



AGENDA

Executive Committee Meeting

Committee Members

Tim Shaw, Chairman
Steve Jones, Vice Chairman
Lisa A. Bartlett
Laurie Davies
Andrew Do
Michael Hennessey
Mark A. Murphy

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California
Monday, May 6, 2019 at 9:00 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Call to Order

Pledge of Allegiance

Director Bartlett

1. Public Comments

Special Calendar

There are no Special Calendar matters.



Consent Calendar (Items 2 and 3)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

2. Approval of Minutes

Approve the minutes of the Executive Committee meeting of April 1, 2019.

3. Designation of Applicant's Agent for Federal and State Financial Assistance Katrina Faulkner/Kenneth Phipps

Overview

In order to receive state and federal disaster funds from the California Governor's Office of Emergency Services and the Federal Emergency Management Agency, the Orange County Transportation Authority is required to adopt a "Designation of Applicant's Agent Resolution." The designated agent(s) are authorized to apply and submit for financial assistance following a declared disaster.

Recommendation

Adopt Resolution No. 2019-019 designating the Chief Executive Officer and Deputy Chief Executive Officer as Orange County Transportation Authority's agents for executing applications for federal and/or state disaster assistance on behalf of the Orange County Transportation Authority.

Regular Calendar

4. Capital Programs Division - Third Quarter Fiscal Year 2018-19 **Capital Action Plan Performance Metrics** James G. Beil

Overview

The Orange County Transportation Authority's Strategic Plan key strategies and objectives to achieve the goals for Mobility and Stewardship include delivery of all Capital Action Plan projects on time and within budget. The Capital Action Plan is used to create a performance metric to assess capital project delivery progress on highway, grade separation, rail, and facility projects. This report provides an update on the Capital Action Plan delivery and performance metrics.

Recommendation

Receive and file as an information item.



5. Measure M2 Eligibility for the City of Stanton
Adriann Cardoso/Kia Mortazavi

Overview

The Orange County Transportation Authority's Internal Auditor recently prepared an audit of the City of Stanton for fiscal year 2017-18. The audit concluded that the City of Stanton did not expend sufficient discretionary funds on streets and road purposes to meet the Measure M2 Ordinance maintenance of effort requirement. Based on this information, recommendations are presented related to compliance with the Measure M2 Ordinance.

Recommendations

- A. Find the City of Stanton ineligible to receive net Measure M2 revenues.
- B. Suspend payments to the City of Stanton of net Measure M2 revenues until the City of Stanton can demonstrate compliance with Measure M2 eligibility requirements and the Board of Directors acts to find the City of Stanton an "eligible agency."
- C. Authorize the Chief Executive Officer to execute Amendment No. 5 to Contract No. C-5-3564 with Vavrinek, Trine, Day and Company, LLP to revise the scope of work, add an additional task to apply agreed-upon procedures to assess compliance with maintenance of effort expenditure requirements, extend the agreement through June 30, 2020, and authorize staff to deduct fiscal year 2018-19 audit costs from any future net Measure M2 payments to the City of Stanton.
- D. Increase the City of Stanton's maintenance of effort requirement for fiscal year 2018-19 by the amount of expenditures that were not met as identified in the fiscal year 2017-18 audit.
- E. Authorize the Chief Executive Officer to negotiate and execute a settlement agreement with the City of Stanton to correct and remedy the fiscal year 2017-18 audit issues.



6. Measure M2 Eligibility for the City of Santa Ana
Adriann Cardoso/Kia Mortazavi

Overview

The Orange County Transportation Authority's Internal Auditor recently prepared an audit of the City of Santa Ana for fiscal year 2017-18. The audit concluded that the City of Santa Ana did not expend sufficient discretionary funds on streets and road purposes to meet the Measure M2 Ordinance maintenance of effort requirement. Based on this information, recommendations are presented related to compliance with the Measure M2 Ordinance.

