contractor/Team's Skill and Experience	78.89	25.00%	19.72	

4	Qualifications and Experience of Proposed Key Personnel	77.78	30.00%	23.33	
5	Resource Allocation Plan/Approach	78.33	30.00%	23.50	
6	Price	100.00	15.00%	15.00	
7	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
8	Total		105.00%	81.55	1
9	KPMG LLP				
10	Prime Contractor/Team's Skill and Experience	83.32	25.00%	20.83	
11	Qualifications and Experience of Proposed Key Personnel	83.33	30.00%	25.00	
12	Resource Allocation Plan/Approach	82.50	30.00%	24.75	
13	Price	55.27	15.00%	8.29	
14	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
15	Total		105.00%	78.87	2
16	Numentica LLC				
17	Prime Contractor/Team's Skill and Experience	63.32	25.00%	15.83	
18	Qualifications and Experience of Proposed Key Personnel	64.44	30.00%	19.33	
19	Resource Allocation Plan/Approach	59.17	30.00%	17.75	
20	Price	99.40	15.00%	14.91	
21	Local Small Business Enterprise (LSBE) Preference Program Bonus	100.00	5.00%	5.00	
22	Total		105.00%	72.82	3

Business Improvement Studies

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Crowe LLP				
3	Prime Contractor/Team's Skill and Experience	77.76	25.00%	19.44	
4	Qualifications and Experience of Proposed Key Personnel	77.77	30.00%	23.33	
5	Resource Allocation Plan/Approach	79.17	30.00%	23.75	
6	Price	100.00	15.00%	15.00	
7	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
8	Total		105.00%	81.52	1

9	KPMG LLP				
10	Prime Contractor/Team's Skill and Experience	82.24	25.00%	20.56	
11	Qualifications and Experience of Proposed Key Personnel	83.33	30.00%	25.00	
12	Resource Allocation Plan/Approach	81.67	30.00%	24.50	
13	Price	60.47	15.00%	9.07	
14	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
15	Total		105.00%	79.13	2
16	The Boston Consulting Group, Inc.				
17	Prime Contractor/Team's Skill and Experience	75.56	25.00%	18.89	
18	Qualifications and Experience of Proposed Key Personnel	80.00	30.00%	24.00	
19	Resource Allocation Plan/Approach	75.83	30.00%	22.75	
20	Price	81.33	15.00%	12.20	
21	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
22	Total		105.00%	77.84	3
23	Alvarez & Marsal Public Sector Services LLC				
24	Prime Contractor/Team's Skill and Experience	76.68	25.00%	19.17	
25	Qualifications and Experience of Proposed Key Personnel	74.43	30.00%	22.33	
26	Resource Allocation Plan/Approach	75.83	30.00%	22.75	
27	Price	44.93	15.00%	6.74	
28	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
29	Total		105.00%	70.99	4

Organizational and Resource Planning and Management

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	KPMG LLP				
3	Prime Contractor/Team's Skill and Experience	80.00	25.00%	20.00	
4	Qualifications and Experience of Proposed Key Personnel	82.23	30.00%	24.67	
5	Resource Allocation Plan/Approach	81.67	30.00%	24.50	
6	Price	86.67	15.00%	13.00	

7	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
8	Total		105.00%	82.17	1
9	Crowe LLP				
10	Prime Contractor/Team's Skill and Experience	77.76	25.00%	19.44	
11	Qualifications and Experience of Proposed Key Personnel	77.77	30.00%	23.33	
12	Resource Allocation Plan/Approach	78.33	30.00%	23.50	
13	Price	100.00	15.00%	15.00	
14	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
15	Total		105.00%	81.27	2
16	The Boston Consulting Group, Inc.				
17	Prime Contractor/Team's Skill and Experience	71.12	25.00%	17.78	
18	Qualifications and Experience of Proposed Key Personnel	74.43	30.00%	22.33	
19	Resource Allocation Plan/Approach	70.83	30.00%	21.25	
20	Price	63.13	15.00%	9.47	
21	Local Small Business Enterprise (LSBE) Preference Program Bonus	0.00	5.00%	0.00	
22	Total		105.00%	70.83	3

C. Price Analysis

The proposed firm fixed fully burdened rates have been determined to be fair and reasonable based upon price analysis, technical evaluation, and fact-finding.

D. Background on Recommended Contractor(s)

Crowe LLP

Crowe LLP (Crowe) is headquartered in Chicago, Illinois. It is a multinational professional services network consisting of more than 220 offices in 13 countries.

Crowe's proposed lead manager has over 25 years of professional work experience in the public sector.

Crowe has provided financial and compliance audit services to Metro, and performance has been satisfactory.

KPMG LLP

KPMG LLP's (KPMG) U.S. headquarters is located in New York. KPMG operates worldwide, offering audit, tax, and advisory services to both the private and public sectors.

KPMG's proposed lead account partner has more than 20 years of experience in providing consulting services.

KPMG LLP has provided services for Metro, and performance has been satisfactory.

DEOD SUMMARY

**STRATEGIC FINANCIAL MANAGEMENT ON-CALL SERVICES
PS132584000 THROUGH PS132584002**

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established an overall ten percent (10%) Small Business Enterprise (SBE) goal for this on-call contract. Proposers could meet the overall SBE goal through any combination of SBE and/or DVBE participation. Each prime consultant, KPMG LLP and Crowe LLP, committed to meeting the overall 10% SBE goal.

Proposers were encouraged to form teams that included SBE and/or DVBE firms without specific work schedules or dollar value commitments. In response to a specific Task Order request with a defined scope of work, prime consultants will be required to identify SBE and/or DVBE subcontractor activity and actual dollar value commitments for that Task Order. Overall SBE achievement in meeting the commitment will be determined based on cumulative participation of all Task Orders awarded to each prime consultant.

Prime: KPMG LLP (Discipline 1)

Small Business Goal	10% SBE	Small Business Commitment	10% OVERALL 7% SBE 3% DVBE
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	SBE/DVBE Subcontractors	SBE Commitment	DVBE Commitment
1.	Asian Consulting LLC	7%	-
2.	DVBE Technology Group	-	3%
Total SBE/DVBE Commitment:		7%	3%

Prime: Crowe LLP (Discipline 3)

Small Business Goal	10% SBE	Small Business Commitment	10% OVERALL 7% SBE 3%DVBE
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	SBE/DVBE Subcontractors	SBE Commitment	DVBE Commitment
1.	Clevor Group	TBD	-
2.	Sperry Capital	TBD	-
3.	TransLink Consulting	TBD	-
4.	Stanfield Systems	-	TBD
5.	Ross Infrastructure	-	TBD
Total SBE/DVBE Commitment:		7%	3%

Prime: KPMG LLP (Discipline 4)

Small Business Goal	10% SBE	Small Business Commitment	OVERALL 10% SBE
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	SBE/DVBE Subcontractors	SBE Commitment
1.	Asian Consulting	10%
Total SBE Commitment:		10%

B. Living Wage and Service Contract Worker Retention Policy Applicability

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

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

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

E. Manufacturing Careers Policy

The Manufacturing Careers Policy (MCP) does not apply to this contract. The MCP is required on Metro's Rolling Stock RFPs, with an Independent Cost Estimate of at least \$50 million.

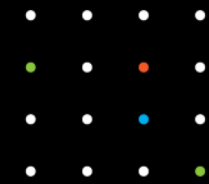
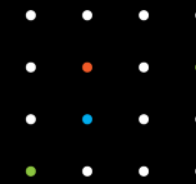
Technical Enhancement & Business Process Advisory Services



Metro

Finance, Budget and Audit Committee
Jul 16, 2026
File ID #2026-0170

Recommendation



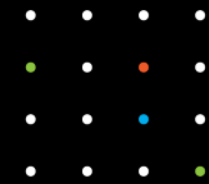
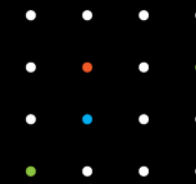
Authorize the Chief Executive Officer (CEO) to:

- A. Award a five-year on-call firm fixed unit rate Contract No. PS132584000 to KPMG LLP to provide custom application development and maintenance in Oracle, Salesforce, and Microsoft SharePoint in the Not To Exceed (NTE) amount of \$12,198,522, subject to the resolution of any properly submitted protest(s), if any; and
- B. Award a five-year on-call firm fixed unit rate Contract No. PS132584001 to Crowe LLP to provide business improvement process studies related to Metro financial/accounting functions in the NTE amount of \$1,562,830, subject to the resolution of any properly submitted protest(s), if any; and
- C. Award a five-year on-call firm fixed unit rate Contract No. PS132584002 to KPMG LLP to provide organizational and resource planning and management in the NTE amount of \$1,201,825, subject to the resolution of any properly submitted protest(s), if any.



Metro

Issue and Discussion



ISSUE

Metro's Strategic Financial Management (SFM) requires access to specialized business processes and technical expertise on an as-needed basis. These services will support Metro's custom financial, budget, and accounting technology applications, business process improvement initiatives, and resource planning and management functions.

DISCUSSION

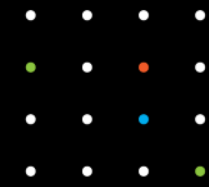
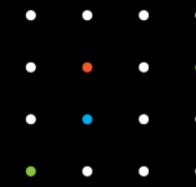
This On-Call Contract will:

- Enable SFM to respond promptly to time-sensitive policy analysis and procedural implementation demands that arise outside regular budgetary and financial cycles.
- Allow updates and enhancements to custom applications to quickly address business requirements
- Ensure continued financial sustainability while safeguarding internal controls in compliance with multi-governmental funding partners and oversight requirements.



Metro

Procurement Evaluation and DEOD Goal



Recommended Vendor:

- 1) KPMG LLP (Contract No: PS132584000 - Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint)
- 2) Crowe LLP (Contract No: PS132584001 - Business Improvement Process Studies)
- 3) KPMG LLP (Contract No: PS132584002 - Organizational and Resource Planning and Management)

Bids/Proposals Received:

- 5 (Custom Application Development and Maintenance in Oracle, Salesforce, and Microsoft SharePoint)
- 4 (Business Improvement Process Studies)
- 3 (Organizational and Resource)

DEOD Goal: 10% Overall; 7% SBE, 3% DVBE



Board Report

File #: 2026-0463, **File Type:** Informational Report

Agenda Number: 29.

FINANCE, BUDGET AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2025

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the fiscal year ended June 30, 2025 (FY25).

ISSUE

As the Regional Transportation Planner for Los Angeles County, the Los Angeles County Metropolitan Transportation Authority (Metro) is responsible for planning, programming, and allocating transportation funding to Los Angeles County jurisdictions, transit operators, and other transportation programs. Metro has the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit and Compliance Reports (Consolidated Audit) are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transit Administration (FTA) guidelines.

The consolidated audit process includes financial and compliance audits of the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure R Local Return
 - Measure M Local Return
 - Transportation Development Act (TDA) Article 3, and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Proposition A Discretionary Incentive Grant
 - Antelope Valley Transit Authority
 - Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, and Torrance
 - Transit System Funds
 - Measure M 20%

- Measure R 20%
- Proposition A Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena
- Low-Income Fare is Easy (LIFE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT.

BACKGROUND

Metro allocates over \$1.2 billion annually to the stated programs and distributes them to the County of Los Angeles (the County), the 88 cities in Los Angeles County (the Cities), and other agencies. Annual audits of the programs ensure that the agencies comply with the applicable rules, regulations, policies, guidelines, and executed Memoranda of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering the programs.

Management Audit Services (MAS) contracted with the certified public accountant firms of Vasquez and Simpson to perform the financial and compliance audits and provide reasonable assurance to management that recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The audits were conducted in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the program guidelines.

DISCUSSION

The consolidated audit process includes financial and compliance audits of Local Return programs. The County and Cities' financial statements were found to present fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP). Below is a more detailed summary of the consolidated audit results:

Propositions A and C

Vasquez and Simpson found that, except for the Cities of Compton, Glendora, Huntington Park, Redondo Beach, and Santa Fe Springs, the County and Cities complied, in all material respects, with the Ordinances and Guidelines requirements applicable to the Proposition A and Proposition C Local Return programs for FY25.

The auditors identified 37 instances of non-compliance for Propositions A and C, consisting of 24 findings that did not result in questioned costs. Thirteen findings with questioned costs totaling \$1.2 million for Proposition A and \$3.6 million for Proposition C represent less than 1% and less than 2%, respectively, of each total fund reviewed. There were 18 repeat findings across 11 cities that were repeats from FY24, except for the City of Huntington Park, whose findings repeated for three consecutive years. Those findings are as follows:

No	Fund	Jurisdiction	Finding
1	Prop A & C	Compton	Late closing process
2	Prop A & C	Cudahy	Exceeding the 20% admin cap
3	Prop A & C	Glendora	Late closing process
4	Prop A	Huntington Park	Late Recreational Transit Form
5	Prop A & C	Huntington Park	Late closing process
6	Prop C	Palos Verdes Estates	No prior approval of projects: Prop A: 1 project of \$313,956 Prop C: 1 project of \$158,459
7	Prop C	Palos Verdes Estates	Late closing process
8	Prop A & C	Redondo Beach	Late closing process
9	Prop C	San Dimas	Lapsed funds of \$9,994
10	Prop A & C	Santa Fe Springs	Late closing process
11	Prop A & C	South Gate	No prior approval of projects: Prop A: 1 project of \$8,115 Prop C: 1 project of \$55,239

To help the County and Cities comply with the requirements, the Consolidated Audit Workshop was conducted on May 13, 2026, and Local Return Program Managers are working closely with the Cities to address the findings. Auditors will verify implementation of the Cities' corrective actions during the FY26 audit.

As required by the Los Angeles County Metropolitan Transportation Authority (LACMTA) Reform and Accountability Act of 1998, the Proposition A and Proposition C Local Return audit results were presented to the Independent Citizens' Advisory and Oversight Committee (ICAOC) on March 4, 2026. A Public Hearing was also conducted on June 3, 2026, to receive public input. The Committee inquired whether penalties exist for non-compliance and noted that, while not wanting to be overly punitive, Cities should be informed that non-compliance is not acceptable.

The Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines for FY25 are included as Attachment A-B.

Measure R

Vasquez and Simpson found that, except for the Cities of Compton, Glendora, Huntington Park, and

Redondo Beach, the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure R Local Return program for FY25.

The auditors found 18 instances of non-compliance for Measure R, consisting of 7 findings that did not result in questioned costs. Eleven findings with questioned costs totaling \$3 million for Measure R represent less than 2% of the total amount reviewed. There were 8 repeat findings that were repeats from FY24, except for the City of Huntington Park, whose findings repeated for three consecutive years as follows:

No	Fund	Jurisdiction	Finding
1	Measure R	Compton	Late closing process
2	Measure R	Cudahy	Exceeding the 20% admin cap
3	Measure R	Culver City	No prior approval of projects: 2 projects of \$377,855
4	Measure R	Glendale	Lapsed funds of \$1,522,484
5	Measure R	Glendora	Late closing process
6	Measure R	Huntington Park	Late closing process
7	Measure R	Palos Verdes Estates	Late closing process
8	Measure R	Redondo Beach	Late closing process

To help the County and Cities comply with the requirements, the Consolidated Audit Workshop was conducted on May 13, 2026 and Local Return Program Managers are working closely with the Cities to address the findings. Auditors will verify implementation of the Cities' corrective actions during the FY26 audit.

As required by the Ordinance, the Measure R Local Return audit results were presented to the Measure R Independent Taxpayers Oversight Committee (MRITOC) on March 9, 2026. A Public Hearing for MRITOC was also conducted on July 8, 2026, to receive public input. The Committee inquired into the follow-up process for findings and expressed concern regarding repeat findings. The Committee also discussed encouraging compliance among Cities by having them attend future meetings to discuss their compliance action plan. The Ordinance also requires the MRITOC to prepare an annual report for the Metro Board, presenting the results of the annual audit process and any findings made (Attachment C).

Measure M

Vasquez and Simpson found that, except for the Cities of Compton, Glendora, Huntington Park, Redondo Beach, and Santa Fe Springs, the County and Cities complied, in all material respects, with

the requirements in the Ordinance and Guidelines that are applicable to the Measure M Local Return program for FY25.

The auditors found 18 instances of non-compliance for Measure M, consisting of 8 findings that did not result in questioned costs. Ten findings with questioned costs totaling \$3 million for Measure M represent less than 2% of the total amount reviewed. There were 10 repeat findings that were repeats from FY24, except for the City of Huntington Park, whose findings were repeated for three consecutive years as follows:

No	Fund	Jurisdiction	Finding
1	Measure M	Artesia	No prior approval of a project of \$28,885
2	Measure M	Compton	Late closing process
3	Measure M	Cudahy	Exceeding the 20% admin cap
4	Measure M	Culver City	No prior approval of a project of \$864,786
5	Measure M	Glendora	Late closing process
6	Measure M	Huntington Park	Late closing process
7	Measure M	Palos Verdes Estates	No prior approval of projects: 2 projects of \$630,885
8	Measure M	Palos Verdes Estates	Late closing process
9	Measure M	Redondo Beach	Late closing process
10	Measure M	Santa Fe Springs	Late closing process

To help the County and Cities comply with the requirements, the Consolidated Audit Workshop was conducted on May 13, 2026 and Local Return Program Managers are working closely with the Cities to address the findings. Auditors will verify implementation of the Cities' corrective actions during the FY26 audit.

As required by the Ordinance, the Measure M Local Return audit results were presented to the Measure M Independent Taxpayer Oversight Committee (MMITOC) on March 4, 2026. A Public Hearing was also conducted on June 3, 2026, to receive public input. The Committee raised questions regarding the decline in fund balances, the materiality and recurrence of findings, and strategies to best support the Cities going forward. The Ordinance also requires the MMITOC to prepare an annual report for the Metro Board, presenting the results of the annual audit process and

any findings made (Attachment D).

Non-Local Return

The consolidated audit process includes financial and compliance audits of Non-Local Return programs. The following is a summary of consolidated audit results:

The auditors found that, except for the TDA Article 3 program of the Cities of Compton, Glendora, Huntington Park, and Redondo Beach, the schedules/financial statements for the various programs included in the Consolidated Audit presented fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. The auditors noted several compliance findings, including 19 for the TDA Article 3 program, 1 for invoice approval for the High Desert Corridor JPA, 1 for unsupported balancing entry of \$697,841 for Access Services, and 1 for late invoices for Metrolink. There were nine repeat findings for the TDA program from the prior fiscal year's audit related to lapsed or unencumbered fund balances and the timeliness of the closing process.

With the removal of the annual re-enrollment requirement in Spring 2023, Simpson was engaged to conduct semiannual Agreed-Upon Procedures (AUP) engagements for the LIFE program administrators, FAC and the International Institute of Los Angeles (IILA) to assess compliance with eligibility verification requirements for two periods: July-December 2024 and January-June 2025. The engagements are conducted to provide assurance of continued compliance with the program's eligibility criteria, ensuring that patrons continue to meet the eligibility. The engagement covering the period from July 1, 2024 through December 31, 2024 and January 1, 2025 through June 30, 2025, found that while all sampled documentation was properly maintained, only 52% of patrons confirmed eligibility across both periods, with 6% submitting incomplete information, and 42% unresponsive - often due to the transient lifestyle of some walk-in patrons, including those experiencing homelessness, which often leads to outdated or inaccurate contact details. To improve responsiveness, Simpson recommended strengthening outreach through periodic contact verification and multiple communication channels, while prioritizing accurate contact information throughout program participation.

Cities with repeat findings demonstrated accountability by appearing before the ITOCs to address their findings and mitigating action plans. Culver City failed to appear was sent a formal letter from the MRITOC Chair regarding its non-compliance. They subsequently attended the Measure R Public Hearing on July 8, 2026.

Metro Program Managers continue to work with fund recipients to resolve the remaining open findings. The independent auditors will validate the resolution of all findings within next year's annual Consolidated Audit Financial and Compliance Report process.

Due to the considerable size of the documents, additional Consolidated Audit reports are accessible online.

The comprehensive financial and compliance audit reports issued by Vasquez are accessible online at:

[<https://libraryarchives.metro.net/DB_Attachments/Vasquez%20FY25/>](https://libraryarchives.metro.net/DB_Attachments/Vasquez%20FY25/)

The comprehensive financial and compliance audit reports issued by Simpson are accessible online at:

[<https://libraryarchives.metro.net/DB_Attachments/Simpson%20FY25/>](https://libraryarchives.metro.net/DB_Attachments/Simpson%20FY25/)

*In May 2024, FAC filed for Chapter 7 bankruptcy, resulting in the termination of its LIFE program contract by June of that year. Key staff transitioned to the remaining LIFE program administrator, IILA, to ensure continuity of services and program administration. Although IILA is the sole administrator, the audit period July-Dec 2024 includes patrons who were originally enrolled under both FAC and IILA.

