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Agenda - Final

Thursday, March 31, 2022

8:30 AM

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One Gateway Plaza

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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.

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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** [2022-0076](#)

RECOMMENDATION

RECEIVE remarks by the Chair.

2. **SUBJECT: MINUTES** [2022-0077](#)

RECOMMENDATION

APPROVE Minutes of the Measure R Independent Taxpayer Oversight Committee Meeting held April 19, 2021.

Attachments: [MINUTES - April 19, 2021](#)

3. **SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2021** [2022-0084](#)

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, 2021, 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, 2021, 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, 2021, completed by Simpson & Simpson, CPAs (Simpson).

Attachments: [Attachment A - Report BCA](#)
[Attachment B - Compliance Report Vasquez](#)
[Attachment C - Compliance Report Simpson](#)

4. **SUBJECT: ORAL REPORT ON PROGRAM MANAGEMENT MAJOR PROJECT STATUS** [2022-0121](#)

RECOMMENDATION

RECEIVE oral report on the Program Management Major Project Status.

Attachments: [Attachment A - Program Management Major Project Status Report](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2022-0078](#)

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 #: 2022-0077, **File Type:** Minutes

Agenda Number: 2.

MEASURE R INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MARCH 31, 2022

SUBJECT: MINUTES

RECOMMENDATION

APPROVE Minutes of the Measure R Independent Taxpayer Oversight Committee Meeting held April 19, 2021.



Virtual Online Meeting

MINUTES

Monday, April 19, 2021

3:30 PM

Measure R Independent Taxpayer Oversight Committee

**Judge Jay Gandhi
Judge Patricia Schnegg**

CALLED TO ORDER: 3:37 P.M.

ROLL CALL

1. SUBJECT: REMARKS BY THE CHAIR

2021-0196

RECEIVED remarks by the **Chair**.

2. SUBJECT: MINUTES

2021-0195

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

JG	PS
Y	Y

3. SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2020

2021-0126

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, 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).

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 AMENDMENT

2021-0127

ADOPTED 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.

JG	PS
Y	Y

5. SUBJECT: MEASURE R BONDS

2021-0128

ADOPTED 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.

JG	PS
Y	Y

ADJOURNED AT 4:24 P.M.

Prepared by: Jessica Vasquez Gamez
Administrative Analyst, Board Administration


Christina Goins, Interim Board Secretary

###



Board Report

File #: 2022-0084, **File Type:** Informational Report

Agenda Number: 3.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE MARCH 31, 2022

SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2021

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, 2021, 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, 2021, 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, 2021, completed by Simpson & Simpson, CPAs (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 in order for the Oversight Committee to determine whether the LACMTA and local subrecipients have complied with the Measure R requirements. In addition, the Ordinance requires that Metro hold a public hearing to obtain the public's input on the audit results.

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 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, 2021, 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, 2021.

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 88 cities (Cities). 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 County and 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, 2021. Vasquez found three (3) instances of noncompliance, which are summarized in Schedule 2 of Attachment B.

In all material respects, Simpson concluded that the Cities complied with the requirements in the Ordinance and the Measure R Local Return Guidelines applicable to the Measure R Local Return program for the fiscal year ended June 30, 2021. Simpson found seven (7) instances of noncompliance, summarized in Schedule 2 of Attachment C.

NEXT STEPS

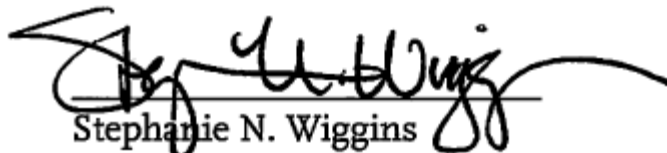
A public hearing will be scheduled.

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, 2021 (BCA)
- B. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson and Simpson)

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

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



Stephanie N. Wiggins
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, 2021
(With Comparative Totals For 2020)**



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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, 2021, 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, 2021, 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 8 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, 2021, 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 16, 2020. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2021, 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 8, 2021, 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 8, 2021

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for 2020)
(Amounts expressed in thousands)

	2021	2020
Revenues		
Sales tax	\$ 912,444	\$ 823,382
Intergovernmental	51,815	8,988
Investment income	2,838	8,239
Net appreciation (decline) in fair value of investments	(3,957)	3,462
	<hr/>	<hr/>
Total revenues	963,140	844,071
	<hr/>	<hr/>
Expenditures		
Administration and other	167,159	139,674
Transportation subsidies	340,962	342,714
	<hr/>	<hr/>
Total expenditures	508,121	482,388
	<hr/>	<hr/>
Excess of revenues over expenditures	455,019	361,683
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	11,510	14,447
Transfers out	(573,426)	(381,380)
	<hr/>	<hr/>
Total other financing sources (uses)	(561,916)	(366,933)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (106,897)</u>	<u>\$ (5,250)</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, 2021

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, 2021

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, 2021

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, 2021, the Measure R fund had investment income of \$2,838 and net decline in fair value of investments of \$3,957. The net decline in fair value of investments were mainly due to a decrease 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 2020 in the accompanying Schedule are included only to provide a basis for comparison with 2021 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, 2021

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

The Measure R fund at June 30, 2021 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$106,897, mainly due to acquisition of property for the Link Union Station Project and an increase of transfers out on major projects such as the Westside Subway Extension, resulting in a decrease in Measure R Fund balance from \$330,128 to \$223,231.

7. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2021 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

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 8, 2021, 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, 2021
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 778,101	\$ 778,101	\$ 912,444	\$ 134,343
Intergovernmental	106,068	106,068	51,815	(54,253)
Investment income	-	-	2,838	2,838
Net decline in fair value of investments	-	-	(3,957)	(3,957)
Total revenues	884,169	884,169	963,140	78,971
Expenditures				
Administration and other	198,967	247,902	167,159	80,743
Transportation subsidies	342,183	350,034	340,962	9,072
Total expenditures	541,150	597,936	508,121	89,815
Excess of revenues over expenditures	343,019	286,233	455,019	168,786
Other financing sources (uses)				
Transfers in	15,292	15,292	11,510	(3,782)
Transfers out	(508,202)	(508,202)	(573,426)	(65,224)
Total other financing sources (uses)	(492,909)	(492,909)	(561,916)	(69,007)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (149,891)</u>	<u>\$ (206,677)</u>	<u>\$ (106,897)</u>	<u>\$ 99,780</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, 2021, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 8, 2021.

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 8, 2021

**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, 2021.

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, 2021.

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.



Torrance, California
November 8, 2021

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2021

None noted.

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

None noted.



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE 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, 2021

**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, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2021**

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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 Independent Taxpayer Oversight Committee**

Report on Compliance

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express opinions on the County and each City'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 the County and 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 the County's and each City's compliance with the Guidelines and Requirements.



Opinion

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2021.

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 Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-003. 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 the County and 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 the County and 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 the County's and each City'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 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 with the requirements, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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.

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 have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2021-002, that we consider to be a material weakness.



The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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 "Vazquez & Company LLP".

Glendale, California
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2021**

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

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2021**

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021**

The audits of the County of Los Angeles and 39 cities have resulted in 3 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Agoura Hills (See Finding #2021-001)	\$ 4,063	\$ 4,063
		Calabasas (See Finding #2021-002)	29,039	29,039
		Montebello (See Finding #2021-003)	24,988	24,988
Total Findings and Questioned Costs	3		\$ 58,090	\$ 58,090

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021**

Finding #2021-001	City of Agoura Hills
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 Metro 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, Metro 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 MRLRF Project Code 705, Sidewalk Repairs, amounting to \$4,063 prior to approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro.</p>
Cause	Due to unanticipated work related to the Sidewalk Repairs project.
Effect	The City claimed expenditures totaling \$4,063 prior to approval from Metro. Lack of prior approvals results in noncompliance.
Recommendation	We recommend the City establish procedures and implement internal controls to ensure that approval is obtained from Metro prior to spending on any local return-funded projects.
Management's Response	<p>The City concurs with the finding that a budget request should have been submitted to Metro for approval.</p> <p>The City continues to reevaluate the processes that are in place to ensure budgets are submitted for all projects to Metro timely.</p>
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of said projects on November 23, 2021. 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, 2021
(Continued)

Finding #2021-002	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 Metro 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, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures under MRLRF Project Code 630, Direct Administration, totaling \$29,039 with no prior approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro.</p> <p>This is a repeat finding from prior years' audits.</p>
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed expenditures totaling \$29,039 prior to approval from Metro. Lack of prior approvals results in noncompliance with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects.
Management's Response	The City agrees with the findings. The City will establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said project on November 23, 2021. 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, 2021
(Continued)

Finding #2021-003	City of Montebello
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 Metro 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, Metro 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 Metro:</p> <ul style="list-style-type: none"> a. Project Code 380, Traffic Engineering Studies, totaling \$4,610; b. Project Code 490, Sales Tax Revenue Bonds, totaling \$1,535; c. Project Code 630, Administrative Overhead, totaling \$15,100; d. Project Code 630, Finance Overhead, totaling \$2,275; e. Project Code 705, Los Amigos Avenue (Welmar to Las Flores, totaling \$976; f. Project Code 705, Hay Street (Garfield to Sly City Limit), totaling \$366; and g. Project Code 705, Beverly Terrace (Maple to Park), totaling \$126. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
Effect	The City claimed expenditures totaling \$24,988 prior to approval from Metro. Lack of prior approval results in noncompliance with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on 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, 2021
(Continued)**

Finding #2021-003 (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. No additional follow up is required.



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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, 2021



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2021**

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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 Independent Taxpayer Oversight Committee

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

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

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.



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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, 2021.

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 Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-007. 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 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. 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 Finding #2021-004 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 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 Findings #2021-003 and #2021-005 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 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2021**

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2021

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 7 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 with Metro's approval.	2	Downey (#2021-003) Temple City (#2021-007)	\$ 34,312 2,500	\$ 34,312 2,500
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	1	Claremont (#2021-002)	None	None
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	1	Bradbury (#2021-001)	None	None
Accounting procedures, record keeping, and documentation are adequate.	3	Downey (#2021-004) Glendora (#2021-005) Glendora (#2021-006)	25,885 None 8,647	- None -
Total Findings and Questioned Costs	7		\$ 71,344	\$ 36,812

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021**

Finding #2021-001	City of Bradbury
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 Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2021 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 20, 2021.
Cause	It was due to an oversight by the City's finance department.
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 annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a staff turnover during fiscal year 2021 and the new management team was unaware of compliance requirements of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 20, 2021. 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, 2021
(Continued)

