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Agenda - Final

Monday, April 19, 2021

3:30 PM

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LACMTA - Board Secretary's Office

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

Measure R Independent Taxpayer Oversight
Committee

Judge Jay Gandhi

Judge Patricia Schnegg

METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

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

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

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

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

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

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

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

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

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DISCLOSURE OF CONTRIBUTIONS

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

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

LIMITED ENGLISH PROFICIENCY

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



323.466.3876

x2 *Español (Spanish)*

x3 *中文 (Chinese)*

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

CALL TO ORDER

ROLL CALL

1. **SUBJECT: REMARKS BY THE CHAIR** [2021-0196](#)

RECOMMENDATION

RECEIVE remarks by the **Chair**.

2. **SUBJECT: MINUTES** [2021-0195](#)

RECOMMENDATION

APPROVE Minutes of the Measure R Independent Taxpayer Oversight Committee Meeting held November 4, 2020.

Attachments: [Minutes - November 4, 2020](#)

3. **SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2020** [2021-0126](#)

RECOMMENDATION

Receive and file the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year ended June 30, 2020 completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2020 completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2020 completed by Simpson and Simpson, LLP (Simpson).

Attachments: [Attachment A - BCA Audit Report](#)
[Attachment B - List of Entities Audited by Vasquez](#)
[Attachment C - List of Entities Audited by Simpson and Simpson](#)
[Attachment D - Vasquez Audit Report](#)
[Attachment E - Simpson and Simpson Audit Report](#)
[Presentation BCA](#)
[Presentation Vasquez](#)
[Presentation Simpson and Simpson](#)

4. SUBJECT: MEASURE R AMENDMENT

[2021-0127](#)

RECOMMENDATION

Adopt a resolution (Attachment B) which finds, in accordance with Section 8(i) (3) of the Measure R Ordinance (the Ordinance), that the proposed amendment, including the expenditure plan, furthers the purpose of the Ordinance.

Attachments: [Attachment A - Metro Board Report to Approve Amendment Language](#)
[Attachment B - Resolution Finding That the Amendment Meets the Purpose of t](#)

5. SUBJECT: MEASURE R BONDS

[2021-0128](#)

RECOMMENDATION

Adopt a resolution (Attachment A) which finds, in accordance with Section 8(i) (4) of the Measure R Ordinance, that the benefits from acceleration of projects exceed the issuance and interest costs of the proposed debt financing.

Attachments: [Attachment A - Finding of Benefit Resolution](#)
[Attachment B - Proposed Use of Measure R Bond Proceeds](#)
[Attachment C - Debt Policy 2018 - Final](#)
[Presentation - 2021 Bonds.pdf](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2021-0131](#)

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



Metro

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

Board Report

File #: 2021-0195, **File Type:** Minutes

Agenda Number: 2.

MEASURE R INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE APRIL 19, 2020

SUBJECT: MINUTES

RECOMMENDATION

APPROVE Minutes of the Measure R Independent Taxpayer Oversight Committee Meeting held November 4, 2020.



Virtual Online Meeting

MINUTES

Wednesday, November 4, 2020

2:00 PM

Measure R Independent Taxpayer Oversight Committee

**Judge Jay Gandhi
Judge Patricia Schnegg**

CALL TO ORDER

ROLL CALL

2. SUBJECT: INDEPENDENT AUDITOR'S REPORT ON MEASURE R
SPECIAL REVENUE FUND AND COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MEASURE R
ORDINANCE AND MEASURE R LOCAL RETURN
GUIDELINES

2020-0697

RECEIVED AND FILED the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year ended June 30, 2019 completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2019 completed by Vasquez & Company, LLP; and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2019 completed by Simpson and Simpson, CPAs.

ACTION TAKEN:	
JG	PS
P	P

3. SUBJECT: FY 2018-19 AUDIT - MEASURE R LOCAL RETURN
COMPLIANCE STATUS SUMMARY

2020-0715

RECEIVED AND FILED the attached FY 2018-19 Audit Measure R Compliance Status Summary table, for the Cities of Los Angeles County and Los Angeles County Unincorporated. If there is no finding for FY19 Measure R Local Return funds, the city is not listed in this table.

ACTION TAKEN:	
JG	PS
P	P

JG = J. Gandhi PS= P. Schnegg

LEGEND: Y = YES, N = NO, C = CONFLICT, ABS = ABSTAIN, A = ABSENT, P = PRESENT

**4. SUBJECT: MEASURE R ORDINANCE AND LOCAL RETURN
COMPARATIVE ANALYSIS**

2020-0720

RECOMMENDATION

RECEIVED AND FILED comparative analysis on the Independent Auditor's findings on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the last four years.

ACTION TAKEN:	
JG	PS
P	P

5. SUBJECT: MEASURE R AMENDMENT

2020-0721

Adopt a resolution (Attachment B) which finds, in accordance with Section 8(i) (3) of the Measure R Ordinance (the Ordinance), that the proposed amendment, including the expenditure plan, furthers the purpose of the Ordinance.

DEFERRED TO THE NEXT MEETING.

ACTION TAKEN:	
JG	PS

6. SUBJECT: RECEIVE Oral Report on Measure R Debt Program

2020-0722

RECEIVED Oral Report on Measure R Debt Program

ACTION TAKEN:	
JG	PS
P	P

7. SUBJECT: RECEIVE Oral Report on Transit and Highways

2020-0741

RECOMMENDATION

RECEIVED Oral Report on Transit and Highways

ACTION TAKEN:	
JG	PS
P	P

8. SUBJECT: GENERAL PUBLIC COMMENT

2020-0681

RECEIVED General Public Comment

ACTION TAKEN:	
JG	PS
P	P

ADJOURNED AT

Prepared by: Jessica Vasquez Gamez
Administrative Analyst, Board Administration


Michele Jackson, Board Secretary

###



Metro

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

Board Report

File #: 2021-0126, **File Type:** Informational Report

Agenda Number:

**MEASURE R INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
APRIL 19, 2021**

SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2020

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year ended June 30, 2020 completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2020 completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2020 completed by Simpson and Simpson, LLP (Simpson).

ISSUE

On November 4, 2008, Los Angeles County voters approved Measure R that imposed a 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 (LACMTA) complies with the terms of the Ordinance. The oversight process requires that an annual audit be conducted 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 must be provided to the Oversight Committee so that the Oversight Committee can determine whether the LACMTA and local subrecipients have complied with the Measure R requirements.

DISCUSSION

The following summarizes the independent auditor's report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund:

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinance. BCA conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that BCA plan and perform the audit to obtain reasonable assurance about whether the Schedule of Measure R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinance for the fiscal year ended June 30, 2020.

The following summarizes the independent auditor's report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure R sales tax revenues used by the County of Los Angeles (County) as well as the 87 cities (Cities). This report covers the audits of 39 Cities completed by Vasquez as listed in Attachment B; and audits of the County and 49 Cities completed by Simpson as listed in Attachment C. The firms conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance and the Measure R Local Return Guidelines which could have a direct and material effect on the Measure R Local Return program occurred.

Vasquez concluded that the Cities complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2020. Vasquez found 8 instances of noncompliance, which are summarized in Schedule 2 of Attachment D.

Simpson and Simpson concluded that the County and Cities complied, in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2020. Simpson and Simpson found 13 instances of noncompliance, which are summarized in Schedule 2 of Attachment E.

NEXT STEPS

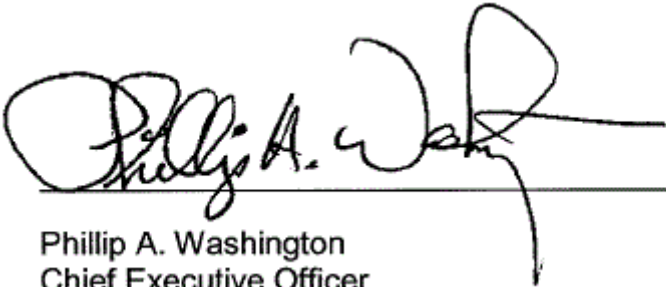
A public hearing will be scheduled.

ATTACHMENT(S)

- A. Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year Ended June 30, 2020
- B. List of Entities Audited by Vasquez
- C. List of Entities Audited by Simpson and Simpson
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- E. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson)

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

Reviewed by: Shalonda Baldwin, Executive Officer, Administration, (213) 418-3265



Phillip A. Washington
Chief Executive Officer

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund

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Independent Auditor's Report

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

Report on the Schedule of Measure R Revenues and Expenditures

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, 2020, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

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

LACMTA's 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; this includes 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 Responsibility

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

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

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

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 4 be presented to supplement the Schedule. Such information, 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

As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure R Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2020, 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.

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 November 7, 2019. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements 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 November 16, 2020, 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.



Torrance, CA
November 16, 2020

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2020
(With Comparative Totals for 2019)
(Amounts expressed in thousands)

	2020	2019
Revenues		
Sales tax	\$ 823,382	\$ 846,793
Intergovernmental	8,988	22,138
Investment income	8,239	8,896
Net appreciation in fair value of investments	3,462	3,972
	<hr/>	<hr/>
Total revenues	844,071	881,799
	<hr/>	<hr/>
Expenditures		
Administration and other	139,674	144,929
Transportation subsidies	342,714	344,913
	<hr/>	<hr/>
Total expenditures	482,388	489,842
	<hr/>	<hr/>
Excess of revenues over expenditures	361,683	391,957
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	14,447	4,720
Transfers out	(381,380)	(475,864)
	<hr/>	<hr/>
Total other financing sources (uses)	(366,933)	(471,144)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (5,250)</u>	<u>\$ (79,187)</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
June 30, 2020

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 the 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.

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2020

2. Summary of Significant Accounting Policies (Continued)

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 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 to 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
June 30, 2020

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Appreciation in Fair Value of Investments

Investment income and net appreciation 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, 2020, the Measure R fund had investment income of \$8,239 and net appreciation in fair value of investments of \$3,462. The net appreciation in fair value of investments were mainly due to an increase in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

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 2019 in the accompanying Schedule are included only to provide a basis for comparison with 2020 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 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
June 30, 2020

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

The Measure R fund at June 30, 2020 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$5,250, mainly due to a decline in sales tax revenue over the last quarter of FY 2020 while claims for transportation subsidies were released as projected, resulting in a decrease in Measure R Fund balance from \$335,378 to \$330,128.

7. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2020 are included in LACMTA's Audited Comprehensive Annual Financial Report (CAFR).

8. 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.

9. COVID-19 Impact and Considerations

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. LACMTA expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

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 November 16, 2020, the date the schedule was issued. No subsequent events occurred that require 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, 2020
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 873,000	\$ 873,000	\$ 823,382	\$ (49,618)
Intergovernmental	17,210	17,210	8,988	(8,222)
Investment income	-	-	8,239	8,239
Net appreciation in fair value of investments	-	-	3,462	3,462
Total revenues	890,210	890,210	844,071	(46,139)
Expenditures				
Administration and other	272,227	237,011	139,674	97,337
Transportation subsidies	418,107	378,670	342,714	35,956
Total expenditures	690,334	615,681	482,388	133,293
Excess of revenues over expenditures	199,876	274,529	361,683	87,154
Other financing sources (uses)				
Transfers in	50,229	50,229	14,447	(35,782)
Transfers out	(539,996)	(539,996)	(381,380)	158,616
Total other financing sources (uses)	(489,767)	(489,767)	(366,933)	122,834
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (289,891)</u>	<u>\$ (215,238)</u>	<u>\$ (5,250)</u>	<u>\$ 209,988</u>

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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, 2020, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of the amounts 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
November 16, 2020

**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

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure R Revenues and Expenditures with the compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) for the fiscal year ended June 30, 2020.

Management's Responsibility

LACMTA's management is responsible for compliance with the requirements of laws and regulations applicable to the Measure R Revenues and Expenditures.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on the Measure R Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Measure R Revenues and Expenditures

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure R Revenues and Expenditures for the fiscal year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the LACMTA's internal control over compliance with the requirements that could have a direct and material effect on the Measure R Revenues and Expenditures as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the *Traffic Relief and Rail Expansion Ordinance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement 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 of the Measure R Revenues and Expenditures that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

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

Torrance, California
November 16, 2020

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2020

None noted.

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

None noted.

Measure R List of Cities Audited by Vasquez

Agoura Hills	Lawndale
Azusa	Lynwood
Baldwin Park	Malibu
Bell	Maywood
Bell Gardens	Montebello
Beverly Hills	Monterey Park
Calabasas	Pico Rivera
Carson	Pomona
Commerce	Rosemead
Compton	San Fernando
Cudahy	Santa Fe Springs
Culver City	Santa Monica
El Monte	South El Monte
Gardena	South Gate
Hawthorne	Vernon
Hidden Hills	Walnut
Huntington Park	West Hollywood
Industry	Westlake Village
Inglewood	
Irwindale	
La Puente	

Measure R List of Cities Audited by Simpson

Alhambra	Long Beach
Arcadia	Los Angeles City
Artesia	Los Angeles County
Avalon	Manhattan Beach
Bellflower	Monrovia
Bradbury	Norwalk
Burbank	Palmdale
Cerritos	Palos Verdes Estates
Claremont	Paramount
Covina	Pasadena
Diamond Bar	Rancho Palos Verdes
Downey	Redondo Beach
Duarte	Rolling Hills
El Segundo	Rolling Hills Estates
Glendale	San Dimas
Glendora	San Gabriel
Hawaiian Gardens	San Marino
Hermosa Beach	Santa Clarita
La Canada Flintridge	Sierra Madre
La Habra Heights	Signal Hill
La Mirada	South Pasadena
La Verne	Temple City
Lakewood	Torrance
Lancaster	West Covina
Lomita	Whittier



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH 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, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH 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, 2020**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund Consolidated Audit Report
Fiscal Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH 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 Oversight Committee**

Report on Compliance

We have audited the compliance of the thirty-nine (39) Cities identified in Schedule 1, 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 (LACMTA), 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 LACMTA and the respective Cities for the year ended June 30, 2020 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective management of the Cities.

Auditor's Responsibility

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

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



Opinion

In our opinion, 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2020-001 through #2020-008. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, 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 a material weakness 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 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 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2020-004 to be a material weakness.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements 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, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2020-003 to be a significant deficiency.

The Cities' responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the 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 on internal control over compliance and the results of that testing based on the requirements of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaqueria & Company LLP".

Glendale, California
December 31, 2020

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2020**

The audits of the 39 cities identified in Schedule 1 have resulted in 8 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended for transportation purposes.	1	South El Monte (See Finding #2020-008)	\$ 7,889	\$ -
Funds were expended with LACMTA's approval.	3	Bell Gardens (See Finding #2020-002)	38,835	38,835
		Calabasas (See Finding #2020-004)	12,655	12,655
		Carson (See Finding #2020-005)	569,449	569,449
Expenditure Plan (Form One) was submitted timely.	4	Azusa (See Finding #2020-001)	None	None
		Bell Gardens (See Finding #2020-003)	None	None
		Industry (See Finding #2020-006)	None	None
		Maywood (See Finding #2020-007)	None	None
Total Findings and Questioned Costs	8		\$ 628,828	\$ 620,939

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020**

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2020-001	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2020-002	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2020-003	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2020-004	See Finding #2020-005	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Compliant	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Compton	Cudahy	Culver City
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	El Monte	Gardena	Hawthorne
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Compliant	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Hidden Hills	Huntington Park	Industry
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	See Finding #2020-006
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Inglewood	Irwindale	La Puente
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Lawndale	Lynwood	Malibu
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Maywood	Montebello	Monterey Park
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	See Finding #2020-007	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Compliant	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Compliant	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Pico Rivera	Pomona	Rosemead
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	San Fernando	Santa Fe Springs	Santa Monica
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	South El Monte	South Gate	Vernon
Funds were expended for transportation purposes.	See Finding #2020-008	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Walnut	West Hollywood	Westlake Village
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020

Finding #2020-001	City of Azusa
Compliance Reference	<p>Section B (II) 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 LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>"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, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (Form One) on August 15, 2019, 14 days after the due date of August 1, 2019.
Cause	The City engaged a consultant to complete the Measure R Expenditure Plan (Form One) after staff was out for an extended sick leave absence. The vendor did not file the documentation timely.
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 approval is obtained from LACMTA prior to spending on Measure R-funded projects.
Management's Response	Management will ensure that the Expenditure Plan (Form One) is submitted in a timely manner by the due date of August 1.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (Form One). 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, 2020
(Continued)

Finding #2020-002	City of Bell Gardens
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>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, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project code 1.05, Slurry Seal Zone 1 Project, totaling \$37,185; and b. Project Code 1.20, Garfield/Clara Intersection Widening, totaling \$1,650. <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from LACMTA.</p>
Cause	The finding was caused by an oversight by City staff.
Effect	The City claimed expenditures totaling \$38,835 without prior approval from LACMTA. Lack of prior approvals results in noncompliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend the City establish procedures and implement internal controls to ensure that approval is obtained from LACMTA prior to spending on any 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, 2020
(Continued)

Finding #2020-002 (Continued)	City of Bell Gardens
Management's Response	<p>The City concurs with the finding that an updated Form One should have been submitted to LACMTA for approval.</p> <p>The City continues to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.</p>
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of said projects on September 24, 2020. 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, 2020
(Continued)