EQUITY PLATFORM

The Consolidated Audit, Financial, and Compliance Reports in this report support compliance with applicable ordinances and guidelines, as well as assist program managers in effectively managing and administering programs that serve all communities throughout the County. There are no known equity impacts or concerns associated with the audit services conducted to complete the FY25 Consolidated Audit.

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 in support of Metro's various projects and programs. Because the Metro 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

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects/programs developed with these funds directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

NEXT STEPS

Staff will continue to work with the respective jurisdictions to resolve the findings. As many of the findings relate to late-form submittals and process updates, the auditors will validate the resolution of the findings during next year's annual Consolidated Audit process. Findings that are not resolved will be identified as repeat findings and will escalate in terms of materiality.

ATTACHMENTS

Attachment A - FY25 Proposition A and Proposition C Local Return Reports (Vasquez)

Attachment B - FY25 Proposition A and Proposition C Local Return Reports (Simpson)

Attachment C - FY25 Measure R Annual Report

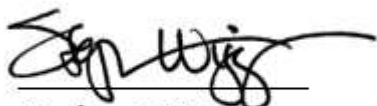
Attachment D - FY25 Measure M Annual Report

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Stephanie Wiggins
Chief Executive Officer



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO PROPOSITION A
AND PROPOSITION C ORDINANCES AND PROPOSITION A
AND PROPOSITION C LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO PROPOSITION A
AND PROPOSITION C ORDINANCES AND PROPOSITION A AND PROPOSITION C
LOCAL RETURN GUIDELINES**

**To the Board of Directors of the Los Angeles County
Metropolitan Transportation Authority
and Proposition A and Proposition C
Independent Citizen's Advisory and Oversight Committee**

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2025.

Basis for Opinion

We conducted our audits 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 Guidelines. Our responsibilities under those standards and the 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 the County and the Cities and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management of the County and the Cities is responsible for their compliance with the Guidelines 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 County and each City's Proposition A Local Return program and Proposition C Local Return 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 the County's and the Cities' 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 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 the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 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 the County's and the Cities' 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 County's and the Cities' 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 Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' 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.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-018. Our opinion is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 the 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 the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-005, #2025-011, #2025-012, and #2025-016 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-006 and #2025-017 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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 Guidelines. Accordingly, this report is not suitable for any other purpose.

Vasquez & Company LLP

Glendale, California
December 31, 2025

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2025**

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNSDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2025

1. Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for local return purposes.
2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.
3. Funds were expended with Metro's approval and were not substituted for property tax.
4. Timely use of funds.
5. Administrative expenses are within the 20% cap.
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.
10. Local Return Account is credited for reimbursable expenditures.
11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.
13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.
17. All on-going and carryover projects were reported on Form B or electronic equivalent.
18. Cash or cash equivalents are maintained.
19. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year ended June 30, 2025**

The audits of the County of Los Angeles and the 39 cities have resulted in 18 findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the
			PALRF	PCLRF	Audit
Funds were expended with Metro's approval and were not substituted for property tax.	2	Huntington Park (See Finding #2025-008)	\$ 10,945	\$ 285,310	\$ 296,255
		South Gate (See Finding #2025-017)	8,115	55,239	63,354
Timely use of funds.	2	Compton (See Finding #2025-004)	546,252	1,215,734	1,761,986
		Vernon (See Finding #2025-018)	2,276	198	2,474
Administrative expenses are within the 20% cap.	1	Cudahy (See Finding #2025-006)	36,989	69,184	106,173
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Bell Gardens (See Finding #2025-001)	None	-	None
		Huntington Park (See Finding #2025-009)	None	None	None
		Lynwood (See Finding #2025-014)	-	None	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	2	Calabasas (See Finding #2025-002)	None	None	None
		Huntington Park (See Finding #2025-010)	None	None	None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	4	Carson (See Finding #2025-003)	-	None	None
		Hawthorne (See Finding #2025-007)	-	None	None
		Lawndale (See Finding #2025-013)	-	None	None
		Montebello (See Finding #2025-015)	None	None	None
Recreational transit form was submitted on time.	1	Huntington Park (See Finding #2025-011)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	3	Compton (See Finding #2025-005)	None	None	None
		Huntington Park (See Finding #2025-012)	None	None	None
		Santa Fe Springs (See Finding #2025-016)	None	None	None
Total Findings and Questioned Costs	18		\$ 604,577	\$ 1,625,665	\$ 2,230,242

Details of the above findings are presented in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

PALRF Finding #2025-001	City of Bell Gardens
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via LRMS for the PALRF's Project Code 107, DART Services. The amount in excess of 25 percent of the approved budget was \$70,724. Projects with greater than 25 percent change from the approved project budget must be amended by submitting a Project Description Form (Form A) or a budget request via LRMS.
Cause	The condition was caused by staff oversight.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, resulting in the City's noncompliance with this requirement.
Recommendation	We recommend the City submit a revised Form A or submit a budget request via LRMS to obtain Metro's approval for changes to the project budget and implement internal controls to ensure ongoing compliance with this requirement.
Management's Response	The City submitted an updated Budget Request and obtained retroactive approval for the project on December 31, 2025.
Finding Corrected During the Audit	On December 31, 2025, the Metro Program Manager granted retroactive approval of the said project. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

PALRF and PCLRF Finding #2025-002	City of Calabasas
Compliance Reference	Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year".
Condition	The City missed the August 1, 2024 filing deadline for Form B, submitting the 8/1 Table late. The City submitted Form B on August 5, 2024.
Cause	Due to staffing changes in the Public Works Department, there was a transition period that affected the changeover of required reporting communications with Metro.
Effect	The City submitted Form B 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form B via LRMS prior to the August 1 st deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure the 8/1 Table is submitted in a timely manner by August 1 st for each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on August 5, 2024. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-003	City of Carson
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840."
Condition	The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 28, 2022 has a January 2022 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025. A PMS Certification is required for PCLRF Project code 705, Citywide Street Repair project.
Cause	There was a turnover in permanent staff and a turnover in consultants.
Effect	The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-003 (Continued)	City of Carson
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The City is actively working to rectify this issue. A new PMS assessment has been initiated, and the updated certification is currently under internal review. The City anticipates presenting it to the City Council for formal approval within the next quarter. Once approved, the certification will be promptly submitted to Metro.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-004	City of Compton
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A and Proposition C funds amounting to \$546,252 and \$1,215,734, respectively, which lapsed as of June 30, 2025.
Cause	The City did not have sufficient expenditures related to the projects to cover the lapsing amounts.
Effect	The City was not in compliance with the Proposition A and Proposition C LR Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A and Proposition C funds are used in a timely manner.
Management's Response	On December 12, 2025, the City received Metro's approval for the extension of the use of funds until June 30, 2026.
Finding Corrected During the Audit	On December 12, 2025, Metro granted an extension for the use of the lapsed funds amounting to \$546,252 and \$1,215,734 from Proposition A and Proposition C funds, respectively, through June 30, 2026. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-005 (Material Weakness)	City of Compton
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of the audit on December 30, 2025, the City's year-end closing process was still ongoing. We noted the following critical observations: • Cut-off procedures related to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected prior period's account balances. • Beginning fund balances were not reconciled with prior year's audited reports. • The audits of the City's financial statements for the fiscal years 2024 and 2025 have not yet been completed due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal year 2024.
Cause	During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. Currently, accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-005 (Material Weakness) (Continued)	City of Compton
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task, the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to the users in a timely manner.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-006 (Significant Deficiency)	City of Cudahy
Compliance Reference	Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges."
Condition	The City claimed PALRF administrative expenses in excess of the 20% cap, totaling \$9,893. This is a repeat finding from prior year's audit relating to the PALRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 610, Administrative Prop A to \$121,791, resulting in an excess of \$27,096. Additionally, the PCLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 620, Administration Prop C to \$77,180, resulted in an excess of \$69,184.
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Accounts the amounts exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Accounts the amounts over the 20% cap totaling \$36,989 and \$69,184, for PALRF and PCLRF, respectively.
Finding Corrected During the Audit	The City has recorded a due from General Fund in FY2024/25. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-007	City of Hawthorne
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."
Condition	The City submitted its Pavement Management System (PMS) certification late during FY 2024/25. Although a PMS assessment and inventory is required to be conducted and maintained every 3 years, the certification submitted to Metro on October 15, 2025 references an October 2023 inventory update and pavement condition review. While the inventory itself is within the required 3-year window, the certification was not submitted in a timely manner during the fiscal year. A PMS Certification is required for PCLRF Project code 715, Street Improvement Projects and Bus Routes Street Lighting.
Cause	There was a turnover in permanent staff and a turnover in consultants.
Effect	The City was not in compliance with the criteria stipulated in the Local Return Guidelines.
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25.
Finding Corrected During the Audit	The City subsequently submitted the PMS Certification on October 15, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-008	City of Huntington Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under the following Proposition A projects prior to obtaining approval from Metro. a. Project Code 135, User Side Subsidy (Elderly/Handicapped), totaling \$2,044. b. Project Code 155, Special Event Transit, totaling \$8,901 Further, the City claimed an expenditure under the following Proposition C project prior to approval from Metro. c. Project Code 170, Bus Shelter Maintenance Program, totaling \$285,310 Although the expenditures were determined to be eligible for Local Return funding, these projects did not have prior approval from Metro.
Cause	This condition was caused by turnover of the City staff responsible for completing the Expenditure Plan. A City staff member who is currently assigned to monitor the Proposition A Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Proposition A and Proposition C in previous fiscal years. The City was not able to submit a budget request for Metro's approval until after June 30, 2025.
Effect	The City claimed expenditures totaling \$10,945 in Proposition A LR funds and \$285,310 in Proposition C LR funds prior to obtaining approval from Metro. As a result, the City did not comply with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-008 (Continued)	City of Huntington Park
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted Budget Requests via LRMS and obtained retroactive approval for the projects on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the projects was obtained through LRMS on December 11, 2025. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-009	City of Huntington Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request via LRMS for the PALRF's Project Code 105, Fuel for Fixed Route and Dial-A-Ride program and PCLRF's Project Code 107, Fuel for Fixed Route & Dial-A-Ride. The amounts exceeding 25 percent of the approved budgets were \$16,735 for each project. Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.
Cause	This condition was caused by turnover of the City staff responsible for completing the Expenditure Plan. A City staff member who is currently assigned to monitor the Proposition A Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Proposition A and Proposition C in previous fiscal years. The City was not able to submit revised budget requests for Metro's approval until after June 30, 2025.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval, resulting in the City's noncompliance with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-009 (Continued)	City of Huntington Park
Recommendation	We recommend the City submit a revised Form A or a Budget Request via LRMS to obtain Metro's approval for the change in the project budget and implement internal controls to ensure ongoing compliance with this requirement.
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request via LRMS and obtained retroactive approval of the budget for said projects on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the revised budgets of the projects was obtained via LRMS on December 11, 2025. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-010:	City of Huntington Park
Compliance Reference	Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year".
Condition	The City missed the August 1, 2024 deadline of Form B, submitting the 8/1 Table late. Form B was submitted on October 15, 2024.
Cause	This condition was caused by turnover of the City staff responsible for completing Form B, 8/1 Table. A City staff member who is currently assigned to submit Form B, 8/1 Table was unaware of the requirements to submit Form B, 8/1 Table by August 1st of each year.
Effect	The City submitted the Form B 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form B via LRMS prior to the August 1st deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure 8/1 Table is submitted in a timely manner by August 1st of each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on October 15, 2024. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF Finding #2025-011 (Material Weakness)	City of Huntington Park
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actuals Entry, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification for PALRF on November 17, 2025, which was 33 days after the October 15, 2025 due date. This is a repeat finding from the fiscal years 2023 and 2024.
Cause	This condition was caused by turnover in City staff responsible for completing the Recreation Transit Form. A City staff member who is currently assigned to monitor the Recreational Transit Expenditure Plan was unaware of the requirements to submit the Recreational Transit Form by October 15th of each year.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15th as required by the Guidelines.
Management's Response	The City will ensure that the Recreational Transit Certification is submitted in a timely manner by October 15th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification on November 17, 2025. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-012 (Material Weakness)	City of Huntington Park
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, state that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork, December 29, 2025, the City's year-end closing process was still ongoing for the fiscal year 2025. The following critical observations have been identified: • Cut-off procedures relating to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected the prior period's account balances. • Certain accounts and beginning fund balances were not reconciled to the City's published 2024 audited reports. Accordingly, the audit of the City's financial statements for the fiscal year 2025 remains in progress due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal years 2023 and 2024.
Cause	During the fiscal years 2021 through 2025, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2025 and prior years. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-012 (Material Weakness) (Continued)	City of Huntington Park
Recommendation	The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures should be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to users on a timely basis. We further recommend that the City maintain a separate bank account for its local return funds. This will also help in monitoring and tracking the activities and balances of local return funds.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-013	City of Lawndale
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."
Condition	The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 15, 2022 has a June 2022 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025. A PMS Certification is required for PCLRF Project code 705, Street Improvements.
Cause	The PMS certification was missed as a result of staff turnover in the Public Works Department.
Effect	The City was not in compliance with the criteria stipulated in the Local Return Guidelines.
Recommendation	We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The Public Works Director is addressing this matter, with renewal underway to ensure compliance for FY 2025/26.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-014	City of Lynwood
Compliance Reference	Section I (C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request via LRMS for the PCLRF's Project Code 470, SCAG Dues. The amount in excess of 25 percent of the approved budget was \$12,456. Projects with more than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.
Cause	The City did not anticipate incurring eligible expenditures for this project. As a result, the City was not able to submit a revised budget request for Metro's approval until after June 30, 2025.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, resulting in noncompliance with the Guidelines.
Recommendation	We recommend the City submit a revised Form A or submit a Budget Request via LRMS to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-014 (Continued)	City of Lynwood
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on December 29, 2025.
Finding Corrected During the Audit	On December 29, 2025, the Metro Program Manager granted retroactive approval of the said project. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-015	City of Montebello
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance "or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."
Condition	The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 13, 2022 has a July 2021 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025. A PMS Certification is required for PCLRF Project code 705, Nationwide Street Sweeping project.
Cause	There was a delay due to awaiting the final report from the City's consultant for the final inventory and pavement assessment, as well as the subsequent presentation to City Council.
Effect	The City was not in compliance with PMS certification as required by the Local Return Guidelines.
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-015 (Continued)	City of Montebello
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The City will closely coordinate with the consultant in providing the PMS information and establish a firm deadline for completion to ensure timely submission in the future.
Finding Corrected During the Audit	The City submitted the current PMS certification to Metro on August 27, 2025 with an August 2025 inventory update and review of pavement condition completion date. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-016 (Material Weakness)	City of Santa Fe Springs
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork on December 30, 2025, the City's year-end closing process was still ongoing. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.
Cause	During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that financial statements are updated and provided to users on a timely basis.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-016 (Material Weakness) (Continued)	City of Santa Fe Springs
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure monthly and annual year-end closing processes are well documented and completed on time.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-017 (Significant Deficiency)	City of South Gate
Compliance Reference	Section I (C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under the following Proposition A project prior to approval from Metro. a. Project code 610, Traffic Development Impact Fee Study, totaling \$8,115 Further, the City claimed expenditures under the following Proposition C projects prior to approval from Metro. b. Project code 303, Tweedy Boulevard Traffic Signal Synchronization, totaling \$47,124; and c. Project code 620, Traffic Development Impact Fee Study, totaling \$8,115. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro. This is a repeat finding for PCLRF from prior year.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2025.
Effect	The City claimed expenditures totaling \$8,115 of Proposition A LR funds and \$55,239 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-017 (Significant Deficiency) (Continued)	City of South Gate
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted Budget Requests via LRMS and obtained retroactive approval of the budgets for said projects on October 13, 2025.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on October 13, 2025. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-018	City of Vernon
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A and Proposition C funds from FY22 allocations amounting to \$2,276 and \$198, respectively, which lapsed as of June 30, 2025.
Cause	This was caused by oversight of the City's personnel.
Effect	The City did not comply with Proposition A and Proposition C LR Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that Proposition A and Proposition C funds are used timely.
Management's Response	The City acknowledges the oversight. To prevent recurrence, the City will implement enhanced procedures and internal controls to ensure timely expenditure of Proposition A and Proposition C funds.
Finding Corrected During the Audit	On December 16, 2025, Metro granted an extension for the use of the funds remaining with the City through June 30, 2026. No follow-up is required.



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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO
PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSITION A AND PROPOSITION C
LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE
TO PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSTION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority and
Proposition A and Proposition C Independent Citizen's Advisory and Oversight Committee

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance areas tested and related findings are identified in the accompanying Compliance Areas Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2025.

Basis for Opinion

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 Guidelines. Our responsibilities under those standards and the 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 the Cities 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 with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.





Responsibilities of Management for Compliance

Management of the Cities are responsible for their compliance with the Guidelines 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 each City's Proposition A Local Return program and Proposition C Local Return 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 the Cities' 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 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 the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 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 the Cities' 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 Cities' 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 Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' 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.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-019. Our opinion is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 the 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 the 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 the 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-006, #2025-011, #2025-012, #2025-013, and #2025-014 that we consider to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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 Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 31, 2025

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2025**

- | | |
|----------------------------------|-----------------------------------|
| 1. CITY OF ALHAMBRA | 31. CITY OF PALMDALE |
| 2. CITY OF ARCADIA | 32. CITY OF PALOS VERDES ESTATES |
| 3. CITY OF ARTESIA | 33. CITY OF PARAMOUNT |
| 4. CITY OF AVALON | 34. CITY OF PASADENA |
| 5. CITY OF BELLFLOWER | 35. CITY OF RANCHO PALOS VERDES |
| 6. CITY OF BRADBURY | 36. CITY OF REDONDO BEACH |
| 7. CITY OF BURBANK | 37. CITY OF ROLLING HILLS |
| 8. CITY OF CERRITOS | 38. CITY OF ROLLING HILLS ESTATES |
| 9. CITY OF CLAREMONT | 39. CITY OF SAN DIMAS |
| 10. CITY OF COVINA | 40. CITY OF SAN GABRIEL |
| 11. CITY OF DIAMOND BAR | 41. CITY OF SAN MARINO |
| 12. CITY OF DOWNEY | 42. CITY OF SANTA CLARITA |
| 13. CITY OF DUARTE | 43. CITY OF SIERRA MADRE |
| 14. CITY OF EL SEGUNDO | 44. CITY OF SIGNAL HILL |
| 15. CITY OF GLENDALE | 45. CITY OF SOUTH PASADENA |
| 16. CITY OF GLENDORA | 46. CITY OF TEMPLE CITY |
| 17. CITY OF HAWAIIAN GARDENS | 47. CITY OF TORRANCE |
| 18. CITY OF HERMOSA BEACH | 48. CITY OF WEST COVINA |
| 19. CITY OF LA CANADA FLINTRIDGE | 49. CITY OF WHITTIER |
| 20. CITY OF LA HABRA HEIGHTS | |
| 21. CITY OF LA MIRADA | |
| 22. CITY OF LA VERNE | |
| 23. CITY OF LAKEWOOD | |
| 24. CITY OF LANCASTER | |
| 25. CITY OF LOMITA | |
| 26. CITY OF LONG BEACH | |
| 27. CITY OF LOS ANGELES | |
| 28. CITY OF MANHATTAN BEACH | |
| 29. CITY OF MONROVIA | |
| 30. CITY OF NORWALK | |

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Areas Tested
Fiscal Year Ended June 30, 2025

1. Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for local return purposes.
2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.
3. Funds were expended with Metro's approval and were not substituted for property tax.
4. Timely use of funds.
5. Administrative expenses are within the 20% cap.
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.
10. Local Return Account is credited for reimbursable expenditures.
11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.
13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.
17. All on-going and carryover projects were reported on Form B or electronic equivalent.
18. Cash or cash equivalents are maintained.
19. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025

The audits of the 49 cities have resulted in nineteen (19) findings. The table below summarizes these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRf	
Funds were expended with Metro's approval and were not substituted for property tax.	4	Bradbury (#2025-002)	-	\$ 51,897	\$ 51,897
		Glendora (#2025-005)	\$ 81,525	-	81,525
		Palos Verdes Estates (#2025-011)	313,956	954,157	1,268,113
		Signal Hill (#2025-016)	-	94,940	94,940
Timely use of funds.	2	Lancaster (#2025-009)	-	708,927	708,927
		San Dimas (#2025-014)	-	9,994	9,994
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	El Segundo (#2025-004)	None	-	None
		La Verne (#2025-008)	None	-	None
Pavement Management System (PMS) is in place and used for Street Maintenance or Improvement Projects Expenditures.	3	Artesia (#2025-001)	-	None	None
		Palmdale (#2025-010)	-	None	None
		Signal Hill (#2025-017)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	8	Covina (#2025-003)	None	-	None
		Glendora (#2025-006)	None	None	None
		Glendora (#2025-007)	167,443	48,825	216,268
		Palos Verdes Estates (#2025-012)	-	None	None
		Redondo Beach (#2025-013)	None	None	None
		San Marino (#2025-015)	None	-	None
		Temple City (#2025-018)	None	-	None
		West Covina (#2025-019)	-	71,611	71,611
Total Findings and Questioned Cost	19		\$ 562,924	\$ 1,940,351	\$ 2,503,275