Finding #2021-002	City of Claremont
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II. 1), Expenditure Plan (Form One): "Jurisdictions shall submit to Metro an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	<p>The City did not meet the August 1, 2020 deadline for submitting the Expenditure Plan in the Local Return Management System (LRMS).</p> <p>In FY2021, Metro extended August 1, 2020 deadline to October 1, 2020, to facilitate a smooth LRMS transition. However, the City updated the information in the LRMS on October 16, 2020.</p>
Cause	This was due to an oversight of the City.
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 Expenditure Plan is entered in the LRMS before the due date so that the City's expenditures of Measure R Local Return Funds will be in accordance with Metro's approval and the guidelines.
Management's Response	The City concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 16, 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, 2021
(Continued)

Finding #2021-003	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	<p>The expenditures for MRLRF's Project Code 720, CIP 17-09: Paramount Boulevard Signalization and Safety Enhancements, in the amount of \$34,312 were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$34,312 from Metro for the MRLRF project on November 16, 2021.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The request for the budget approval from Metro for this project was overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Measure R Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all MRLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 16, 2021. 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, 2021
(Continued)

Finding #2021-004	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="padding-left: 40px;">:</p> <p style="padding-left: 80px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(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, 2021
(Continued)

Finding #2021-004 (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 630 in the amount of \$25,885 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 for the employees charged to MRLRF, the salaries and benefits 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 2020-21.</p> <p>This is a repeat finding from the prior five fiscal years.</p>
Cause	<p>The City allocated the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations were used in prior fiscal years. Additionally, the City believed the estimated percentages charged to the funds for salaries and benefit expenses were still less than the actual costs incurred for the programs.</p>
Effect	<p>The payroll costs claimed under the MRLRF projects may include expenditures which may be disallowed Measure R project expenditures. This resulted in questioned cost of \$25,885.</p>
Recommendation	<p>We recommend that the City reimburse its MRLRF account for \$25,885. 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.</p>
Management's Response	<p>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 programs. Although 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 since fiscal year 2019-20, the City plans to have an outside agency perform a cost allocation study to help determine a more appropriate allocation of the salaries and benefits to the funds in fiscal year 2021-22. The study is estimated to begin in February 2022 and to be completed by July 1, 2022.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-005	City of Glendora
Compliance Reference	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 pay periods during the fiscal year 2020-21.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) December 27, 2020 b) January 10, 2021 c) January 24, 2021 d) June 27, 2021 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October 2021, which were four to ten months after the fact.</p> <p>This is a repeat finding from prior fiscal year.</p>
Cause	During fiscal year 2020-21, the Finance division experienced staff turnovers and the City staff who was directly involved in the preparation of the annual Certifications was on leave for four months from June 2021 through September 2021. Due to the turnover and the absence of the City staff, the Certifications were not prepared and signed by both employees and supervisors in a timely manner.
Effect	Without employees and supervisors preparing the timecards/certifications in a timely manner, the City may be unable to substantiate the actual hours worked by the employees who were charged to the programs. Untimely 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 of the Certifications process to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time, either monthly or quarterly.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-006	City of Glendora
Compliance Reference	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 fiscal year 2020-21, the City recorded expenditures to MRLRF's Street Repair and Maintenance Project Code 705 in the amount of \$38,874 which were contributions to the pension plan that was provided through CalPERS. The contributions were based on CalPERS employer rate of 10.502% multiplied by the employees' gross salaries.</p> <p>Based on our calculation, we determined that the City over-allocated \$8,647 of pension contributions to MRLRF.</p>
Cause	This is the first year that the City allocated debt service payments to the Pension Obligation Bonds outside of the issuance year. The City estimated the allocations based on trends and analysis, but did not establish a system to allocate the payments of the actual pension costs to the affected funds.
Effect	The unsupported pension benefits allocated to MRLRF resulted in questioned costs of \$8,647.
Recommendation	We recommend that the City reimburse its MRLRF account for \$8,647. In addition, we recommend that the City strengthen its controls over the allocation of pension costs by using the proper basis, the actual salaries charged to the fund multiplied by the appropriate employer rate provided by CalPERS.
Management's Response	The City plans to reimburse its MRLRF account in the amount of \$8,647 in January 2022. Also, the City will continue to monitor and evaluate the process for charging pension benefits to ensure that the proper debt service payments are allocated to the City funds, including the local return funds.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-007	City of Temple City
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 Project Code 705, San Gabriel Valley Council of Governments Vehicle Miles Traveled (VMT) Analysis, in the amount of \$2,500 were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$2,500 from Metro for the MRLRF project on December 2, 2021.
Cause	Due to the mitigated coronavirus (COVID-19) protocols, the City staff were not able to coordinate their efforts to obtain approval prior to incurring expenditures on MRLRF projects.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Measure R Local funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MRLRF projects.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on December 2, 2021. No follow-up is required.



Metro

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

Board Report

File #: 2022-0121, **File Type:** Oral Report / Presentation

Agenda Number: 4.

**MEASURE R INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE
MARCH 31, 2022**

SUBJECT: ORAL REPORT ON PROGRAM MANAGEMENT MAJOR PROJECT STATUS

ACTION: ORAL REPORT

RECOMMENDATION

RECEIVE oral report on the Program Management Major Project Status.





