Finding #2020-003	City of Bell Gardens
Compliance Reference	<p>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 LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".</p> <p>"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, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	<p>The City submitted its Expenditure Plan (Form One) on August 21, 2019, 20 days after the due date of August 1, 2019.</p> <p>This is a repeat finding from prior year's audit.</p>
Cause	The Form One report was submitted late due to an oversight by City staff assigned to complete the task.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and implement internal controls to ensure that the Expenditure Plan (Form One) is submitted by August 1 st as required by the Guidelines.
Management's Response	The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.
Finding Corrected During the Audit	The City subsequently submitted the form. 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, 2020
(Continued)

Finding #2020-004	City of Calabasas
Compliance Reference	<p>Section B(II)(1) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that "To maintain 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.</p> <p>Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year."</p>
Condition	<p>The City claimed expenditures under MRLRF Project Code 1.05 Rondell Park & Ride project, totaling \$12,655 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from LACMTA.</p> <p>This is a repeat finding from prior year's audit.</p>
Cause	There was a misunderstanding of the procedure among the staff. Staff was under the impression that because the funds were already in the City account, they could be expended as long as it was for an eligible project under the guidelines - as opposed to requesting a budget approval from LACMTA prior to incurring the expenditures.
Effect	The City claimed expenditures totaling \$12,655 without prior approval from LACMTA. Lack of prior approvals results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
Management's Response	Staff has received clear instructions that an expenditure plan must be submitted to LACMTA before claiming expenditure for each project. Expenditure may begin once LACMTA grants an approval.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said project on November 19, 2020.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

Finding #2020-005	City of Carson
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>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, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for Measure R's share in the Measure M and R Bond Debt Service Payment, totaling \$569,449 with no prior approval from LACMTA.</p> <p>The projects to be financed by the bond proceeds were approved when the bonds were issued in October 2019, however, the City is still required to include the annual budgeted amounts of debt service in Form One and have it approved by LACMTA.</p>
Cause	The City was not aware that Bond Debt Service payments require annual approval from LACMTA as it is the City's first time issuing Measure M and R Bonds, which are payable from MRLRF and MMLRF funds. However, all future Bond Debt Service payments shall be reported and/or budgeted accordingly.
Effect	The City claimed expenditures totaling \$569,449 without prior approval from LACMTA. Lack of prior approval results in noncompliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend the City establish procedures and controls to ensure that approval is obtained from LACMTA 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, 2020
(Continued)

Finding #2020-005 (Continued)	City of Carson
Management's Response	<p>The City will obtain LACMTA approval prior to spending on LACMTA funded projects.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 15, 2020.</p>
Findings Resolved During the Audit	LACMTA Program Manager granted retroactive approval of said project on October 15, 2020. 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, 2020
(Continued)

Finding #2020-006	City of Industry
Compliance Reference	<p>Section B (II) 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 LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>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, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	The City submitted its Expenditure Plan (Form One) on August 14, 2019, 13 days after the due date of August 1, 2019.
Cause	The Form One report was submitted late due to an oversight by City staff assigned to complete the task.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form One) is submitted by August 1st as required by the Guidelines.
Management's Response	The City has since put in extra procedures to ensure timely reporting to comply with the requirements and the FY 2021 budget was filed on time.
Finding Corrected During the Audit	The City subsequently submitted the form. 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, 2020
(Continued)

Finding #2020-007	City of Maywood
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".</p> <p>"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, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (Form One) on August 20, 2019, 19 days after the due date of August 1, 2019.
Cause	The Form One report was submitted late due to an oversight by City staff assigned to complete the task.
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 Expenditure Plan (Form One) is submitted by August 1st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (Form One) is submitted in a timely manner by the due date of August 1.
Finding Corrected During the Audit	The City subsequently submitted the form. 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, 2020
(Continued)

Finding #2020-008	City of South El Monte
Compliance Reference	<p>Measure R Local Return Guidelines Section (A) (I) states that, "The Measure R ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes". Also, 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 Guideline".</p> <p>On February 14, 2019, the LACMTA Local Return Program Manager re-affirmed the memo issued on April 29, 2014 addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

Finding #2020-008 (Continued)	City of South El Monte
Condition	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <ul style="list-style-type: none"> a) Project code 1.05, Street and Sidewalk Improvement and Maintenance, total amount of \$6,977; and b) Project code 8.10, Administration, total amount of \$912. <p>The salaries and benefits claimed are based on budget and are not supported by actual time charges and documented time study or indirect cost allocation plan for administrative charges.</p>
Cause	<p>In fiscal year 2020, the City made a switch from predetermined allocation per City adopted budget to timesheet. However, due to the year being a transition year, HR and Payroll setup had to be reevaluated numerous times, as the City encountered situations in which only salaries appeared in special revenue funds without benefits or overhead.</p>
Effect	<p>If the labor charges are not supported by actual time charges and documented time study or indirect cost allocation plan, the costs are considered unallowable and the Guidelines require the City to return the money to the Local Return Funds.</p>
Recommendation	<p>We recommend that the City provide documentation to support the salaries and benefit charges to MRLRF. If these documents are not provided, the City is required to reimburse its MRLRF account the amount of \$7,889.</p> <p>In addition, we recommend the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

Finding #2020-008 (Continued)	City of South El Monte
Management's Response	<p>In order to systematically irradicate any unnecessary complexity and confusion regarding reimbursable labor cost going forward, the City intends to accomplish the following:</p> <ol style="list-style-type: none"> 1. Complete the cost and fee study currently being conducted by NBS, who were selected through a formal RFP process. Once the study is complete, the fully burdened hourly rate of each employee will be known. 2. Default all City employee labor hours to the General Fund. 3. Require all City employee to track labor hours spent working on special revenue fund projects on timesheets. 4. Have the special revenue funds reimburse the General Fund based on employee's fully burdened hourly rate multiplied by the actual hours worked per timesheet.



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH 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, 2020



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH 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 Oversight Committee

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities and the County of Los Angeles identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), 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 LACMTA and the respective Cities and the County for the year ended June 30, 2020 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' and the County's management.

Auditor's Responsibility

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

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's and the County's compliance with the Guidelines and Requirements.



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Opinion

In our opinion, the Cities and the County 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2020-001 through #2020-013. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule 2 - Schedule of Findings and Questioned Costs. The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's and the County's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's and the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified 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 under the Guidelines and Requirements 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 under the Guidelines and Requirements 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 #2020-004 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 and Requirements 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 Finding #2020-008 and #2020-013 to be significant deficiencies.

The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subject to the 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 on internal control over compliance and the results of that testing based on the requirements of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading 'Simpson & Simpson' in a cursive script.

Los Angeles, California
December 31, 2020

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2020

The audit of the 49 cities and the County identified in Schedule 1 have resulted in 13 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended for transportation purposes	2	Downey (#2020-004) Glendora (#2020-006)	\$ 26,278 None	\$ - None
Funds were expended with LACMTA's approval	5	Artesia (#2020-002) Downey (#2020-005) Lancaster (#2020-008) Lomita (#2020-009) South Pasadena (#2020-011)	13,730 45,205 1,081,868 13,392 270,116	13,730 45,205 1,081,868 13,392 270,116
Expenditure Plan (Form One) was submitted timely	5	Alhambra (#2020-001) Hermosa Beach (#2020-007) Signal Hill (#2020-010) South Pasadena (#2020-012) Temple City (#2020-013)	None None None None None	None None None None None
Expenditure Report (Form Two) was submitted timely	1	Artesia (#2020-003)	None	None
Total Findings and Questioned Costs	13		\$ 1,450,589	\$ 1,424,311

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020**

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2020-002
Expenditure Plan (Form One) was submitted timely.	See Finding #2020-001	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	See Finding #2020-003
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Avalon	Bellflower	Bradbury
Funds were expended for transportation purposes	Compliant	Compliant	Not Applicable
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Not Applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Not Applicable
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Compliant	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Burbank	Cerritos	Claremont
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes	Compliant	Compliant	See Finding #2020-004
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2020-005
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Complaint	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Funds were expended for transportation purposes	See Finding #2020-006	Not Applicable	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Not Applicable	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	See Finding #2020-007
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	La Cañada Flintridge	La Habra Heights	La Mirada
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	La Verne	Lakewood	Lancaster
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2020-008
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Compliant

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Lomita	Long Beach	Los Angeles City
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2020-009	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Los Angeles County	Manhattan Beach	Monrovia
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

Compliance Area Tested	Norwalk	Palmdale	Palos Verdes Estates
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Paramount	Pasadena	Rancho Palos Verdes
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

Compliance Area Tested	Redondo Beach	Rolling Hills	Rolling Hills Estates
Funds were expended for transportation purposes	Compliant	Not Applicable	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Not Applicable	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	San Dimas	San Gabriel	San Marino
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	Santa Clarita	Sierra Madre	Signal Hill
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	See Finding #2020-010
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

Compliance Area Tested	South Pasadena	Temple City	Torrance
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2020-011	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	See Finding #2020-012	See Finding #2020-013	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

Compliance Area Tested	West Covina	Whittier
Funds were expended for transportation purposes	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant
Timely use of funds	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020

Finding #2020-001	City of Alhambra
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2019 deadline for submission of Form One. However, the City submitted the Form One on January 8, 2020.
Cause	The submission of Form One was not completed in a timely manner due to the staff turnover. At the time of the submission deadline, the City was transitioning to a new Public Works Director after the retirement of the previous director.
Effect	The City's Form One was not submitted timely as required by the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City has established and documented a clear workflow for the timely submission and tracking of the funds. The Management Analyst will be responsible for tracking and inputting the figures in the Local Return Database, with the appropriate back-up and financial data provided by the Accounting Manager.
Finding Corrected During the Audit	The City subsequently submitted the Form One on January 8, 2020. 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, 2020
(Continued)

Finding #2020-002	City of Artesia
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 used Measure R Local Return funds for Project Code 7.90, Historical District Recreational Trails Project in the amount of \$13,730 prior to LACMTA's approval as the project was not reported on the Expenditure Plan (Form One).
Cause	It was due to an oversight by the City's finance department.
Effect	The City was not in compliance with the Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to the expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.
Management's Response	The City's Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds.
Finding Corrected During the Audit	The City's Amended Form One, which included Project Code 7.90, Historical District Recreational Trails Project, was submitted and retroactively approved by LACMTA on December 23, 2020. 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, 2020
(Continued)

Finding #2020-003	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.2, Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2020 deadline for submission of Expenditure Report (Form Two) to LACMTA. The City subsequently submitted the Form Two on December 23, 2020.
Cause	It was due to an oversight by the City's finance department.
Effect	The City's Form Two was not submitted timely as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15th in accordance with Measure R Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City's Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds.
Finding Corrected During the Audit	The City subsequently submitted the Form Two on December 23, 2020. 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, 2020
(Continued)

Finding #2020-004	City of Downey
Compliance Reference	<p>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 LACMTA 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:</p> <p>"(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:</p> <p style="text-align: center;">:</p> <p style="text-align: center;">(b) A Federal award and non-Federal award.</p> <p style="text-align: center;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="text-align: center;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="text-align: center;">:</p> <p style="text-align: center;">(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."</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

Finding #2020-004 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$26,278 were based on estimated percentages on MRLRF activity rather than the employee's actual hours worked on the project. Although the City provided a time study listing the employees charged to MRLRF, the salaries and benefits expenditures were based on estimated percentages. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2019-20.</p> <p>This is a repeat finding from the prior four fiscal years.</p>
Cause	The City allocates the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocation has been used in prior fiscal years. Additionally, the City believed that the estimated percentage charged to the fund for salaries and benefit expenses is still less than the actual payroll costs incurred for the program.
Effect	The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may be disallowed Measure R project expenditures.
Recommendation	We recommend that the City reimburse its MRLRF account for \$26,278. In addition, 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 program.
Management's Response	The City's management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered in which caused an increase in the salaries and benefits costs. In fiscal year 2019-20, the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program. With the implementation of this system, the City will be able to charge salaries and benefits costs directly to the program. With the full implementation of KRONOS, the City expects this finding to be fully resolved in fiscal year 2020-21.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

Finding #2020-005	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 City incurred expenditures prior to receiving approval from LACMTA for the MRLRF's Project Code 5.10, Graffiti Truck, in the amount of \$45,205. However, the project was subsequently approved on October 13, 2020.
Cause	In fiscal year 2018-19, the Graffiti Truck project was approved by LACMTA and the truck was delivered to the City. However, add-on cabinets were installed in early July 2019 and the request for the budget approval from LACMTA for this project was overlooked in fiscal year 2019-20.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to LACMTA's approval, which could result in the City being required to reimburse the MRLR funds account.
Recommendation	We recommend that the City strengthen its controls to ensure that approvals are obtained from LACMTA prior to implementing any Measure R Local Return projects. Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st in accordance with Guidelines. The City should also include all approved ongoing and carryover Local Return projects in Form One.
Management's Response	The City's management agrees with the finding. In the future, the City will review all MRLRF projects prior to the fiscal year end and ensure that each project has the appropriate LACMTA-approved budget.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive budget approval of the said project on October 13, 2020. 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, 2020
(Continued)

Finding #2020-006	City of Glendora
Compliance Requirement	The 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."
Condition	<p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet that is signed by both the employee and the employee's supervisor. The Certification is prepared annually and provides the hours worked by the employee on MRLRF projects for all payroll periods during the fiscal year 2019-20.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) March 22, 2020 b) April 19, 2020 c) May 17, 2020 d) June 14, 2020 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October, November, and December 2020, which were four to seven months after the fact.</p>
Cause	The City was not aware that the Certification needs to be prepared and reviewed near the end of the period covered. As a result, the Certifications were untimely signed by both employees and supervisors.
Effect	Without employees and supervisors signing the timecards/certifications, the City may be unable to substantiate the actual hours worked by the employees that were charged to the programs. Inadequate support for salaries could result in disallowed costs.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the Certifications at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds' projects.
Management's Response	The City will re-evaluate the preparation process of the Certifications to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

Finding #2020-007	City of Hermosa Beach
Compliance Requirement	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2019 deadline for submission of the Form One. However, the City submitted the Form One on June 25, 2020.
Cause	It was due to employee turnover. The staff who was responsible for submission of budget forms was unexpectedly out on leave and as a result, the submission of the budget form was overlooked.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The employee who was responsible for submission of the budget forms was suddenly out on leave for an extended period of time and the rest of the staff was unaware of that the budget forms had not been submitted. Going forward, the City will ensure approvals of expenditures are received from LACMTA prior to expending funds as well as the timely filing of all required forms.
Findings Corrected During the Audit	The City subsequently submitted the Form One on June 25, 2020. 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, 2020
(Continued)

Finding #2020-008	City of Lancaster
Compliance Requirement	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 used Measure R Local Return funds for Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond Issued in the amount of \$1,081,868 prior to LACMTA's approval as the project was not reported on the Expenditure Plan (Form One). This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight by the City's program department.
Effect	The City was not in compliance with the Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.
Management's Response	When the City submits Form One at the beginning of the fiscal year, a wrong project name was inputted. The City will submit the correct project information on Form One in the future.
Findings Corrected During the Audit	The City's Form One was submitted and retroactively approved by LACMTA on November 4, 2020. 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, 2020
(Continued)

Finding #2020-009	City of Lomita
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 these guidelines: Verification that funds were expended with Metro's approval."
Condition	During FY 2019-20, the City used Measure R Local Return funds for Project Code 1.05, Street Maintenance in the amount of \$13,392; however, the funds for the Project were expended prior to LACMTA's approval as the Project was not reported on the Form-One.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA's retroactive approval for any new projects that are not reported on the original Form One.
Management's Response	The City was aware of the finding and had submitted retroactive approval on September 29, 2020.
Finding Corrected During the Audit	The City submitted an updated Form-One to LACMTA and received retroactive approval on the project on September 29, 2020. 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, 2020
(Continued)

Finding #2020-010	City of Signal Hill
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): "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 did not meet the August 1, 2019 deadline for submission of the Expenditure Plan (Form One). However, the City submitted the Form One 246 days late on April 3, 2020.
Cause	It was due to an oversight.
Effect	The City did not comply with Measure R Local Return Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form One is properly prepared and submitted prior to the August 1st deadline in accordance with Measure R Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management's Response	This was due to an oversight in the Public Works Department. As soon as the Finance Department became aware, the Form One was submitted to LACMTA.
Finding Corrected During the Audit	The City's Form One was submitted and retroactively approved by LACMTA on April 3, 2020. 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, 2020
(Continued)

Finding #2020-011	City of South Pasadena
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 MRLRF's Hawthorne Street Improvements Project Code 1.05 in the amount of \$270,116 were incurred prior to LACMTA's approval. However, the City subsequently received an approved budget amount of \$271,000 from LACMTA for the MRLRF project on October 13, 2020.
Cause	Due to miscommunication, the City's Public Works Department incurred expenditures on the project assuming that the approval for the project was submitted and approved by LACMTA. However, the staff who was responsible for submitting and receiving the project's budget approval from LACMTA was out of the office for an extended period of time. As a result, the approval for the project was not received by the City in a timely manner.
Effect	The City did not comply with the Guidelines and expenditures for the MRLRF projects were incurred prior to LACMTA's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects, and Form One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure R Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One.
Management's Response	The City will provide proper training and ensure better communication with various departments to prevent expenditures from occurring for any projects prior to receiving approval from LACMTA.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 13, 2020. 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, 2020
(Continued)

Finding #2020-012	City of South Pasadena
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): "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 of each year."
Condition	The City did not meet the August 1, 2019 deadline for submission of the Expenditure Plan (Form One). However, the City submitted the Form One on October 13, 2020.
Cause	The staff responsible for the submission of the form was out of the office for an extended period of time. As a result, the submission of the form was overlooked.
Effect	The City's Expenditure Plan (Form One) was not submitted to LACMTA by August 1st as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City will provide proper training to handle the submission of form to several staff in case the staff who is primarily responsible for the submission of the form is unavailable.
Finding Corrected During the Audit	The City subsequently submitted the Form One on October 13, 2020. 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, 2020
(Continued)

Finding #2020-013	City of Temple City
Compliance Reference	According to Measure R Local Return Guidelines Section B.II.1, Expenditure Plan (Form One): "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	<p>The City did not meet the August 1, 2019 deadline for submission of Form One. However, the City submitted the Form One on August 16, 2019.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The former Director of Parks and Recreation who was responsible for the submission of the reports has since retired from the City. As a result, the submission of the form was overlooked.
Effect	Because the City's Form One was not submitted timely, the City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The new Director of Parks and Recreation has now taken charge to ensure the necessary forms are submitted by the reporting deadlines.
Finding Corrected During the Audit	The City subsequently submitted the Form One on August 16, 2019. No follow-up is required.