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

PCLRF Finding #2025-001	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects. PMS must include the following: • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria". A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.
Condition	A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, FY 2024-25 Pavement Management System. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in April 2025.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-001 (Continued)	City of Artesia
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City subsequently submitted the PMS Certification Form to Metro on December 15, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-002	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	During the fiscal year 2024-25, the City expended a total of \$51,897 for PCLRF Project Code 781 - Bradbury Road Project prior to receiving formal approval from Metro.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City accepts the finding and will ensure to establish procedures to ensure that expenditures are approved by Metro prior to expending the funds and new personnel are made aware of the procedures.
Finding Corrected During the Audit	The City received retroactive approval from Metro on December 12, 2025 for the budget related to Project Code 781 – Bradbury Road Project in the amount of \$51,897. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-003	City of Covina
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	During our payroll testing, we noted that the City did not provide contemporaneous timesheets to support the hours charged to PALRF’s Transit Administration Project Code 610 for the payroll periods tested: a) September 6, 2024 b) November 29, 2024 c) April 4, 2025 Instead, the City provided supplemental after-the-fact allocation records to demonstrate the hours worked on the program. While the supplemental information appears to reasonably support and substantiate that the hours charged were eligible, the documentation was signed and dated by the employees and supervisors in October 2025, several months to as much as a year after the work was performed.
Cause	The City lacked a process to ensure that payroll allocation documentation was prepared and signed timely.
Effect	Because the supplemental after-the-fact allocation records were not prepared at or near the time of the payroll periods tested, they do not constitute contemporaneous support for the hours charged. Without contemporaneous documentation, there is an increased risk that the hours charged may not accurately reflect the work performed during the said payroll periods.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the supplemental documentation at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds’ projects.
Management’s Response	Starting fiscal year 2025-26, the City will complete a 30-day time study as a supplemental support to the employee’s timesheet in order to establish a reasonable basis for the payroll costs charged to PALRF.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-004	City of El Segundo
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget for the PALRF Project Code 107, Dial-A-Ride projects, by more than 25 percent, resulting in a combined overage of \$10,738.
Cause	This was an oversight by the City due to personnel turnover during the fiscal year.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro's approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro's approval for any budget change prior to expenditures of funds.
Management's Response	Due to City staff turnover, the City informed Metro after project expenditures exceeded the 25% threshold. City staff are now aware of updating the LRMS and moving forward, they will inform Metro when project expenditures are expected to deviate above or below the 25% threshold.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive approval to increase the project budget from \$119,282 to \$159,840 on December 11, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-005	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The expenditures for the PALRF's Special Event Transit Project Code 155, totaling \$81,525, were incurred prior to Metro's approval. However, the City subsequently received an approved budget from Metro in the amount of \$81,525 for the PALRF project on December 15, 2025.
Cause	The expenditures were incurred due to timing and communication gaps between project budget submission, approval status tracking, and operational execution. The City initiated the project expenditures before formal confirmation of Metro's approval. Additionally, internal controls did not sufficiently prevent expenditures from being processed while the approval was still pending.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-005 (Continued)	City of Glendora
Management's Response	The City acknowledges the finding. Retroactive budget approval for PALRF's Special Event Transit Project Code 155 was received from Metro on December 15, 2025 in the amounts of \$81,525, fully covering the expenditures incurred. No unallowable costs remain outstanding. To ensure this issue does not recur, the City will implement the following measures: Formal Budget Approval Verification • Project expenditures will not commence until written confirmation of Metro budget approval is received and documented. • Finance Department will maintain approval documentation within the project file. Internal Approval Controls • Finance Department staff will verify Metro approval status prior to setting up or activating project codes in the financial system. • Project codes will remain restricted from posting charges until approval is confirmed. Enhanced Communication Protocol • A formal notification process will be established between Finance Department and program staff confirming when Metro approval has been received and the expenditures may begin. • Program Managers will be reminded that "budget submitted" does not equate to "budget approved." Tracking and Monitoring • A centralized tracking log will be maintained to monitor submission dates, approval status, and authorized expenditure start dates for all of the Metro-funded projects. • Periodic reviews will be conducted to ensure compliance prior to cost incurrence.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$81,525 for the said PALRF project on December 15, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-006 (Significant Deficiency)	City of Glendora
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..."
Condition	The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024. This is a repeat finding from the fiscal year 2024.
Cause	The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to the delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
Effect	The delay in preparing the bank reconciliations and finalizing the year-end closing process increases the risk of inaccuracies in the financial records, which could lead to misstated financial statements. This also limits the ability to ensure the integrity of cash balances and related accounts and to properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for both bank reconciliations and year-end closing procedures to ensure they are completed on a timely basis. This should include assigning clear responsibilities and deadlines for staff, as well as providing adequate training on the new financial system, and monitoring progress to ensure that discrepancies are identified and resolved promptly.
Management's Response	The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-007	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...” In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that: “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (b) A Federal award and non-Federal award. (5) Personnel activity reports or equivalent documentation must meet the following standards: : (a) They must reflect an after the fact distribution of the actual activity of each employee, : (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-007 (Continued)	City of Glendora
Condition	During our payroll testing, we noted that the payroll costs allocated to the Proposition A Local Return Fund's (PALRF) Transportation Planning Project Code 180 and Administration Proposition A Project Code 610, and Proposition C Local Return Fund's (PCLRF) Transportation Planning Project Code 180 were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities. In addition, the employees' timesheets did not identify the specific hours worked on the above projects for the following payroll periods tested: (a) October 27, 2024 (b) December 22, 2024 (c) February 2, 2025 As a result, we were unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible PALRF and PCLRF activities for total amounts of \$167,443 and \$48,825, respectively.
Cause	The fiscal year 2024-25 was the City's first full fiscal year operating under a new Time and Attendance system. During system implementation, the City relied on guidance provided by the implementation representative and configured payroll cost allocations in accordance with that guidance. At that time, it was assumed that this configuration would meet Metro's cost allocation and documentation requirements. However, it was determined that this setup did not fully capture or report actual hours worked by project or activity as required for detailed payroll and benefit cost allocation.
Effect	The payroll costs and employee benefits charged under the PALRF and PCLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-007 (Continued)	City of Glendora
Management's Response	The City acknowledges the finding and has taken corrective action to ensure full compliance with Metro requirements. The City has engaged a third-party consultant with specialized expertise in Time and Attendance system configuration and Metro grant compliance. The City is currently developing and implementing detailed activity and project codes to capture actual hours worked by employee and by specific project. Updating Time and Attendance system configurations will ensure that payroll costs and employee benefits are allocated based on actual hours worked and supported by timesheet documentation. Reviewing internal payroll and reporting procedures will also help ensure consistent application and ongoing compliance. These actions will strengthen internal controls, improve payroll cost transparency, and ensure all future personnel cost charges to Metro-funded projects are fully supported and compliant with Metro requirements. The City met with a third-party consultant specializing in Time and Attendance system configuration and job costing to evaluate options for achieving full compliance with Metro's payroll documentation requirements. During this discussion, the consultant proposed implementing job costing within the Time and Attendance system as a means to independently track employee time by project. The conversation also emphasized the need for a structured and consistent method of time tracking and project management, particularly to distinguish hours worked on local transportation projects from those charged to the General Fund. This approach will allow the City to accurately capture actual hours worked at the employee level and allocate payroll costs and related benefits directly to the appropriate funding source. Based on this guidance, the City is moving forward with: • Establishing job costing and project/activity codes within the Time and Attendance system; • Requiring employees to record time worked by project, including transportation-related projects funded by Metro; • Aligning payroll reporting with Metro's documentation and compliance requirements. These enhancements will improve accuracy, transparency, and auditability of personnel cost allocations going forward.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-007 (Continued)	City of Glendora
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively, and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-008	City of La Verne
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
Condition	The City exceeded more than 25 percent of Metro's approved budget on the following projects: a. PALRF’s Get About Pass Subsidy Project Code 135 in the amount of \$875. b. PALRF’s Senior Bus Pass Subsidy Project Code 135 in the amount of \$555. c. PALRF’s Administration Project Code 610 in the amount of \$2,584. However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$9,000 for the PALRF’s Get About Pass Subsidy Project Code 135, in the amount of \$1,000 for the PALRF’s Senior Bus Pass Subsidy Project Code 135, and in the amount of \$109,000 for the PALRF’s Administration Project Code 610 on October 6, 2025.
Cause	On June 24, 2025, the Program Administrator requested a budget increase on the three PALRF projects but mistakenly entered the revised budgets as actual expenditures in the LRMS. As a result, the Metro budgets for these three projects were unchanged.
Effect	The City’s PALRF project expenditures exceeded 25 percent of Metro’s approved budget prior to Metro’s approval, and the City did not comply with the Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro’s approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro’s approval for any budget change prior to expenditures of funds.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-008 (Continued)	City of La Verne
Management's Response	The Program Administrator was given the proper training on entering any future budget modifications in the LRMS. When the Metro budget adjustment is required, the Finance department will contact Metro directly or create a new budget request by following Metro's updated guidance. Also, the Finance department will perform a final year-end review of all LRMS entries to ensure that the proper Metro budgets and actual expenditures were entered correctly.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approvals for the said projects on October 6, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-009	City of Lancaster
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2022 PCLRF ending fund balance in the amount of \$708,927 was not fully expended within the required three-year period as of June 30, 2025, nor was it reserved for capital projects in accordance with the Proposition A and Proposition C Local Return Guidelines.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved in accordance with the Proposition A and Proposition C Local Return Guidelines.
Finding Corrected During the Audit	On December 10, 2025, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2026. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-010	City of Palmdale
Compliance Reference	A According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects. PMS must include the following: • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria". A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.
Condition	A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management Program. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired during the fiscal year 2025.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-010 (Continued)	City of Palmdale
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026, and Metro granted the extension on December 11, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-011 (Significant Deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	During the fiscal year ended June 30, 2025, the City incurred expenditures prior to receiving Metro approval. The expenditures incurred prior to approval were as follows: • \$313,956 for Project Code 490 — JPA Transit Contribution (PALRF); and • \$158,459 for Project Code 705 — Annual Resurfacing Project (PCLRF). In addition, the City incurred expenditures related to the fiscal year 2024 prior to receiving Metro approval. These amounts were subsequently recorded as prior period adjustments in the fiscal year 2025. The prior-year expenditures totaled \$795,698, all of which pertain to PCLRF projects, and consisted of: • \$319,306 for Project Code 705 — FY 23/24 Annual Resurfacing Project; and • \$476,392 for Project Code 705 — FY 23/24 Annual Slurry Seal Project. This is a repeat finding from the fiscal year 2024.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-011 (Significant Deficiency) (Continued)	City of Palos Verdes Estates
Management's Response	The City accepts the finding. The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.
Finding Corrected During the Audit	On December 10 and December 11, 2025, the City received retroactive approval from Metro for the budget related to Project Code 490 – JPA Transit Contribution to the Palos Verdes Peninsula Transit Authority Project (PALRF) in the amount of \$314,000, and Project Code 705 – Annual Resurfacing Project (PCLRF) in the amount of \$782,000, respectively. On December 18, 2025, the City additionally received retroactive approval from Metro in the amounts of \$319,400 for the FY 23/24 Annual Resurfacing Project and in the amount of \$476,400 for the FY 23/24 Annual Slurry Seal Project. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-012 (Significant Deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section V, Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits.”
Condition	During the procedures performed to reconcile the beginning balances of the fiscal year 2025 financial statements to the audited ending balances as of June 30, 2024, for PCLRF, we noted that the City recorded certain fiscal year 2024 Local Return Funds project expenditures after the completion and issuance of the fiscal year 2024 Local Return Funds audit reports. These transactions were not recorded in the City’s accounting records at the time the fiscal year 2024 audits were completed and were subsequently recorded by the City at the beginning of the fiscal year 2025. As a result of these post-year entries, cash and investments were overstated and expenditures were understated in the following fund: • PCLRF: \$795,698 Because these transactions related to fiscal year 2024 activities but were recorded after the issuance of the fiscal year 2024 Local Return Funds audit reports, they were recorded as prior period adjustments in the fiscal year 2025.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023. In addition, the City personnel were unfamiliar with the City's fund requirements and Local Return reporting processes, and the City engaged an external accounting support team to assist with the year-end closing process. Collectively, these circumstances adversely affected controls over the Local Return Funds and Metro-related projects, and contributed to delays in critical reconciliations, account analyses, and the preparation of supporting documentation required for year-end financial reporting and audit purposes.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-012 (Significant Deficiency) (Continued)	City of Palos Verdes Estates
Effect	Although supporting documentation was maintained by the external accounting support team, the City personnel were unable to readily locate or provide the documentation upon requested, resulting in unresolved differences between amounts recorded in the City's general ledger and those reported to Metro. As a result, these conditions increased the risk of: (a) inaccurate or misstated financial records and reports; and (b) noncompliance with applicable local return guidelines. In addition, deficiencies in the City's year-end closing and documentation processes contributed to delays in the completion of the required audits.
Recommendation	We recommend that management prioritize timely completion of the year-end closing process and strengthen controls over period-end financial reporting. This should include implementing a structured closing process with clearly defined roles, responsibilities, and timelines. In addition, management should ensure appropriate supervisory review and oversight to verify that all required reconciliations, documentation, and adjustments are completed accurately and timely prior to finalizing the year-end close.
Management's Response	The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-013 (Significant Deficiency)	City of Redondo Beach
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	As of the date of the audit on December 16, 2025, the City's year-end closing process had not yet been completed. Accordingly, we noted the following matters: (a) Bank reconciliations for May and June 2025 had not been completed due to unresolved reconciling items. (b) Interest income allocations for all local return funds had not been finalized, and interest earned but not yet received as of June 30, 2025 had not been accrued. (c) Unrealized gains and losses on investments had not been recorded as of year-end.
Cause	The City implemented a new permit management and financial system in August 2024, which created reconciliation challenges between permit payment activity and bank records. Due to ongoing issues, the City discontinued the system and transitioned to a new system in April 2025. While the new system is operating more effectively, unresolved reconciliation issues remain for the March through April 2025 transition period, primarily related to transactions recorded in both systems. In addition, staffing shortages within the Finance Department further contributed to delays in completing year-end reconciliations and closing activities. As a result, the City was unable to finalize the year-end closing process and related allocations prior to the audit.
Effect	Delays in preparing bank reconciliations and year-end closing procedures increase the risk of errors or omissions in the City's financial records. Because interest allocations, accrued interest, and unrealized gains and losses were not recorded, interest income, interest receivable, investment balances, and related fund balances may be misstated or not properly allocated among Local Return funds. These conditions also limit management's ability to detect and correct errors on a timely basis and weaken internal controls over financial reporting.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-013 (Significant Deficiency) (Continued)	City of Redondo Beach
Recommendation	We recommend that the Finance Department establish and follow a documented year-end closing process to ensure that: • Bank reconciliations are completed monthly and reviewed. • Interest income allocations and accruals are finalized prior to closing. • Unrealized investment gains and losses are recorded at year-end, and all closing entries are subject to supervisory review. • We further recommend prioritizing completion of the outstanding reconciliations for May and June 2025 and providing additional training to staff on the new financial system and year-end procedures.
Management's Response	Management agrees with the recommendation and will strengthen the financial statement closing process by enhancing year-end procedures through improved documentation, clearer task assignments, and the implementation of a structured close checklist and timeline. The Finance Department will complete interest allocations, along with pooled cash and related bank reconciliations, on a monthly basis with established internal deadlines, and supervisor will perform monthly reviews to ensure accuracy and completeness. Responsibilities for bank reconciliations and interest allocations have been reassigned to designated staff to provide continuity. Progress will be monitored regularly to ensure alignment with financial reporting and audit timelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-014 (Significant Deficiency)	City of San Dimas
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2022 ending fund balance in the amount of \$9,994 was not expended within 3 years as of June 30, 2025 and was not reserved for capital projects as required by Local Return guidelines. The City subsequently received an extension from Metro to spend the lapsed funds until June 30, 2026 on October 27, 2025. This is a repeat finding from the fiscal year 2024.
Cause	Major projects to be funded by PCLRF have been delayed as the City waits for necessary approvals from outside agencies that need to be completed prior to the bid award. The City believed that these major projects will be able to move forward in the fiscal year 2025-26, which will utilize majority of the available funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
Management's Response	If the City determines that the budgeted projects will not move forward prior to the end of the fiscal year, Administration will work with Public Works to identify projects that can be completed and submit amendments to the City Council in order to expend the lapsing funds in a timely manner.
Finding Corrected During the Audit	On October 27, 2025, the Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2026. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-015	City of San Marino
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to PALRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to San Marino Unified School District were allowable and properly supported by invoices and cancelled checks, the expenditures in the total amount of \$150,000 paid to San Marino Unified School District were charged to PALRF’s Project Code 155, Recreational Transit Athletic Trips, without a properly executed contract.
Cause	Due to a change in the City’s personnel, the extension amendment to the contract was overlooked.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	On November 12, 2025, the City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. As an internal control, management added a purchase order starting in the fiscal year 2025-26 to help ensure that all contracts are up to date.
Finding Corrected During the Audit	The City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-016	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City incurred expenditures totaling \$94,940 for Proposition C Local Return Fund (PCLRF) Project Code 765, Pavement Management prior to receiving budget approval from Metro. Subsequently, on September 30, 2025, Metro approved a budget allocation of \$94,940 for this project.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City will establish procedures to review and ensure that the City obtains prior Metro's approval before expenditures are incurred.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on September 30, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-017	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects. PMS must include the following: • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria". A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.
Condition	A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management. However, the City did not submit PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in January 2025.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-017 (Continued)	City of Signal Hill
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026 and Metro granted the extension on November 19, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-018	City of Temple City
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc. were allowable and were properly supported by invoices and cancelled checks, the expenditures were not supported by current and valid contracts. No amendments to the contracts were issued since their expiration dates of June 30, 2018 for both Elite School Transit and Inland Empire Stages, LTD, and June 30, 2020 for ShelterClean Services, Inc. The amounts of \$22,025 paid to Elite School Transit and \$37,981 paid to Inland Empire Stages, LTD were charged to PALRF’s Project Code 155, Recreational Transit. Likewise, the total amount of \$10,439 paid to ShelterClean Services, Inc. was charged to PALRF’s Project Code 205, Bus Shelter Maintenance.
Cause	Certain expired contracts were inadvertently overlooked and not renewed in a timely manner.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	The City is currently working on extending the contract agreements with Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-019	City of West Covina
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...” In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that: “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (b) A Federal award and non-Federal award. : (5) Personnel activity reports or equivalent documentation must meet the following standards: : (a) They must reflect an after the fact distribution of the actual activity of each employee, : (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-019 (Continued)	City of West Covina
Condition	During our payroll testing, we noted that the payroll costs allocated to the Proposition C Local Return Fund (PCLRF) Administration Project Code 620 (Project) were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities. In addition, the employees' timesheets did not identify the specific hours worked on the Project for the following payroll periods tested: (a) August 30, 2024 (b) November 8, 2024 (c) December 6, 2024 (d) March 14, 2025 (e) May 23, 2025 As a result, we were unable to verify that the payroll costs and employee benefits charged to the Project were based on actual time spent on eligible PCLRF activities for a total amount of \$71,611.
Cause	During the fiscal year 2024-25, the City converted its system to Tyler Munis ERP and planned to use this new system to streamline payroll processing and track the actual hours spent by the employees on each project. The City eliminated the use of the hard copy timesheets. However, due to the delay in the application of the new software, the estimated percentages were used to allocate the salaries to PCLRF.
Effect	The payroll costs and employee benefits claimed under the PCLRF projects may include disallowed Proposition C project expenditures. This resulted in questioned costs of \$71,611 for PCLRF.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.
Management's Response	The City management acknowledges the audit finding regarding the use of budgeted allocations for administrative costs instead of actual hours. Beginning January 2026, the City will implement the timesheet tracking for all administrative personnel to ensure costs are accurately allocated based on actual times spent on each project.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-019 (Continued)	City of West Covina
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$71,611 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.