Program Management Major Project Status Report

Presented By

Julie Owen

Sr. EO, Project Management

PROJECT BUDGET & SCHEDULE STATUS SUMMARY CHART

Project	Cost Performance		Schedule Performance		Comments
	Variance Approved LOP	Variance Revised Budget	Variance Original	Variance Revised Schedule	
Crenshaw/LAX					Project is 99.5% complete. Contractor is not applying sufficient work force to complete their remaining scope of work. Remaining work is primarily completion of system integration testing, and punch-list repair for substantial completion. Metro continues to work with contractor to mitigate the delays and impacts to the project schedule; emphasizing safety and reliability in final acceptance of project elements and systems. Equity - 8 of 8 stations (100%) are within or adjacent to Equity Focus Communities.
Regional Connector					Project is 90% complete. Comprehensive testing underway for 7th/Metro Center and adjacent facility interfaces; Site work and restoration throughout alignment continues; as well as MEP and systems work in stations and guideway. Equity - 3 of 3 stations (100%) are within or adjacent to Equity Focus Communities.
Westside Purple Line Extension-Section 1					Project is 74% complete. The current forecast Revenue Service Date is Fall 2024. Efforts to minimize schedule risk continue. Equity - This Project is not located within or adjacent to Equity Focus Communities.
Westside Purple Line Extension-Section 2					Project is 49% complete and proceeding on schedule and within budget. Equity - This project is not located within or adjacent to Equity Focus Communities
Westside Purple Line Extension-Section 3					Project is 32% complete and proceeding on schedule and within budget. Equity - 1 of 2 stations (50%) are within or adjacent to Equity Focus Communities.
Airport Metro Connector					Early Works Phase is 47% complete. Site work is complete with underground storm system shoring in progress. Main communications line ductbank within SWY in progress. Primary station Contractor mobilizing on site. Equity - 100% of the project is within or adjacent to Equity Focus Communities.
G Line BRT Improvements					Progressive Design Build Contract Industry Review completed December 2021. RFP anticipated for release January 2022. Contract award anticipated Summer 2022. Pilot Gate construction and testing complete. Test results delivered in December 2021. AURs and property acquisitions underway. Equity: 8 of 18 stations (47%) are within or adjacent to Equity Focus Communities
I-5 North County Enhancements					Field work is continuing to ramp up with construction site preparation activities and center median pavement removal at the north end of the project. Equity - This project is not located within or adjacent to Equity Focus Communities.
Division 20 Portal Widening Turnback					Project is approximately 31% complete. Construction continues with the excavation and grading for duct banks and vaults, Portal excavation, utility installation, 1st Bridge , duct banks and manholes for the Traction Power Substation cutover is ongoing. Unallocated contingency remaining is approximately 2% and is below the Contingency Project Reserve of 3%. An increase in Life of Project (LOP) is to be presented on the February 2022 Board meeting. In addition, the project schedule continues to be developed as the project team is working with the contractor to finalize an updated schedule. Equity - 100% of the project is within or adjacent to Equity Focus Communities.

March 2022



On target



Possible problem
(5-10% variance)



Significant Impact
(over 10% variance)



Metro 2

SMALL BUSINESS PROJECT STATUS SUMMARY CHART

Project	Phase	Goal Type	Contractor Commitment	Current Participation	Status	Comments
Crenshaw/LAX	Design	DBE	20.00%	20.75%	Exceeding	Walsh/Shea Corridor Constructors, JV is exceeding the DBE commitment by 0.75% on Design and 8.65% on Construction.
	Construction	DBE	20.00%	28.65%	Exceeding	
Regional Connector	Design	DBE	22.63%	24.61%	Exceeding	Regional Connector Constructors is exceeding the DBE commitment by 1.98% on Design and 2.17% on Construction.
	Construction	DBE	18.00%	20.17%	Exceeding	
Westside Purple Line Extension-Section 1	Design	DBE	20.25%	20.27%	Exceeding	Skanska-Traylor-Shea Joint Venture (STS) is exceeding the DBE commitment by 0.02% on Design and has a 2.26% shortfall on Construction. STS submitted a shortfall mitigation plan (1/7/2022) and provided an updated DBE utilization forecast. STS contends the reason for the shortfall is the Tunneling issue set them back and that they should meet their commitment by end of project.
	Construction	DBE	17.00%	14.74%	Shortfall	
Westside Purple Line Extension-Section 2	Design	DBE	25.31%	36.02%	Exceeding	Tutor Perini/O&G, A Joint Venture (TPOG) is exceeding the DBE commitment on Design by 10.71% and has a 2.66% shortfall on Construction. TPOG has a shortfall mitigation plan on file. TPOG contends the shortfall is due to a timing issue/work scheduling of when DBEs will start work; expect DBE utilization to increase in the 1 st quarter of 2022 and the 4 th quarter of 2022.
	Construction	DBE	17.00%	14.34%	Shortfall	
Westside Purple Line Extension-Section 3 – Tunnels	Design	DBE	11.19%	19.37%	Exceeding	Frontier-Kemper/Tutor Perini JV (FKTP) is exceeding the DBE commitment on Design by 8.18% and has a 2.16% shortfall on Construction. FKTP contends the shortfall is due timing/work scheduling. FKTP expects shortfall to mitigate when the excavation work ramps up.
	Construction	DBE	17.10%	14.94%	Shortfall	
Westside Purple Line Extension-Section 3 – Stations, Trackwork, Systems and Testing	Design	DBE	19.25%	17.93%	Shortfall	Tutor Perini/O&G, A Joint Venture (TPOG) has a 1.32% shortfall on Design and a 14.60% shortfall on Construction. TPOG contends the shortfall is due to change orders/modifications that have not been distributed yet unreported DBE participation.
	Construction	DBE	21.00%	6.40%	Shortfall	
Airport Metro Connector (Station)	Construction	SBE	20.79%	0.00%	TBD	This contract is ramping up. Tutor Perini Corporation has not reported any SBE utilization and 0.13% DVBE utilization to date.
		DVBE	4.96%	0.13%	TBD	
G Line BRT Improvements	PDB	TBD	TBD	TBD	TBD	Contract Award anticipated Summer 2022.
1-5 North County Enhancements	Construction	DBE	13.01%	0.00%	TBD	Contractor received their first payment in September 2021, but no participation has been reported to-date.
Division 20 Portal Widening Turnback	Construction	SBE	19.34%	7.32%	Shortfall	Tutor Perini Corporation (TPC) has a 12.02% SBE shortfall and is exceeding the DVBE commitment by 0.14%. TPC currently has a shortfall mitigation plan on file and expects an increase of SBE work to commence in the 3 rd quarter.
		DVBE	3.31%	3.45%	Exceeding	