FISCAL YEAR 2020 MEASURE R REVENUES AND EXPENDITURES AUDIT WITH INTERNAL CONTROLS AND COMPLIANCE REPORT

P R E S E N T A T I O N T O

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

APRIL 19, 2021



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Torrance, CA 90501

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Contents

- Auditor and LACMTA Management Responsibility
- Summary of Audit Results
- Financial Highlights
- Required Communications
- Management Letter Comments

Responsibilities

- LACMTA Management Responsibility
 - Preparation of the Schedule of Measure R Revenues and Expenditures
- Auditor's Responsibility
 - To express an opinion on the fair presentation on the Schedule of Measure R Revenues and Expenditures based on our audit.
 - To express an opinion on compliance with the *Traffic Relief and Rail Expansion Ordinance* (Measure R Ordinance).

Summary of Audit Results

- Schedule of Measure R Revenues and Expenditures Audit
 - Unmodified opinion
- No internal control material weaknesses over financial reporting identified.
- No significant internal control deficiencies over compliance identified.
- LACMTA complied with the *Traffic Relief and Rail Expansion Ordinance (Measure R Ordinance)*

Financial Highlights

- Sales tax revenue decreased by \$23.4 million compared to prior year (-2.8% change from prior year).
- Actual expenditures decreased by \$7.5 million compared to prior year (-1.5% change from prior year) due primarily to a decrease in bus transportation subsidies.
- Transfers out decreased by \$94.5 million compared to prior year (-19.9% change from prior year). Decrease was mainly attributed to decrease in funding for capital projects mostly related to Westside Subway Extension and Westside Subway Extension 2 project.
- Actual sales tax revenue was less than budgeted by \$49.6 million.
- Actual expenditures was less than budgeted by \$133.3 million mainly due to actual amounts for acquisition and professional and technical services costs of capital projects (Southern California Regional Interconnector Project, Rosecrans & Marquardt Grade Project, I-5 North Enhancement SR14/Kern County Project, West Santa Ana Branch Corridor Administration Project) coming in less than budgeted.
- Actual transfers out was less than budgeted by \$158.6 million mainly due to some capital projects costs (Westside Subway Extension and Westside Subway Extension 2 Projects) coming in less than budgeted.
- Measure R fund at June 30, 2020 had a deficiency of revenues over expenditures and other financing uses of \$5.3 million, decreasing Measure R fund balance from \$335.4 million to \$330.1 million at June 30, 2020.

Required Communications

Items to be Communicated

Auditor's Responsibility Under Generally Accepted Auditing Standards

- To express an opinion on the Schedules of Measure R Revenues and Expenditures.
- To provide reasonable, not absolute, assurance of detecting material misstatements.
- To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.
- To inform LACMTA of any illegal acts that we become aware of.
 - None

Required Communications (Continued)

- Adoption/Change in accounting policies
 - None
- Significant or unusual transactions
 - None
- Alternative treatments discussed with management
 - None
- Significant issues discussed with management
 - None
- Difficulties encountered in performing the audit
 - We encountered no difficulties in dealing with management in performing or conducting the audit.

Required Communications (Continued)

- Consultations with other accountants
 - To our knowledge, no such consultation has occurred.
- Discussions held prior to retention
 - No major issues were discussed as a condition to our retention
- Disagreements with management
 - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedules of Measure R Revenues and Expenditures or the auditor's report.
 - None
- Management representation
 - We requested certain representations from management which are included in the management representation letter.

2020 Management Letter Comments

There are no management letter comments.

Audited Financial Statements for Measure R Special Revenue Fund

LACMTA's Comprehensive Annual Financial Report (CAFR)
– pages 44 through 49

QUESTIONS AND ANSWERS

**Measure R Local Return Fund Audit Results
For the Fiscal Year Ended June 30, 2020
(Package B)**

Simpson & Simpson, LLP



Measure R Independent Taxpayers Oversight Committee Meeting
Date: April 19, 2021

Agenda

- ❖ Presenters: Melba Simpson, CPA, Engagement Partner
Etta Hur, CPA, Partner
 - Background
 - Required Audit Communication under SAS 114
 - Consideration of Internal Controls
 - Summary of Audit Results
 - Analysis of Measure R Audit Results
 - S&S Contact Information
 - Questions



Background



Simpson and Simpson, LLP

- We have audited the compliance of the following 49 cities and the County of Los Angeles (50 Jurisdictions) under Package B.

1. Alhambra	11. Diamond Bar	21. La Mirada	31. Palmdale	41. San Marino
2. Arcadia	12. Downey	22. La Verne	32. Palos Verdes Estates	42. Santa Clarita
3. Artesia	13. Duarte	23. Lakewood	33. Paramount	43. Sierra Madre
4. Avalon	14. El Segundo	24. Lancaster	34. Pasadena	44. Signal Hill
5. Bellflower	15. Glendale	25. Lomita	35. Rancho Palos Verdes	45. South Pasadena
6. Bradbury	16. Glendora	26. Long Beach	36. Redondo Beach	46. Temple City
7. Burbank	17. Hawaiian Gardens	27. Los Angeles City	37. Rolling Hills	47. Torrance
8. Cerritos	18. Hermosa Beach	28. Manhattan Beach	38. Rolling Hills Estates	48. West Covina
9. Claremont	19. La Canada Flintridge	29. Monrovia	39. San Dimas	49. Whittier
10. Covina	20. La Habra Heights	30. Norwalk	40. San Gabriel	50. County of Los Angeles



Simpson and Simpson, LLP

- We conducted our audits of compliance 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, and the compliance requirements described in the Measure R Ordinance, the Measure R Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds.



Required Audit Communication under SAS 114



Auditor's Required Communication to the Measure R Oversight Committee

1. Our Responsibility under Generally Accepted Auditing Standards (GAAS)

- ☐ Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control.
- ☐ Design and implement audit procedures based on our understanding of the Measure R Local Return Funds for the 50 jurisdictions to obtain reasonable, not absolute, assurance on the financial statements, and about whether noncompliance with the Measure R Local Return Guidelines that could have a direct and material effect on the Measure R Local Return Program occurred.



Auditor's Required Communication to the Measure R Oversight Committee (Cont.)

2. *Significant Accounting Policies*

The significant accounting policies adopted by the 50 jurisdictions are described in the notes of their respective financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.

3. *Management Consultations with Other Independent Accountants*

To the best of our knowledge, the 50 jurisdictions audited have not consulted with or obtained opinions, written or oral, from other independent accountants with respect to the Measure R Local Return Fund, other than the jurisdiction's external auditor for the cities' and the County's comprehensive annual report.



Auditor's Required Communication to the Measure R Oversight Committee (Cont.)

4. *Disagreements or Difficulties with Management*

There were no disagreements with management of the 50 jurisdictions on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report, nor were there significant difficulties in dealing with management in performing our audit.

5. *Management Representations*

We have requested certain representations from management of the 50 jurisdictions that are included in management representation letters dated as of the date of our opinion.



Consideration of Internal Controls



Consideration of Internal Controls

- In planning and performing our audits, we considered each City's and the County's internal controls over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program.
- 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 under the Guidelines and requirements will not be prevented, or detected and corrected, on a timely basis.



Consideration of Internal Controls (Cont.)

- A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements 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 identified certain conditions in internal control over compliance that we considered to be a material weakness and significant deficiencies.



Summary of Audit Results – Findings and Questioned Costs



Summary of Findings

❖ We performed all 50 jurisdictions' audits.

- Total dollar amounts associated with the findings have increased from \$790,257 in FY2019 to \$1,450,589 in the FY2020 compliance audit.
- Total questioned costs of \$1,450,589 is about 1.5% of the FY2020 allocations of \$99,813,414 to jurisdictions under Package B.
- Of the total questioned cost of \$1,450,589, \$1,424,311 was resolved during the audits.

Types of Questioned Costs:

- \$26,278 of the questioned cost related to expenditures incurred with inadequate evidence that funds were expended for transportation purposes.
- \$1,424,311 of the questioned cost related to funds expended on Measure R eligible projects without prior approval from LACMTA; however, all issues were resolved during the audit.



Summary of Findings (Cont.)

One (1) material weakness and two (2) significant deficiencies (repeat findings):

- 1 material weakness (City of Downey)
- 2 significant deficiencies (City of Lancaster and City of Temple City)

We will explain the specific conditions for the material weakness and the significant deficiencies in internal control over Compliance as we present each finding.



Summary of Findings (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended for transportation purpose	2	Downey (#2020-004) Glendora (#2020-006)	\$ 26,278 None	\$ - None
Funds were expended with LACMTA's approval	5	Artesia (#2020-002) Downey (#2020-005) Lancaster (#2020-008) Lomita (#2020-009) South Pasadena (#2020-011)	13,730 45,205 1,081,868 13,392 270,116	13,730 45,205 1,081,868 13,392 270,116



Summary of Findings (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Expenditure Plan (Form One) was submitted on time	5	Alhambra (#2020-001) Hermosa Beach (#2020-007) Signal Hill (#2020-010) South Pasadena (#2020-012) Temple City (#2020-013)	None None None None None	None None None None None
Expenditure Report (Form Two) was submitted on time	1	Artesia (#2020-003)	None	None
Total Findings and Questioned Cost	13		\$ 1,450,589	\$ 1,424,311



Material Weakness and Significant Deficiencies In Internal Controls over Compliance

➤ **One (1) material weakness:**

City of Downey (#2020-004):

- Funds were expended without adequate evidence that funds were expended for transportation purposes.
- Salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$26,278 were based on an estimate of a percentage of time spent on MRLRF activity rather than the employee's actual working hours spent on the project. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2019-20.
- This is a repeat finding from the prior four fiscal years.
- The City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on project. The City expects this finding to be fully resolved in fiscal year 2020-21.



Material Weakness and Significant Deficiencies In Internal Controls over Compliance (Cont.)

➤ **Two (2) significant deficiencies:**

City of Lancaster (Finding #2020-008)

- The City used Measure R Local Return funds for Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond issued in the amount of \$1,081,868 prior to LACMTA's approval as the project was not reported on the Expenditure Plan (Form One).
- This was due to oversight by the City's program department.
- This is a repeat finding from the prior fiscal year.
- The City will strengthen internal control procedures to ensure all expenditures with the correct project information on Form One will be submitted in the future.



Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ **Two (2) significant deficiencies (continued):**

City of Temple City (Finding #2020-013)

- The City did not meet the August 1, 2019 deadline for the submission of Form One. However, the City submitted the Form One on August 16, 2019.
- The former Director of Parks and Recreation who was responsible for the submission of the forms has since retired from the City. As a result, the submission of the form was overlooked.
- This is a repeat finding from the prior year.
- The new Director of Parks and Recreation has now taken charge to ensure the necessary forms are submitted by the reporting deadlines.

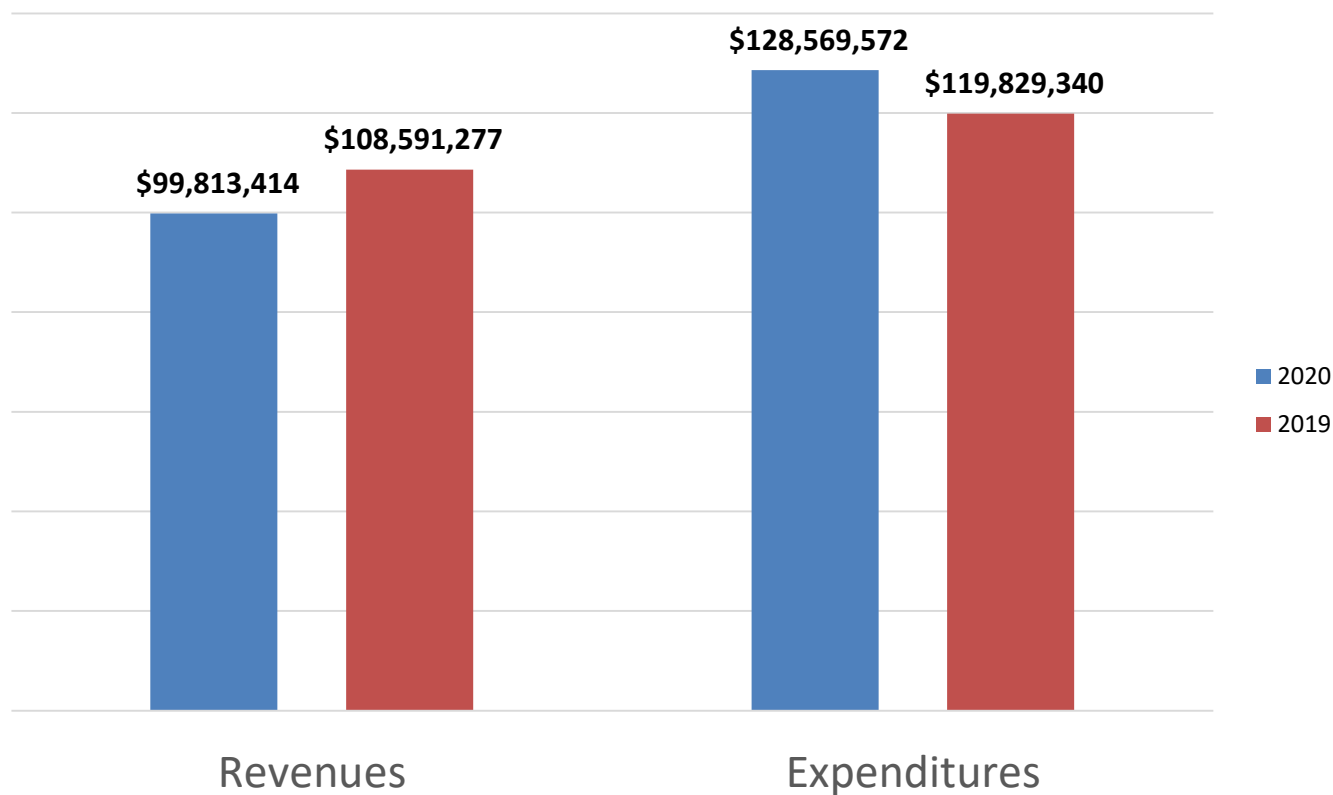


Analysis of Measure R Audit Results



Revenue and Expenditures of 50 Jurisdictions

FY 2020 & FY 2019 Revenues and Expenditures



S&S Contact information

Team member	Contact information
Melba Simpson Engagement Partner	Email: msimpson@simpsonllp.com
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Questions





Presentation to the Measure R Oversight Committee

Measure R Local Return Funds

April 19, 2021



Metro[®]