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**MANAGEMENT
AUDIT SERVICES**

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FY25 MEASURE R AUDITS

INTRODUCTION

On November 4, 2008, Los Angeles County voters approved Measure R, which imposed an additional half-cent transactions and use tax to fund transportation improvements in the County. Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit reports must be provided to the Oversight Committee so that it can determine whether Metro and local subrecipients have complied with the Measure R requirements (see Exhibit 1) and communicate its findings to the Metro Board.

In compliance with the Ordinance, Metro contracted with BCA Watson Rice, LLP (BCA) to perform the independent audit of the Measure R Special Revenue Fund. Metro also contracted with two firms to conduct the audits of Measure R sales tax revenues used by the County of Los Angeles (County) as well as the 88 Cities (Cities). The report prepared by Vasquez & Company, LLP covers the audits of the County as well as 39 of the Cities, and the report prepared by Simpson & Simpson covers the audits of 49 of the Cities. The audit reports are attached as Exhibits 2, 3, and 4.

THE AUDITS

The Independent Auditor's reports on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the fiscal year ending June 30, 2025.

The audits of compliance with the Measure R Local Return Guidelines of the County and 88 Cities found 18 instances of non-compliance within 13 jurisdictions. Audit findings were in five basic categories as follows:

- **Failure to Obtain Approval Before Incurring Expenses:** Six Cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting the project name, amount of Measure R Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure R Local Return eligibility per the Local Return Guidelines. The findings have been resolved as the Cities subsequently submitted the required forms and obtained retroactive approvals from Metro.
- **Timely Use of Funds:** One city had not spent funds within the five-year period allotted. The finding has been resolved as the City was granted an extension to utilize the lapsed funds.
- **Administrative expenses exceeded the 20% cap:** Two Cities expended more than 20% of their total expenditures for administration. One City has returned the money to the account, and the Metro Project Manager waived the other City's \$4,127, as it was necessary for the program.

- Late submission of the annual expenditure plan: Two Cities failed to submit their expenditure plan by the due date. The findings have been resolved as the Cities subsequently submitted the forms.
- Inadequate accounting procedures, record keeping, and/or documentation: Five Cities failed to complete year-end accounting closing processes. Two Cities failed to adequately document payroll costs. Cities are required to maintain proper accounting records and documentation. The Cities are in the process of correcting their procedures and the auditors will verify whether corrective actions have been properly implemented by the Cities during the fiscal year 2026 audit.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the audit reports in February 2026. Each member of the Committee reviewed the reports, and the Committee met on March 9, 2026, during which the Committee received a formal presentation from the three contracted auditor firms on their respective audit reports.

The Committee inquired about repeated findings and their consequences, including the inability of certain Cities to complete the year-end financial closing process. The Committee received satisfactory responses from staff and city representatives to these concerns and expressed satisfaction with the audit reports.

MEASURE R OVERSIGHT COMMITTEE FINDINGS

- 1) The audits were performed in accordance with the Ordinance that the voters approved in 2008;
- 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the fiscal year ending June 30, 2025; and
- 3) The County and Cities complied, in all material respects, with the Measure R Ordinance and guidelines that are applicable to the Measure R Local Return program for the fiscal year ending June 30, 2025.

The audits identified 18 instances of noncompliance across 13 local jurisdictions, including two material weaknesses and six significant deficiencies in internal controls over compliance.

**RESOLUTION OF THE INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE MAKING
FINDINGS REGARDING THE ANNUAL AUDIT
PURSUANT TO THE MEASURE R ORDINANCE**

WHEREAS, on November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional half-cent transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that an annual audit be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

WHEREAS, the audits must be provided to the Oversight Committee so that the Oversight Committee can determine whether Metro and local subrecipients have complied with the Measure R requirements; and

WHEREAS, under contract with Metro, BCA Watson Rice LLP performed the independent audit of the Measure R Special Revenue Fund, and Vasquez & Company, LLP and Simpson & Simpson audited the compliance of the County of Los Angeles (County) and the 88 Cities (Cities);

NOW, THEREFORE, the Measure R Independent Taxpayers Oversight Committee of Metro finds that:

The audits were performed in accordance with the Ordinance that the voters approved in 2008;

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ending June 30, 2025; and

The County and Cities complied with the Ordinance requirements applicable to the Measure R Local Return program for the fiscal year ending June 30, 2025; however, the audits identified two material weaknesses and 6 significant deficiencies in internal control over compliance. All compliance issues have been resolved or are currently being addressed. Metro staff is working with the jurisdictions to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:

Collette Langston, Metro Board Clerk

Adopted this ____ day of May, 2026.

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure R Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2025
(With Comparative Totals For 2024)**



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Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
For the Year Ended June 30, 2025

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Independent Auditor's Report

Measure R Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Audit of the Schedule of Measure R Revenues and Expenditures

Opinion

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2025, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our 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 opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure R Fund is intended to present the revenues and expenditures attributable to the Measure R Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2025, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

Responsibility of Management for the Schedule of Measure R Revenues and Expenditures

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Measure R Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is 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 and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Schedule.

In performing an audit in accordance with generally accepted auditing standards 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 Schedule, 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 Schedule.
- 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 LACMTA'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 Schedule.

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

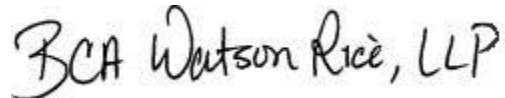
Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental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

Prior Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated December 2, 2024. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2025, is consistent, in all material respects, with the audited Schedule from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 LACMTA's internal control over financial reporting and compliance.

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

Torrance, CA
December 2, 2025

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for 2024)
(Amounts expressed in thousands)

	<u>2025</u>	<u>2024</u>
Revenues		
Sales tax	\$ 1,079,808	\$ 1,092,876
Intergovernmental	105,873	58,922
Investment income	37,846	40,005
Net appreciation in fair value of investments	10,560	8,843
Other	<u>-</u>	<u>7,273</u>
Total revenues	<u>1,234,087</u>	<u>1,207,919</u>
Expenditures		
Administration and other	258,517	318,095
Transportation subsidies	375,946	416,533
Capital outlay - long-term lease arrangement	14,743	779
Debt and interest expenditures:		
Principal	531	9
Interest and fiscal charges	<u>285</u>	<u>3</u>
Total expenditures	<u>650,022</u>	<u>735,419</u>
Excess of revenues over expenditures	<u>584,065</u>	<u>472,500</u>
Other financing sources (uses)		
Transfers in	68,072	120,185
Transfers out	(1,088,895)	(617,662)
Long-term lease arrangement issued	<u>14,743</u>	<u>779</u>
Total other financing sources (uses)	<u>(1,006,080)</u>	<u>(496,698)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (422,015)</u>	<u>\$ (24,198)</u>

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures.

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

1. Organization

General

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a Board of Directors composed of five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator for one of the country's largest and most populous counties. More than 10 million people, about one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure R

Measure R, also known as the Traffic Relief and Rail Expansion Ordinance is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 2009, and continuing on for the next 30 years. Revenues collected are required to be allocated in the following manner: 1) 2% for rail capital improvements; 2) 3% for Metrolink capital improvement projects within Los Angeles County; 3) 5% for rail operations for new transit project operations and maintenance; 4) 15% for local return; 5) 20% for county-wide bus service operations, maintenance, and expansion; 6) 20% for highway capital projects; and 7) 35% for transit capital specific projects.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

2. Summary of Significant Accounting Policies (Continued)

The most significant of LACMTA's accounting policies regarding the special revenue fund type are described below:

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. 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 most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses the governmental fund type Special Revenue Fund to account for Measure R sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

Budgetary Accounting

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact on the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Appreciation (Decline) in Fair Value of Investments

Investment income and net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2025, the Measure R fund had an investment income of \$37,846 and a net appreciation in fair value of investments of \$10,560. The net appreciation in the fair value of investments was mainly due to an increase in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

The LACMTA issues a publicly available annual comprehensive financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained at the LACMTA's website <https://www.metro.net/about/financebudget/>.

Leases

In FY 2022, LACMTA implemented GASB Statement No. 87, *Leases*, which addresses accounting and financial reporting for leases by governments. GASB Statement No. 87, requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

LACMTA is a lessee for a noncancellable lease of office space recorded under the Measure R fund. At the commencement of a lease, LACMTA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payment made at or before the lease commencement date, plus certain indirect costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

LACMTA determines the discount rate it uses to discount the expected lease payments to the present value. LACMTA uses the interest rate charged by the lessor as the discount rate. When the interest rate is not provided in the lease agreement, LACMTA uses its estimated incremental borrowing rate as the discount rate for leases. The future lease payments expected to be made are discounted using the interest rate implicit in the lease agreement given an average lease term of 5 to 7 years. The lease terms and lease payments used are those that are stated in the executed agreement. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the LACMTA is reasonably certain to exercise.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

2. Summary of Significant Accounting Policies (Continued)

Leases (continued)

LACMTA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease assets and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The aforementioned accounting practice is in conformity with GASB 87, *Leases*.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

The amounts shown for 2024 in the accompanying Schedule are included only to provide a basis for comparison with 2025 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure R fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in the financial position thereof for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

4. Intergovernmental Transactions

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

6. Leases

LACMTA, as a lessee, has entered into lease agreements involving office space/building. These leases have non-cancellable periods of more than 12 months and for accounting purposes are reported as financing leases.

In fiscal year 2025, LACMTA recorded at present value a lease liability and right-to-use lease assets of \$14,743 and \$14,743, respectively, related to a newly executed lease contract, using the current fiscal year's discount rate of 2.90%.

As of June 30, 2025, LACMTA has 2 active lease agreements with a total outstanding lease liability of \$14,981 and a total right-to-use lease asset recognized at present value, net of accumulated amortization, of \$14,874, presented in the LACMTA's government-wide financial statement. During the year, LACMTA recorded principal and interest payments of \$531 and \$285, respectively, representing the total amount of periodic lease payments per executed contract.

At June 30, 2025, the principal and interest requirements to maturity for this lease are presented below:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 393	\$ 497	\$ 890
2027	385	417	802
2028	424	407	831
2029	466	393	859
2030	509	379	888
2031-2035	3,048	1,645	4,693
2036-2040	4,525	1,101	5,626
2041-2045	5,231	395	5,626
Total	<u>\$ 14,981</u>	<u>\$ 5,234</u>	<u>\$ 20,215</u>

7. Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Measure R fund at June 30, 2025 had a deficiency of revenues over expenditures and other financing uses of \$422,015 primarily due to the transfers out for operating, planning, and capital projects. This factor resulted in a decrease in Measure R's fund balance from \$977,969 to \$555,954.

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2025, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

9. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

10. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through December 2, 2025, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the fiscal year ended June 30, 2025
(Amounts expressed in thousands)

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Sales tax	\$ 1,156,000	\$ 1,156,000	\$ 1,079,808	\$ (76,192)
Intergovernmental	132,721	128,167	105,873	(22,294)
Investment income	-	-	37,846	37,846
Net appreciation in fair value of investments	-	-	10,560	10,560
Total revenues	<u>1,288,721</u>	<u>1,284,167</u>	<u>1,234,087</u>	<u>(50,080)</u>
Expenditures:				
Administration and other	545,334	453,330	258,517	194,813
Transportation subsidies	541,798	574,298	375,946	198,352
Capital outlay - long-term lease arrangement issued	-	-	14,743	(14,743)
Debt and interest expenditures:				
Principal	-	-	531	(531)
Interest and fiscal charges	-	-	285	(285)
Total expenditures	<u>1,087,132</u>	<u>1,027,628</u>	<u>650,022</u>	<u>377,606</u>
Excess of revenues over expenditures	201,589	256,539	584,065	327,526
Other financing sources (uses)				
Transfers in	261,148	281,383	68,072	(213,311)
Transfers out	(978,254)	(1,056,737)	(1,088,895)	(32,158)
Long-term lease arrangement issued	-	-	14,743	14,743
Total other financing sources (uses)	<u>(717,106)</u>	<u>(775,354)</u>	<u>(1,006,080)</u>	<u>(230,726)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (515,517)</u>	<u>\$ (518,815)</u>	<u>\$ (422,015)</u>	<u>\$ 96,800</u>



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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 the Schedule of Revenues and Expenditures Performed in Accordance with *Government Auditing Standards*

Measure R Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2025, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated December 2, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the 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 Schedule, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LACMTA's Schedule 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedule. 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.

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

Torrance, California
December 2, 2025



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**Independent Auditor's Report on Compliance with Requirements Applicable to
Measure R Revenues and Expenditures in Accordance with the
*Traffic Relief and Rail Expansion Ordinance No. 08-01***

Measure R Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Measure R Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the *Traffic Relief and Rail Expansion Ordinance No. 08-01* (the Ordinance) applicable to LACMTA's Measure R revenues and expenditures for the fiscal year ended June 30, 2025.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the fiscal year ended June 30, 2025.

Basis for Opinion

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. Our responsibilities under those standards 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. 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 Measure R revenues and expenditures.

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 with Measure R revenues and expenditures 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 and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Measure R revenues and expenditures as a whole.

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 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 other procedures as 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 Measure R revenues and expenditures, 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, 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 compliance requirement 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 have not been 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 compliance requirements of the Measure R revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

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

Torrance, California
December 2, 2025

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2025

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Status of Prior Year Audit Findings

None noted.



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE
AND MEASURE R LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE
AND MEASURE R LOCAL RETURN GUIDELINES**

**To the Board of Directors of the Los Angeles County
Metropolitan Transportation Authority
and Measure R Independent Taxpayers Oversight Committee**

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2025.

Basis for Opinion

We conducted our audits 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 Guidelines. Our responsibilities under those standards and the 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 the County and the Cities and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management of the County and the Cities is responsible for their compliance with the Guidelines 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 County and each City's Measure R Local Return 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 the County's and the Cities' 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 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 the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 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 the County's and the Cities' 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 County's and the Cities' 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 Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' 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.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-009. Our opinion is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the Cities' responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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 the 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 the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-002 and #2025-008 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-004 and #2025-005 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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 Guidelines. Accordingly, this report is not suitable for any other purpose.

Vasquez & Company LLP

Glendale, California
December 31, 2025

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2025**

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNSDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2025**

1. Funds were expended for transportation purposes.
2. Separate Measure R Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form One or electronic equivalent) was submitted on time.
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025

The audits of the County of Los Angeles and 39 cities have resulted in nine (9) findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Cudahy (Finding #2025-003)	\$ 29,045	\$ 29,045
		Culver City (Finding #2025-005)	377,855	377,855
		Huntington Park (Finding #2025-006)	300,000	300,000
		San Fernando (Finding #2025-009)	97,632	97,632
Administrative expenses were within the 20% cap.	1	Cudahy (Finding #2025-004)	13,840	13,840
The Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Calabasas (Finding #2025-001)	None	None
		Huntington Park (Finding #2025-007)	None	None
Accounting procedures, recordkeeping and documentation are adequate.	2	Compton (Finding #2025-002)	None	None
		Huntington Park (Finding #2025-008)	None	None
Total Findings and Questioned Costs	9		\$ 818,372	\$ 818,372

Details of the above findings are presented in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025

Finding #2025-001	City of Calabasas
Compliance Reference	Section II(B) Expenditure Plan (Form One) of the Measure R Local Return Guidelines states, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".
Condition	The City missed the August 1, 2024 filing deadline for Form One, submitting the 8/1 Table late. The City submitted Form One on August 5, 2024.
Cause	Due to staffing changes in the Public Works Department, there was a transition period that affected the changeover of required reporting communications with Metro.
Effect	The City submitted the Form One 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form One via LRMS prior to the August 1 st deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure the 8/1 Table is submitted in a timely manner by August 1 st for each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on August 5, 2024. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-002 (Material Weakness)	City of Compton
Compliance Reference	Measure R Local Return Guidelines Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of the audit on December 30, 2025, the City's year-end closing process was still ongoing. We noted the following critical observations: • Cut-off procedures related to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected prior period's account balances. • Beginning fund balances were not reconciled with prior year's audited reports. • The audits of the City's financial statements for the fiscal years 2024 and 2025 have not yet been completed due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal year 2024.
Cause	During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. Currently, accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-002 (Material Weakness) (Continued)	City of Compton
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task, the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to the users in a timely manner.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-003	City of Cudahy
Compliance Reference	Section B (II)(1) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.
Condition	The City claimed expenditures prior to receiving approval from Metro under Project Code 302, Active Transportation Program, totaling \$29,045. Although the expenditures were determined to be eligible for Local Return funding, this project did not have prior approval from Metro.
Cause	The project was inadvertently omitted from the City's budget request for FY2024/25.
Effect	By claiming \$29,045 of Measure R funds prior to Metro's approval, the City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Metro's approval is obtained before incurring expenditures on Local Return-funded projects.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for the project on December 23, 2025.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for the project on December 23, 2025. No additional follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-004 (Significant Deficiency)	City of Cudahy
Compliance Reference	Section A II 8 Transportation and Administration of the Measure R Local Return Guidelines states that, "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City claimed MRLRF administrative expenses in excess of the 20% cap, totaling \$3,023. This is a repeat finding from prior year's audit relating to the MRLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 630, Fund Administration to \$13,274, resulting in an excess of \$10,817.
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Account the amount exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Account the amount over the 20% cap, totaling \$13,840.
Finding Corrected During the Audit	The City has recorded a due from General Fund in FY2024/25. No additional follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Significant Deficiency)	City of Culver City
Compliance Reference	Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures under the following projects prior to approval from Metro: a. Project code 705, Culver City Street Improvements, totaling \$962; and b. Project code 806 MOVE Culver City Mobility Lane, totaling \$376,893. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro. This is a repeat finding from the fiscal year 2024.
Cause	The projects were inadvertently excluded from the submitted budget request. Due to the resignation of a key staff member, the project was not added to the FY 2024-2025 budget request.
Effect	The City claimed expenditures totaling \$377,855 of Measure R LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Significant Deficiency) (Continued)	City of Culver City
Management's Response	The City submitted a budget request via LRMS on December 11, 2025. Moving forward, the City will ensure that budget requests are made timely to Metro and match the City's approved CIP budget.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on December 16, 2025. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-006	City of Huntington Park
Compliance Reference	Section B (II)(1) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds, along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures prior to obtaining approval from Metro under Project Code 780, Engineering Administration, totaling \$300,000. Although the expenditures were determined to be eligible for Local Return funding, this project did not have prior approval from Metro.
Cause	This condition was caused by turnover of the City staff responsible for completing the Expenditure Plan. A City staff member who is currently assigned to monitor the Measure R Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Measure R Local Return Expenditure Plan in previous fiscal years.
Effect	The City claimed expenditures totaling \$300,000 in Measure R funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro before incurring expenditures on Local Return-funded projects.
Management's Response	The City submitted a Budget Request via LRMS and obtained retroactive approval for the project on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the project was obtained through LRMS on December 11, 2025. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007	City of Huntington Park
Compliance Reference	Section II(B) Expenditure Plan (Form One) of the Measure R Local Return Guidelines states, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 st of each year".
Condition	The City missed the August 1, 2024 deadline of Form One, submitting the 8/1 Table late. Form One was submitted on October 15, 2024.
Cause	This condition was caused by turnover of the City staff responsible for completing Form One, 8/1 Table. A City staff member who is currently assigned to submit Form One, 8/1 Table was unaware of the requirements to submit Form One, 8/1 Table by August 1 of each year.
Effect	The City submitted the Form One 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form One via LRMS prior to the August 1 deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure 8/1 Table is submitted in a timely manner by August 1st of each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on October 15, 2024. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Material Weakness)	City of Huntington Park
Compliance Reference	Measure R Local Return Guidelines Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork on December 29, 2025, the City's year-end closing process was still ongoing for the fiscal year 2025. The following critical observations have been identified: • Cut-off procedures relating to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected the prior period's account balances. • Certain accounts and beginning fund balances were not reconciled to the City's published 2024 audited reports. Accordingly, the audit of the City's financial statements for the fiscal year 2025 remains in progress due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal years 2023 and 2024.
Cause	During the fiscal years 2021 through 2025, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2025 and prior years. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Material Weakness) (Continued)	City of Huntington Park
Recommendation	The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures should be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to users on a timely basis. We further recommend that the City maintain a separate account for its local return. This will also help in monitoring and tracking the activities and balances of local return funds.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009	City of San Fernando
Compliance Reference	Section B (II)(1) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures prior to approval from Metro under Project code 170, Parking Lots Maintenance Project, totaling \$97,632. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The delay in submitting the project budget update to the granting agency was attributable to temporary staffing constraints that impacted the timely completion of required reporting activities.
Effect	The City claimed expenditure totaling \$97,632 of Measure R funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009 (Continued)	City of San Fernando
Management's Response	Management acknowledges this deficiency and has corrective action to prevent recurrence. Specifically, responsibilities for grant reporting will be restructured to ensure adequate staffing coverage, and cross-training initiatives are implemented to mitigate the risk of delays arising from personnel changes or absences. These measures will strengthen internal capacity and ensure the timely fulfillment of all reporting obligations in the future. The City submitted a Budget Request to Metro Program Manager and obtained retroactive approval of the budget for said project on September 30, 2025.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for said project on September 30, 2025. No additional follow up is required.