March 2022

Los Angeles County Metropolitan Transportation Authority

CRENSHAW/LAX TRANSIT PROJECT

BUDGET TIFIA	Approved LOP*	Previous Period**	Current Forecast**
\$2,148M	\$2,058M	\$2,148M	\$2,148M
Variance from Approved LOP:		\$90M (4%)	\$90M (4%) OK
Variance from Revised Budget:			\$0 OK

*At time of the award of contract - Board Approval June 2013

**Excludes finance costs and includes \$10M Non-TIFIA activities

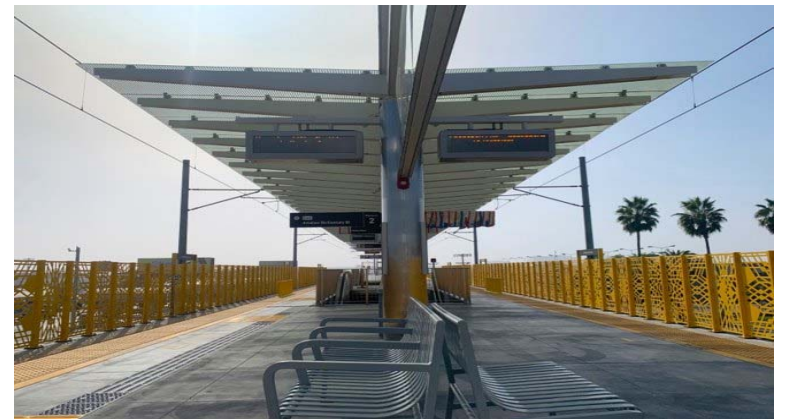
SCHEDULE	Approved	(REVENUE OPERATION) Previous	Current
Original	Rebaseline	Period	Forecast*
Oct.2019	May 2020	Winter 2021	Summer 2022
Variance from Original:		+943d (30%)	+ 973d (31%) ⚠
Variance from Revised Schedule:		+736d (30%)	+ 766d (31%) ⚠

*Current Forecast is Contractor's November Schedule update

- **Safety:** Project Hours: 11,272,230 Recordable Injury Rate: 1.21 vs The National Average: 2.4 (as of November 2021)
- Overall Project Progress is 99.5% complete.
- Contractor is not applying sufficient specialty work force to complete remaining work, testing/test reports on time.
- Remaining work is primarily the completion of system integration testing, and punch-list repair for substantial completion.
- Metro continues to work with contractor to minimize delays and impacts to the project schedule; emphasizing safety and reliability in final acceptance of project elements and systems.
- **Equity** - 8 of 8 stations (100%) are within or adjacent to Equity Focus Communities.



MLK Station – Plaza entrance



Aviation/Century Station – Station platform

March 2022



On target



Possible problem
(5-10% variance)





Significant Impact
(over 10% variance)



Metro 4

REGIONAL CONNECTOR TRANSIT PROJECT

BUDGET



<u>FFGA</u>	<u>Approved LOP*</u>	<u>Previous Period**</u>	<u>Current Forecast**</u>
\$1,402M	\$1,420M	\$1,755M	\$1,773M
Variance from Approved LOP:		\$335M (24%)	\$353M (24%) 
Variance from Revised Budget:			\$0 

*At time of the award of contract – Board Approval April 2014

**Excludes finance costs

SCHEDULE

(REVENUE OPERATION)

<u>Original</u>	<u>Approved**</u>	<u>Previous Period</u>	<u>Current Forecast*</u>
<u>May 2021</u>	<u>Fall 2022</u>	<u>Fall 2022</u>	<u>Fall 2022</u>
Variance from Original:		+480d (19%)	+480d (19%) 
Variance from Revised Schedule:			0d 

*Current Forecast is Metro's October 2021 update

**Approval in process

- Safety:** Project Hours: 6,670,168 Recordable Injury Rate: 0.75 vs The National Average: 2.4 (as of October 2021)
- Overall Project Progress is 90% complete.
- Little Tokyo/Arts District Station & Surrounding Area:** Station construction and testing continue to be active at all levels and include MEP, finishes, and systems installations. Backfill and street restoration complete. Station plaza enhancements are also underway.
- Historic Broadway Station:** Structural backfill, MEP, finishes, and systems installations are all underway. Construction of plaza level canopy and features underway. AT&T communication ductbank relocations are underway on 2nd Street.
- Grand Av Arts/Bunker Hill Station:** Finishes, MEP, and systems operations are all engaged in installations. Street restoration continues as does the pedestrian bridge with architectural finishes being applied. Elevators remain the pacing element for the station.
- Flower Street:** MEP and systems testing continue underground. Street level restorations continue from 3rd Street to Wilshire. Final utility tie-ins are near completion as well.
- Trackwork:** Remedial work along alignment continues on various installations to prepare for acceptance inspections. Grinding and profiling of rail began in December and are expected to complete in mid-February.
- Systems:** Installations of traction power, train control, and communications continuing; comprehensive local and systemwide systems testing continues.
- Equity:** 3 of 3 stations (100%) are within or adjacent to Equity Focus Communities.