Recommendations

- A. Find the City of Santa Ana ineligible to receive net Measure M2 revenues.
- B. Suspend payments to the City of Santa Ana of net Measure M2 revenues until the City of Santa Ana can demonstrate compliance with Measure M2 eligibility requirements and the Board of Directors acts to find the City of Santa Ana an "eligible agency."
- C. Authorize the Chief Executive Officer to execute Amendment No. 5 to Contract No. C-5-3564 with Vavrinek, Trine, Day and Company, LLP to revise the scope of work, add an additional task to apply agreed-upon procedures to assess compliance with maintenance of effort expenditure requirements, extend the agreement through June 30, 2020, and authorize staff to deduct fiscal year 2018-19 audit costs from any future net Measure M2 payments to the City of Santa Ana.
- D. Increase the City of Santa Ana's maintenance of effort requirement for fiscal year 2018-19 by the amount of expenditures that were not met as identified in the fiscal year 2017-18 audit.
- E. Authorize the Chief Executive Officer to negotiate and execute a settlement agreement with the City of Santa Ana to correct and remedy the fiscal year 2017-18 audit issues.



Discussion Items

- 7. Chief Executive Officer's Report**
- 8. Committee Members' Reports**
- 9. Closed Session**

There are no Closed Session items scheduled.

10. Adjournment

The next regularly scheduled meeting of this Committee will be held at **9:00 a.m. on Monday, June 3, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



MINUTES

Executive Committee Meeting

Committee Members Present

Tim Shaw, Chairman
Steve Jones, Vice Chairman
Lisa A. Bartlett
Laurie Davies
Andrew Do
Michael Hennessey
Mark A. Murphy

Staff Present

Darrell E. Johnson, Chief Executive Officer
Laurena Weinert, Clerk of the Board
Olga Prado, Assistant Clerk of the Board
James Donich, General Counsel (conference call)
Cassie Trapesonian, Assistant General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

None

Call to Order

The April 1, 2019 regular meeting of the Executive Committee was called to order by Chairman Shaw at 9:03 a.m.

Pledge of Allegiance

Director M. Murphy led in the Pledge of Allegiance.

1. Public Comments

There were no public comments.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 and 3)

2. Approval of Minutes

A motion was made by Director Davies, seconded by Director Bartlett, and declared passed by those present, to approve the minutes of the Executive Committee meeting of March 4, 2019.

Director Do was not present to vote on this item.



3. Amendment to Agreement for Project Report/Environmental Document Services for the Interstate 5 Improvement Project from North of Interstate 405 to State Route 55

A motion was made by Director Davies, seconded by Director Bartlett, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-3-1433 between the Orange County Transportation Authority and URS Corporation, dba URS Corporation Americas, in the amount of \$250,000, and to extend the term of the agreement by 11 months from October 31, 2018 through September 30, 2019, to continue to provide consultant services for the development of a project report and environmental document for the Interstate 5 Improvement Project from north of Interstate 405 to State Route 55. This will increase the maximum obligation of the agreement to a total contract value of \$7,218,611.

Director Do was not present to vote on this item.

Regular Calendar

4. Eligibility Determination for the City of Stanton

Kurt Brotcke, Director of Strategic Planning, introduced Joe Alcock, Section Manager, Local Programs, who works with the cities on Measure M2 (M2) eligibility.

Mr. Brotcke reported on an issue presented at the March 27, 2019 Finance and Administration (F&A) Committee meeting that the Orange County Transportation Authority's Internal Auditor prepared an audit going to the April 8, 2019 Board of Directors (Board) meeting, which found that the City of Stanton (Stanton) did not have sufficient expenditures for fiscal year 2017-18 to meet its M2 maintenance of effort (MOE) requirements.

Mr. Brotcke stated that the recommendation is to hold a hearing at the April 22, 2019 Board meeting to find Stanton ineligible to receive M2 funds.

A discussion ensued regarding:

- If the Board takes action that Stanton does not meet the M2 MOE requirements, the payments to Stanton would be suspended. In addition, the Board would need to further discuss at its April 22nd Board meeting, if the funds are to either be banked or redistributed to other cities.