Los Angeles County
Metropolitan Transportation Authority

An independently owned member
RSM US Alliance



**Vasquez
& Company LLP**
Certified Public Accountants and Business Consultants

AGENDA

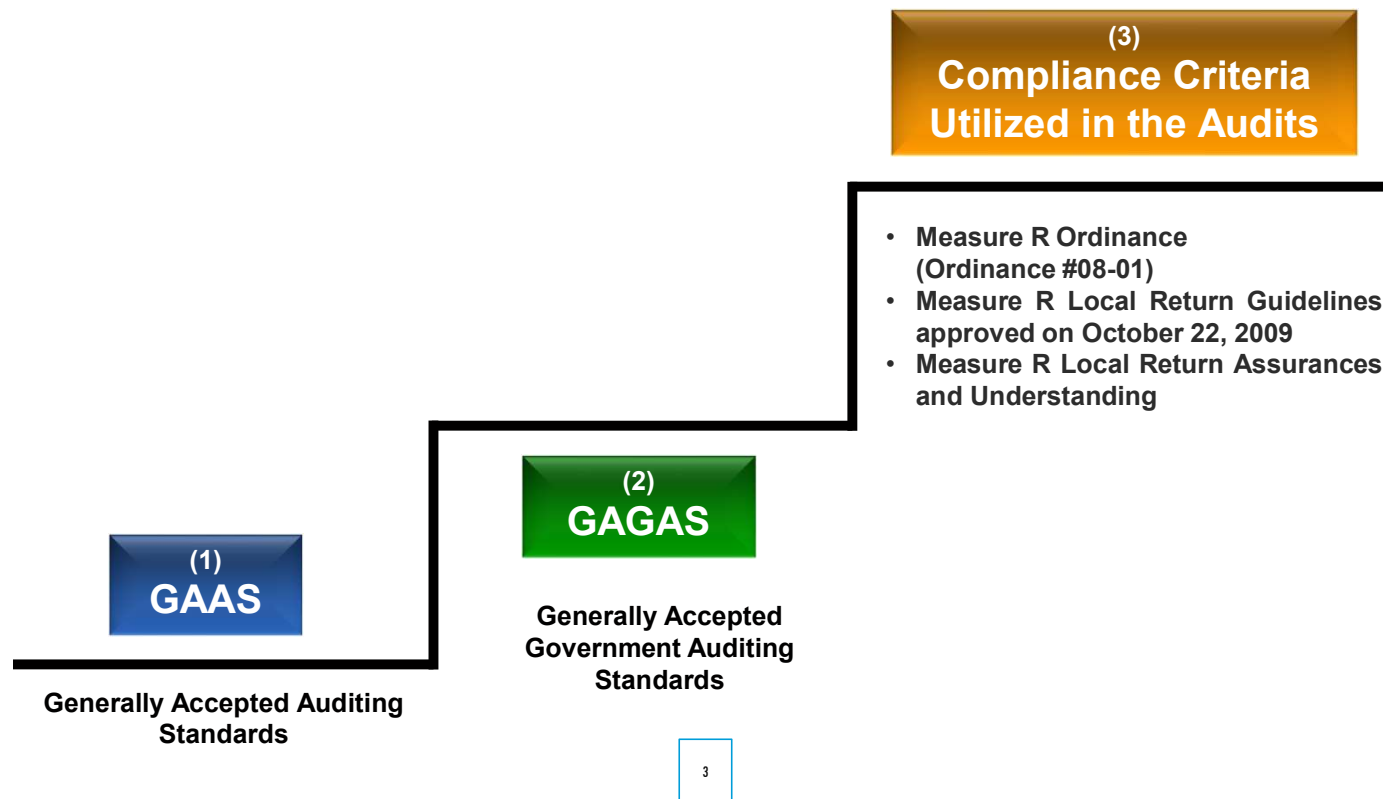
- ❑ Scope of the Audits
- ❑ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized
- ❑ Revenue and Expenditures of 39 Jurisdictions
- ❑ Overview of the Audit Results
- ❑ Details of Audit Results
- ❑ Material Weakness and Significant Deficiency in Internal Control over Compliance
- ❑ Required Communications to the Measure R Oversight Committee
- ❑ Contact Information
- ❑ Q&A

SCOPE OF THE AUDITS

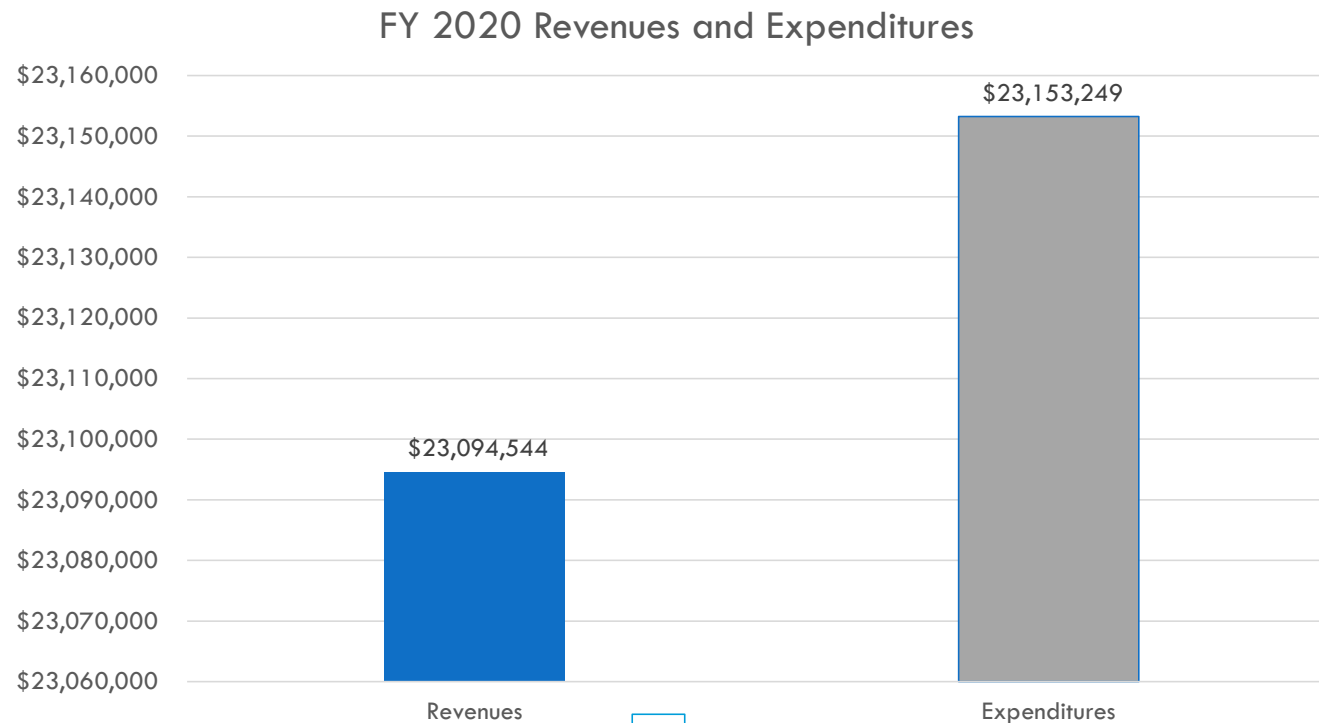
Financial and Compliance Audit of Measure R Local Return Funds held by the 39 Cities under Package A (in alphabetical order)

- | | | |
|------------------|---------------------|----------------------|
| 1. Agoura Hills | 16. Hidden Hills | 31. San Fernando |
| 2. Azusa | 17. Huntington Park | 32. Santa Fe Springs |
| 3. Baldwin Park | 18. Industry | 33. Santa Monica |
| 4. Bell | 19. Inglewood | 34. South El Monte |
| 5. Bell Gardens | 20. Irwindale | 35. South Gate |
| 6. Beverly Hills | 21. La Puente | 36. Vernon |
| 7. Calabasas | 22. Lawndale | 37. Walnut |
| 8. Carson | 23. Lynwood | 38. West Hollywood |
| 9. Commerce | 24. Malibu | 39. Westlake Village |
| 10. Compton | 25. Maywood | |
| 11. Cudahy | 26. Montebello | |
| 12. Culver City | 27. Monterey Park | |
| 13. El Monte | 28. Pico Rivera | |
| 14. Gardena | 29. Pomona | |
| 15. Hawthorne | 30. Rosemead | |

LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



REVENUE AND EXPENDITURES OF 39 JURISDICTIONS



OVERVIEW OF THE AUDIT RESULTS

FY 2020 Summary of Audit Results

- Dollars associated with the findings have decreased from \$1,224,388 in FY2019 to \$628,828 in FY2020 audit.
- Total questioned costs of \$628,828 is about 2.7% of the total Measure R FY2020 allocations of \$23,094,544 to cities under Package A.

Questioned Costs

- \$7,889 of the questioned cost relates to expenditures incurred with no adequate evidence that funds were expended for transportation purposes.
- \$620,939 of the questioned cost relates to funds expended on Measure R eligible projects with no prior approval from LACMTA. *All of these were resolved during the audit.*

DETAILS OF AUDIT RESULTS

Our findings are as follows:

- A. No adequate evidence that funds were expended for transportation purposes.
- B. Funds were expended without LACMTA's approval.
- C. Expenditure Plan (Form One) was not submitted timely.

DETAILS OF AUDIT RESULTS

A. No adequate evidence that funds were expended for transportation purposes.

Compliance References	Number of cities involved: 1 of 39 cities	Questioned costs for 2020
Section VII of the Measure R Local Return Guidelines states that, 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".	1. City of South El Monte (Finding #2020-008, page 27 of the report)	\$7,889

DETAILS OF AUDIT RESULTS

B. Funds were expended without LACMTA's approval.

- Compliance Reference: Section B(II) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2020:

	Total Expenditures Claimed for 2020	Questioned	Resolved During the Audit	Report Reference
1. Bell Gardens	\$ 39,335	\$ 38,835	\$ 38,835	Finding #2020-002, Page 19
2. Calabasas	12,655	12,655	12,655	Finding #2020-004, Page 22
3. Carson	1,140,695	569,449	569,449	Finding #2020-005, Page 23
	<u>\$ 1,192,685</u>	<u>\$ 620,939</u>	<u>\$ 620,939</u>	

DETAILS OF AUDIT RESULTS

C. Expenditure Plan (Form One) was not submitted timely.

Compliance Reference

Section B(II) Expenditure Plan (Form One) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".

Number of cities involved: 4 of 39 cities

1. [City of Azusa](#)
(Finding #2020-001, page 18 of the report)
2. [City of Bell Gardens](#)
(Finding #2020-003, page 21 of the report)
3. [City of Industry](#)
(Finding #2020-006, page 25 of the report)
4. [City of Maywood](#)
(Finding #2020-007, page 26 of the report)

Questioned costs for 2020

None

MATERIAL WEAKNESS AND SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

One (1) Material Weakness and One (1) Significant Deficiency (Repeat Findings):

City of Calabasas

(Finding #2020-004)

Material Weakness: Finding #2020-004

The City claimed expenditures under MRLRF Project Code 1.05 Rondell Park & Ride project, totaling \$12,655 with no prior approval from LACMTA.

This is a repeat finding from prior year's audit.

City of Bell Gardens

(Finding #2020-003)

Significant Deficiency: Finding #2020-003

The City submitted its Expenditure Plan (Form One) on August 21, 2019, 20 days after the due date of August 1, 2019.

This is a repeat finding from prior year's audit.

REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

Professional standards require independent accountants to discuss with those in charge of governance matters of importance which arise during the course of their audit as well as significant matters concerning the audited jurisdictions' internal controls and the preparation and composition of the financial statements. We therefore present the following information required to be communicated to the Measure R Oversight Committee based upon the results of our audit of the Measure R Local Return Funds of the 39 cities.

Matters to be Communicated	Auditor's Response
<p><i>The Auditor's Responsibility Under Generally Accepted Auditing Standards ("GAAS")</i></p> <p>The auditor should communicate the level of responsibility assumed under auditing standards generally accepted in the United States of America.</p>	<p>Our level of responsibility is communicated in the auditors' report. An audit conducted in accordance with GAAS is designed to obtain reasonable, rather than absolute, assurance on the financial statements, and about whether noncompliance the Measure R Local Return Guidelines that could have a direct and material effect on the Measure R Local Return Programs occurred.</p>
<p><i>Significant Accounting Policies and Unusual Transactions</i></p> <p>The auditor should determine that the Committee is informed about the initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.</p>	<p>The significant accounting policies adopted by audited jurisdictions are described in the notes to their respective financial statements. We do not consider any of the accounting elections made by any of the 39 cities we audited to be controversial.</p>
<p><i>Management Judgments and Accounting Estimates</i></p> <p>The Committee should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.</p>	<p>Accounting estimates are required for determining the fair value of investments and collectability of accounts receivable. Management's judgment is required in making assessments in estimating those items and accounts in the financial statements.</p> <p>We consider management's estimates to be reasonable, based on our audit.</p>

REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

(Continued)

Matters to be Communicated	Auditor's Response
<p><i>Management Consultations with Other Independent Accountants</i></p> <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the jurisdiction's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, the professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.</p>	<p>To our knowledge, there were no such consultations made with other accountants.</p>
<p><i>Internal Controls</i></p> <p>The Committee should be advised of any significant deficiencies or material weaknesses in the design or operation of the internal control structure coming to the auditor's attention during the audit.</p>	<p>We noted a material weakness and a significant deficiency in internal controls over financial reporting and compliance in certain audited jurisdictions.</p>
<p><i>Difficulties Encountered in Performing the Audit</i></p> <p>Serious difficulties encountered in dealing with management that related to the performance of the audit are required to be brought to the attention of the Committee.</p>	<p>Delays in providing audit requirements by certain audited jurisdictions.</p>
<p><i>Fraud, Irregularities and Illegal Acts</i></p> <p>The Committee should be adequately informed of fraud, irregularities and illegal acts coming to the auditor's attention during the course of the audit.</p>	<p>The fraud reported in prior years in the City of Compton did not involve the use of the Measure R Local Return Funds.</p>

REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

(Continued)

Matters to be Communicated	Auditor's Response
<p><i>Significant Audit Adjustments</i></p> <p>The Committee should be adequately informed about adjustments arising from the audit that could individually or in the aggregate, have a significant effect on the jurisdictions' financial reporting process.</p>	None noted.
<p><i>Other Information in Documents Containing Audited Financial Statements</i></p> <p>The Committee should be informed as to the auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed, and the results.</p>	As required by the auditing standards, if you publish or otherwise reproduce the financial statements and make reference to our firm, we are required to be provided with a copy of the material before it is published.
<p><i>Disagreements With Management</i></p> <p>Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the jurisdictions' financial statements or the auditor's report should be communicated to the Committee.</p>	There were no such disagreements.
<p><i>Related Parties</i></p> <p>The Committee should be informed about related party transactions and policies governing related party transactions.</p>	There were no related party transactions noted that relate to the Measure R Local Return Funds.
<p><i>Independence</i></p> <p>The Audit Committee should be informed as to the auditor's continuing independence.</p>	We confirm that, we are independent with respect to the 39 cities that we audited as required by the AICPA and GAGAS (Yellow Book). We are not aware of any relationships between Vasquez & Co. LLP and any of the 39 cities that, in our professional judgment, may reasonably be thought to bear on our independence.

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Q&A



THANK YOU FOR YOUR TIME
AND ATTENTION





Board Report

File #: 2021-0127, **File Type:** Resolution

Agenda Number: 4.

**MEASURE R INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
APRIL 19, 2021**

SUBJECT: MEASURE R AMENDMENT

**ACTION: MAKE A FINDING THAT THE AMENDMENT FURTHERS THE PURPOSE OF THE
ORDINANCE**

RECOMMENDATION

Adopt a resolution (Attachment B) which finds, in accordance with Section 8(i)(3) of the Measure R Ordinance (the Ordinance), that the proposed amendment, including the expenditure plan, furthers the purpose of the Ordinance.

ISSUE

The Metro Board has approved proposed amendments and changes to the Measure R Ordinance to allow transfers between the Measure R sales tax highway capital and transit capital subfunds and adds a transit program of projects requested by the South Bay subregion. The Ordinance requires that any proposed amendment be presented at a public hearing, noticed to the required governing bodies, and reviewed by the Measure R Oversight Committee.

BACKGROUND

The Ordinance created both transit and highway capital subfunds that receive a percentage of the Measure R sales tax revenue and fund the capital projects listed on the Expenditure Plan. The Measure R Ordinance can be amended upon two-thirds vote of the Board. However, any amendment to provide for a transfer of moneys between the highway and transit subfunds can only occur every ten years, beginning 2020.

Metro staff notified the Board and stakeholders of the potential transfer amendment and received a request from the South Bay subregion to transfer \$400,000,000 from the subregion's Measure R highway program to fund transit projects. The proposed amendment modifies the Expenditure Plan and lists possible transit projects to be funded.

The Metro Board report (Attachment A) that considered the amendment language is attached and provides additional information about the proposed transfer and funding risks. The Board report is modified from the version presented to the Board to include a Board motion that was approved

concurrently.

The Board report includes a discussion of the funding risk associated with the proposed transfer of highway funds. The transfer would takeaway revenues for construction of Metro and or city-led highway projects that may have already gone through requisite environmental approval and design steps.

NEXT STEPS

Upon a finding by the Proposition R Independent Taxpayers Oversight Committee, completion of the required 365-day notice period to the state legislature, and holding of a public meeting, Metro staff will schedule a formal amendment of the Ordinance for Board adoption, expected in July 2021.

ATTACHMENTS

Attachment A - Metro Board Report to Approve Amendment Language

Attachment B - Resolution Finding That the Amendment Meets the Purpose of the Ordinance

ATTACHMENT A

METRO BOARD REPORT #2020-0334

JUNE 25, 2020



Metro

Board Report

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

File #: 2020-0334, File Type: Plan

Agenda Number: 7.

PLANNING AND PROGRAMMING COMMITTEE

JUNE 17, 2020

EXECUTIVE MANAGEMENT COMMITTEE

JUNE 18, 2020

SUBJECT: MEASURE R AMENDMENT LANGUAGE

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING the Measure R Ordinance Proposed Amendment Language (Attachment A); and,
- B. ADOPTING the Resolution Notifying the State Legislature of the Amendment (Attachment C).

ISSUE

This Board item presents proposed amendments and changes to the Measure R Ordinance (the Ordinance) to allow transfers between the highway and transit subfunds, and adds a project requested by a subregion. Board approval of this item will allow the amendment language to be presented at a public hearing, noticed to the required governing bodies, and reviewed by the Measure R Oversight Committee, which are steps required under the Ordinance prior to Board adoption of the amendment. The Public Utilities Code also requires that Metro adopt a resolution notifying the state legislature of the amendment.

BACKGROUND

The Ordinance identifies the allowable uses for the 0.5% countywide sales tax that funds Metro capital projects and transit operations. The Ordinance created both transit and highway capital subfunds that receive a percentage of the Measure R sales tax revenue and fund the capital projects listed on the Expenditure Plan (Attachment A of the Ordinance).

The Measure R Ordinance can be amended upon two-thirds vote of the Board. However, any amendment to provide for a transfer of moneys between the highway and transit subfunds can only occur every ten years, beginning 2020.