Little Tokyo/Arts District Station Canopy Installation



Historic Broadway Station Entrance Stairway

March 2022



On target



Possible problem
(5-10% variance)





Significant Impact
(over 10% variance)



Metro 5

WESTSIDE PURPLE LINE EXTENSION – SECTION 1

BUDGET



<u>FFGA</u>	<u>Approved LOP* **</u>	<u>Previous Period**</u>	<u>Current Forecast**</u>
\$2,822M	\$2,774M	\$3,129M	\$3,129M
Variance from Approved LOP:		\$355M (13%)	\$355M (13%) 
Variance from Revised Budget:		\$0	

*At time of the award of contract – Board Approval July 2014

**Excludes finance costs

SCHEDULE

(REVENUE OPERATION)

<u>Original</u>	<u>Approved Rebaseline</u>	<u>Previous Period</u>	<u>Current Forecast*</u>
Nov.2023	Fall 2024	Fall 2024	Fall 2024
Variance from Original:		+365d (11%)	+365d (11%) 
Variance from Revised Schedule:		0d	

*Current Forecast is Contractor's October Schedule update

- **Safety:** Project Hours: 6,424,157 Recordable Injury Rate: 1.21 vs. The National Average: 2.4 (as of November 2021)
- Overall Project progress is 74% complete.
- **Wilshire/La Brea Station:** West hammerhead and the entrance structure work continue, along with interior MEP installation and appendage construction.
- **Wilshire/Fairfax Station:** East concourse concrete placements are completed. Structural work at the entrance plaza and appendages continue. Rebar and MEP installation at the roof plenum level is underway.
- **Wilshire/La Cienega Station:** East/west hammerhead structure work and appendage construction continues.
- **Reach 1 Tunnel:** On the south tunnel, invert concrete placement is complete, while walkway concrete activities continue. Track installation on the north tunnel moves forward.
- **Reach 2 Tunnel:** Five out of six cross passages (CPs) have been excavated. Two out of six cross passages (CP 16 & 20) have been concreted.
- **Reach 3 Tunnel:** Grouting and spiling mitigation activities continue.
- **Budget/Schedule:** The FTA/PMOC draft Risk and Contingency Review Report has been provided to Metro. Results will be shared once findings are analyzed.
- **Equity:** This Project is not located within or adjacent to Equity Focus Communities.



Reach 1 North Tunnel Trackwork Installation



Concrete Placement at Wilshire/La Cienega Station (West)

March 2022



On target



Possible problem
(5-10% variance)



Significant Impact
(over 10% variance)



Metro 6

WESTSIDE PURPLE LINE EXTENSION – SECTION 2

BUDGET	Approved	Previous	Current
FFGA	LOP*	Period**	Forecast**
\$2,499M	\$2,441M	\$2,441M	\$2,441M
Variance from Approved LOP:		\$0M (0%)	\$0M (0%) OK
Variance from Revised Budget:			\$0 OK

*At time of the award of contract – Board Approval January 2017

**Excludes finance costs

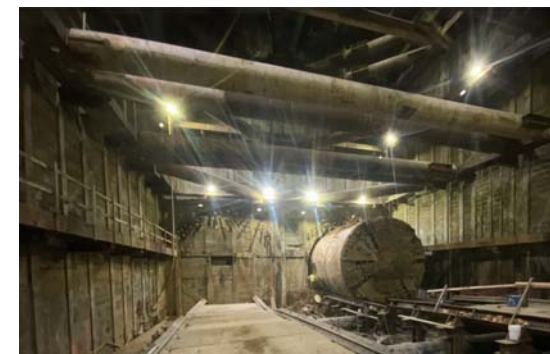
SCHEDULE	(REVENUE OPERATION)		
Original	Approved	Previous	Current
Aug. 2025	Rebaseline	Period	Forecast*
	N/A	Summer 2025	Summer 2025
Variance from Original:		+0d (0%)	+0d (0%) OK
Variance from Revised Schedule:			0d OK

*Current Forecast is Contractor's October Schedule update

- **Safety:** Project Hours: 2,401,213 Recordable Injury Rate: 3.17 vs The National Average: 2.4 (as of November 2021)
- Overall Project progress is 49% complete as of period ending December 2021.
- **Century City Constellation Station**
 - Excavation of the station box was 25% complete as of January 11, 2021.
 - Excavation of the station entrance was 16% complete as of January 11, 2021.
- **Wilshire/Rodeo Station**
 - Concrete placement for the first level Station walls is 72% complete. The remaining station walls will be completed after completion of the tunneling.
- **Tunneling**
 - Both tunnel boring machines (TBMs) “Ruth” and “Harriet” are operating within the City of Beverly Hills. Progress as of January 12, 2021, is as follows:
 - Ruth “BL TBM” (eastbound subway tunnel) – 5,775ft (50%)
 - Harriet “BR TBM” (westbound subway tunnel) – 5,811ft (50%)
 - Both TBMs have arrived at Wilshire/Rodeo station. They are scheduled to resume excavating toward Wilshire/La Cienega Station in early February.
- **Equity:** This project is not located within or adjacent to Equity Focus Communities