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE
AND MEASURE R LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE
AND MEASURE R LOCAL RETURN GUIDELINES**

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority and Measure R
Independent Taxpayers Oversight Committee

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance areas tested and related findings are identified in the accompanying Compliance Areas tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2025.

Basis for Opinion

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 Guidelines. Our responsibilities under those standards and the 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 the Cities 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 with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management of the Cities are responsible for their compliance with the Guidelines 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 each City's Measure R Local Return 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 the Cities' 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 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 the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 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 the Cities' 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 Cities' 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 Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' 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.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-009. Our opinion is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 the 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 the 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 the 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-003, #2025-004, #2025-007, and #2025-008 that we consider to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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 Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 31, 2025

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2025**

- | | |
|----------------------------------|-----------------------------------|
| 1. CITY OF ALHAMBRA | 31. CITY OF PALMDALE |
| 2. CITY OF ARCADIA | 32. CITY OF PALOS VERDES ESTATES |
| 3. CITY OF ARTESIA | 33. CITY OF PARAMOUNT |
| 4. CITY OF AVALON | 34. CITY OF PASADENA |
| 5. CITY OF BELLFLOWER | 35. CITY OF RANCHO PALOS VERDES |
| 6. CITY OF BRADBURY | 36. CITY OF REDONDO BEACH |
| 7. CITY OF BURBANK | 37. CITY OF ROLLING HILLS |
| 8. CITY OF CERRITOS | 38. CITY OF ROLLING HILLS ESTATES |
| 9. CITY OF CLAREMONT | 39. CITY OF SAN DIMAS |
| 10. CITY OF COVINA | 40. CITY OF SAN GABRIEL |
| 11. CITY OF DIAMOND BAR | 41. CITY OF SAN MARINO |
| 12. CITY OF DOWNEY | 42. CITY OF SANTA CLARITA |
| 13. CITY OF DUARTE | 43. CITY OF SIERRA MADRE |
| 14. CITY OF EL SEGUNDO | 44. CITY OF SIGNAL HILL |
| 15. CITY OF GLENDALE | 45. CITY OF SOUTH PASADENA |
| 16. CITY OF GLENORA | 46. CITY OF TEMPLE CITY |
| 17. CITY OF HAWAIIAN GARDENS | 47. CITY OF TORRANCE |
| 18. CITY OF HERMOSA BEACH | 48. CITY OF WEST COVINA |
| 19. CITY OF LA CANADA FLINTRIDGE | 49. CITY OF WHITTIER |
| 20. CITY OF LA HABRA HEIGHTS | |
| 21. CITY OF LA MIRADA | |
| 22. CITY OF LA VERNE | |
| 23. CITY OF LAKEWOOD | |
| 24. CITY OF LANCASTER | |
| 25. CITY OF LOMITA | |
| 26. CITY OF LONG BEACH | |
| 27. CITY OF LOS ANGELES | |
| 28. CITY OF MANHATTAN BEACH | |
| 29. CITY OF MONROVIA | |
| 30. CITY OF NORWALK | |

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Areas Tested
Fiscal Year Ended June 30, 2025

1. Funds were expended for transportation purposes.
2. Separate Measure R Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form One or electronic equivalent) was submitted on time.
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025**

The audits of the 49 cities have resulted in nine (9) findings. The table below summarizes these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Downey (#2025-002)	\$ 137,503	\$ 137,503
		Palos Verdes Estates (#2025-006)	232,074	232,074
Timely use of funds.	1	Glendale (#2025-003)	1,522,484	1,522,484
Administrative expenses exceed the 20% cap.	1	Artesia (#2025-001)	4,127	4,127
Accounting procedures, record keeping and documentation are adequate.	5	Glendora (#2025-004)	None	None
		Glendora (#2025-005)	212,403	212,403
		Palos Verdes Estates (#2025-007)	None	None
		Redondo Beach (#2025-008)	None	None
		West Covina (#2025-009)	48,729	48,729
Total Findings and Questioned Costs	9		\$ 2,157,320	\$ 2,157,320

Details of the findings are in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025

Finding #2025-001	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section A (II) 8, Transportation Administration, "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs.... The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City's administrative expenditure exceeded 20 percent of its total Measure R Local Return Fund (MRLRF) annual expenditures by \$4,127. This amount represents the excess over the 20 percent administrative expenditure limitation.
Cause	This was an oversight on the part of the City.
Effect	The City's Measure R Local Return Administration (Project Code 630 - General Program Administration) exceeded the allowable 20 percent of total MRLRF annual expenditure. Accordingly, the City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures do not exceed the 20 percent cap of the MRLRF's total annual expenditures.
Management's Response	In the future, the City will monitor the administrative expenditures that they will not exceed more than 20 percent cap of MRLRF's total expenditures.
Finding Corrected During the Audit	The Metro Program Manager granted the City a waiver to reimburse its MRLRF account for the questioned cost of \$4,127 on December 29, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-002	City of Downey
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for the MRLRF’s Lakewood Traffic Signal Upgrades Project Code 302, in the total amount of \$137,503, were incurred prior to Metro’s approval. However, the City subsequently received an approved budget from Metro in the total amount of \$137,505 on October 10, 2025.
Cause	The request for Metro’s approval of the project budget was overlooked.
Effect	The City did not comply with the Measure R Local Return Guidelines, as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City’s management agrees with the finding. In the future, the City will review all project costs and ensure to request the appropriate Metro approved budget prior to the fiscal year end.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on October 10, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-003 (Significant Deficiency)	City of Glendale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (III), Timely Use of Funds, “Measure R LR funds have five (5) years to be expended. Funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.”
Condition	The City’s fiscal year 2019–20 lapsed fund balance of \$1,522,484 was not fully expended within the required five-year period as of June 30, 2025, nor was it reserved for capital projects in accordance with the Measure R Local Return Guidelines. This is a repeat finding from the fiscal year 2024.
Cause	This was an oversight by the City for not tracking the timely use of funds.
Effect	The City was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
Management’s Response	The City will program the funding to ensure the lapsed amount is spent in a timely manner.
Finding Corrected During the Audit	On November 17, 2025, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2026. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-004 (Significant Deficiency)	City of Glendora
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..."
Condition	The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024. This is a repeat finding from the fiscal year 2024.
Cause	The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to the delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
Effect	The delay in preparing the bank reconciliations and finalizing the year-end closing process increases the risk of inaccuracies in the financial records, which could lead to misstated financial statements. This also limits the ability to ensure the integrity of cash balances and related accounts and to properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for both bank reconciliations and year-end closing procedures to ensure they are completed on a timely basis. This should include assigning clear responsibilities and deadlines for staff, as well as providing adequate training on the new financial system, and monitoring progress to ensure that discrepancies are identified and resolved promptly.
Management's Response	The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005	City of Glendora
Compliance Reference	According to Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that: “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (b) A Federal award and non-Federal award. (5) Personnel activity reports or equivalent documentation must meet the following standards: : (a) They must reflect an after the fact distribution of the actual activity of each employee, : (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Continued)	City of Glendora
Condition	During our payroll testing, we noted that the payroll costs allocated to the Measure R Local Return Fund's (MRLRF) Street Repair and Maintenance I Project Code 705 were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities. In addition, the employees' timesheets did not identify the specific hours worked on the above projects for the following payroll periods tested: (a) October 27, 2024 (b) December 22, 2024 (c) February 2, 2025 (d) March 30, 2025 As a result, we were also unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible MRLRF activities for total amounts of \$212,403.
Cause	The fiscal year 2024-25 was the City's first full fiscal year operating under a new Time and Attendance system. During system implementation, the City relied on guidance provided by the implementation representative and configured payroll cost allocations in accordance with that guidance. At that time, it was assumed that this configuration would meet Metro's cost allocation and documentation requirements. However, it was determined that this setup did not fully capture or report actual hours worked by project or activity as required for detailed payroll and benefit cost allocation.
Effect	The payroll costs and employee benefits charged under the MRLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$212,403.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Continued)	City of Glendora
Management's Response	The City acknowledges the finding and has taken corrective action to ensure full compliance with Metro requirements. The City has engaged a third-party consultant with specialized expertise in Time and Attendance system configuration and Metro grant compliance. The City is currently developing and implementing detailed activity and project codes to capture actual hours worked by employee and by specific project. Updating Time and Attendance system configurations will ensure that payroll costs and employee benefits are allocated based on actual hours worked and supported by timesheet documentation. Reviewing internal payroll and reporting procedures will also help ensure consistent application and ongoing compliance. These actions will strengthen internal controls, improve payroll cost transparency, and ensure all future personnel cost charges to Metro-funded projects are fully supported and compliant with Metro requirements. The City met with a third-party consultant specializing in Time and Attendance system configuration and job costing to evaluate options for achieving full compliance with Metro's payroll documentation requirements. During this discussion, the consultant proposed implementing job costing within the Time and Attendance system as a means to independently track employee time by project. The conversation also emphasized the need for a structured and consistent method of time tracking and project management, particularly to distinguish hours worked on local transportation projects from those charged to the General Fund. This approach will allow the City to accurately capture actual hours worked at the employee level and allocate payroll costs and related benefits directly to the appropriate funding source. Based on this guidance, the City is moving forward with: • Establishing job costing and project/activity codes within the Time and Attendance system; • Requiring employees to record time worked by project, including transportation-related projects funded by Metro; • Aligning payroll reporting with Metro's documentation and compliance requirements. These enhancements will improve accuracy, transparency, and auditability of personnel cost allocations going forward.
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$212,403 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-006	City of Palos Verdes Estates
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures totaling \$232,074 for Project Code 705 – FY 23/24 Annual Resurfacing Project prior to receiving Metro approval. These expenditures related to the fiscal year 2024 and were subsequently recorded as a prior period adjustment in the fiscal year 2025.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023.
Effect	The City did not comply with the Measure R Local Return Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive appropriate instruction on the Measure R Local Return Guidelines to maintain ongoing compliance with program requirements.
Management’s Response	The City accepts the finding. The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.
Finding Corrected During the Audit	On December 18, 2025, the City received retroactive approval from Metro for the budget associated with Project Code 705 — FY 23-24 Annual Resurfacing Project, in the amount of \$232,100. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007 (Significant Deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII, Audit Section, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits."
Condition	During the procedures performed to reconcile the beginning balances of the fiscal year 2025 financial statements to the audited ending balances as of June 30, 2024, we noted that the City recorded certain fiscal year 2024 Local Return Funds project expenditures after the completion and issuance of the fiscal year 2024 Local Return Funds audit reports. These transactions were not recorded in the City's accounting records at the time the fiscal year 2024 audits were completed and were subsequently recorded by the City at the beginning of the fiscal year 2025. As a result of these post-year entries, cash and investments were overstated and expenditures were understated in the following fund: • MRLRF: \$232,074 Because these transactions related to fiscal year 2024 activities but were recorded after the issuance of the fiscal year 2024 Local Return Funds audit reports, they were recorded as prior period adjustments in the fiscal year 2025.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023. In addition, the City personnel were unfamiliar with the City's fund requirements and Local Return reporting processes, and the City engaged an external accounting support team to assist with the year-end closing process. Collectively, these circumstances adversely affected controls over the Local Return Funds and Metro-related projects, and contributed to delays in critical reconciliations, account analyses, and the preparation of supporting documentation required for year-end financial reporting and audit purposes.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007 (Significant Deficiency) (Continued)	City of Palos Verdes Estates
Effect	Although supporting documentation was maintained by the external accounting support team, the City personnel were unable to readily locate or provide the documentation upon request, resulting in unresolved differences between amounts recorded in the City's general ledger and those reported to Metro. As a result, these conditions increased the risk of: (a) inaccurate or misstated financial records and reports; and (b) noncompliance with applicable local return guidelines. In addition, deficiencies in the City's year-end closing and documentation processes contributed to delays in the completion of the required audits.
Recommendation	We recommend that management prioritize timely completion of the year-end closing process and strengthen controls over period-end financial reporting. This should include implementing a structured closing process with clearly defined roles, responsibilities, and timelines. In addition, management should ensure appropriate supervisory review and oversight to verify that all required reconciliations, documentation, and adjustments are completed accurately and timely prior to finalizing the year-end close.
Management's Response	The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Significant Deficiency)	City of Redondo Beach
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	As of the date of the audit on December 16, 2025, the City's year-end closing process had not yet been completed. Accordingly, we noted the following matters: (a) Bank reconciliations for May and June 2025 had not been completed due to unresolved reconciling items. (b) Interest income allocations for all local return funds had not been finalized, and interest earned but not yet received as of June 30, 2025 had not been accrued. (c) Unrealized gains and losses on investments had not been recorded as of year-end.
Cause	The City implemented a new permit management and financial system in August 2024, which created in reconciliation challenges between permit payment activity and bank records. Due to ongoing issues, the City discontinued the system and transitioned to a new system in April 2025. While the new system is operating more effectively, unresolved reconciliation issues remain for the March through April 2025 transition period, primarily related to transactions recorded in both systems. In addition, staffing shortages within the Finance Department further contributed to delays in completing year-end reconciliations and closing activities. As a result, the City was unable to finalize the year-end closing process and related allocations prior to the audit.
Effect	Delays in preparing bank reconciliations and year-end closing procedures increase the risk of errors or omissions in the City's financial records. Because interest allocations, accrued interest, and unrealized gains and losses were not recorded, interest income, interest receivable, investment balances, and related fund balances may be misstated or not properly allocated among Local Return funds. These conditions also limit management's ability to detect and correct errors on a timely basis and weaken internal controls over financial reporting.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Significant Deficiency) (Continued)	City of Redondo Beach
Recommendation	We recommend that the Finance Department establish and follow a documented year-end closing process to ensure that: • Bank reconciliations are completed monthly and reviewed. • Interest income allocations and accruals are finalized prior to closing. • Unrealized investment gains and losses are recorded at year-end, and all closing entries are subject to supervisory review. • We further recommend prioritizing completion of the outstanding reconciliations for May and June 2025 and providing additional training to staff on the new financial system and year-end procedures.
Management's Response	Management agrees with the recommendation and will strengthen the financial statement closing process by enhancing year-end procedures through improved documentation, clearer task assignments, and the implementation of a structured close checklist and timeline. The Finance Department will complete interest allocations, along with pooled cash and related bank reconciliations, on a monthly basis with established internal deadlines, and supervisor will perform monthly reviews to ensure accuracy and completeness. Responsibilities for bank reconciliations and interest allocations have been reassigned to designated staff to provide continuity. Progress will be monitored regularly to ensure alignment with financial reporting and audit timelines.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009	City of West Covina
Compliance Reference	According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state, “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (b) A Federal award and non-Federal award. : (5) Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after the fact distribution of the actual activity of each employee, : (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009 (Continued)	City of West Covina
Condition	During our payroll testing, we noted that the payroll costs allocated to the Measure R Local Return Fund (MRLRF) Administration Project Code 630 (Project) were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities. In addition, the employees' timesheets did not identify the specific hours worked on the Project for the following payroll periods tested: (a) August 30, 2024 (b) December 6, 2024 (c) March 14, 2025 (d) May 23, 2025 As a result, we were unable to verify that the payroll costs and employee benefits charged to the Project were based on actual time spent on eligible MRLRF activities for a total amount of \$48,729.
Cause	During the fiscal year 2024-25, the City converted its system to Tyler Munis ERP and planned to use this new system to streamline payroll processing and track the actual hours spent by the employees on each project. The City eliminated the use of the hard copy timesheets. However, due to the delay in the application of the new software, the estimated percentages were used to allocate the salaries to MRLRF.
Effect	The payroll costs and employee benefits claimed under the MRLRF projects may include disallowed Measure R project expenditures. This resulted in questioned costs of \$48,729 for MRLRF.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.
Management's Response	The City management acknowledges the audit finding regarding the use of budgeted allocations for administrative costs instead of actual hours. Beginning January 2026, the City will implement the timesheet tracking for all administrative personnel to ensure costs are accurately allocated based on actual time spent on each project.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009 (Continued)	City of West Covina
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$48,729 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.



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MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FISCAL YEAR 2025 MEASURE M AUDITS

INTRODUCTION

On November 8, 2016, Los Angeles County voters approved Measure M, which imposed a one-half of one percent (.5%) transactions and use tax to fund transportation improvements in the County. The rate of this tax will increase to one percent (1.0%) on July 1, 2039, immediately upon the expiration of the .5% tax imposed by Ordinance No. 08-01 of the Los Angeles County Metropolitan Transportation Authority (Measure R).

Measure M, also known as the Los Angeles County Traffic Improvement Plan ("Ordinance"), establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit reports must be provided to the Oversight Committee to determine whether Metro and local subrecipients have complied with the Measure M requirements (see Exhibit 1) and communicate its findings to the Metro Board.

In compliance with the Ordinance, Metro contracted with BCA Watson, LLP to perform the independent audit of the Measure M Special Revenue Fund. Metro also contracted with two firms to conduct the audits of Measure M sales tax revenues allocated to the Local Return program used by the County of Los Angeles (County) and the 88 Cities (Cities) within the County. The report prepared by Vasquez & Company LLP covers the audits of the County and 39 of the Cities, and the report prepared by Simpson & Simpson LLP covers the audits of 49 of the Cities. (These Audits are attached as Exhibits 2, 3, and 4.)

THE AUDITS

The Independent Auditors' reports on the Measure M Special Revenue Fund found that Metro, the County, and the Cities complied in all material respects with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025.

The audits of compliance with the Measure M Local Return Guidelines of the County and 88 Cities found 18 instances of non-compliance within 13 jurisdictions. Audit findings were in 4 basic categories as follows:

- **Failure to Obtain Approval Before Incurring Expenses:** Eight Cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting a Form M-One, which lists the project name, amount of Measure M Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure M Local Return eligibility per the Local Return Guidelines. The findings have been resolved as the Cities subsequently submitted the required forms and obtained retroactive approvals from Metro.
- **Inadequate accounting procedures, record keeping, and/or documentation:** Six Cities failed to complete year-end accounting closing processes and a timely bank reconciliation process. One City failed to adequately document payroll costs. Cities are required to maintain proper accounting records and documentation. The Cities are in the process of correcting their procedures, and the auditors will verify whether the Cities have properly implemented corrective actions during the fiscal year 2026 audit.

- **Untimely Submittal of Forms:** Two Cities did not submit a Form M-One, budget form, on time. Form M-One and Form M-Two are required to be submitted by Cities to Metro identifying the budget and expenditures of their Measure M Local Return funded projects. The findings have been resolved as the Cities subsequently submitted the required forms.
- **Administrative Expenses in excess of 20% Cap.** One City exceeded the allowable limit on administrative expenditures. The City returned the amount over the cap to their Local Return Account.

MEASURE M OVERSIGHT COMMITTEE REVIEW

The Measure M Oversight Committee received the three audit reports in February 2026. The Committee reviewed the reports and met on March 4, 2026. At that meeting, the Committee received a formal presentation of the audit reports from each of the three audit firms.

The Committee asked about and received satisfactory responses regarding declining fund balances, the materiality and recurrence of findings, and strategies to best support the Cities. The Committee was satisfied with the audit reports.

MEASURE M OVERSIGHT COMMITTEE FINDINGS

(1) The audits were performed in accordance with the Ordinance that the voters approved in 2016;

(2) Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025; and

(3) The County and Cities complied in all material respects with the Measure M Ordinance and guidelines that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2025.

The audits found 18 instances of non-compliance within 13 local jurisdictions, which have been resolved or are in the process of being addressed.

**RESOLUTION OF THE INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MAKING
FINDINGS REGARDING THE ANNUAL AUDIT
PURSUANT TO THE MEASURE M ORDINANCE**

WHEREAS, on November 8, 2016, Los Angeles County voters approved Measure M that imposed a one-half of one percent (.5%) transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure M, also known as the Los Angeles County Traffic Improvement Plan, establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

WHEREAS, the audits must be provided to the Oversight Committee so that the Oversight Committee can determine whether Metro and local sub-recipients have complied with the Measure M requirements; and

WHEREAS, under contract with Metro, BCA Watson Rice, LLP (BCA) performed the independent audit of the Measure M Special Revenue Fund, and Vasquez & Company, LLP and Simpson & Simpson LLP audited the compliance of the County of Los Angeles (County) and the 88 Cities (Cities) with regard to the Measure M Local Return program;

NOW, THEREFORE, the Measure M Independent Taxpayer Oversight Committee of Metro finds that:

The audits were performed in accordance with the Ordinance that the voters approved in 2016;

Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025;

The County and Cities complied with the Ordinance requirements that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2025. The audits found 18 instances of non-compliance in 13 local jurisdictions, including three material weaknesses and seven significant deficiencies in internal controls over compliance. All compliance issues have been resolved or are currently being addressed. Metro staff is working with the jurisdictions to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:

Collette Langston, Metro Board Clerk

Adopted this ____ day of June 2026.