In anticipation of the first allowable transfer amendment, staff notified the Board in November 2019 and began a process to inform and reach out to stakeholders including Metro staff, Board staff, subregional councils, Policy Advisory Council, and the public at-large.

Staff distributed an information letter to all known interested parties in February 2020 that described when a transfer might be considered and included draft amendment language, and through April 2020 has responded to all questions received and to requests to attend subregional council meetings.

DISCUSSION

The South Bay subregion has submitted the only actionable requests for the amendment. South Bay has asked that the remaining Measure R funding allocated to the South Bay Highway Program is reduced and transferred for a new transit program, and that the Ordinance allow for future transfers through 2030 without the need of a subsequent amendment. No other requested amendments or changes were offered.

The amount of the transfer differs from the amount initially requested by South Bay. The subregion's governing body, the South Bay Cities Council of Governments (SBCCOG) originally approved a request of \$560,000,000 in November 2019 to transfer from highways to transit. SBCCOG staff subsequently requested this amount be reduced to \$400,000,000 to provide for additional highway projects, and account for amounts already expended, programmed by the Metro Board, or contractually committed.

The following proposed changes to the Ordinance are therefore included. It would add a new Section 18 to the Ordinance. In addition, a mark-up of the affected sections of the Expenditure Plan is included as Attachment A.

Section 18.0 TRANSFERRING NET REVENUES BETWEEN SUBFUNDS

a. Net Revenues not to exceed \$400,000,000 shall be transferred from the Highway Capital Subfund to the Transit Capital Subfund no later than January 2030 for use on eligible Transit Capital Projects within the South Bay subregion. The amount of Net Revenues for the "Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay)" project on line 33 in Attachment A is reduced from \$906,000,000 to \$506,000,000. The "South Bay Transit Investments" project is added to the Transit Capital Projects as shown in Amended Attachment A.

b. Any surplus Net Revenues under Section 7(d)(4) may be transferred from the Transit Capital Subfund to the Highway Capital Subfund no later than January 2030 for one or more Highway Projects within the same subregion as the completed Transit Project.

c. Any surplus Net Revenues under Section 7(e)(4) may be transferred from the Highway Capital Subfund to the Transit Capital Subfund no later than January 2030 for one or more Transit Projects within the same subregion as the completed Highway Project.

Impact to South Bay Highway Program

The South Bay Highway Program has existed since the passage of Measure R in 2008, and the Metro Board has programmed \$238,207,000 to the South Bay subregion through January 2020 for eligible highway projects. The SBCCOG approved an additional request in March 2020 for \$230,835,278 of expenditures. Much of the previously programmed, expended, and newly requested funds are for planning and design, and do not include construction. The table included as Attachment B lists those South Bay Highway Program projects that will require future construction funding. Total construction costs for these projects are estimated at \$ 412,700,000. A 15% contingency would add another \$61,905,000. The transfer of \$400,000,000 from the South Bay Highway Program to a new transit program will eliminate construction funding for the previously-approved highway projects that have or will have completed pre-construction work. If the construction of these highway projects is ultimately pursued when funding is obtained, it may require that environmental and or design work is redone given the time lapsed.

The South Bay COG's position regarding the Measure R Transfer impact on the South Bay Highway Program is predicated on the fact that when Measure R SBHP was first created, it funded early phases (such as environmental and design phases) of Caltrans projects to strategically position them for outside funding for right-of-way and construction. The COG's position on the Measure R Transfer does not preclude Caltrans from seeking SBHP/MSP funding for those later phases but does not guarantee any funding support past PSE. The SBCCOG will work alongside Caltrans to secure those additional funds and help lobby Sacramento legislators.

The South Bay subregion also receives funding from the Measure M "Highway Operational Improvements" multi-year subregional program and this could potentially be used to pay for the Measure R unfunded construction projects. This multi-year subregional program will provide about \$13,000,000 of new funding for FY 2024. Funding in FY 2025 for the multi-year subregional program is expected to decline as the growth rate is tied to Metro's financial forecast, which will be lowered due to the current decrease in sales tax revenue caused by the global pandemic. In comparison, the construction need is \$412,700,000 (excluding contingency) for the Measure R South Bay Highway Program and an additional \$120,000,000 for new highway projects added to the multi-year subregional program by SBCCOG.

Potential Future Amendments

Other potential amendments were considered, including those for the transfer of highway and transit Contingency to address future debt service, and for the use of surplus on Measure R projects that have yet to complete construction. Staff recommends that these potential transfers are deferred until after 2030 when the sales tax is nearer to its sunset and after projects are fully closed-out.

FINANCIAL IMPACT

This is an informational item and does not have a direct financial impact.

Impact to Budget

There is no direct impact to the FY20 budget.

Multi-Year Impact

This item may result in a more rapid expenditure of Measure R funds. The balance of Measure R South Bay Highway Program funds that are subject to the transfer did not have identified uses; however, the subregion has identified transit uses for much of the amount and this may result in more Measure R debt financing.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This item helps ensure fiscal responsibility in how funding determinations are made and transparency in the agency's investment decisions (Goal #5).

NEXT STEPS

Should the Board approve the transfer amendment language, staff will initiate public and local government notice, schedule a public meeting and review by the Proposition R Independent Taxpayers Oversight Committee of Metro in September 2020.

Metro staff will develop guidelines for the use of the newly-created Measure R transit program that include eligibility criteria consistent with the Ordinance and existing Board policy, and determination of funding amounts.

The proposed amendment language would change the amount of funding for projects on the Expenditure Plan. Per Public Utilities Code Section 130350.5(k), this requires notification to the state legislature, no later than 365 days prior to the adoption of the amendment. Pursuant to the Code, the notification shall be in the form of a resolution adopted by the Metro Board. The resolution is included as Attachment C.

Upon completion of the 365-day notice period, Metro staff will schedule a formal amendment of the Ordinance for Board adoption, expected in July 2021. The amendment will require 2/3 Board approval.

ATTACHMENTS

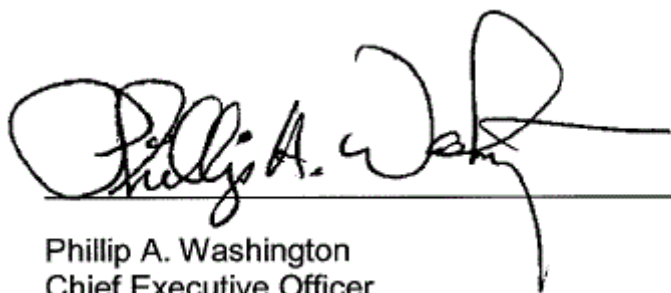
Attachment A - Expenditure Plan Mark-Up

Attachment B - South Bay Highway Program Unfunded Construction Projects

Attachment C - Resolution Notifying the State Legislature of the Amendment

Prepared by: Craig Hoshijima, DEO, Countywide Planning & Development, (213) 418-3384
Laurie Lombardi, SEO, Countywide Planning & Development, (213) 418-3251

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

A handwritten signature in black ink, appearing to read "Phillip A. Washington", is written over a horizontal line. The signature is stylized with large loops and a long horizontal stroke extending to the right.

Phillip A. Washington
Chief Executive Officer

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan

30 Years, Fiscal Year (FY) 2010 - 2039

As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008 and Amended _____, 2021

(\$ in millions)

for reference only - not priority order	Subfund	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321)			Other Funds			Funds Available Beginning	Expected Completion
				Minimum	Additional	Total	Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)		
1	Transit Capital Projects	Transit Projects:New Rail and/or Bus Rapid Transit Capital Projects.Could include rail improvements or exclusive bus rapid transit improvements in designated corridors.									
2			Escalated \$								
3		Eastside Light Rail Access (Gold Line)	\$ 30	\$ 30	\$ -	\$ 30	\$ -	\$ -	\$ -	FY 2010	FY 2013
4		Exposition Boulevard Light Rail Transit	\$ 1,632 ^a	\$ 925	\$ -	\$ 925	\$ -	\$ 353	\$ 354	FY 2010-12	FY 2013-15
5		Metro and Municipal Regional Clean Fuel Bus Capital Facilities and Rolling Stock (Metro's share to be used for clean fuel buses)	\$ 150	\$ 150	\$ -	\$ 150	\$ -	\$ -	\$ -	FY 2010	FY 2039
6		Regional Connector (links local rail lines)	\$ 1,320	\$ 160	\$ -	\$ 160	\$ 708	\$ 186	\$ 266 ^b	FY 2014-16	FY 2023-25
7			Current 2008 \$								
8		Crenshaw Transit Corridor - project acceleration	\$ 1,470	\$ 235.5	\$ 971.5	\$ 1,207	To be determined		\$ 263 ^c	FY 2010-12	FY 2016-18
9		Gold Line Eastside Extension	\$ 1,310	\$ -	\$ 1,271	\$ 1,271			\$ 39	FY 2022-24	FY 2033-35
10		Gold Line Foothill Light Rail Transit Extension	\$ 758	\$ 735	\$ -	\$ 735			\$ 23	FY 2010-12	FY 2015-17
11		Green Line Extension to Los Angeles International Airport	\$ 200	\$ -	\$ 200	\$ 200			TBD ^d	FY 2010-12	FY 2015-28 ^d
12		Green Line Extension: Redondo Beach Station to South Bay Corridor	\$ 280	\$ -	\$ 272	\$ 272			\$ 8	FY 2028-30	FY 2033-35
13		San Fernando Valley I-405 Corridor Connection (match to total project cost)	TBD	\$ -	\$ 1,000	\$ 1,000			\$ 31	FY 2030-32	FY 2038-39
14		San Fernando Valley North-South Rapidways (Canoga Corridor) - project acceleration	\$ 188	\$ 32 ^e	\$ 150	\$ 182			\$ 6	FY 2010-12	FY 2014-16
15		San Fernando Valley East North-South Rapidways - project acceleration	\$ 70	\$ 68.5 ^e	\$ -	\$ 68.5			\$ 2	FY 2013-15	FY 2016-18
16		West Santa Ana Branch Corridor (match to total project cost)	TBD	\$ -	\$ 240	\$ 240			\$ 7	FY 2015-17*	FY 2025-27*
17		Westside Subway Extension - to be opened in segments	\$ 4,200 ^f	\$ 900	\$ 3,174	\$ 4,074			\$ 126	FY 2013-15	FY 2034-36
17a		South Bay Transit Investments	\$ 500 ⁿ \$ 400	\$ -	\$ -	\$ 500 \$ 400	\$ -	\$ -	\$ -	As funds become available	
18		Capital Project Contingency (Transit)-Escalation Allowance for lines 8-17 to be based on year of construction	\$ 7,331	\$ 173	\$ 3,103	\$ 3,276	\$ 2,200	\$ 1,015	\$ 840 ^g	FY 2010	FY 2039
19		Total New Rail and/or Bus Rapid Transit Capital Projects	\$ 18,939 ^h \$ 19,439 \$ 19,339	\$ 3,408.5	\$ 10,381.5	\$ 13,790 \$ 14,290 \$ 14,190	\$ 2,908	\$ 1,554	\$ 1,965	FY 2010	FY 2039

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan

30 Years, Fiscal Year (FY) 2010 - 2039

As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008 and Amended _____, 2021

(\$ in millions)

for reference only - not priority order		Subfund	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321)			Other Funds			Funds Available Beginning	Expected Completion
					Minimum	Additional	Total	Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)		
20		Highway Capital Projects	Highway Projects: Capital Projects - Carpool Lanes, Highways, Goods Movement, Grade Separations, and Soundwalls									
21			Escalated \$									
22			Alameda Corridor East Grade Separations Phase II	\$ 1,123	\$ 200	\$ 200	\$ 400	\$ 200	\$ 336	\$ 187 ⁱ	As funds become available	
23			BNSF Grade Separations in Gateway Cities	\$ 35	\$ -	\$ 35	\$ 35	\$ -	\$ -	\$ -	As funds become available	
24			Countywide Soundwall Construction (Metro regional list and Monterey Park/SR-60)	\$ 250	\$ 250	\$ -	\$ 250	\$ -	\$ -	\$ -	FY 2010	FY 2039
25			High Desert Corridor (environmental)	\$ 33	\$ -	\$ 33	\$ 33	\$ -	\$ -	\$ -	As funds become available	
26			Interstate 5 / St. Route 14 Capacity Enhancement	\$ 161	\$ 90.8	\$ -	90.8	\$ 15	\$ 41	\$ 14 ^j	FY 2010	FY 2013-15
27			Interstate 5 Capacity Enhancement from I-605 to Orange County Line	\$ 1,240	\$ 264.8	\$ -	\$ 264.8	\$ 78	\$ 834	\$ 63 ^j	FY 2010	FY 2016-17
28			I-5 Capacity Enhancement from SR-134 to SR-170	\$ 610	\$ 271.5	\$ -	\$ 271.5	\$ 50	\$ 264	\$ 24 ^j	FY 2010	FY 2013
29			I-5 Carmenita Road Interchange Improvement	\$ 389	\$ 138	\$ -	\$ 138	\$ 97	\$ 154	\$ - ^j	FY 2010	FY 2015
30				Current 2008 \$								
31			Highway Operational Improvements in Arroyo Verdugo subregion	\$ 170	\$ -	\$ 170	\$ 170	To be determined			As funds become available	
32			Highway Operational Improvements in Las Virgenes/Malibu subregion	\$ 175	\$ -	\$ 175	\$ 175					
33			Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay)	\$ 906	\$ -	\$ 906 \$ 406 <u>\$ 506</u>	\$ 906 \$ 406 <u>\$ 506</u>					
34			Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line (Truck Lanes)	\$ 2,800	\$ -	\$ 410	\$ 410					
35			Interstate 605 Corridor "Hot Spot" Interchanges	\$ 2,410	\$ -	\$ 590	\$ 590					
36			Interstate 710 North Gap Closure (tunnel)	\$ 3,730	\$ -	\$ 780	\$ 780					
37			Interstate 710 South and/or Early Action Projects	\$ 5,460	\$ -	\$ 590	\$ 590					
38			State Route 138 Capacity Enhancements	\$ 270	\$ -	\$ 200	\$ 200					
39			Capital Project Contingency (Highway)-Escalation Allowance for lines 31-38 to be based on year of construction	\$ 2,575	\$ -	\$ 2,575.9	\$ 2,576					
40		Total Capital Projects Highway: Carpool Lanes, Highways, Goods Movements, Grade Separations, and Soundwalls	\$ 22,337	\$ 1,215.1	\$ 6,664.9 \$ 6,164.9 <u>\$ 6,264.9</u>	\$ 7,880 \$ 7,380 <u>\$ 7,480</u>	TBD	TBD	\$ 288	FY 2010	FY 2039	

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan**30 Years, Fiscal Year (FY) 2010 - 2039****As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008 and Amended _____, 2021**

(\$ in millions)

for reference only - not priority order	Subfund	Operating and Capital Programs	Percent of New Sales Tax Net Revenues	New Sales Tax (Assembly Bill 2321)			Other Funds			Funds Available Beginning	Expected Completion
				Minimum	Additional	Total Escalated	Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)		
41	Ops	Bus Operations (Countywide Bus Service Operations, Maintenance, and Expansion. Suspend a scheduled July 1, 2009 Metro fare increase for one year and freeze all Metro Student, Senior, Disabled, and Medicare fares through June 30, 2013 by instead using Metro's Formula Allocation Procedure share of this subfund.)	20%	\$ -	\$ 7,880	\$ 7,880 ^k	Not Applicable			FY 2010	FY 2039
42	Ops	Rail Operations (New Transit Project Operations and Maintenance)	5%	\$ -	\$ 1,970	\$ 1,970 ^k				FY 2010	FY 2039
43	Local Return	Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit.	15% ^l	\$ 250	\$ 5,660	\$ 5,910 ^k				FY 2010	FY 2039
44	Tran. Cap.	Metro Rail Capital Projects - System Improvements, Rail Yards, and Rail Cars	2%	\$ -	\$ 788	\$ 788 ^k				FY 2010	FY 2039
45	Tran. Cap.	Metrolink Capital Improvement Projects within Los Angeles County (Operations, Maintenance, and Expansion)	3%	\$ 70	\$ 1,112	\$ 1,182 ^k				FY 2010	FY 2039
46		Subtotal Transit and Highway Capital Projects	\$ 41,276^m	\$ 4,623.6	\$ 17,046	\$ 21,670	\$ 2,908	\$ 1,554	\$ 2,253	FY 2010	FY 2039
47		Subtotal page 4		\$ 320.0	\$ 17,410	\$ 17,730	Not Applicable				
48		1.5% for Administration	N/A	\$ 10	\$ 590	\$ 600				FY 2010	FY 2039
49		Total		\$ 4,953.6	\$ 35,046	\$ 40,000	\$ 2,908	\$ 1,554	\$ 2,253	FY 2010	FY 2039

**Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan
30 Years, Fiscal Year (FY) 2010 - 2039**

As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008 and Amended _____, 2021

(\$ in millions)

Notes:

- a. The Exposition Blvd Light Rail Transit project includes the following funds: Prop 1B Transit Modernization funds (\$250 M), State Transportation Improvement Program funds (\$103 M), Metro Propositions A and C funds (\$354 M).
- b. Systemwide ridership forecasts indicate need for a Regional Connector downtown. This expenditure plan assumes that Metro Long Range Transportation Plan funds freed-up from the Exposition Phase II project by passage of this sales tax will be redirected to the Regional Connector project by the Metro Board.
- c. Local funding for the Crenshaw Transit Corridor assumes a 3% local contribution (\$44 M) and a Metro Long Range Transportation Plan contribution (\$219 M).
- d. Local funding target and project schedule to be determined due to potential LAX contribution. First segment is included in the Crenshaw project.
- e. The San Fernando Valley North-South Rapidways minimum of \$100 M is divided between the East and Canoga segments.
- f. Unescalated cost estimate to Westwood.
- g. Assumes a 3% local contribution to the Escalation Allowance (\$225 M) and a Metro Long Range Transportation Plan contribution for project scheduling risk (\$615 M).
- h. Total new rail and/or bus rapid transit capital projects cost estimate subject to change when cost estimates are developed for the San Fernando Valley I-405 Corridor Connection (line 13) and the West Santa Ana Branch Corridor (line 16).
- i. The precise amounts of Federal and local funding for the Alameda Corridor East Grade Separations Phase II project are subject to change.
- j. For projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of this sales tax shall remain in the subregion in which the project is located for projects or programs of regional significance (per AB 2321).
- k. Amounts are estimates. Actual amounts will be based on percentage of actual sales tax receipts net of administration.
- l. Local Return to the incorporated cities within Los Angeles County and to Los Angeles County for the unincorporated area of the County on a per capita basis per annual California Department of Finance population data.
- m. The total project cost estimate for the transit and highway capital projects of \$41.2 B includes \$12.9 B in as yet unidentified federal, state, local, and public-private partnership funds for highway projects.
- n. The South Bay Transit Projects listed below, depending on readiness, could be included with South Bay Highway projects submitted to Metro in the FY 2022 Metro Budget Request development process by October 31, 2020. Anticipated available funding could then be accessed as early as July 2021.
 - 1. Carson Circuit Fashion Outlet Regional Transit Center
 - 2. GTrans Purchase of up to 15 expansion buses
 - 3. GTrans Solar Energy Generation/Bus Fueling Infrastructure Project
 - 4. Beach Cities Transit: Transit Operations & Maintenance Facility
 - 5. Torrance Transit Return of the Red Car Urban Circulator Trolley
 - 6. Torrance Transit Expansion Buses
 - 7. Torrance Transit Regional Transit Center Parking Structure
 - 8. Torrance Transit MicroTransit Expansion of the Torrance Community Transit Program
 - 9. Torrance Transit Construction of Heavy-Duty Electric Vehicle Charging Station
 - 10. City of Inglewood: Inglewood Transit Connector Project

Legend: Ops = Operations; Tran. Cap. = Transit Capital; SR = State Route; I = Interstate

- * The West Santa Ana Branch matching funds would be accelerated by utilizing Long Range Transportation Plan resources freed-up by the use of new sales tax funds on the Interstate 5 Capacity Enhancement from I-605 to Orange County Line project (line 27).

Measure R South Bay Highway Program
(Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay))
Unfunded Construction Projects
(\$ in thousands)

Lead Agency	Project Description	Amount Programmed (incl. Jun '20)	Estimated Construction Cost
Carson/Metro	Upgrade Traffic Control Signals at the Intersection of Figueroa St and 234th St. and Figueroa and 228th st.	\$ 150	\$ 400
El Segundo	Park Place Roadway Extension and Railroad Grade Separation Project	\$ 5,350	\$ 51,500
Hawthorne	El Segundo Blvd Improvements Project Phase II	\$ 600	\$ 1,400
Hawthorne	120th St Improvements -- Crenshaw Blvd to Felton Ave	\$ 600	\$ 1,400
LA City	Alameda St. (South) Widening frm. Anaheim St. to Harry Bridges Blvd	\$ 2,875	\$ 15,000
LA City	Alameda St. (East) Widening Project	\$ 3,580	\$ 10,000
Metro	I-405 Improvements from I-105 to Artesia Blvd	\$ 17,381	\$ 120,000
Metro	I-405 Improvements from I-110 to Wilmington	\$ 17,400	\$ 120,000
Metro	I-405 N/B Aux Lane (Imperial Hwy to El Segundo)	\$ 14,000	\$ 80,000
Torrance	PCH at Crenshaw Blvd Intersection Imp	\$ 500	\$ 13,000
Total		\$ 62,286	\$ 412,700
<i>15% Construction Capital Contingency</i>			\$ 61,905

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
PROVIDING NOTICE OF PROPOSED AMENDMENTS TO THE MEASURE R SALES TAX
ORDINANCE (#08-01) EXPENDITURE PLAN

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors adopted Ordinance #08-01 on July 24, 2008 that imposes a 0.5 percent transaction and use tax applicable in the county, pursuant to California Public Utilities Code 130350.5; and,

WHEREAS, Ordinance #08-01 includes an expenditure plan identifying the projects and programs to be funded by Measure R sales tax revenues and the schedule during which Metro anticipates such revenues will be available for each project and program; and,

WHEREAS, Public Utilities Code section 130350.5(k) specifies that no later than 365 days prior to the adoption of an amendment to the Measure R expenditure plan the Board shall notify the Members of the Legislature representing the County of Los Angeles of all of the following:

- (1) A description of the proposed amendments to the expenditure plan that would do any of the following:
 - (A) Affect the amount of Measure R net revenues that is proposed to be expended on a capital project or projects identified in the expenditure plan.
 - (B) Delay the schedule for the availability of funds proposed to be expended on a capital project or projects identified in the expenditure plan.
 - (C) Delay the schedule for the estimated or expected completion date of a capital project or projects identified in the expenditure plan.
- (2) The reason for the proposed amendment.
- (3) The estimated impact the proposed amendment will have on the schedule, cost, scope, or timely availability of funding for the capital project or projects contained in the expenditure plan.

WHEREAS, section 130350.5(l) specifies that the notification required pursuant to subdivision (k) shall be achieved by resolution adopted by the Metro Board; and,

WHEREAS, this Resolution provides notice to the Members of the Legislature representing the County of Los Angeles of the proposed amendments to the Measure R expenditure plan.

ATTACHMENT C

NOW, THEREFORE, THE BOARD OF DIRECTORS OF METRO DOES RESOLVE AS FOLLOWS:

SECTION 1. At a meeting on June 25, 2020, the Metro Board considered proposed language that amends the Measure R expenditure plan and affects the amount of net revenues to be expended by reducing the amount on an existing capital project listed on the expenditure plan and increasing funding for a newly created capital project.

SECTION 2. No sooner than 365 days after providing the statutorily required notice to Members of the Legislature, the Metro Board intends to adopt the proposed amendments to the Measure R expenditure plan described in the Metro Board report #2020-0334, attached hereto as Attachment A.

SECTION 2. The information provided to Members of the Legislature pursuant to section 130350.5(k) is included in Attachment A.

SECTION 3. This resolution shall be mailed to each of the Members of the Legislature representing the County of Los Angeles.

I certify that the foregoing Resolution was adopted by a majority vote of all members of the Los Angeles County Metropolitan Transportation Authority Board of Directors, at its meeting held on the 25th day of June, 2020.

MICHELE JACKSON
Metro Board Secretary

**RESOLUTION OF THE INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
FINDING THAT THE PROPOSED AMENDMENTS FURTHER THE PURPOSE OF
THE MEASURE R ORDINANCE**

WHEREAS, On November 4, 2008, Los Angeles County voters approved Measure R that imposed a one-half of one percent (.5%) 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 Ordinance requires that the Oversight Committee review any proposed amendments to the Ordinance and make a finding as to whether the proposed amendments further the purpose of the Ordinance; and

WHEREAS, any proposed amendments must be provided to the Oversight Committee at least 30 days prior to a vote to adopt the amendments; and

WHEREAS, Metro has solicited and received proposed amendments from the South Bay subregion to reduce funding by \$400,000,000 for the "Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay)" project funded from the Highway Capital Subfund and add funding of \$400,000,000 for a new "South Bay Transit Investments" project funded from the Transit Capital Subfund; and

WHEREAS, Metro has notified the state legislature of the proposed amendments and plans to consider adoption of the proposed amendments at a July 2021 Metro Board meeting;

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

The proposed amendments to the Ordinance, including the expenditure plan, further the purpose of the Ordinance;

Signed:

Michele Jackson, Metro Board Secretary

Adopted this ____ day of November, 2020.



Board Report

File #: 2021-0128, **File Type:** Resolution

Agenda Number: 5.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE APRIL 19, 2021

SUBJECT: MEASURE R BONDS

**ACTION: MAKE A FINDING THAT THE BENEFITS OF A DEBT FINANCING EXCEED
ISSUANCE AND INTEREST COSTS**

RECOMMENDATION

Adopt a resolution (Attachment A) which finds, in accordance with Section 8(i)(4) of the Measure R Ordinance, that the benefits from acceleration of projects exceed the issuance and interest costs of the proposed debt financing.

ISSUE

The Measure R Ordinance requires that the Measure R Independent Taxpayers Oversight Committee of LACMTA ("Measure R Oversight Committee") "review all proposed debt financings and make a finding as to whether the benefits of the proposed financing for accelerating project delivery, avoiding future cost escalation, and related factors exceed the issuance and interest costs".

DISCUSSION

The Measure R Ordinance anticipated and in Section 12 authorized the use of debt (bonds, notes, or other obligations) to finance projects in the Measure R expenditure plan. The proposed issue of approximately \$850 million of tax-exempt fixed rate bonds (see Attachment B) is needed to bridge the gap between revenues coming in and funds required to pay expenditures for Measure R capital projects. LACMTA's Board approved Debt Policy (Attachment C) provides guidelines for the issuance and management of debt. New debt issues are permitted for financing capital projects and certain capital equipment where financing over time, with interest, allows us to meet certain public policy goals such as accelerating the completion of projects or improvements.

\$744 million of the bond proceeds will be used for Measure R project construction and to pay the costs of issuance related to the transaction. The \$106 million balance will refinance existing short-term debt that was used to pay for Measure R capital projects. Absent the finding of benefit for the bond issuance we will need to delay capital projects until Measure R cash funds are available and/or accumulate.

NEXT STEPS

- LACMTA Board authorizes the issuance of Bonds
- Obtain credit ratings on the Bonds
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the

pre-marketing effort

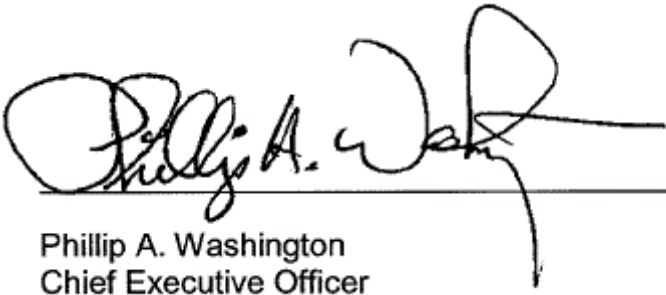
- Negotiate the sale of the Bonds with the underwriters
- Price and deliver the Bonds in the Summer of 2021

ATTACHMENT

- A. Finding of Benefit Resolution
- B. Proposed Use of Measure R Bond Proceeds
- C. LACMTA Debt Policy

Prepared by: Rodney Johnson, DEO, Finance, 213-922-3417

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



Phillip A. Washington
Chief Executive Officer

**RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE
BENEFITS OF A MEASURE R BOND ISSUANCE EXCEED ISSUANCE AND
INTEREST COSTS**

WHEREAS, the Measure R Ordinance provides for the establishment and implementation of a retail transactions and use tax for a period of thirty years and an expenditure plan that describes the Measure R transit capital projects to be constructed with the proceeds of such tax; and

WHEREAS, the accelerated construction of certain Measure R transit capital projects would avoid inflationary cost escalation; and

WHEREAS, the proposed \$850 million debt financing would provide additional funds to meet the cash flow necessary to pay for an accelerated construction program for Measure R transit capital projects; and

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$850 million debt financing, which would accelerate project delivery and avoid inflationary cost escalation, exceed issuance and interest costs.

Adopted this 19th day of April, 2021.

Signed:

Interim Board Secretary, Los Angeles
County Metropolitan Transportation
Authority

Proposed Use of Measure R Bond Proceeds

Project Description	Expenditures (\$ Millions)
Permanent financing of short-term program	\$106
Capital Project Expenses	\$744
Total	\$850

DEBT POLICY

February 2018

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DEBT POLICY

I. Introduction

The purpose of the Debt Policy is to establish guidelines for the issuance and management of debt issued by the Los Angeles County Metropolitan Transportation Authority ("LACMTA"). This Debt Policy confirms the commitment of the Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, achieving the lowest possible cost of capital within prudent risk parameters and encouraging the use of small business enterprises ("SBE"), service disabled veteran business enterprises ("DVBE"), local and disadvantaged business enterprises ("DBE") advisors and underwriters when appropriate and in accordance with the LACMTA procurement policy. The Debt Policy goals are as follows:

1. Achieve the lowest cost of capital
2. Maintain a prudent level of financial risk
3. Preserve future financial flexibility
4. Maintain strong credit ratings and good investor relations
5. Ensure that SBE, DVBE, local and DBE investment banking and financial firms will be considered for, and utilized in, lead and senior manager roles in accordance with the LACMTA procurement policy.

II. Scope and Authority

This Debt Policy shall govern, except as otherwise covered by the Investment Policy, Gas Hedging Guidelines, Defeased Lease Policy or Interest Rate Swap Policy, the issuance and management of bonds and other forms of indebtedness of LACMTA, together with any credit, liquidity or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (collectively referred to as "Bonds" or "Debt").

While adherence to this Debt Policy is generally required, it is recognized that changes in the capital markets, our programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Debt Policy and will require modifications or exceptions to best achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the Board is obtained or is authorized in this policy. The Chief Executive Officer, the Chief Financial Officer, the Treasurer, a Deputy Executive Officer, Finance and an Assistant Treasurer, each, an "Authorized Signatory," are each individually authorized to take all reasonable actions necessary to issue the debt and administer the debt on an ongoing basis. The administration is herein defined as "Administrative Actions." Administrative Actions may be taken when in the reasonable judgment of an Authorized

Signatory such action will be beneficial and consistent with the original objectives for entering into the transaction. Administrative Actions include both day-to-day administrative activities as well as actions that need to be taken to correct problems, such as with providers of services or financial facilities, agreements, insurance policies or surety policies. Such Administrative Actions may include, but are not limited to, amendment of terms and pricing, replacement of providers, amendment or replacement of agreements and facilities and substitution using different products and providing for the issuance of commercial paper, all to achieve the original purpose of the transaction.

The Debt Policy shall be reviewed at least annually and presented to the Board for approval of any changes as needed excluding changes to position titles. If no changes are needed, the existing approved Debt Policy will remain in effect until the Board approves the recommended update to the Debt Policy. The Treasurer shall have the day-to-day responsibility and authority for structuring, implementing and managing the debt and finance program. The Debt Policy requires that the Board specifically authorize each long-term debt and lease financing. However, as detailed in the following section, the authority is ongoing regarding issuance of commercial paper and other short term borrowings in support of Board authorized capital projects and expenditures, and to remedy matters being addressed as Administrative Actions.

III. Capital Budgeting and Debt Issuance Process

A. Capital Budgeting

1. The Capital Plan

A Capital Plan shall be developed for consideration and adoption by the Board. The Capital Plan should have a planning horizon of at least a 5-year period and shall be updated at least annually. It is our current practice to include the Capital Plan in the Annual Budget for consideration and adoption.

2. Authorization for Issuance of Bonds and Leases

Each bond issue or financial lease shall be presented to the Board for authorization. The Board's adoption of the Annual Budget does not constitute authorization for issuance of bonds or a financing lease.

3. Authorization for Interim Financing Programs

Issuance of commercial paper and similar short-term borrowings such as revolving credit facilities are authorized by the Board approval of short-term borrowing programs. The Authorized Signatories may then take all actions necessary to cause the issuance of such short-term notes or draws on similar short-term borrowing facilities, to fund, refund or reimburse expenditures related to Board approved capital

projects and expenditures, as well as to remedy matters being addressed as Administrative Actions.

B. Types of Debt Financing

1. Use of Long-Term Debt

a) Purpose for Long-Term Debt

Long-term debt is appropriate for financing essential capital projects and certain capital equipment where paying over time, with interest, allows us to meet certain public policy goals. Those goals may include accelerating the completion of improvements to increase mobility, taking advantage of available federal or other funding, and matching the payment for improvements with their use in recognition that future taxpayers can benefit from the capital investment. The use of long-term debt will be evaluated with pay-as-you-go capital investment and will not be used to fund non-capital operational expenditures or operating deficits.

In order to achieve strong credit ratings and the lowest cost of funding, the debt secured by Proposition A, Proposition C, Measure R or Measure M sales tax shall allow for each of the respective bond trust agreements to pledge the entire amount of the sales taxes received, except for the Local Return portion of that sales tax. Debt service attributable to the financing of a project will be charged to one or more ordinance categories in accordance with the applicable ordinance.

b) Lease Financing

Lease obligations are an appropriate means of financing capital equipment where lease financing will be more beneficial, either economically or from a policy perspective. The useful life of the capital equipment, the terms and conditions of the lease, the direct impact on debt capacity and budget flexibility will be evaluated prior to the implementation of a lease program. Capital equipment will generally be purchased on a pay-as-you-go basis where feasible. Cash flow sufficiency, capital program requirements, lease program structures and cost, and market factors will be considered in conjunction with a pay-as-you-go strategy in lieu of lease financing. All leases providing tax-exempt financing are subject to this policy, as are all leases, master leases and leasing programs having a cumulative value exceeding \$10 million. All tax-exempt leases shall be implemented and maintained by the Treasury Department.

c) *Alternative Financing Programs*

Federal loans as well as federally subsidized taxable and tax-exempt bond programs may be utilized to provide funding when such loans or bonds provide an attractive funding cost or provide other features deemed desirable for the circumstances, such as deep subordination of the repayment obligation, an unusually long repayment term, or other desirable features. Staff will evaluate these programs for any new risks and costs, and account for such factors in considering their use.