4. (Continued)

- F&A Committee Chairman Hennessey stated:
 - This item was discussed at the recent F&A Committee meeting.
 - The Taxpayer Oversight Committee (TOC) oversees the M2 Ordinance.
 - Concerns about having a negative finding from the TOC.
 - Important to send a message that if an additional audit is needed, he suggested that the local jurisdiction pay for the audit to ensure its in compliance.
- In the 29 years the Orange County Transportation Authority (OCTA) has administered the original Measure M and M2 programs, OCTA has never had an instance in which it found a local jurisdiction not meeting the M2 MOE.
- Board Vice Chairman Jones expressed that Stanton is not the “richest” city in Orange County and consider a “softer” mechanism for Stanton to ensure compliance.
- Janet Sutter, Executive Director of Internal Audit, stated the following:
 - Highlighted the audit process and findings,
 - Stanton is aware of the findings,
 - The MOE is tied to the gas tax guidelines,
 - OCTA has M2 guidelines, and
 - Every year OCTA meets with the cities’ finance directors to provide information on allowable costs and where the city can finance.
- Stanton’s ineligible expenses are approximately \$8,600.
- Important to be consistent, complainant, and have a deterrent.
- With the exception to Stanton, the local jurisdictions are in compliance with M2.

A motion was made by Director Do, seconded by Director Hennessey, to amend the recommended action to include that if a local jurisdiction is found not in compliance with Measure M2 and if an additional audit is needed, the local jurisdiction would pay for the audit to ensure compliance with Measure M2.

James Donich, General Counsel, stated that the item before this Committee is a receive and file information item and no action is required. Director Do agreed to change the motion to a staff directive.

Following the discussion, no action was taken on this receive and file information item.



Discussion Items

5. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer (CEO), reported:

- Interstate 5 (I-5) Central Improvements Project:
 - Construction is underway.
 - Planning to permanently close the northbound I-5/Main Street high-occupancy vehicle (HOV) lanes on- and off-ramps, and the ramp closures will be delayed for a few weeks. OCTA will continue to notify the community and the Board when the closures will occur.
 - OCTA will host a stakeholder working group at the OCTA Headquarters on Wednesday, April 3rd at 10:00 a.m., to provide a project overview.

- Angels Express:
 - On Friday, April 5th at 5:00 p.m., OCTA will host a kick off event at the Irvine Metrolink Station.
 - Angels Hall of Famer Bobby Grich will sign autographs.
 - He, along with Chairman Shaw, will participate at the event.

- Taco Transit Tuesday:
 - On Tuesday, April 2nd, OCTA will kick off a fun new promotion called Taco Transit Tuesday.
 - OCTA teamed with Wahoo's restaurants to offer a free taco on Tuesdays, with the purchase of a No. 1 combo at a Wahoo's and a valid OC Bus, OC Flex, or Metrolink pass.
 - For more information about the promotion, go to www.TacoTransitTuesday.com

6. Committee Members' Reports

Director Bartlett stated the following:

- There are some onerous and overreaching legislative bills that affect some transit agencies. She asked that OCTA monitor the bills and be supportive of the other agencies.
- Provided her, and the County of Orange's (County), position on the County's Los Patrones Parkway extension project (Los Patrones) and stated that the project needs to be an independent utility and not connected with the Transportation Corridor Agencies dual express lanes project on the I-5.



6. (Continued)

- Expressed that the Los Patrones project could be in partnership with other projects that enhance regional mobility with the I-5 extension from Avenida Pico to the county line and Ortega Highway widening project.

Darrell E. Johnson, CEO, responded that OCTA would be happy to work with the County on any projects that expand the Master Plan of Arterial Highways.

Mr. Johnson, CEO, noted for the record, that while OCTA understands there is a proposal to convert the I-5 from HOV to express lanes, OCTA recommends the recently opened I-5 HOV lanes M2 project, in south Orange County, not be converted to express lanes before the end of the M2 useful life.

7. Closed Session

A Closed Session was held for the following:

- A. Pursuant to Government Code Section 54957(b) to evaluate the performance of the Chief Executive Officer, Darrell E. Johnson.
- B. Pursuant to Government Code Section 54957.6 to meet with the designated representative, Chairman Tim Shaw, regarding the compensation of the Chief Executive Officer, Darrell E. Johnson.

There was no report out for the above Closed Session items. Director Do was not present for the Closed Session items.