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure M Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2025
(With Comparative Totals For 2024)**



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Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
For the Year Ended June 30, 2025

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Independent Auditor's Report

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Audit of the Schedule of Measure M Revenues and Expenditures

Opinion

We have audited the accompanying Schedule of Measure M Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2025, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our 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 opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure M Fund is intended to present the revenues and expenditures attributable to the Measure M Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2025, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

Responsibilities of Management for the Schedule of Measure M Revenues and Expenditures

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Measure M Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is 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 generally accepted auditing standards 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 Schedule.

In performing an audit in accordance with generally accepted auditing standards 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 Schedule, 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 Schedule.
- 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 LACMTA'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 Schedule.

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

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic Schedule as a whole. The schedule of expenditures by subfund and programs - budget to actual and the schedule of fund balances by subfund and programs for the fiscal year ended and as of June 30, 2025, on pages 10 and 11 are presented for purposes of additional analyses and are not a required part of the basic Schedule. Such information has not been subjected to the auditing procedures applied in the audit of the basic Schedule, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure M Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated December 2, 2024. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2025, is consistent, in all material respects, with the audited Schedule from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 LACMTA's internal control over financial reporting and compliance.

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

Torrance, California

December 2, 2025

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for 2024)
(Amounts expressed in thousands)

	2025	2024
Revenues		
Sales tax	\$ 1,080,142	\$ 1,091,069
Intergovernmental	85,437	586
Investment income	46,727	44,748
Net appreciation in fair value of investments	8,339	11,077
Total revenues	<u>1,220,645</u>	<u>1,147,480</u>
Expenditures		
Administration and other transportation projects	197,271	60,985
Transportation subsidies	368,817	412,446
Debt and interest expenditures		
Principal	-	1,500
Total expenditures	<u>566,088</u>	<u>474,931</u>
Excess of revenues over expenditures	<u>654,557</u>	<u>672,549</u>
Other financing sources (uses)		
Transfers in	75,754	32,524
Transfers out	(1,329,830)	(685,259)
Total other financing sources (uses)	<u>(1,254,076)</u>	<u>(652,735)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (599,519)</u>	<u>\$ 19,814</u>

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures.

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

1. **Organization**

General

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a Board of Directors composed of five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator for one of the country's largest and most populous counties. More than 10 million people, about one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure M

Measure M, also known as Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on November 8, 2016, and the rate of the tax shall increase to one percent on July 1, 2039, immediately upon expiration of the one-half percent sales tax imposed by Traffic Relief and Rail Expansion Ordinance (Measure M).

Revenues collected are required to be allocated in the following manner: 1) 5% for Metro rail operations; 2) 20% for transit operations (Metro and Municipal Providers); 3) 2% for ADA Paratransit for the disabled and Metro discounts for seniors and students; 4) 35% for transit construction; 5) 2% for Metro State of Good Repair projects; 6) 17% for highway construction; 7) 2% for Metro active transportation program; 8) 16% for local return - base for local projects and transit services; and 9) 1% for local return for regional rail.

2. **Summary of Significant Accounting Policies**

The Schedule of Revenues and Expenditures for the Measure M Special Revenue Fund was prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

2. Summary of Significant Accounting Policies (Continued)

The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

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. 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 most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses the governmental fund type Special Revenue Fund to account for Measure M sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

Budgetary Accounting

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact on the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Appreciation (Decline) in Fair Value of Investments

Investment income and net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by State statutes. For the fiscal year ended June 30, 2025, the Measure M fund had an investment income of \$46,727 and a net appreciation in the fair value of investments of \$8,339. The net appreciation in investments was mainly due to an increase in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

The LACMTA issues a publicly available annual comprehensive financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained at the LACMTA's website <https://www.metro.net/about/financebudget/>.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

The amounts shown for 2024 in the accompanying Schedule are included only to provide a basis for comparison with 2025 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles in the United States of America.

3. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure M fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in the financial position thereof for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

4. Intergovernmental Transactions

Any transaction conducted with any federal, state, and local governmental agencies outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure M Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure M Ordinance.

6. Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Measure M fund at June 30, 2025 had a deficiency of revenues over expenditures and other financing uses of \$599,519 primarily due to more funding for major capital projects in FY 2025 than in FY 2024 totaling \$542,286. The foregoing factors contributed to the decrease in Measure M Fund balance from \$1,170,769 to \$571,250 at June 30, 2025.

8. Audited Financial Statements

The financial statements for the Measure M Special Revenue Fund for the fiscal year ended June 30, 2025, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

10. Subsequent Events

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through December 2, 2025, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 1,156,000	\$ 1,156,000	\$ 1,080,142	\$ (75,858)
Intergovernmental	199,307	15,540	85,437	69,897
Investment income	-	-	46,727	46,727
Net appreciation in fair value of investments	-	-	8,339	8,339
Total revenues	1,355,307	1,171,540	1,220,645	49,105
Expenditures				
Administration and other transportation projects	205,863	248,770	197,271	51,499
Transportation subsidies	442,237	477,047	368,817	108,230
Total expenditures	648,100	725,817	566,088	159,729
Excess of revenues over expenditures	707,207	445,723	654,557	208,834
Other financing sources (uses)				
Transfers in	4,978	103,939	75,754	(28,185)
Transfers out	(688,827)	(1,339,987)	(1,329,830)	10,157
Total other financing sources (uses)	(683,849)	(1,236,048)	(1,254,076)	(18,028)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 23,358	\$ (790,325)	\$ (599,519)	\$ 190,806

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Expenditures by Subfund and Programs – Budget and Actual
For the Fiscal Year Ended June 30, 2025
(Amounts expressed in thousands)

Subfund	Programs	Final Budget	Actual	Variance with Final Budget
	<u>Program:</u>			
<i>Transit Operating and Maintenance</i>	Metro Rail Operations	\$ 56,934	\$ 52,612	\$ 4,322
	Transit Operations	281,307	308,699	(27,392)
	ADA Paratransit	32,736	21,424	11,312
<i>Transit/First/ Last Mile (Capital)</i>	Transit Construction	948,297	962,519	(14,222)
	Metro State of Good Repair	74,262	35,312	38,950
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway Construction	330,637	235,933	94,704
	Active Transportation Program	24,719	5,863	18,856
<i>Local Return/ Regional Rail</i>	Local Return	182,012	180,870	1,142
	Regional Rail - Metrolink	11,347	12,399	(1,052)
	Total program	<u>1,942,251</u>	<u>1,815,631</u>	<u>126,620</u>
<i>Administration</i>	Administration	19,614	4,533	15,081
	Total	<u>\$ 1,961,865</u>	<u>\$ 1,820,164</u>	<u>\$ 141,701</u>

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Fund Balances by Subfund and Programs
For the Fiscal Year Ended June 30, 2025
(Amounts expressed in thousands)

Subfund	Programs	Beginning Balance, July 1, 2024	Revenues			Expenditures/Uses of Funds				Fund Balance
			Revenue Allocations	Other Revenues	Total Revenues	Admin	Local Return/ Transportation Subsidies	Transfers-out/ Capital Projects	Transfers-in/ Capital Projects	
<i>Transit Operating & Maintenance</i>	Program:									
	Metro Rail Operations	\$ -	\$ 53,197	\$ (345)	\$ 52,852	\$ -	\$ -	\$ (52,612)	\$ -	\$ 240
	Transit Operations	376,424	212,788	17,632	230,420	-	(74,044)	(234,655)	-	298,145
	ADA Paratransit	9,963	21,279	1,327	22,606	-	-	(20,843)	-	11,726
<i>Subtotal</i>		386,387	287,264	18,614	305,878	-	(74,044)	(308,110)	-	310,111
<i>Transit/First/ Last Mile (Capital)</i>	Transit Construction	21,607	375,464	(14,379)	361,085	(41,584)	(14,520)	(908,688)	2,273	(579,827)
	Metro State of Good Repair	56,579	21,279	3,710	24,989	-	-	(35,312)	-	46,256
<i>Subtotal</i>		78,186	396,743	(10,669)	386,074	(41,584)	(14,520)	(944,000)	2,273	(533,571)
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway Construction	607,872	263,222	41,841	305,063	(148,214)	(93,266)	(64,355)	73,481	680,581
	Active Transportation Program	88,842	21,278	6,462	27,740	(2,982)	(1,743)	(5,299)	-	106,558
<i>Subtotal</i>		696,714	284,500	48,303	332,803	(151,196)	(95,009)	(69,654)	73,481	787,139
<i>Local Return/ Regional Rail</i>	Local Return	-	180,870	-	180,870	-	(180,870)	-	-	-
	Regional Rail - Metrolink	(38)	10,639	(1,808)	8,831	(147)	(4,374)	(7,878)	-	(3,606)
<i>Subtotal</i>		(38)	191,509	(1,808)	189,701	(147)	(185,244)	(7,878)	-	(3,606)
<i>Administration</i>	Total program	1,161,249	1,160,016	54,440	1,214,456	(192,927)	(368,817)	(1,329,642)	75,754	560,073
		9,520	5,563	626	6,189	(4,344)	-	(188)	-	11,177
	Grand Total	<u>\$ 1,170,769</u>	<u>\$ 1,165,579</u>	<u>\$ 55,066</u>	<u>\$ 1,220,645</u>	<u>\$ (197,271)</u>	<u>\$ (368,817)</u>	<u>\$ (1,329,830)</u>	<u>\$ 75,754</u>	<u>\$ 571,250</u>



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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 the Schedule of Revenues and Expenditures
Performed in Accordance with *Government Auditing Standards***

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2025, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated December 2, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the 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 Schedule, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LACMTA's Schedule 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedule. 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.

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

Torrance, California
December 2, 2025

**Independent Auditor's Report on Compliance with Requirements Applicable to
Measure M Revenues and Expenditures in Accordance with the
*Los Angeles County Traffic Improvement Plan Ordinance No. 16-01***

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Measure M Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the *Los Angeles County Traffic Improvement Plan Ordinance No. 16-01* (the Ordinance) applicable to LACMTA's Measure M revenues and expenditures for the fiscal year ended June 30, 2025.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance 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. Our responsibilities under those standards 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. 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 Measure M revenues and expenditures.

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 with Measure M revenues and expenditures 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 and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Measure M revenues and expenditures as a whole.

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 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 other procedures as 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 Measure M revenues and expenditures, 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, 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 compliance requirement 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 have not been 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 compliance requirements of the Measure M revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

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

Torrance, California
December 2, 2025

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2025

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Status of Prior Year Audit Findings

None noted.



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

**To the Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer Oversight Committee**

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance areas tested and related findings are identified in the accompanying Compliance areas tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2025.

Basis for Opinion

We conducted our audits 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 Guidelines. Our responsibilities under those standards and the 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 the County and the Cities and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management of the County and the Cities is responsible for their compliance with the Guidelines 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 County and each City's Measure M Local Return 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 the County's and the Cities' 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 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 the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 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 the County's and the Cities' 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 County's and the Cities' 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 Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-010. Our opinion is not modified with respect to these matters.



Government Auditing Standards require the auditor to perform limited procedures on the responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

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 the 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 the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-002, #2025-007 and #2025-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-004 and #2025-005 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Guidelines. Accordingly, this report is not suitable for any other purpose.

**Glendale, California
December 31, 2025**

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2025**

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNSDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2025**

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025**

The audits of the County of Los Angeles and 39 cities have resulted in ten (10) findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Cudahy (Finding #2025-003)	\$ 8,850	\$ 8,850
		Culver City (Finding #2025-005)	864,786	864,786
		Lynwood (Finding #2025-008)	26,368	26,368
		San Fernando (Finding #2025-009)	442,413	442,413
Administrative expenses are within the 20% cap.	1	Cudahy (Finding #2025-004)	112,964	112,964
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Calabasas (Finding #2025-001)	None	None
		Huntington Park (Finding #2025-006)	None	None
Accounting procedures, record keeping and documentation are adequate.	3	Compton (Finding #2025-002)	None	None
		Huntington Park (Finding #2025-007)	None	None
		Santa Fe Springs (Finding #2025-010)	None	None
Total Findings and Questioned Costs	10		\$ 1,455,381	\$ 1,455,381

Details of the above findings are presented in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-001	City of Calabasas
Compliance Reference	Administrative Section Expenditure Plan (Form M-One) of the Measure M Local Return Guidelines states, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One) annually by August 1 of each year".
Condition	The City missed the August 1, 2024 filing deadline for Form M-One, submitting the 8/1 Table late. The City submitted Form M-One on August 5, 2024.
Cause	Due to staffing changes in the Public Works Department, there was a transition period that affected the changeover of required reporting communications with Metro.
Effect	The City submitted the Form M-One 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form M-One via LRMS prior to the August 1 st deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure the 8/1 Table is submitted in a timely manner by August 1 st for each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on August 5, 2024. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-002 (Material Weakness)	City of Compton
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of the audit on December 30, 2025, the City's year-end closing process was still ongoing. We noted the following critical observations: • Cut-off procedures related to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected prior period's account balances. • Beginning fund balances were not reconciled with prior year's audited reports. • The audits of the City's financial statements for the fiscal years 2024 and 2025 have not yet been completed due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal year 2024.
Cause	During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. Currently, accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-002 (Material Weakness) (Continued)	City of Compton
Recommendation	We recommend that the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task, the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to the users in a timely manner.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-003	City of Cudahy
Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures prior to receiving approval from Metro under Project Code 730, Atlantic Ave Complete Streets Improvement Project, totaling \$8,850. Although the expenditures were determined to be eligible for Local Return funding, this project did not have prior approval from Metro.
Cause	The project was inadvertently omitted from the City's submitted budget request for FY2024/25.
Effect	By claiming \$8,850 of Measure M funds prior to Metro's approval, the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that Metro's approval is obtained before incurring expenditures on Local Return-funded projects.
Management's Response	The City submitted a budget request to the Metro Program Manager and obtained retroactive approval of the budget for the project on December 23, 2025.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for the project on December 23, 2025. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-004 (Significant Deficiency)	City of Cudahy
Compliance Reference	Section XXV 9 Transportation Administration of the Measure R Local Return Guidelines states that, "Expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting, and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City claimed MMLRF administrative expenses in excess of the 20% cap, totaling \$19,277. This is a repeat finding from prior year's audit relating to the MMLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 640, Fund Administration (20% cap) to \$101,341, resulting in an excess of \$93,687.
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Account the amount exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Account the amount over the 20% cap, totaling \$112,964.
Finding Corrected During the Audit	The City has recorded a due from General Fund in FY2024/25. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-005 (Significant Deficiency)	City of Culver City
Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures under Measure M Project code 840, MOVE Culver City, totaling \$864,786, prior to approval from Metro. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro. This is a repeat finding from the prior year.
Cause	The project was inadvertently excluded from the submitted budget request. Due to the resignation of a key staff member, the project was not added to the FY 2024-2025 budget request.
Effect	The City claimed expenditures totaling \$864,786 of Measure M LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Significant Deficiency) (Continued)	City of Culver City
Management's Response	The City submitted a budget request via LRMS on December 11, 2025. Moving forward, the City will ensure that budget requests are made timely to Metro and match the City's approved CIP budget.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on December 16, 2025. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-006	City of Huntington Park
Compliance Reference	Administrative Section Expenditure Plan (Form M-One) of the Measure M Local Return Guidelines states, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year".
Condition	The City missed the August 1, 2024 deadline of Form M-One, submitting the 8/1 Table late. Form M-One was submitted on October 15, 2024.
Cause	This condition was caused by turnover of the City staff responsible for completing Form M-One, 8/1 Table. City staff who is currently assigned to submit Form M-One, 8/1 Table was unaware of the requirements to submit Form M-One, 8/1 Table by August 1 of each year.
Effect	The City submitted the Form M-One, 8/1 Table, after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form M-One via LRMS prior to the August 1 deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure 8/1 Table is submitted in a timely manner by August 1 of each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on October 15, 2024. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-007 (Material Weakness)	City of Huntington Park
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork on December 29, 2025, the City's year-end closing process was still ongoing for the fiscal year 2025. The following critical observations have been identified: • Cut-off procedures relating to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected the prior period's account balances. • Certain accounts and beginning fund balances were not reconciled to the City's published 2024 audited reports. Accordingly, the audit of the City's financial statements for the fiscal year 2025 remains in progress due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal years 2023 and 2024.
Cause	During the fiscal years 2021 through 2025, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2025 and prior years. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007 (Material Weakness) (Continued)	City of Huntington Park
Recommendation	The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures should be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to users on a timely basis. We further recommend that the City maintain a separate bank account for its local return funds. This will also help in monitoring and tracking the activities and balances of local return funds.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-008	City of Lynwood
Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures prior to approval from Metro under Project Code 640, Administration and Monitoring, totaling \$26,368. Although the expenditures were eligible for Local Return funding, the project did not have prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditures for this project and was unable to submit a budget request for Metro's approval until after June 30, 2025.
Effect	The City claimed expenditures totaling \$26,368 of Measure M funds prior to Metro's approval. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on December 29, 2025.
Finding Corrected During the Audit	On December 29, 2025, the Metro Program Manager granted retroactive approval of the said project. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-009	City of San Fernando
Compliance Reference	Section B (II)(1) Expenditure Plan (Form One) of Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures prior to approval from Metro under Project code 170, City Parking Lot Maintenance Project, totaling \$442,413. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The delay in submitting the project budget update to the granting agency was attributable to temporary staffing constraints that impacted the timely completion of required reporting activities.
Effect	The City claimed expenditure totaling \$442,413 of Measure M funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009 (Continued)	City of San Fernando
Management's Response	Management acknowledges this deficiency and has corrective action to prevent recurrence. Specifically, responsibilities for grant reporting will be restructured to ensure adequate staffing coverage, and cross-training initiatives are implemented to mitigate the risk of delays arising from personnel changes or absences. These measures will strengthen internal capacity and ensure the timely fulfillment of all reporting obligations in the future. The City submitted a Budget Request to Metro Program Manager and obtained retroactive approval of the budget for said project on September 30, 2025.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for said project on September 30, 2025. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-010 (Material Weakness)	City of Santa Fe Springs
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork on December 30, 2025, the City's year-end closing process was still ongoing. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.
Cause	During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	The City should implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that financial statements are updated and provided to users on a timely basis.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure monthly and annual year-end closing processes are well documented and completed on time.



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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SIMPSON & SIMPSON

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer Oversight Committee

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance areas tested and related findings are identified in the accompanying Compliance Areas Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2025.

Basis for Opinion

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 Guidelines. Our responsibilities under those standards and the 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 the Cities 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 with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.