Constellation Station Entrance Excavation



Harriet Breakthrough at Wilshire/Rodeo Station

March 2022



On target



Possible problem
(5-10% variance)



Significant Impact
(over 10% variance)



Metro 7

WESTSIDE PURPLE LINE EXTENSION – SECTION 3

BUDGET

FFGA	Approved LOP*	Previous Period**	Current Forecast**
\$3,599M	\$3,224M	\$3,224M	\$3,224M

Variance from Approved LOP:

Variance from Revised Budget:

\$0M (0%)

\$0M (0%)

\$0



*At time of the award of contract – Board Approval February 2019

**Excludes finance costs

SCHEDULE

(REVENUE OPERATION)

Original	Approved Rebaseline	Previous Period	Current Forecast*
Mar. 2027	N/A	Spring 2027	Spring 2027

Variance from Original:

Variance from Revised Schedule:

+0d (0%)

+0d (0%)

0d



*Current Forecast is Contractor's March Schedule update

**Approval in process

- **Safety:** Project Hours: 1,498,049 Recordable Injury Rate: 1.74 vs The National Average: 2.4 (as of November 2021)
 - C1151: Project Hours: 684,309; Recordable Injury Rate: 3.80
 - C1152: Project Hours: 813,740; Recordable Injury Rate: 0.0
- Overall Project Progress is 32% complete.
- Final design progress is 91% complete.
- **Tunneling**
 - TBM Iris (BR) – Tunneling continues east of the I-405; TBM has mined over 3200 feet.
 - TBM Aura (BL) – Tunneling continues in the Westwood/VA station area; TBM has mined over 1600 feet.
- **Stations**
 - Westwood/VA: Work has commenced for the VA steam tunnel relocation.
 - Westwood/UCLA: Utility relocations continue; Support of Excavation pile installation continues along Wilshire Blvd.
- **Equity:** 1 of 2 stations (50%) are within or adjacent to Equity Focus Communities.



Ring Installation in the BL Tunnel



SOE Pile Installation Along North Side Wilshire Blvd.

March 2022



On target



Possible problem
(5-10% variance)



Significant Impact
(over 10% variance)



Metro 8

AIRPORT METRO CONNECTOR (AMC) PROJECT

BUDGET	Approved LOP*	Previous Period	Current Forecast	
TOTAL COST	\$898.6M	\$898.6M	\$898.6M	
Variance from Approved LOP:		\$0M (0%)	\$0M (0%)	OK
Variance from Revised Budget:			\$0	OK
*Approved May 2021 Board				

SCHEDULE	Approved Rebaseline	(Revenue Operation) Previous Period	Current Forecast*	
Original	N/A	Fall 2024	Fall 2024	
N/A	N/A	+0d (0%)	+0 d (0%)	OK
Variance from Original:				
Variance from Revised Schedule:			0d	OK
*Current Forecast is Metro's May Schedule update				

- Early Works Phase construction (47% complete) continues with installation of temp systems ductbank within Southwestern Yard. Underground stormwater system shoring in progress.
- Primary Station Construction Contractor has begun mobilizing on site.
- Automated People Mover (APM) Station structural concrete completed. Structural Steel installation in progress.
- Equity:** 100% of the project is located within or adjacent to Equity Focus Communities.



Shoring installation for Stormwater System



LAWA Station work in progress



Shoring in progress



Mobilization for Main Station Construction

March 2022



On target



Possible problem
(5-10% variance)



Significant Impact
(over 10% variance)



Metro 9

G LINE BRT IMPROVEMENTS PROJECT

BUDGET	Approved LOP	Previous Period	Current Forecast
TOTAL COST	N/A	N/A	\$361M
Variance from Approved LOP:		\$0M (0%)	\$0M (0%)
Variance from Revised Budget:			\$0

**Project will work within the annual budget constraints until LOP is established*

SCHEDULE	Approved Rebaseline	(Revenue Operation) Previous Period	Current Forecast*
Original	N/A	N/A	Dec 2026
Variance from Original:		+0d (0%)	+0 d (0%)
Variance from Revised Schedule:			0d

**Current Forecast is Metro's Internal Schedule, Baseline schedule not yet approved at time of update*

- **Progressive Design Build Contract in final draft.**
 - Industry Review completed December 2021
 - RFP anticipated for a January 2022 advertisement
 - PDB Contract Award anticipated Summer 2022
- **Pilot Gate**
 - Construction and testing completed November 2021.
 - Test results issued to Metro mid December 2021.
 - Closeout anticipated for March.
- Utility owner-performed AURs underway at Sepulveda, Vesper and Sylmar
- **Nine Property Acquisitions underway:**
 - Preparing two acquisitions for condemnation after 7 months of unsuccessful negotiations
 - Seven acquisitions in appraisal stage
- **Equity:** 8 of 17 stations (47%) are within or adjacent to Equity Focus Communities