8. Adjournment

The Executive Committee meeting adjourned at 9:29 a.m. The next regularly scheduled meeting of this Committee will be held at **9:00 a.m. on Monday, May 6, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room – Conference Room 07, Orange, California.

ATTEST

Laurena Weinert
Clerk of the Board

Tim Shaw
Chairman



May 6, 2019

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Designation of Applicant's Agent for Federal and State Financial Assistance

Overview

In order to receive state and federal disaster funds from the California Governor's Office of Emergency Services and the Federal Emergency Management Agency, the Orange County Transportation Authority is required to adopt a "Designation of Applicant's Agent Resolution." The designated agent(s) are authorized to apply and submit for financial assistance following a declared disaster.

Recommendation

Adopt Resolution No. 2019-019 designating the Chief Executive Officer and Deputy Chief Executive Officer as Orange County Transportation Authority's agents for executing applications for federal and/or state disaster assistance on behalf of the Orange County Transportation Authority.

Background

In order to receive state and federal financial assistance, a document must be on file with the California Governor's Office of Emergency Services (Cal OES) which designates personnel authorized to complete and sign on behalf of the agency. This document ensures paperwork can be processed quickly to meet deadlines established by the administering agency and is effective for three years. The last update was in March 2015.

Discussion

Resolution No. 2019-019 (Attachment A) designates the Chief Executive Officer and Deputy Chief Executive Officer as the Orange County Transportation Authority's (OCTA) authorized agents for processing disaster assistance requests and to indicate that designation on Cal OES 130 (Attachment B). The

form will indicate that this is a universal resolution effective for all open and future disasters up to three years following the date of approval. Cal OES 130 Instructions state that if titles are used on the form to designate the Authorized Agents, a cover letter must be attached which includes the names and titles. This cover letter is also valid for three years and allows the agency to update names in the event there are personnel changes during this time period (Attachment C).

Summary

Cal OES is the state's department responsible for processing assistance requests from local agencies seeking state or federal funding following disasters. Cal OES requires that each agency submit a completed Cal OES 130 every three years to designate OCTA's representative authorized to submit those applications.

Attachments

- A. Orange County Transportation Authority Resolution No. 2019-019
- B. Cal OES 130, Designation of Applicant's Agent Resolution For Non-State Agencies
- C. Draft Letter to Mr. David Gillings, State Public Assistance Officer, California Emergency Management Agency, May 13, 2019, from Darrell E. Johnson, Chief Executive Officer, Orange County Transportation Authority

Prepared by:



Katrina Faulkner
Manager, Security and Emergency
Preparedness
714-560-5719

Approved by:



Kenneth Phipps
Deputy Chief Executive Officer
714-560-5637

ATTACHMENT A

**ORANGE COUNTY TRANSPORTATION AUTHORITY
RESOLUTION 2019-019**

BE IT RESOLVED BY THE BOARD OF DIRECTORS
OF THE
ORANGE COUNTY TRANSPORTATION AUTHORITY
THAT THE

Chief Executive Officer, OR
(Name or Title of Authorized Agent)

Deputy Chief Executive Officer
(Name or Title of Authorized Agent)

is hereby authorized to execute for and in behalf of Orange County Transportation Authority, a public entity established under the laws of the State of California, applications and file it with the Office of Emergency services for the purpose of obtaining federal financial assistance under Public Law 93-288 as amended by the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, and/or state financial assistance under the Natural Disaster Assistance Act.

THAT the Orange County Transportation Authority, a public entity established under the laws of the State of California, hereby authorizes its agent(s) to provide to the California Governor's Office of Emergency Services for all matters pertaining to such state disaster assistance the assurances and agreements required.

The Orange County Transportation Authority has, from time to time, the need to request financial disaster assistance from state and federal agencies.

WHEREAS, Federal financial assistance is available under Public Law 93-288 as amended by the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 and State financial assistance is provided under California Disaster Assistance Act.

WHEREAS, Applications for both federal and state disaster assistance are processed through the California Governor's Office of Emergency Services (Cal OES), which requires adoption of a resolution by the local agency to submit Cal OES 130 designating the agency's representative(s) authorized to submit the applications for disaster assistance.