2. Use of Short-Term and Variable Rate Debt

a) *Interim Financing*

Commercial paper, and similar short-term borrowing programs as well as short-term fixed rate bond or grant anticipation notes, which generally have maturities of less than 3 years, are cash management tools that are primarily used to provide interim funding for capital expenditures that will ultimately be funded from another source such as a grant, a long-term bond issue, or a Federal loan program. The Board has previously authorized the ongoing use of the Proposition A, Proposition C and Measure R commercial paper or similar short-term borrowing programs, respectively, to fund Board approved programs and expenditures. The Board may also authorize the ongoing use of interim financing for Measure M programs.

b) *Variable Rate Debt*

In addition to interim financing, which includes commercial paper and similar short-term borrowing programs, it may be appropriate to issue long-term variable rate debt that bears an interest rate that is reset periodically at predetermined intervals, including entering into revolving credit facilities, to diversify the debt portfolio, reduce interest costs, and improve the match of variable rate assets (such as short-term investments and reserves) to liabilities. The amount of unhedged variable rate debt will generally not exceed 20% of all outstanding debt, and the total of hedged and un-hedged variable rate debt will not exceed 50% of all outstanding debt. Under no circumstances will variable rate debt be issued solely for the purpose of earning interest through arbitrage. If unhedged variable rate debt is outstanding, at least annually, it shall be determined whether it is appropriate to convert the debt to fixed interest rates.

IV. Debt Affordability Policy Limits

A. LACMTA Borrowings

The maximum amounts of revenues to be used to pay debt service are listed as percentages of the respective revenue sources. These limits in combination with the Capital Plan and multi-year planning documents ensure that we will be able to continue providing our essential operational services while planning for replacement, rehabilitation and expansion of our capital investments.

Proposition A Sales Tax Revenue Debt Affordability Limits		
Category	Allowable Uses	Debt Policy Maximum
Prop A Rail 35%	<i>Rail Operations & Capital.</i>	87% of Prop A Rail 35%.
Discretionary 40%	<i>Any transit purpose.</i> Current state law directs these funds to bus subsidies and incentives.	No further issuance.
Local Return 25%	<i>Any transit purpose.</i> Distributed to localities based on population.	N/A

Proposition C Sales Tax Revenue Debt Affordability Limits		
Category	Allowable Uses	Debt Policy Maximum
Discretionary 40%	<i>Bus & Rail, Capital & Operating.</i>	40% of Discretionary 40%.
Highway 25%	<i>Streets, Highways and Fixed Guideway Projects on Railroad Right-of-Way.</i>	60% of Highway 25%.
Commuter Rail 10%	<i>Commuter Rail and Park and Ride. Operations or capital.</i>	40% of Commuter Rail 10%.
Security 5%	<i>Transit Security. Operations or capital.</i>	No debt issuance.
Local Return 20%	<i>Any transit purpose and certain roadways heavily used by transit.</i> Distributed to localities based on population.	N/A

Measure R Sales Tax Revenue Debt Affordability Limits		
Category	Allowable Uses	Debt Policy Maximum
Transit Capital 35% – New Rail and/or Bus Rapid Transit	<i>New Rail and/or Bus Rapid Transit.</i>	87% of Transit Capital 35% – New Rail and/or Bus Rapid Transit.
Transit Capital 3% – Metrolink Capital Improvement Projects Within LA County	<i>Operations, Maintenance and Expansion for system improvements, rail yards and rail cars.</i>	87% of Transit Capital 3% – Metrolink Capital Improvements within LA County.
Transit Capital 2% – Metro Rail Capital	<i>System improvements, rail yards and rail cars.</i>	87% of Transit Capital 2% – Metro Rail Capital.
Highway Capital 20%	<i>Carpool lanes, highways, goods movement, grade separations and soundwalls.</i>	60% of Highway Capital 20%.
Operations 5% – Rail Operations	<i>Rail operations for new transit project operations and maintenance.</i>	No debt issuance.
Operations 20% – Bus Operations	<i>Bus operations for countywide bus service and maintenance.</i>	No debt issuance.
Local Return 15%	<i>Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways, pedestrian improvements; streetscapes; signal synchronization; and transit. Distributed to localities based on population.</i>	N/A

Measure M Sales Tax Revenue Debt Affordability Limits		
Category	Allowable Uses	Debt Policy Maximum
Transit, First/Last Mile (Capital) 35% - Transit Construction	<i>Includes system connectivity projects-Airports, Union Station, and Countywide BRT.</i>	87% of Transit First/Last Mile (Capital) 35% – Transit Construction.
Transit Operating & Maintenance 20% – Transit Operations	<i>Operations for transit service, maintenance, and expansion.</i>	No debt issuance.

Measure M Sales Tax Revenue Debt Affordability Limits (continued from previous page)

Category	Allowable Uses	Debt Policy Maximum
Highway, Active Transportation, Complete Streets (Capital) 17% – Highway Construction	<i>Includes System Connectivity Projects-Ports, Highway Congestion Programs, Goods Movement.</i>	87% of Highway, Active Transportation, Complete Streets (Capital) 17% – Highway Construction.
Local Return/Regional Rail 16% – Local Return	<i>Streets and roads, traffic control measures, active transportation, public transit services, public transit capital, transit oriented community investments, transportation marketing, congestion management program, transportation administration, and local funding contributions.</i> Distributed to localities based on population.	N/A
Transit Operating & Maintenance 5% – Metro Rail Operations	<i>Operating, regular and preventative maintenance for existing and new Metro Rail Lines, as well as the repair, replacement, and rehabilitation of Metro assets required for its rail transit vehicle fleet, systems and engineering, and stations.</i>	No debt issuance.
Highway, Active Transportation, Complete Streets (Capital) 2% – Metro Active	<i>Bicycle, Pedestrian, Complete Streets.</i>	87% of Highway, Active Transportation, Complete Streets (Capital) 2% – Metro Active Transportation.
Transit, First/Last Mile (Capital) 2% – Metro State of Good Repair	<i>Repair, replacement, and rehabilitation of Metro Rail assets.</i>	87% of Transit, First/Last Mile (Capital) 2% – Metro State of Good Repair. Issuance unlikely in the future.
Transit Operating & Maintenance 2% – ADA Paratransit	<i>ADA Paratransit for the Disabled; Metro Discounts for Seniors and Students.</i>	No debt issuance.
Local Return/Regional Rail 1% – Regional Rail	<i>Regional commuter rail operations and services for L.A. County.</i>	87% of Local Return /Regional Rail 1% – Regional Rail. Issuance unlikely in the future.

Other Revenue Debt Affordability Targets		
Category	Allowable Uses	Debt Policy Maximum
Fare Box Revenue	<i>Any transit purpose.</i>	No further issuance.
Federal Grant Revenues	<i>In accordance with grant.</i>	Limited issuance. ⁽¹⁾
State Grant Revenues	<i>In accordance with grant.</i>	No debt issuance.
TDA	<i>Various transit purposes.</i>	Limited issuance. ⁽¹⁾
Benefit Assessment Levies	<i>Historically to support rail construction.</i>	Limited issuance. ⁽¹⁾
Lease Revenues	<i>Any transit purpose.</i>	Limited issuance. ⁽¹⁾
Toll Revenues	<i>Permitted expenditures within the Corridor, as so determined.</i>	Limited issuance. ⁽¹⁾
Other System Revenues	<i>Any transit purpose.</i>	Limited issuance. ⁽¹⁾

⁽¹⁾ Based on revenue availability and capital program needs.

B. Local Return Borrowings

California law prevents LACMTA from borrowing against the Local Return funds. LACMTA provides guidance to recipients of Local Return funds for borrowing against those funds through the Local Return Borrowing Guidelines. The borrowings are generally consistent for all four sales tax measures.

V. Purpose of Financing

A. New Money Financing

New money issues are financings that generate additional funding to be available for expenditure on capital projects. These financings may be long-term financings, or short-term financings for interim funding pending a long-term financing or receipt of funds. These funds will be used for acquisition, construction and major rehabilitation of capital assets. New money bond proceeds may not be used to fund non-capital operational expenditures. The funding requirement by sales tax ordinance category is determined in the context of the Capital Plan and Annual Budget. The financial advisor will recommend the financing structure based on the type of financial products available and in consideration of market conditions at the time of the sale.

B. Refunding Bonds

Refunding bonds are issued to retire all or a portion of an outstanding bond issue. Most typically this is done to refinance at a lower interest rate to reduce debt service. Alternatively, some refundings are executed for a reason other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used, or to retire an indenture in order to remove restrictive covenants.

In any event, a present value analysis must be prepared that identifies the economic effects of any refunding being proposed to the Board. The target savings amounts listed below are not applicable for refunding transactions that are not solely undertaken to achieve cost savings.

The target savings amount shall be measured using either a call option pricing model or the savings as percentage of the refunded par.

The traditional methodology of measuring the effectiveness of a refunding is to divide the net present value savings as a percentage of the refunded par amount. This policy incorporates the standard rule of thumb that a refunding should generate, at a minimum, net present value savings of at least 3% of the refunded par amount for a current refunding, where the outstanding bonds can be prepaid within 90 days. A higher savings requirement may be appropriate for an advance refunding, where the proceeds are placed in an escrow to call bonds in the future. In addition, the efficiency of the investments in the refunding escrow should be considered in recommending an advance refunding.

Alternatively, the value of the call option (using an option pricing model) can be used to evaluate a refunding whose sole purpose will be to achieve cost savings. The target savings from any particular refunding candidate, by maturity, shall be no less than 80% of the calculated value of the call option, net of all transaction expenses.

While the Treasurer will evaluate refunding savings for each outstanding maturity, these policy minimums recognize that individual maturities, particularly short maturities, may be appropriate to refund even at lower savings thresholds, recognizing that the value of the call option “asset” will be reduced with the passage of time. The Treasurer shall have discretion in making the final determination to include individual refunding candidates that are above or below the target in order to optimize the policy and/or financial objectives.

In the event that an interest rate swap or other derivative product is to be used as part of a refunding, the target savings shall be increased to account for any additional ongoing administrative costs, financial risk beyond that of a traditional fixed rate refunding, and loss of future financial flexibility.

VI. Types of Products

A. Current Coupon Bonds

Current coupon bonds are bonds that pay interest periodically and principal at maturity. They may be used for both new money and refunding transactions. Bond features may be adjusted to accommodate the market

conditions at the time of sale, including changing the dollar amounts for annual principal maturities, offering discount and premium bond pricing, modifying the terms of the call provisions, and utilizing bond insurance.

B. Zero Coupon and Capital Appreciation Bonds

Zero coupon bonds and capital appreciation bonds have principal amortization that is much slower than level debt service resulting in increased interest expenditure over the life of the bond and, therefore, shall only be recommended in limited situations.

C. Lease Purchase Financing

Lease purchase financing represents a long-term financing lease that is suitable for financing capital expenditures, including the acquisition and/or construction of land, facilities, equipment and rolling stock.

1. Equipment

We shall have the ability to consider lease purchase transactions, including certificates of participation, long-term vendor leases, and the use of master lease programs. Financing of equipment will be limited to contracts of at least \$20,000 and a useful life that is greater than 3 years. The final maturity of equipment lease financings will be limited to the remaining useful life of the equipment.

2. Real Property

The final maturity of the financing shall not exceed the remaining useful life of the facility. A lease financing generally should not have a final maturity exceeding 30 years. Principal payments related to real property acquisition or construction are to be amortized so that there will be level debt service payments, although a more rapid amortization may be used to accelerate the repayment.

D. Derivative Products

Derivative products will be considered appropriate in the issuance or management of debt only in instances where it has been demonstrated that the derivative product will either provide a hedge that reduces risk of fluctuations in expense or revenue, or alternatively, where it is expected to reduce total financing cost. The Board approved Interest Rate Swap Policy sets forth the guidelines for interest rate swaps. For derivatives not addressed in the Interest Rate Swap Policy, an analysis of early termination costs and other conditional terms given certain financing and marketing assumptions will be completed. Such analysis will document the risks and benefits associated with the use of the particular derivative product. Derivative products will only be utilized with prior Board approval except as otherwise specified in the Interest Rate Swap Policy.

VII. Structural Features

A. Maturity of Debt

The final maturity of the debt shall be equal to or less than the remaining useful life of the assets being financed, and the average life of the financing shall not exceed 120% of the average life of the assets being financed. In no event shall the final maturity exceed 50 years, per the Public Utilities Code Section 130534.

B. Debt Service Structure

In most cases, combined principal and interest payments for any particular bond issue will be structured to have approximately level annual debt service payments over the life of the bond issue. Nevertheless, the debt service of an individual bond issue can be structured to produce level aggregate debt service for each lien.

C. Lien Levels

Senior and Junior Liens for each revenue source will be utilized in a manner that will maximize the most critical constraint -- typically either cost or capacity -- thus allowing for the most beneficial use of the revenue source securing the bond.

D. Capitalized Interest

Unless required by a particular financing, interest on debt will not be capitalized out of debt proceeds. This avoids unnecessarily increasing the bond size. Certain types of financings such as lease-secured financings, direct federal loans, and certain revenue bond projects may require that interest on the debt be paid from capitalized interest until we have constructive use of the project and project related revenues are expected to be available to pay debt service.

E. Discount and Premium Bonds

Discount or premium bonds may reduce the interest cost of the bonds by better matching investors' desires in certain markets. We may limit the amount of discount or premium coupons to reduce the negative impact on any subsequent refunding of the bonds for interest savings.

F. Debt Service Reserve Fund

The debt service reserve fund "DSRF," is generally cash funded with bond proceeds. The trustee maintains the DSRF throughout the life of the bonds. A cash funded DSRF is invested pursuant to investment of proceeds guidelines within the respective indenture and interest earnings are generally used to offset debt service payments. In the final year of the bond issue, the cash available in the DSRF is usually used to make the final debt service payment. Since a cash funded DSRF generates interest income, the DSRF

has the potential to be cost neutral if the interest earnings equal or exceed the interest rate of the bonds.

An alternative to having a cash funded DSRF is to use a DSRF surety policy obtained from a highly rated bond insurer. The surety policy requires an up-front fee payment to the insurer and results in a loss of future income to the DSRF. The Treasurer will evaluate and document the DSRF funding decision. Factors to be considered in this evaluation include: arbitrage yield restrictions, current interest rates, availability and cost of a surety policy, foregone interest and capital gains from a cash funded DSRF, the relative size of the reserve requirement compared to the prior reserve requirement (refunding issues only), and opportunities for the use of the funds withdrawn from the DSRF including additional capital projects or investment opportunities.

To the extent a DSRF is not required under the authorizing documents for a bond issue, the financial advisor will be consulted to advise whether a DSRF should be included. The analysis will consider the anticipated net cost of carry for the DSRF, loss of additional bonding capacity, and impacts on ratings and bond pricing.

G. Amortization

Debt will be amortized within each lien to achieve overall level debt service or may utilize more accelerated repayment schedules after giving consideration to bonding capacity constraints. The use of heavily back-loaded principal repayment, bullet and balloon maturities should be avoided, except to achieve wrapped debt service so as to level the aggregate outstanding debt service.

If debt is issued under an alternative structure, such as a direct federal loan, the amortization schedule may be modified in order to meet specific requirements of the financing program or utilize advantageous alternative repayment schedules.

H. Financial and Risk Analysis of Issuance

Net present value cost analysis, assessment of structural risks and complexities, and consideration of restrictions to future financing flexibility will be assessed and documented to determine the most efficient bond type and structuring features. Our long-term pooled investment rate will be used as the discount rate when comparing alternatives.

I. Call Provisions

In general, bonds issued should include a 10 year par-call feature. However, if determined to be financially advantageous, bonds may be issued that have make-whole calls, are non-callable or include a par-call for periods longer or shorter than 10 years. Prior to the use of any such call provision, the option-

adjusted yields on the bonds with and without a non-call provision will be analyzed to determine which is most beneficial.

J. Credit Enhancement

1. Bond Insurance

Bond insurance will be used when it provides an economic advantage to a particular bond maturity or entire issue. Bond insurance may be secured from third-party credit providers to the extent such credit enhancement is available upon competitive and cost effective terms. Selection of credit enhancement providers shall be subject to a competitive bid process. Credit enhancement may be used to improve or establish a credit rating on a debt obligation even if such credit enhancement is not cost effective if the use of such credit enhancement meets the organization's debt financing goals and objectives.