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Responsibilities of Management for Compliance

Management of the Cities are responsible for their compliance with the Guidelines 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 each City's Measure M Local Return 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 the Cities' 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 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 the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 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 the Cities' 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 Cities' 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 Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' 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.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-008. Our opinion is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 the 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 the 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 the 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001, #2025-004, #2025-006, #2025-007, and #2025-008 that we consider to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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 Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 31, 2025

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2025**

- | | |
|----------------------------------|-----------------------------------|
| 1. CITY OF ALHAMBRA | 31. CITY OF PALMDALE |
| 2. CITY OF ARCADIA | 32. CITY OF PALOS VERDES ESTATES |
| 3. CITY OF ARTESIA | 33. CITY OF PARAMOUNT |
| 4. CITY OF AVALON | 34. CITY OF PASADENA |
| 5. CITY OF BELLFLOWER | 35. CITY OF RANCHO PALOS VERDES |
| 6. CITY OF BRADBURY | 36. CITY OF REDONDO BEACH |
| 7. CITY OF BURBANK | 37. CITY OF ROLLING HILLS |
| 8. CITY OF CERRITOS | 38. CITY OF ROLLING HILLS ESTATES |
| 9. CITY OF CLAREMONT | 39. CITY OF SAN DIMAS |
| 10. CITY OF COVINA | 40. CITY OF SAN GABRIEL |
| 11. CITY OF DIAMOND BAR | 41. CITY OF SAN MARINO |
| 12. CITY OF DOWNEY | 42. CITY OF SANTA CLARITA |
| 13. CITY OF DUARTE | 43. CITY OF SIERRA MADRE |
| 14. CITY OF EL SEGUNDO | 44. CITY OF SIGNAL HILL |
| 15. CITY OF GLENDALE | 45. CITY OF SOUTH PASADENA |
| 16. CITY OF GLENDORA | 46. CITY OF TEMPLE CITY |
| 17. CITY OF HAWAIIAN GARDENS | 47. CITY OF TORRANCE |
| 18. CITY OF HERMOSA BEACH | 48. CITY OF WEST COVINA |
| 19. CITY OF LA CANADA FLINTRIDGE | 49. CITY OF WHITTIER |
| 20. CITY OF LA HABRA HEIGHTS | |
| 21. CITY OF LA MIRADA | |
| 22. CITY OF LA VERNE | |
| 23. CITY OF LAKEWOOD | |
| 24. CITY OF LANCASTER | |
| 25. CITY OF LOMITA | |
| 26. CITY OF LONG BEACH | |
| 27. CITY OF LOS ANGELES | |
| 28. CITY OF MANHATTAN BEACH | |
| 29. CITY OF MONROVIA | |
| 30. CITY OF NORWALK | |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Compliance Areas Tested
Fiscal Year Ended June 30, 2025

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025**

The audits of the 49 cities have resulted in eight (8) findings. The table below summarizes these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Artesia (#2025-001)	\$ 28,885	\$ 28,885
		Downey (#2025-002)	688,825	688,825
		Glendora (#2025-003)	3,099	3,099
		Palos Verdes Estates (#2025-006)	848,899	848,899
Accounting procedures, record keeping and documentation are adequate.	4	Glendora (#2025-004)	None	None
		Glendora (#2025-005)	23,838	23,838
		Palos Verdes Estates (#2025-007)	None	None
		Redondo Beach (#2025-008)	None	None
Total Findings and Questioned Costs	8		\$ 1,593,546	\$ 1,593,546

Details of the findings can be found in Schedule 2

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025

Finding #2025-001 (Significant deficiency)	City of Artesia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	Expenditures totaling \$28,885 for Measure M Local Return Funds (MMLRF) Project Code 705, Traffic Control/Curb and Approach Improvements at Various Sites, were incurred prior to receiving Metro’s approval. The City subsequently received budget approval from Metro for the same amount on December 12, 2025. This is a repeat finding from the fiscal year 2024.
Cause	This condition was the result of an oversight by the City due to understaffing.
Effect	The City did not comply with the Measure M Local Return Guidelines as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.
Management’s Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditure is incurred.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive budget approval for the project on December 12, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-002	City of Downey
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for the MMLRF’s Woodruff Pavement Rehabilitation (Imperial Boulevard to Stewart & Gray Road) Project Code 705, in the total amount of \$688,825, were incurred prior to Metro’s approval. However, the City subsequently received an approved budget from Metro in the total amount of \$688,825 on October 10, 2025 for the same amount of the expenditure incurred on the project above.
Cause	The request for Metro’s approval on the project’s budget was overlooked.
Effect	The City did not comply with the Measure M Local Return Guidelines as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.
Management’s Response	The City’s management agrees with the finding. In the future, the City will review all project costs and ensure to request the appropriate Metro approved budget prior to the fiscal year end.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on October 10, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-003	City of Glendora
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for the MMLRF Cumberland Street Project Code 715, in a total amount of \$3,099, were incurred prior to Metro’s approval. However, the City subsequently received an approved budget from Metro in the amount of \$3,099 for the MMLRF project on December 15, 2025.
Cause	The expenditures were incurred due to timing and communication gaps between project budget submission, approval status tracking, and operational execution. The City initiated the project expenditures before formal confirmation of Metro’s approval. Additionally, internal controls did not sufficiently prevent expenditures from being processed while the approval was still pending.
Effect	The City did not comply with the Measure M Local Return Guidelines, as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-003 (Continued)	City of Glendora
Management's Response	The City acknowledges the finding. Retroactive budget approval for MMLRF's Cumberland Street Project Code 715 was received from Metro on December 15, 2025 in the amount of \$3,099, fully covering the expenditures incurred. No unallowable costs remain outstanding. To ensure this issue does not recur, the City will implement the following measures: Formal Budget Approval Verification • Project expenditures will not commence until written confirmation of Metro budget approval is received and documented. • Finance Department will maintain approval documentation within the project file. Internal Approval Controls • Finance Department staff will verify Metro approval status prior to setting up or activating project codes in the financial system. • Project codes will remain restricted from posting charges until approval is confirmed. Enhanced Communication Protocol • A formal notification process will be established between Finance Department and program staff confirming when Metro approval has been received and the expenditures may begin. • Program Managers will be reminded that "budget submitted" does not equate to "budget approved." Tracking and Monitoring • A centralized tracking log will be maintained to monitor submission dates, approval status, and authorized expenditure start dates for all of the Metro-funded projects. • Periodic reviews will be conducted to ensure compliance prior to cost incurrence.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$3,099 for the said MMLRF project on December 15, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-004 (Significant deficiency)	City of Glendora
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..."
Condition	The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024. This is a repeat finding from the fiscal year 2024.
Cause	The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to the delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
Effect	The delay in preparing the bank reconciliations and finalizing the year-end closing process increases the risk of inaccuracies in the financial records, which could lead to misstated financial statements. This also limits the ability to ensure the integrity of cash balances and related accounts and to properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for both bank reconciliations and year-end closing procedures to ensure they are completed on a timely basis. This should include assigning clear responsibilities and deadlines for staff, as well as providing adequate training on the new financial system, and monitoring progress to ensure that discrepancies are identified and resolved promptly.
Management's Response	The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005	City of Glendora
Compliance Reference	According to the Measure M Local Return Guidelines, Section XXV: Program Objective, states, “The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to cities and County of Los Angeles (Jurisdictions) may be used for purposes other than transportation purposes.” and Audit Requirements, “It is each Jurisdiction’s responsibility to maintain proper accounting records and documentation...” In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that: “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (b) A Federal award and non-Federal award. (5) Personnel activity reports or equivalent documentation must meet the following standards: : (a) They must reflect an after the fact distribution of the actual activity of each employee, : (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Continued)	City of Glendora
Condition	During our payroll testing, we noted that the payroll costs allocated to the Measure M Local Return Fund's (MMLRF) Maintenance Project Code 806 and Transportation Coordinator Project Code 880 were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities. In addition, the employees' timesheets did not identify the specific hours worked on the above projects for the following payroll periods tested: (a) October 27, 2024 (b) December 22, 2024 (c) February 2, 2025 (d) March 30, 2025 As a result, we were also unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible MMLRF activities for a total amount of \$23,838.
Cause	The fiscal year 2024-25 was the City's first full fiscal year operating under a new Time and Attendance system. During system implementation, the City relied on guidance provided by the implementation representative and configured payroll cost allocations in accordance with that guidance. At that time, it was assumed that this configuration would meet Metro's cost allocation and documentation requirements. However, it was determined that this setup did not fully capture or report actual hours worked by project or activity as required for detailed payroll and benefit cost allocation.
Effect	The payroll costs and employee benefits charged under the MMLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$23,838.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Continued)	City of Glendora
Management's Response	The City acknowledges the finding and has taken corrective action to ensure full compliance with Metro requirements. The City has engaged a third-party consultant with specialized expertise in Time and Attendance system configuration and Metro grant compliance. The City is currently developing and implementing detailed activity and project codes to capture actual hours worked by employee and by specific project. Updating Time and Attendance system configurations will ensure that payroll costs and employee benefits are allocated based on actual hours worked and supported by timesheet documentation. Reviewing internal payroll and reporting procedures will also help ensure consistent application and ongoing compliance. These actions will strengthen internal controls, improve payroll cost transparency, and ensure all future personnel cost charges to Metro-funded projects are fully supported and compliant with Metro requirements. The City met with a third-party consultant specializing in Time and Attendance system configuration and job costing to evaluate options for achieving full compliance with Metro's payroll documentation requirements. During this discussion, the consultant proposed implementing job costing within the Time and Attendance system as a means to independently track employee time by project. The conversation also emphasized the need for a structured and consistent method of time tracking and project management, particularly to distinguish hours worked on local transportation projects from those charged to the General Fund. This approach will allow the City to accurately capture actual hours worked at the employee level and allocate payroll costs and related benefits directly to the appropriate funding source. Based on this guidance, the City is moving forward with: • Establishing job costing and project/activity codes within the Time and Attendance system; • Requiring employees to record time worked by project, including transportation-related projects funded by Metro; • Aligning payroll reporting with Metro's documentation and compliance requirements. These enhancements will improve accuracy, transparency, and auditability of personnel cost allocations going forward.
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$23,838 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-006 (Significant deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	During the fiscal year ended June 30, 2025, the City incurred expenditures prior to receiving Metro approval. The expenditures incurred prior to approval were as follows: • \$71,324 for Project Code 705 — FY 24/25 Annual Slurry Seal Project; and • \$559,561 for Project Code 705 — FY 24/25 Annual Resurfacing Project. In addition, the City incurred expenditures totaling \$218,014 for Project Code 705 – FY23/24 Annual Resurfacing Project prior to receiving Metro approval. These expenditures related to the fiscal year 2024 and were subsequently recorded as prior period adjustments in the fiscal year 2025. This is a repeat finding from the fiscal year 2024.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023.
Effect	The City did not comply with the Measure M Local Return Guidelines, as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-006 (Significant deficiency) (Continued)	City of Palos Verdes Estates
Management's Response	The City accepts the finding. The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.
Finding Corrected During the Audit	On December 18, 2025, the City received retroactive approval from Metro for the budgets associated with Project Code 705 — FY 24/25 Annual Slurry Seal Project and FY 24/25 Annual Resurfacing Project, in the amounts of \$71,400 and \$559,600, respectively. On December 18, 2025, the City also received retroactive approval from Metro for the budget associated with Project Code 705 — FY 23/24 Annual Resurfacing Project, in the amount of \$218,100. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007 (Significant deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Measure M Final Guidelines, Section XXV, Audit Requirements, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits.”
Condition	During the procedures performed to reconcile the beginning balances of the fiscal year 2025 financial statements to the audited ending balances as of June 30, 2024, we noted that the City recorded certain fiscal year 2024 Local Return Funds project expenditures after the completion and issuance of the fiscal year 2024 Local Return Funds audit reports. These transactions were not recorded in the City’s accounting records at the time the fiscal year 2024 audits were completed and were subsequently recorded by the City at the beginning of the fiscal year 2025. As a result of these post-year entries, cash and investments were overstated and expenditures were understated in the following fund: • MMLRF: \$218,014 Because these transactions related to fiscal year 2024 activities but were recorded after the issuance of the fiscal year 2024 Local Return Funds audit reports, they were recorded as prior period adjustments in the fiscal year 2025. In addition, during the same reconciliation procedures, we noted that the City recorded \$59,007 of Measure M MSP grant revenue received in the fiscal year 2024 as part of the beginning balance of the fiscal year 2025, which resulted in an understatement of cash and investments and Measure M MSP grant revenue in MMLRF as of June 30, 2024.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007 (Significant deficiency) (Continued)	City of Palos Verdes Estates
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023. In addition, the City personnel were unfamiliar with the City's fund requirements and Local Return reporting processes, and the City engaged an external accounting support team to assist with the year-end closing process. Collectively, these circumstances adversely affected controls over the Local Return Funds and Metro-related projects, and contributed to delays in critical reconciliations, account analyses, and the preparation of supporting documentation required for year-end financial reporting and audit purposes.
Effect	Although supporting documentation was maintained by the external accounting support team, the City personnel were unable to readily locate or provide the documentation upon request, resulting in unresolved differences between amounts recorded in the City's general ledger and those reported to Metro. As a result, these conditions increased the risk of: (a) inaccurate or misstated financial records and reports; and (b) noncompliance with applicable local return guidelines. In addition, deficiencies in the City's year-end closing and documentation processes contributed to delays in the completion of the required audits.
Recommendation	We recommend that management prioritize timely completion of the year-end closing process and strengthen controls over period-end financial reporting. This should include implementing a structured closing process with clearly defined roles, responsibilities, and timelines. In addition, management should ensure appropriate supervisory review and oversight to verify that all required reconciliations, documentation, and adjustments are completed accurately and timely prior to finalizing the year-end close.
Management's Response	The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Significant deficiency)	City of Redondo Beach
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	As of the date of the audit on December 16, 2025, the City's year-end closing process had not yet been completed. Accordingly, we noted the following matters: (a) Bank reconciliations for May and June 2025 had not been completed due to unresolved reconciling items. (b) Interest income allocations for all local return funds had not been finalized, and interest earned but not yet received as of June 30, 2025 had not been accrued. (c) Unrealized gains and losses on investments had not been recorded as of year-end.
Cause	The City implemented a new permit management and financial system in August 2024, which created in reconciliation challenges between permit payment activity and bank records. Due to ongoing issues, the City discontinued the system and transitioned to a new system in April 2025. While the new system is operating more effectively, unresolved reconciliation issues remain for the March through April 2025 transition period, primarily related to transactions recorded in both systems. In addition, staffing shortages within the Finance Department further contributed to delays in completing year-end reconciliations and closing activities. As a result, the City was unable to finalize the year-end closing process and related allocations prior to the audit.
Effect	Delays in preparing bank reconciliations and year-end closing procedures increase the risk of errors or omissions in the City's financial records. Because interest allocations, accrued interest, and unrealized gains and losses were not recorded, interest income, interest receivable, investment balances, and related fund balances may be misstated or not properly allocated among Local Return funds. These conditions also limit management's ability to detect and correct errors on a timely basis and weaken internal controls over financial reporting.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Significant deficiency) (Continued)	City of Redondo Beach
Recommendation	We recommend that the Finance Department establish and follow a documented year-end closing process to ensure that: • Bank reconciliations are completed monthly and reviewed. • Interest income allocations and accruals are finalized prior to closing. • Unrealized investment gains and losses are recorded at year-end, and all closing entries are subject to supervisory review. • We further recommend prioritizing completion of the outstanding reconciliations for May and June 2025 and providing additional training to staff on the new financial system and year-end procedures.
Management's Response	Management agrees with the recommendation and will strengthen the financial statement closing process by enhancing year-end procedures through improved documentation, clearer task assignments, and the implementation of a structured close checklist and timeline. The Finance Department will complete interest allocations, along with pooled cash and related bank reconciliations, on a monthly basis with established internal deadlines, and supervisor will perform monthly reviews to ensure accuracy and completeness. Responsibilities for bank reconciliations and interest allocations have been reassigned to designated staff to provide continuity. Progress will be monitored regularly to ensure alignment with financial reporting and audit timelines.



Metro[®]

**MANAGEMENT
AUDIT SERVICES**

Fiscal Year 2025 Consolidated Audit

Finance, Budget and Audit Committee

July 16, 2026

Kimberly Houston, Deputy Chief Auditor

Lauren Choi, Senior Director, Audit



MANAGEMENT AUDIT SERVICES

Issue



Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company and Simpson and Simpson, certified public accountants, for FY25



Metro must provide assurance that recipients of funds are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source

Highlights of Requirements

Guidelines for Propositions A&C and Measures R&M Local Return Funds

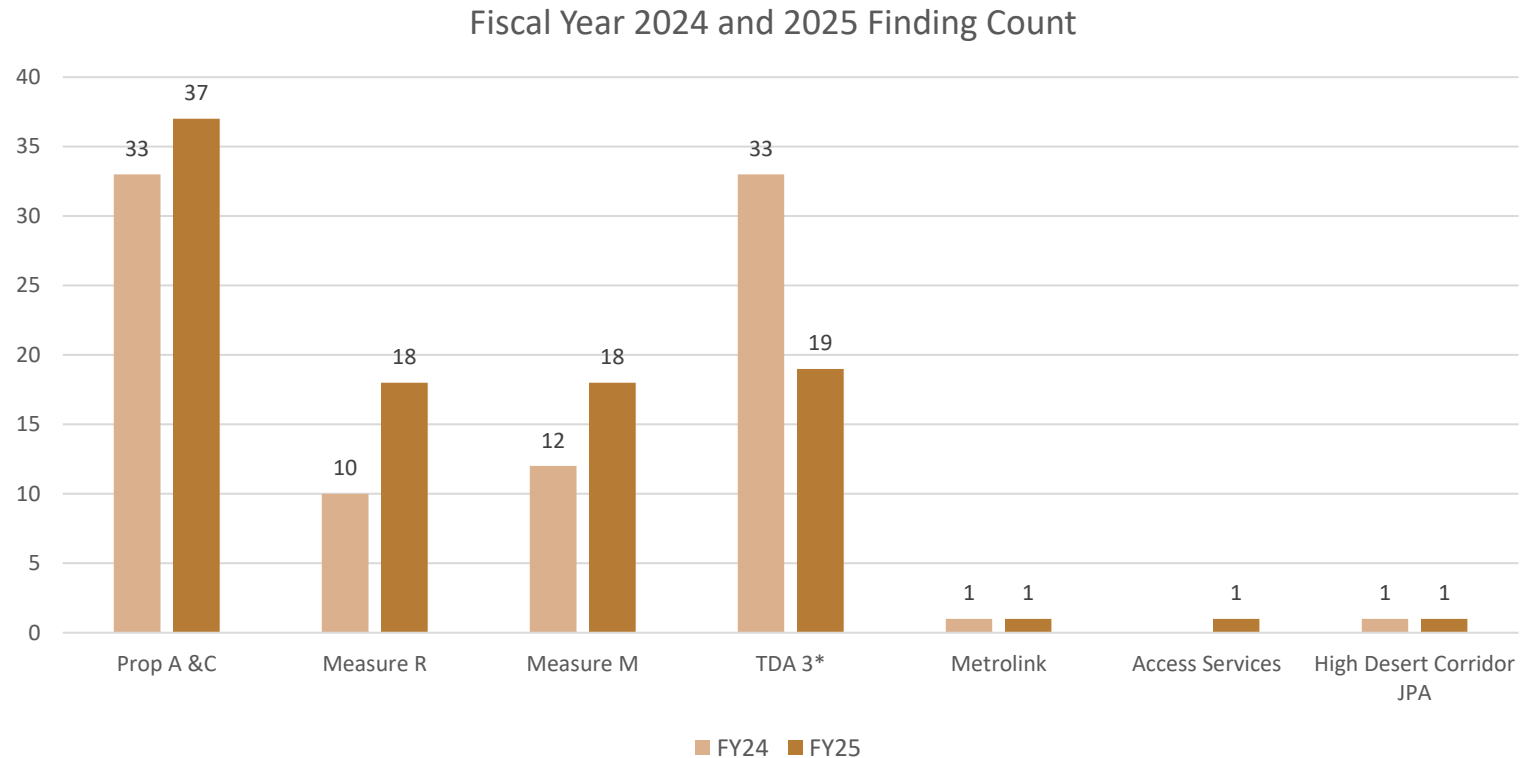
1. Determine if funds expended with Metro Project Manager's approval.
2. Confirm expenditure Plan/Budget Form submitted by August 1st of the fiscal year.
3. Confirm Annual Expenditure Report submitted by October 15th following the past fiscal year.
4. Evaluate jurisdictions are maintaining proper accounting procedures and records.

General Assessment

With the exceptions of the Cities* of Compton, Glendora, Huntington Park, Redondo Beach, and Santa Fe Springs, the auditors concluded that the County, Cities, transit operators, and other agencies complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for FY25.

*The Cities were late in completing their Comprehensive Financial Audit Reports, which delayed the closing process for the Local Return programs.

Findings



*Local Programming in collaboration with MAS conducted the Consolidated Audit Workshop on 5/13/2026 to train and help jurisdictions to comply with the guidelines/requirements.

Questions



Board Report

File #: 2026-0245, File Type: Budget

Agenda Number: 30.

FINANCE, BUDGET AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: ACCESS SERVICES FISCAL YEAR 2027 PROPOSED BUDGET

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. APPROVING local funding request for Access Services (Access) in an amount not to exceed \$240,986,909 for FY27. This amount includes:
 - 1. Local funds for operating and capital expenses in the amount of \$238,218,046
 - 2. Local funds paid directly to Metrolink for its participation in Access' Free Fare Program in the amount of \$2,768,863
- B. AMENDING the FY27 Budget by \$27,150,139 to fully fund Recommendation A; and
- C. AUTHORIZING the Chief Executive Officer (CEO) to negotiate and execute all necessary agreements to implement the above funding program.

ISSUE

The total FY27 Americans with Disabilities Act (ADA) paratransit service budget for Los Angeles County is \$380,426,951. This includes a not to exceed amount of \$377,658,088 in funds for Access to support their operating and capital needs, and \$2,768,863 for Metrolink's participation in Access' Free Fare Program.

The FY27 Adopted Budget included a preliminary budget for Access. The final recommended budget for Access requires \$240,986,909 in local funding, requiring an additional \$27,150,139 in FY27.

BACKGROUND

As the Regional Transportation Planning Authority, Metro provides funding to Access to provide regional ADA paratransit service for Metro and the 45 other public fixed route operators in Los Angeles County. The provision of compliant ADA mandated service is considered a civil right under federal law and must be appropriately funded.