WHEREAS, Cal OES 130 must be submitted every three years.

AYES:

NOES:

ABSENT:

ATTEST:

Clerk of the Board

Chairman
Orange County Transportation Authority

OCTA Resolution No. 2019-019

**DESIGNATION OF APPLICANT'S AGENT RESOLUTION
FOR NON-STATE AGENCIES**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY
(Governing Body) (Name of Applicant)

THAT Chief Executive Officer, OR
(Title of Authorized Agent)

Deputy Chief Executive Officer
(Title of Authorized Agent)

is hereby authorized to execute for and on behalf of the ORANGE COUNTY TRANSPORTATION AUTHORITY, a public entity
(Name of Applicant)

established under the laws of the State of California, this application and to file it with the California Governor's Office of Emergency Services for the purpose of obtaining certain federal financial assistance under Public Law 93-288 as amended by the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, and/or state financial assistance under the California Disaster Assistance Act.

THAT the ORANGE COUNTY TRANSPORTATION AUTHORITY, a public entity established under the laws of the State of California,
(Name of Applicant)

hereby authorizes its agent(s) to provide to the California Governor's Office of Emergency Services for all matters pertaining to such state disaster assistance the assurances and agreements required.

Please check the appropriate box below:

This is a universal resolution and is effective for all open and future disasters up to three (3) years following the date of approval below.

This is a disaster specific resolution and is effective for only disaster number(s) _____

Passed and approved this 13th day of May, 2019

Tim Shaw, Chair

(Name and Title of Governing Body Representative)

(Name and Title of Governing Body Representative)

(Name and Title of Governing Body Representative)

CERTIFICATION

I, _____, duly appointed and Clerk of the Board of
(Name) (Title)

ORANGE COUNTY TRANSPORTATION AUTHORITY, do hereby certify that the above is a true and correct copy of a
(Name of Applicant)

Resolution passed and approved by the Board of Directors of the ORANGE COUNTY TRANSPORTATION AUTHORITY
(Governing Body) (Name of Applicant)

on the 13th day of May, 2019.

(Signature)

(Title)

Cal OES Form 130 Instructions

A Designation of Applicant's Agent Resolution for Non-State Agencies is required of all Applicants to be eligible to receive funding. A new resolution must be submitted if a previously submitted Resolution is older than three (3) years from the last date of approval, is invalid or has not been submitted.

When completing the Cal OES Form 130, Applicants should fill in the blanks on page 1. The blanks are to be filled in as follows:

Resolution Section:

Governing Body: This is the group responsible for appointing and approving the Authorized Agents.

Examples include: Board of Directors, City Council, Board of Supervisors, Board of Education, etc.

Name of Applicant: The public entity established under the laws of the State of California. Examples include: School District, Office of Education, City, County or Non-profit agency that has applied for the grant, such as: City of San Diego, Sacramento County, Burbank Unified School District, Napa County Office of Education, University Southern California.

Authorized Agent: These are the individuals that are authorized by the Governing Body to engage with the Federal Emergency Management Agency and the Governor's Office of Emergency Services regarding grants applied for by the Applicant. There are two ways of completing this section:

1. **Titles Only:** If the Governing Body so chooses, the titles of the Authorized Agents would be entered here, not their names. This allows the document to remain valid (for 3 years) if an Authorized Agent leaves the position and is replaced by another individual in the same title. If "Titles Only" is the chosen method, this document must be accompanied by a cover letter naming the Authorized Agents by name and title. This cover letter can be completed by any authorized person within the agency and does not require the Governing Body's signature.
2. **Names and Titles:** If the Governing Body so chooses, the names **and** titles of the Authorized Agents would be listed. A new Cal OES Form 130 will be required if any of the Authorized Agents are replaced, leave the position listed on the document or their title changes.

Governing Body Representative: These are the names and titles of the approving Board Members.

Examples include: Chairman of the Board, Director, Superintendent, etc. The names and titles **cannot** be one of the designated Authorized Agents, and a minimum of two or more approving board members need to be listed.

Certification Section:

Name and Title: This is the individual that was in attendance and recorded the Resolution creation and approval.