2. Bank Facilities

The issuance of most variable rate debt, including variable rate demand bonds and commercial paper, requires the use of some form of bank facility, to ensure that the investor can sell their bond or note back when the interest rate is reset, in the form of a letter of credit, line of credit or standby bond purchase agreement. Alternatively, banks provide for variable rate direct lending to us such as through a revolving credit facility or direct purchase agreement.

a) Provider Selection

Depending on market conditions, the financial advisor will conduct a competitive process to recommend a bank facility provider. Banks will have short-term ratings of at least P-1/A-1, or equivalent ratings, by any two nationally recognized rating agencies including Moody's Investors Service, S&P Global Ratings, Fitch Ratings and Kroll Bond Rating Agency, Inc., in order to be solicited for bank liquidity or credit enhancement, such as letters of credit or standby bond purchase agreements. Minimum short-term ratings are not required for bank facilities where the bank lends directly to us. Selection criteria for Bank Facilities will include the following:

- i. The bank's acceptance of terms and conditions acceptable to us. A term sheet will be provided along with the request for qualifications and any requested modifications will be highlighted by the bank;
- ii. A review of a representative list of clients for whom the bank has provided Bank Facilities; and
- iii. Evaluation of fees; specifically, cost of credit and/or liquidity facility, draws, bank counsel and other administrative

charges, index (e.g., SIFMA or, LIBOR, or if LIBOR shall no longer be in general use, any successor index determined by the Alternative Reference Rates Committee) and the spread to the index for direct lending, and an estimate of the trading differential for a given bank.

VIII. Documentation of Transactions

The decision processes used in each financing process will be fully documented. The Treasurer and the Deputy Executive Officer, Finance overseeing the debt program will be responsible for maintaining information regarding the selection of the financing team, decisions on product selection and structuring features, selection of vendors providing ancillary services and selection of investment securities or products. This information will be compiled into a post-pricing book "transaction file," which will be retained along with the bond closing transcript for each financing.

Additionally, copies of all material documents related to the capital expenditures financed or refinanced by bond proceeds, copies of all contracts and arrangements involving the use of bond proceeds, copies of all contracts and arrangements involving the use of bond financed or refinanced assets, and copies of all records of investments, investment agreements, arbitrage reports and underlying documents including Trustee statements in connection with any investment agreements, and copies of bidding documents shall be maintained.

The documents shall be maintained for the term of each issue of bonds plus five years in accordance with LACMTA's record keeping policies.

IX. Credit Objectives

We will actively seek to:

1. Maintain and improve the credit ratings of our outstanding bonds.
2. Adhere to benchmarks, overall debt ratios and affordability targets.
3. Have frequent communications with the credit rating agencies.

X. Method of Bond Sale

The competitive bond sale process will be utilized when it is expected to provide the lowest interest cost for the bonds. However, there are three methods of sale: competitive, negotiated and private placement. Each type of bond sale has the potential to provide the lowest cost given the right conditions. The conditions under which each type of bond sale is best used are provided below.

A. Competitive Sale

1. Bond prices are stable and/or demand is strong.
2. Market timing and interest rate sensitivity are not critical to the pricing.

3. Participation from DBE / SBE firms is best efforts only and not required for winning bid.
4. Issuer has a strong credit rating.
5. Issuer is well known to investors.

6. There are no complex explanations required during marketing regarding the issuer's projects, media coverage, political structure, political support, funding, or credit quality.
7. The bond type and structural features are conventional.
8. Manageable transaction size.

B. Negotiated Sale

1. Bond prices are volatile.
2. Demand is weak or supply of competing bonds is high.
3. Market timing is important, such as for marginal refundings.
4. Coordination of multiple components of the financing is required.
5. Participation from DBE / SBE firms is enhanced.
6. Issuer has lower or weakening credit rating.
7. Issuer or the particular credit is not well known to investors.
8. Sale and marketing of the bonds will require complex explanations about the issuer's projects, media coverage, political structure, political support, funding, or credit quality.
9. The bond type and/or structural features are non-standard, such as for a forward delivery bond sale, issuance of variable rate bonds, use of derivative products or there is a specific structural feature required or desired which benefits from the negotiated process.
10. Early structuring and market participation by underwriters are desired.
11. The par amount for the transaction is significantly larger and would limit competition.
12. Demand for the bonds by retail investors is expected to be high.

For a negotiated bond sale, the financial advisor will conduct a competitive process to select underwriters, either for a specific bond issue or through the establishment of a pool of underwriters to be used for bond issues over a defined time period. Selection scoring will include the local preference criteria in accordance with the LACMTA procurement policy.

C. Private Placement

Private placement is a sale that is structured specifically for one purchaser such as a bank. A direct purchase agreement or a revolving credit facility are forms of private placement. If a private placement is the preferred method of sale, depending on market conditions, the financial advisor will conduct a competitive process to recommend the purchaser of the obligations. Selection criteria will include the following:

1. A term sheet will be provided along with the request for qualifications

and any requested modifications will be highlighted by the bank. The bank's acceptance of terms and conditions acceptable to us will be a factor in selection;

2. A review of a representative list of clients for whom the bank has provided similar agreements; and
3. Evaluation of fees; specifically, cost of the agreement including index, and spread and other administrative charges. The evaluation of fees, terms and conditions will be compared to other alternative financing methods.

In the event a private placement is utilized, Metro will provide information to the rating agencies currently rating our long term debt and will post on EMMA.

XI. Internal Controls

When issuing debt, in addition to complying with the terms of this Debt Policy, LACMTA shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds.

LACMTA will periodically review the requirements of and will remain in compliance with the following:

1. Any continuing disclosure undertakings under SEC Rule 15c2-12 such as filing our annual financial statements and other financial and operating data for the benefit of our bondholders within 195 days of the close of the fiscal year and file material event notices in a timely manner,
2. Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
3. LACMTA investment policies as they relate to the investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee, which will disburse such proceeds to LACMTA upon the submission of one or more written requisitions, or (b) by LACMTA, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by LACMTA.

XII. Investment of Bond Proceeds

A. Purchase and Sale of Investments

Compliance shall be maintained with all applicable Federal, State, and contractual restrictions regarding the use and investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds as well as restrictions on the time period over which some bond proceeds

may be invested. The Treasurer may direct the investment of bond and lease proceeds in accordance with the permitted investments for any particular bond issue or lease. Providers of structured investment products and professional services required to implement the product or agreement will be recommended based on a competitive process conducted by the financial advisor or investment advisor.

B. Diversification

Investment contracts shall be diversified in order to reduce risk exposure to investment providers, types of investment products and types of securities held.

C. Disclosure

It shall be required that all fees resulting from investment services or sale of products to us be fully disclosed to ensure that there are no conflicts of interest and investments are being purchased at a fair market price.

Underwriters of the bonds, but not the financial or investment advisor, may bid on the sale of investment products for the proceeds. The financial or investment advisor shall document the bidding process and results and shall certify in writing that a competitive and fair market price was received.

XIII. Market Relationships

A. Rating Agencies

The Chief Executive Officer, the Chief Financial Officer and the Treasurer shall be primarily responsible for maintaining our relationships with Moody's Investors Service, Standard & Poor's and Fitch Ratings. In addition to general communications, the Chief Executive Officer, the Chief Financial Officer, and the Treasurer, or their appropriate designees, shall communicate with the analysts of each agency providing an underlying rating at least annually, and prior to each competitive or negotiated sale.

B. Investor Relations

An Investor Relations section on or linked to our website shall be maintained and updated on a regular basis with relevant financial and debt information. Timely and accurate information shall be provided in response to inquiries from investors in order to maintain positive ongoing investor relations.

C. Board Communication

As a means of providing feedback from rating agencies and/or investors regarding our financial strengths and weaknesses as perceived by the marketplace, information will be provided to the Board as material information develops.

XIV. Initial Disclosure

For each public offering of long-term bonds, we are generally required to prepare a preliminary official statement (“POS”) and final official statement (“FOS”). Along with our legal counsel and financial advisor, we will review and discuss necessary disclosure information in drafting the official statement (“OS”) and utilize appropriate disclosure procedures in order to comply with Federal Securities Law, including SEC Rule 10b-5. A draft of the POS will be provided to the Board for its review and comment prior to the posting of the POS. In connection with each bond issue, we should retain legal counsel for assistance and advice regarding our disclosure responsibilities with respect to the OS. This legal counsel may be the Bond Counsel for the issue or it may be separately engaged Disclosure Counsel. Disclosure policies and procedures will be maintained to assist in the disclosure process.

XV. Consultants

The financial advisors and bond and disclosure counsel will be selected by competitive process through a Request for Proposals (“RFP”). Our contracting policies that are in effect at the time will apply to the contracts with finance professionals. Selection may be based on a best value approach for professional services or the lowest responsive cost effective bid based upon pre-determined criteria, in accordance with LACMTA’s procurement policy.

A. Financial Advisor

At least three financial advisors will be selected to assist in the debt issuance and debt administration processes. Additionally, the financial advisors will conduct competitive processes to recommend providers of financial services and products, including but not limited to: bond underwriters, remarketing agents, trustees, credit providers, investment advisors and managers, investment measurement services, and custody services.

Selection of the financial advisors should, at a minimum, be based on the following:

1. Experience in providing consulting services to complex issuers.
2. Knowledge and experience in structuring and analyzing complex issues.
3. Ability to conduct competitive selection processes to obtain investment products and financial services.
4. Experience and reputation of assigned personnel.
5. Independence of the advisor from the firms and industries that will be affected by the advice the advisor provides to LACMTA. The firm should be free from actual conflict of interest and free from any potential or perceived conflict of interest. For example, an advisor for a bond transaction should not be a bond underwriter or bond broker/dealer.

6. Fees and expenses.
7. Registered with the Municipal Securities Rulemaking Board and in good standing.
8. The financial advisor shall be an Independent Registered Municipal Advisor (IRMA) as defined by the Securities and Exchange Commission.

Financial advisory services provided to us shall include, but shall not be limited to the following:

1. Evaluation of risks and opportunities associated with debt issuance.
2. Monitoring of the debt portfolio and bond proceeds investments to alert us to opportunities to refund or restructure bond issues or modify investments.
3. Evaluation and recommendation regarding proposals submitted by investment banking firms.
4. Structuring and pricing bond issues, financial instruments and investments.
5. Preparation of requests for proposals and selection of providers for bond counsel, underwriters, remarketing agents, letter of credit banks, investment products, financial products and financial services (trustee and paying agent services, printing, credit facilities, remarketing agent services, investment management services, custody services etc.).
6. Provide advice, assistance and preparation for presentations with rating agencies and investors.

B. Bond Counsel

Transaction documentation for debt issues shall include a written opinion by legal counsel affirming we are authorized to issue the proposed debt, that we have met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal income tax status. A nationally recognized bond counsel firm with extensive experience in public finance and tax issues will prepare this approving opinion and other documents relating to the issuance of debt. The counsel will be selected from the pool of bond counsel firms.

C. Disclosure Counsel

When undertaking a bond sale, disclosure counsel may be retained to prepare the official statement if additional independence or expertise is needed. Disclosure counsel will be responsible for ensuring that the official statement complies with all applicable rules, regulations and guidelines. Disclosure counsel will be a nationally recognized firm with extensive experience in public finance. The disclosure counsel will typically be selected from the pool of bond counsel firms. Most frequently, the disclosure counsel function will be administered by either bond counsel or underwriter's counsel.

D. Disclosure by Financing Team Members

We expect that all of our financial advisory team will at all times provide us with objective advice and analysis, maintain the confidentiality of our financial plans, and be free from any conflicts of interest. All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties that could compromise any firm's ability to provide independent advice that is solely in our best interests or that could be perceived as a conflict of interest. The extent of disclosure may vary depending on the nature of the transaction.

XVI. Post-Issuance Compliance Procedures

We will establish and document procedures to ensure that LACMTA is in compliance with annual reporting requirements under California Government Code Section 8855(k) and with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied with respect to tax-exempt bonds and other obligations after the bonds are issued so that interest on the bonds is and will remain tax-exempt. Additionally, as part of the post issuance compliance procedures, LACMTA will ensure that proceeds of the debt issuance are directed to the intended use. The Post-Issuance Compliance Procedures will be reviewed at least every three years.

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Measure R Sales Tax: 2021 Bond Financing

**Measure R Independent Taxpayers
Oversight Committee Meeting
April 19, 2021**



Measure R 2021 Bond Financing

Measure R Ordinance authorized & anticipated debt financing

Measure R Ordinance Section 12

Establishment of Bonding Authority

6 Metro is authorized to issue limited tax bonds, from time to time, payable
7 from and secured by Sales Tax Revenues to finance any program or project in the
8 Expenditure Plan, pursuant to Sections 130500 et seq. Of the Public Utilities Code, and
9 any successor act. ...

Measure R 2021 Bond Financing

Measure R Ordinance authorized & anticipated debt financing

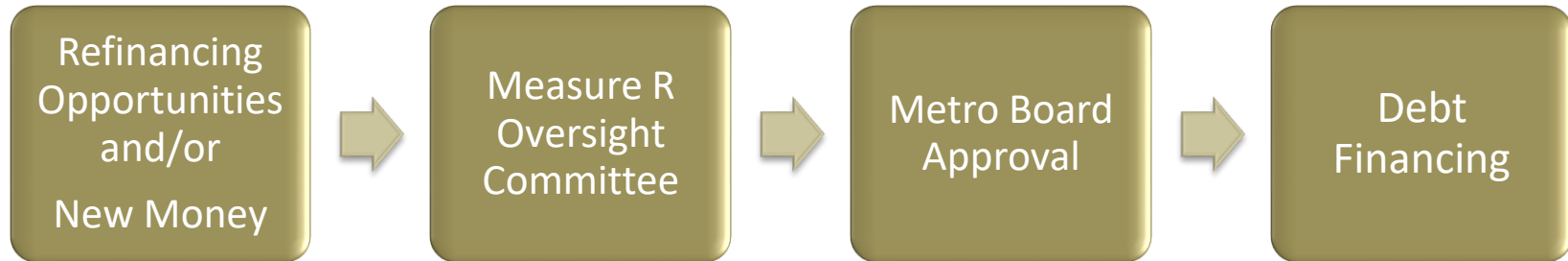
Measure R Ordinance Section 8

The Measure R Oversight Committee shall:

- 18 4. Review all proposed debt financing and make a finding as to
19 whether the benefits of the proposed financing for accelerating project delivery,
20 avoiding future cost escalation, and related factors exceed issuance and interest
21 costs.

Measure R 2021 Bond Financing

Measure R's debt approval process



- Treasury Staff determines future financing needs for Measure R projects
- Present proposed debt financing recommendations to the Measure R Oversight Committee for a finding of benefit
- Metro Board Approval
- Treasury staff executes and facilitates the debt financing

Debt Strategy

Purpose and Strategy of Metro's Debt Program

- **Debt only used for capital infrastructure and equipment**
- **Debt is primarily limited to transit and highway capital ordinance categories**
- **Debt Policy affordability limits impose responsible use of debt**
 - Revenue Source required to repay the obligation
 - Money needed to operate the system
 - Economy is volatile and revenues may decline
 - Financial flexibility needed to address unforeseen event
- **Long-term debt matches the life of funded capital projects with timing of the payment of debt service**

Debt Strategy

Prudent Debt Management Requires Defined Project Scope, Cost and Budget

Life of a Project



- **Strategic Goal** – Issue debt when the start of physical construction is imminent as this is the period with the largest expenditures
 - Timing debt issuance with construction reduces unnecessary interest costs
 - IRS Tax-exempt rules generally require debt proceeds to be spent within three years

Measure R 2021 Bond Financing

Measure R Debt Program

(in millions)

Debt Type	Current Outstanding (February 1, 2021)	Projects Funded by Debt Proceeds
Measure R Short-Term Notes	\$106.0	Westside Extension Sections 1 and 3, Southwestern Yard, Crenshaw/LAX Transit Corridor, Expo Line 2
Measure R Long-Term Bonds	\$2,400.7	Expo Line 2; Gold Line Foothill Extension; Blue Line; Crenshaw/LAX; Regional Connector; Westside Extension Sections 1, 2 and 3
Grand Total Measure R Debt	\$2,506.7	

Measure R 2021 Bond Financing

We are seeking a Finding a Benefit for a bond issuance to finance capital expenditures and keep Measure R projects moving forward:

- \$850 million bond issue
 - Refinancing outstanding short-term debt: \$106 million
 - New Money for Capital Projects: \$744 million
- Tax-exempt fixed rate bonds
- Final maturity expected to be 2039
- Summer 2021 sale

The bond issue will conform to the guidelines established by Metro's Board approved Debt Policy.

New Money Project Delay Analysis

Using long term debt accelerates project delivery and avoids future cost escalation

	Estimated Amounts
Project Capital Expenditures for WS1 & WS2	\$460 million ⁽¹⁾
Estimated Project Cost End Date	FY 2025 (WS1), FY2026 (WS2)
Estimated total interest cost on \$460 million in bonds	\$205 million ⁽²⁾
Additional Project Cost with a 5-year delay⁽³⁾	\$340 million
Additional Project Cost with a 7-year delay ⁽³⁾	\$440 million
Net benefit of issuing debt 5-year scenario⁽³⁾	\$135 million
Net benefit of issuing debt 7-year scenario ⁽³⁾	\$235 million

¹ Portion of the total \$744 million in project costs.

² Financing costs are based on a 2.80% estimated all in true interest cost.

³ Cost delay analysis is based on assumptions that all specified project expenditures would be delayed and increased at an assumed annual rate of inflation of 3.50%.

Recommendation & Next Steps

- Adopt a Resolution finding that the benefits of a Measure R bond financing accelerating project delivery and avoiding future cost escalation exceeds issuance and interest costs
- Next Steps
 - Metro Board authorizes the issuance of Bonds per the guidelines established in the Debt Policy
 - Obtain ratings on the Bonds
 - Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing effort
 - Negotiate the sale of the Bonds with the underwriters
 - Price and deliver the Bonds in the Summer of 2021

Measure R 2021 Bond Financing



Metro