Pilot Gate - Testing



Vesper Undergrounding

March 2022

Los Angeles County Metropolitan Transportation Authority

I-5 NORTH COUNTY ENHANCEMENTS

BUDGET	Approved	Previous	Current		SCHEDULE	Approved	(Substantial Completion)	
	LOP*	Period	Forecast			Rebaseline	Previous	
TOTAL COST	\$679.3M	\$679.3M	\$679.3M		Original	N/A	Period	Current
					July 2026		Summer 2026	Summer 2026
Variance from Approved LOP:		\$0M (0%)	\$0M (0%)	OK	Variance from Original:		+0d (0%)	0d (0%)
Variance from Revised Budget:			\$0	OK	Variance from Revised Schedule:			N/A
*At time of the award of contract – Board Approval (March 2021)					*Current Forecast is Metro's Internal Schedule, Baseline schedule not yet approved at time of update			

- Construction site preparations are on-going. Center median pavement removal and re-striping at the north section of the project beginning.
- Metro continues to work with the Contractor to establish a project baseline schedule.
- On-going coordination with project stakeholders: Caltrans, FHWA, City of Santa Clarita, Los Angeles County, CHP, NPS, CDFW
- Next Project Community Meetings are scheduled for February 23rd and May 25th at 6:30pm.
- Equity:** This project is not located within or adjacent to Equity Focus Communities



Damaged crash cushion from accident during holidays



Placement of temporary work zone speed radar and stormwater pollution prevention materials



Illegal dumping within the project limits

March 2022



On target



Possible problem
(5-10% variance)



Significant Impact
(over 10% variance)



Metro 11

DIVISION 20 PORTAL WIDENING TURNBACK

BUDGET	Approved LOP*	Previous Period	Current Forecast
TOTAL COST	\$801.7M	\$801.7M	\$801.7M
Variance from Approved LOP:		\$TBDM (0%)	\$TBD ▲
Variance from Revised Budget:			\$TBD ▲
*At time of the award of contract – Board Approval (February 2020)			

SCHEDULE	Approved Rebaseline	(Substantial Completion) Previous Period	Current Forecast*
Original June 2024	N/A	June 2024	TBD
Variance from Original:		+0d (0%)	TBD ◆
Variance from Revised Schedule:			TBD ◆
*Current Forecast is Contractor's Schedule update			

- Overall Project progress is 31% complete.

Includes Real Estate Acquisitions, Environmental, Design, Contract Mobilization, Early Demolition, Power, Utility contracts and contract change orders and 1st Bridge Precast Girders recently set.

- C1136 TPC Portal Widening Turnback Contract**

PWT C1136 Contract progress is 37%.

Microlok II cutover successfully complete.

Phase 1 Track, utilities, and civil work continues

1st Street Bridge Rehabilitation and Portal excavation

- Major Change Orders to Date:**

Hazardous Material Removal

1st Street Bridge Rehabilitation

Completion of Utility Contracts

3rd Party Unforeseen Interfaces

Design Revisions (*in progress*)

- C1184 C3M Traction Power Substation Contract** at 64%

- Coordination with Adjacent Projects**

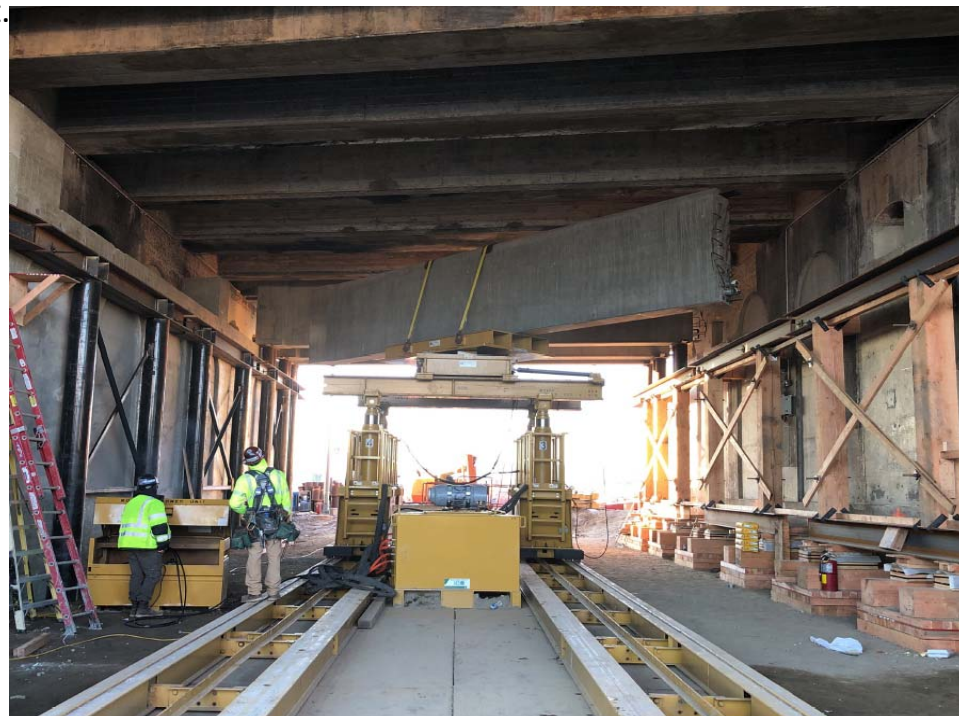
Purple Line Extension (PLE1)

Regional Connector; Metro Center Project

6th Street Bridge (City of L.A. Project)

- Continued Regular risk assessments to determine budget/schedule**

- Equity:** 100% of the project is located within or adjacent to Equity Focus Communities



March 2022



On target



Possible problem
(5-10% variance)



Significant Impact
(over 10% variance)



Metro 12