Examples include: City Clerk, Secretary to the Board of Directors, County Clerk, etc. This person **cannot** be one of the designated Authorized Agents or Approving Board Member (if a person holds two positions such as City Manager and Secretary to the Board and the City Manager is to be listed as an Authorized Agent, then the same person holding the Secretary position would sign the document as Secretary to the Board (not City Manager) to eliminate "Self Certification.")

ATTACHMENT C

May 13, 2019

Mr. David Gillings, State Public Assistance Officer
California Emergency Management Agency
3650 Schriever Avenue
Mather, CA 95655

Dear Mr. Gillings:

Effective immediately and in accordance with the Orange County Transportation Authority's Resolution 2019-019 approved on May 13, 2019, the following individuals are authorized to serve as the Authorized Agents on behalf of the Orange County Transportation Authority.

Chief Executive Officer
Darrell E. Johnson
550 S. Main St
Orange, CA 92863
714-560-5343

Deputy Chief Executive Officer
Kenneth Phipps
550 S. Main St
Orange, CA 92863
714-560-5637

If you should have questions regarding the above information please contact the Security and Emergency Preparedness Manager, Katrina Faulkner at 714-560-5719 or by email at kfaulkner@octa.net.

Darrell E. Johnson
Chief Executive Officer, Orange County Transportation Authority



May 6, 2019

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Capital Programs Division - Third Quarter Fiscal Year 2018-19
Capital Action Plan Performance Metrics

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line of the memo.

Overview

The Orange County Transportation Authority's Strategic Plan key strategies and objectives to achieve the goals for Mobility and Stewardship include delivery of all Capital Action Plan projects on time and within budget. The Capital Action Plan is used to create a performance metric to assess capital project delivery progress on highway, grade separation, rail, and facility projects. This report provides an update on the Capital Action Plan delivery and performance metrics.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (OCTA) Capital Programs Division is responsible for project development and delivery of highway, grade separation, rail, and facility projects from the beginning of the environmental approval phase through construction completion. Project delivery commitments reflect defined project scope, costs, and schedules. Project delivery commitments shown in the Capital Action Plan (CAP) are key strategies and objectives to achieve the Strategic Plan goals for Mobility and Stewardship.

This report is a quarterly update on the CAP performance metrics, which are a snapshot of the planned CAP project delivery milestones in the budget fiscal year (FY).

Discussion

The Capital Programs Division objective is to deliver projects on schedule and within the approved project budget. Key project cost and schedule commitments

are captured in the CAP, which is regularly updated with new projects and project status (Attachment A). The CAP is categorized into four key project groupings; freeway projects, grade separation projects, rail and station projects, and facility projects. Schedule milestones are used as performance indicators of progress in project delivery. The CAP performance metrics provides a FY snapshot of the milestones targeted for delivery in the budget FY, and provides transparency and performance measurement of capital project delivery.

The CAP project costs represent the total cost of the project across all phases of project delivery, including support costs, and right-of-way (ROW) and construction capital costs. Baseline costs, if established, are shown in comparison to either the actual or forecast cost. Baseline costs may be shown as to-be-determined (TBD) if project scoping studies and estimates have not been developed or approved, and may be updated as project delivery progresses and milestones are achieved. Projects identified in the Orange County local transportation sales tax Measure M2 (M2) are identified with the corresponding M2 project letter. The CAP status update is also included in the M2 Quarterly Report.

The CAP summarizes the very complex capital project critical path delivery schedules into eight key milestones.

Begin Environmental	The date work on the environmental clearance, project report, or preliminary engineering phase begins.
Complete Environmental	The date environmental clearance and project approval is achieved.
Begin Design	The date final design work begins, or the date when a design-build contract begins.
Complete Design	The date final design work is 100 percent complete and approved.
Construction Ready	The date contract bid documents are ready for advertisement, including certification of ROW, all agreements executed, and contract constraints cleared.
Advertise for Construction	The date a construction contract is advertised for bids.
Award Contract	The date the construction contract is awarded.

Construction Complete

The date all construction work is completed, and the project is open to public use.

These delivery milestones reflect progression across the project delivery phases shown below.