Access' service area spans more than 1,950 square miles of Los Angeles County. Next fiscal year, Access is forecasted to provide more than 4.3 million trips serving approximately 121,000 qualified ADA paratransit riders. Access contracts out its paratransit services to six different regional contractors, each serving a specific area: Eastern, Southern, West Central, Northern, Santa Clarita, and Antelope Valley. Access' contractors use a mixed fleet of wheelchair accessible vehicles and sedans to provide service.

DISCUSSION

Ridership

Access' annual budget is based on a paratransit ridership forecast provided by an independent third-party consulting firm, Hollingsworth Consulting (Hollingsworth). This forecast, along with the paratransit demand analysis, historical data and other variables are used to form the basis for the projected number of annual passengers. The demand analysis projects over 5.3 million total passengers (Access riders, Personal Care Assistants (PCA), and guests), a 7.6% increase over FY26, resulting in over 4.3 million trips for FY27. The FY27 budget funds the projected 4.3 million trips, an 8.9% increase over FY26.

Cost Per Trip

The estimated cost per trip for FY27 is \$66.43, a 2.0% increase over FY26 of \$65.15. This increase in the cost per trip is largely due to contractual Consumer Price Index (CPI) adjustments embedded in Access' current agreements with their regional contractors, rising insurance costs and cost growth in new operating contracts that will begin in the upcoming fiscal year.

Fares

Access has a two-tiered fare structure in the Los Angeles basin: \$2.75 each way for trips up to 19.9 miles and \$3.50 for trips of 20 miles or more. In Santa Clarita and Antelope Valley, the fare is \$2.00 each way, reflecting the lower base fare of the local fixed-route systems. For FY27, Access projects fare revenues of \$12.5 million, a \$1.05 million or 9.1% increase over FY26.

Access customers can ride for free on fixed-route services and Metrolink within Los Angeles County through Access' Free Fare program. As part of its proposed strategic plan, Access will continue working with its regional transit partners on strategies to increase fixed-route usage by people with disabilities.

FY27 Budget Amendment

Access' total operating and capital budget is \$377.6 million, a 2.6% increase from FY26. See the table in Attachment B.

Operating Costs

Direct Transportation costs cover the delivery of paratransit services in Los Angeles County. This total is \$312.6 million, an 11.0% increase over FY26, driven by an 8.9% rise in paratransit trip demand and contractual CPI adjustments for paratransit service contractors. Contracted Support costs of \$15.4 million include customer service, eligibility, and appeals contractors, representing a 1.9% decrease from FY26 due to fewer eligibility renewals given the change from a three-year to a five-year eligibility term. Management & Administration costs of \$18.9 million include professional services, salaries, and related expenses incurred by Access. A 2.2% increase is projected in FY27 due to rising legal expenses, increased health insurance premiums, contractual CPI adjustments, and staff Cost of Living Adjustments (COLA).

Capital Program - Rolling Stock and Facilities Development & Construction

The FY27 capital program represents a total investment of \$30.7 million, structured to maximize the use of available resources. This year's budget follows several years of accelerated procurement that successfully addressed major fleet needs. By strategically leveraging capital carryover funds from FY26, Access is able to fully fund its fleet replacement requirements and facility construction activities.

A total of \$15.2 million is dedicated to new rolling stock to replace 105 vehicles, or approximately 14% of the total fleet. This investment builds upon the progress made in FY26, during which Access will have replaced 34% of its fleet. These units have over 250,000 miles in service-well beyond the Federal Transit Administration (FTA) replacement standard of 100,000 miles-making their replacement critical for service reliability and maintenance cost control.

Beyond the fleet, the FY27 capital budget continues to advance Access' Strategic Plan by funding the development of Access-owned operating facilities. Transitioning to Access-owned infrastructure across its six service regions is a key pillar of Access' long-term strategy to enhance long-term fiscal stability and operational effectiveness. See updates details below on the Facilities Development and Construction projects.

Southern Region Facility: As previously reported, Access has acquired a 6.09-acre property in the Southern region to develop a permanent paratransit operations and maintenance facility. This legacy project will support 1.2 million annual trips in the county's largest service area which also includes the highest concentration of Equity Focus Communities (EFCs) and accommodate increased demand for upcoming Special Events. Due to funding constraints, renovations will be completed in three phases. The project is currently out to bid, with a contract award for the first two phases expected in June 2026.

Antelope Valley Region Facility: The National Environmental Policy Act (NEPA) review for the proposed 6.8-acre facility in the City of Lancaster has been completed and the design and engineering plans are now under City review. Access plans to release an Invitation for Bids for construction services within the next few months with the goal of being fully operational by mid-2028. Construction will be funded by a congressional earmark of \$3 million along with a recently awarded

\$16.6 million Bus and Bus Facilities grant from the Federal Transit Administration.

Reduction in Federal Funding

Through the Southern California Association of Governments (SCAG) new regional Surface Transportation Block Grant (STBG) Program competitive process, Access requested \$283.1 million for FY27 and FY28 service operations and capital funding for its Southern Region facility. Metro staff reviewed the application and ranked it as "Highly Recommended" including it in a package of ranked STBG Program projects for Los Angeles County approved by the Board in July 2025. Following the final submission, SCAG awarded Access a base amount of \$131.8 million for FY27 and FY28, representing 46% of the requested amount.

Since Access did not receive the requested STBG Program funding, local funds must bridge the gap for both operations and capital programs. For FY27, the required local contribution will increase by 18.6%, rising from \$203.2 million in FY26 to \$241.0 million in FY27. This substantial growth places significant pressure on local funding sources. To mitigate this impact, Access will continue to pursue alternative revenue streams by seeking out competitive state and federal grants. Access has already demonstrated success in this area, recently securing a \$16.6 million Federal Bus and Bus Facilities grant (the largest in its history) to fund the Antelope Valley ADA Paratransit Operations and Maintenance Facility. Access will continue to leverage similar opportunities to mitigate the burden on local resources.

FY27 Carryover Operating

Each year, Metro includes Access in the consolidated audit process to ensure it is effectively managing federal and local funds in compliance with all applicable local state, and federal guidelines. The FY25 audit identified \$3,540,014 in unspent or unencumbered funds. Per the FY25 Funding Agreement, Access has the option to either return the funds to Metro or request that they be carried over to a subsequent fiscal year to be applied toward operating expenses. Access has requested the full identified balance from FY25 to be carried over into the FY27 budget.

FY27 Operating Reserve

As discussed above, Access' forecasting firm projects a 7.6% ridership increase in FY27. Metro will hold \$10 million in reserve for operating costs and will make it available to Access should FY27 demand meet the ridership projections.

FY26 Performance

As of April 2026, Access has provided over 3.4 million paratransit trips in the current fiscal year (10 months). To ensure optimal and efficient service levels countywide, the following Key Performance Indicators (KPIs) are in place. Access is meeting all of its KPIs in FY26. These are reported monthly, and a year-over-year comparison including data through April 2026 is available in Attachment B.

To ensure high service standards, Access establishes aggressive performance goals for its contractors. Failure to meet certain Key Performance Indicators (KPIs) requires the submission of a

service improvement plan, and contractors may face liquidated damages as outlined in their agreements.

Access Update in FY26:

- Finalizing Access' 5-year Strategic Plan (FY26 - FY30)
- Obtained additional grant funding from the 2026 Bus and Bus Facilities Program for the Antelope Valley ADA Paratransit Operations and Maintenance Facility
- Awarded a new paratransit services contract for Access' West-Central region
- Awarded contract extensions for paratransit services in the Southern and Antelope Valley regions
- Collaborated with Metro on a Special Events transit services agreement for the FIFA World Cup

In FY27, Access plans to:

- Continue collaborating with Metro staff, the Games Mobility Executive Accessibility Committee and LA28 on preparation of the 2028 Olympic and Paralympic games and seeking federal funding for a legacy facility project in the Southern region
- Implement and evaluate an Instacart food delivery program pilot project. Through this pilot program, Access will provide Instacart memberships to interested customers, allowing them to conveniently schedule grocery and essential deliveries, while potentially reducing paratransit trips and regional costs.
- Present results from Access' customer satisfaction survey
- Complete an analysis of Access' electric vehicle pilot project
- Continued development of the Antelope Valley and Southern region paratransit operations and maintenance facilities
- Issue an RFP for paratransit operations and maintenance service for the San Fernando Valley which is Access' Northern region

Metro Oversight Function

Metro fulfills its oversight function for Access to ensure system cost efficiency, accountability, equity, and inclusion in the delivery of ADA paratransit service in Los Angeles County. This includes active participation and representation by Metro on Access' Board of Directors and the Transportation Professionals Advisory Committee. Moreover, Access will remain part of Metro's Consolidated Audit process. Additionally, Access provides semiannual updates on its performance outcomes and service initiatives to the Metro's Finance, Budget & Audit Committee, as requested.

DETERMINATION OF SAFETY IMPACT

This recommendation will not have an impact on safety standards at Metro.

FINANCIAL IMPACT

Access' budget for FY27 is included in Cost Center 0443, Project 410011, and Account 54001 in Metro Annual Budget for FY27 as adopted at the May 2026 Board meeting.

Impact on Budget

Access' funding will include \$15,964,267 from Measure M 2% funds and \$225,022,642 from Proposition C 40% funds, totaling \$240,986,909. Board approval of the staff recommendation will increase the local fund amount for Access in FY27 compared to FY26 and amend the FY27 Budget accordingly. This will bridge a federal funding gap to provide mandated ADA paratransit services. Given that the region is fully funding the forecasted ADA paratransit obligation, there will be no budgetary impact on Metro's bus and rail operations.

EQUITY PLATFORM

By federal mandate, Access exclusively serves people with disabilities and seniors to provide regional ADA paratransit service. Access' service region is divided into six regions, and all have similar Key Performance Indicators (KPIs), which are measured and monitored by Access' staff. Access has analyzed its service area map to determine the percentage of riders served in Equity Focus Communities (EFCs). From July 1, 2025, through April 30, 2026, approximately 44% of all trips taken by 58,471 Access riders originated in EFCs.

On a semi-annual basis, Access conducts two virtual countywide community meetings to ensure all customers and stakeholders can receive information and directly communicate with staff about their service experiences. Advance notice of these meetings is provided on Access' website and social media platforms, and flyers are distributed in vehicles. To ensure accessibility for all customers throughout Los Angeles County, closed captioning, language translation services, Braille, and large print materials are available upon request.

Access hosted its latest virtual community meeting on Saturday, February 28, 2026, which saw strong participation with over 90 guests joining via Zoom. Topics covered included the role of Access' Community Advisory Committee and Access' lost and found and package policies. Staff also introduced Access's new Instacart Grocery Delivery Pilot Program. This innovative partnership with Instacart offers riders greater flexibility and potential cost savings by providing grocery delivery as a convenient alternative to paratransit trips. The session concluded with a walk-through of the Access website, including how to make online reservations and use the popular "Where's My Ride?" application. Customers were also provided with one-on-one assistance if they had other questions and concerns. The next community meeting is planned for summer 2026.

Access continues its practice of alternating annually between technology usage and customer satisfaction assessments to better understand rider needs. For this fiscal year, Access will conduct a customer satisfaction survey in both English and Spanish via text and phone. To ensure broad accessibility, a language line service is utilized to provide translations into any requested language. The results of this survey are anticipated to be available in summer 2026.

VEHICLE MILES TRAVELED OUTCOME

Vehicle 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.

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 operational activities that will benefit and further encourage transit ridership by providing high quality shared ride services between locations within $\frac{3}{4}$ of a mile of local bus routes and rail lines. 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

Goal 2: Deliver outstanding trip experiences for all users of the transportation system.

Goal 3: Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

Not fully funding Access to provide the mandated ADA paratransit services for FY27 would place Metro and the other 45 Los Angeles County fixed route operators in violation of the ADA, which mandates that fixed route operators provide complementary paratransit service within three-fourths of a mile of local rail and bus lines. Not fully funding ADA service would impact Metro's as well as the region's ability to compete for federal grants and to receive federal funding. If individual transit operators were required to provide these services, the overall cost of the program would increase and the mobility options of people with disabilities throughout Los Angeles County would be significantly limited.

NEXT STEPS

Upon approval, staff will execute an MOU for FY27 to ensure proper disbursement of funds.

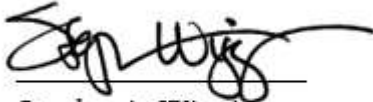
ATTACHMENTS

Attachment A - FY27 Access Services ADA Program

Attachment B - Expenses & Key Performance Indicators

Prepared by: Fayma Ishaq, Senior Manager, Budget, 213-922-4925
Giovanna M. Gogreve, Senior Director, Finance, 213-922-2835
Tina Panek, Executive Officer, Finance, 213-922-4530

Reviewed by: Michelle Navarro, Chief Financial Officer (Interim), 213-922-3056

A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer

Attachment A

FY27 ACCESS SERVICES ADA PROGRAM			
(\$ in millions)			
EXPENSES			
1	FY27 Access Services Proposed Budget	\$	377.6
2	Metrolink Free Fare Program (paid by Metro)		2.8
3	Total Expenses	\$	380.4
4			
REVENUES			
5			
6	<u>Federal Funds - Operating & Capital</u>		
7	STBG Program & Section 5317	\$	108.9
8	Prior Year Section 5310 - Capital Rolling Stock		4.3
9	Subtotal Federal Funds	\$	113.1
10			
11	<u>Local Funds - Operating & Capital</u>		
12	Measure M 2%		
13	Subtotal Measure M	\$	16.0
14			
15	Proposition C 40%		
16	Operating ¹	\$	193.8
17	Ridership Reserve		10.0
18	Capital Rolling Stock - New ¹		15.2
19	Avalon Facility ¹		3.3
20	Metrolink Free Fare Program (paid by Metro)		2.8
21	Subtotal Proposition C	\$	225.0
22			
23	Total Local Funds	\$	241.0
24	<u>Local Carryover and Other Funds</u>		
25	FY25 Audit Carryover	\$	3.5
26	Passenger Fares & Misc. Income		14.8
27	Capital Construction		8.0
28	Subtotal Local Carryover/Other Funds	\$	26.3
29			
30	Total FY27 Local Funds	\$	267.3
31			
32	Total Revenues	\$	380.4

Note: Totals may not add up because of rounding

¹Operating & Capital - portions of these Proposition C funds may be replaced with federal Surface Transportation Block Grant (STBG) Program or other funds

FY27 Budget Amendment – Expenses

Access Services Expenses (\$ in millions)		FY26 Adopted	FY27 Proposed	\$ Change	% Change
1	Direct Transportation	\$ 281.6	\$ 312.6	\$ 31.0	11.0%
2	Contracted Support	15.7	15.4	(0.3)	-1.9%
3	Management/Administration	18.5	18.9	0.4	2.2%
4	Total Operating Costs	315.8	346.9	31.1	9.8%
5	Capital Rolling Stock - Prior Year	-	4.2	-	0.0%
6	Capital Rolling Stock - New	37.1	15.2	(21.9)	-59.0%
7	Capital Construction	12.0	8.0	(4.0)	-33.3%
8	Avalon Property	3.2	3.3	0.1	3.1%
9	Total Capital Program	52.3	30.7	(21.6)	-41.3%
10	Total Expenses	\$ 368.1	\$ 377.6	\$ 9.5	2.6%

Note: Totals may not add up because of rounding

FY26 Performance – KPIs

Key Performance Indicators	Standard	FY25	FY26*
On-Time Performance	≥ 91%	92.8%	91.7%
Excessively Late Trips	≤ 0.10%	0.02%	0.03%
Excessively Long Trips	≤ 5.0%	3.2%	3.0%**
Missed Trips	≤ 0.75%	0.29%	0.29%
Denials	0	2	0
Access to Work - On-Time Performance	≥ 94%	96.2%	94%
Average Hold Time (Reservations)	≤ 120	56	54
Calls On Hold > 5 Min (Reservations)	≤ 5%	3.0%	2.8%
Calls On Hold > 5 Min (ETA)	≤ 10%	2.9%	3.4%
Complaints Per 1,000 Trips	≤ 4.0	1.9	1.8
Preventable Incidents Rate (per 100,000 miles)	≤ 0.25	0.22	0.25
Preventable Collisions Rate (per 100,000 miles)	≤ 0.85	0.80	0.75
Mean Miles Between Major Mechanical Failures	≥ 50,000	50,535	74,110

*Data through April 2026

**Data through March 8, 2026

Access Services Fiscal Year 2027 Proposed Budget

July 2026 | Finance, Budget and
Audit Committee



Metro

FY27 Proposed Budget

FY
27

M Metro



	Access Services	FY26 Adopted	FY27 Proposed	\$ Change	% Change	Notes
	Expenses (\$ in millions)					
1	Direct Transportation	\$ 281.6	\$ 312.6	\$ 31.0	11.0%	8.9% increase in forecasted trip demand and contractual CPI adjustments
2	Contracted Support	15.7	15.4	(0.3)	-1.9%	Change in eligibility term (3 years to 5 years)
3	Management/Administration	18.5	18.9	0.4	2.2%	Annual adjustments for CPI, COLA and legal expenses
4	Total Operating Costs	315.8	346.9	31.1	9.8%	
5	Capital Rolling Stock - Prior Year	-	4.2	-	0.0%	Carryover for vehicles anticipated to be delivered in FY27
6	Capital Rolling Stock - New	37.1	15.2	(21.9)	-59.0%	Reduction due to accelerated fleet replacement in FY26
7	Capital Construction	12.0	8.0	(4.0)	-33.3%	Reduced expenditure levels due to delay in contract award
8	Avalon Property	3.2	3.3	0.1	3.1%	Southern Region Facility (Avalon Boulevard) Development and Construction
9	Total Capital Program	52.3	30.7	(21.6)	-41.3%	
10	Total Expenses	\$ 368.1	\$ 377.6	\$ 9.5	2.6%	

Note: Totals may not add up because of rounding



Proposed Funding

FY
27

M Metro



FY27 ACCESS SERVICES ADA PROGRAM			
(\$ in millions)			
EXPENSES			
1	FY27 Access Services Proposed Budget	\$	377.6
2	Metrolink Free Fare Program (paid by Metro)		2.8
3	Total Expenses	\$	380.4
REVENUES			
6	<u>Federal Funds - Operating & Capital</u>		
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16	Operating ¹	\$	193.8
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¹Operating & Capital - portions of these Proposition C funds may be replaced with federal Surface Transportation Block Grant (STBG) Program or other funds



Service Performance

FY
27

M Metro



Key Performance Indicators	Standard	FY25	FY26*
On-Time Performance	≥ 91%	92.8%	91.7%
Excessively Late Trips	≤ 0.10%	0.02%	0.03%
Excessively Long Trips	≤ 5.0%	3.2%	3.0%**
Missed Trips	≤ 0.75%	0.29%	0.29%
Denials	0	2	0
Access to Work - On-Time Performance	≥ 94%	96.2%	94%
Average Hold Time (Reservations)	≤ 120	56	54
Calls On Hold > 5 Min (Reservations)	≤ 5%	3.0%	2.8%
Calls On Hold > 5 Min (ETA)	≤ 10%	2.9%	3.4%
Complaints Per 1,000 Trips	≤ 4.0	1.9	1.8
Preventable Incidents Rate (per 100,000 miles)	≤ 0.25	0.22	0.25
Preventable Collisions Rate (per 100,000 miles)	≤ 0.85	0.80	0.75
Mean Miles Between Major Mechanical Failures	≥ 50,000	50,535	74,110

*Data through April 2026

**Data through March 8, 2026





FY26 Accomplishments



Finalizing 5-year Strategic Plan
(FY26 to FY30)



Obtained additional funding for operations & maintenance facility



Awarded new service contract for West-Central region and extended service contract for Southern and Antelope Valley regions



Collaborated with Metro on a Special Events transit services agreement



FY27 Initiatives



Continue collaboration with Metro on:

- Games Mobility Executive Accessibility Committee & LA28 for 2028 Olympic & Paralympic games
- Seek federal funding for facility legacy project in Southern region



Implement and evaluate Instacart food delivery program pilot



Provide results of customer satisfaction survey



Complete an analysis of electric vehicle pilot project



Continue development of Antelope Valley & Southern region paratransit facilities



Issue RFP in San Fernando Valley - Northern region



- A. APPROVING local funding request for Access Services (Access) in an amount not to exceed \$240,986,909 for FY27. This amount includes:
 - 1. Local funds for operating and capital expenses in the amount of \$238,218,046
 - 2. Local funds paid directly to Metrolink for its participation in Access' Free Fare Program in the amount of \$2,768,863
- B. AMENDING the FY27 Budget by \$27,150,139 to fully fund Recommendation A; and
- C. AUTHORIZING the Chief Executive Officer (CEO) to negotiate and execute all necessary agreements to implement the above funding program.