Project schedules reflect approved milestone dates in comparison to forecast or actual milestone dates. Milestone dates may be shown as TBD if project scoping or approval documents have not been finalized and approved, or if the delivery schedule has not been negotiated with the agency or consultant implementing the specific phase of a project. Planned milestone dates can be revised to reflect new dates from approved baseline schedule changes. On a monthly basis, actual dates are updated when milestones are achieved, and forecast dates are updated to reflect project delivery status.

CAP milestones achieved in the third quarter FY 2018-19 include:

Freeway Projects

- The complete environmental milestone for the northbound State Route 57 widening from Orangewood Avenue to Katella Avenue was achieved. This project will be temporarily shelved because funding for the subsequent final design and ROW phases is currently planned beyond 2026, as reflected in the 2018 Next 10 Delivery Plan adopted by the OCTA Board of Directors (Board) on September 10, 2018.
- The award contract milestone for construction of the Interstate 5 (I-5) widening from Oso Parkway to Alicia Parkway was achieved on March 5, 2019. This is the middle of three segments of I-5 widening between State Route 73 and El Toro Road, and the first to move into the construction phase. The California Department of Transportation awarded the \$129.77 million contract to Flatiron West, Inc., of Chino, California. Construction will begin in late April or early May 2019 and is planned to be completed in the fourth quarter of 2023.

Rail and Station Projects

- The award contract milestone for construction of the San Juan Capistrano Railroad Passing Siding project was achieved on January 14, 2019.

The OCTA Board awarded the \$16.95 million contract to Reyes Construction, Inc., of Pomona, California. Construction will begin in May 2019 and is planned to be completed in the first quarter of 2021.

- Construction of the Orange Metrolink Station Parking Structure is complete, and the parking structure opened for public use on February 19, 2019. Final construction contract closeout activities are underway.

The following CAP milestone missed the planned delivery through the third quarter of FY 2018-19:

The Fullerton Transportation Center Elevator Upgrade construction project administered by the City of Fullerton incurred additional contractor delays and failed to meet a forecast completion timeline in late February 2019. State inspection of the elevator was completed in mid-April 2019, and the final punch list and completion activities are scheduled to take place in late April and early May 2019.

As previously reported, the construction ready and advertise construction contract milestones for the Placentia Metrolink Station will not be achieved this FY and are being re-scheduled in FY 2019-20.

Recap of Third Quarter FY 2018-19 Performance Metrics

The performance metrics snapshot provided at the beginning of FY 2018-19 reflects 25 planned major project delivery milestones to be accomplished, 18 of which were planned to be accomplished through the third quarter of the FY. The CAP and performance metrics have been updated to reflect both milestones achieved and missed through the third quarter of the FY (Attachment B). Fifteen of the 18 (83.3 percent) planned milestones were achieved.

FY 2018-19 Cost and Performance Metric Risk Look Ahead

There is continued risk of construction cost increases due to construction market changes. Unit cost bid pricing from the recent construction bids received for the I-5 widening from Oso Parkway to Alicia Parkway is being used to assess and update construction cost estimates for projects in the final design phase.

The construction cost estimate for the I-5 widening between State Route 73 and Oso Parkway was increased by \$9,274,000, to \$121,282,000 (8.3 percent). Advertisement for construction bids is planned in mid-2019.

The I-5 widening between Alicia Parkway and El Toro Road is also at risk for cost increase and schedule delays. The final design and cost estimates are underway and scheduled for completion in the fourth quarter of the FY. Cost risks are primarily driven by market changes. Schedule risks include obtaining final possession of required ROW for construction, and ongoing negotiations with the State of California Department of Fish and Wildlife (DFW). DFW, during review of the final design as part of the Notification of Streambed Alteration for I-5 bridge widening work over Aliso Creek, is requiring an assessment and installation of a fish passage system for southern steelhead trout, which may exist downstream of the I-5 crossing. Additional modifications to the streambed will require studies, reviews, and approvals by multiple regulating agencies.

The Placentia Metrolink Station continues to be delayed while awaiting final approvals by BNSF. BNSF approvals are required for leasing of BNSF ROW by the City of Placentia and finalization of the construction and maintenance (C&M) agreement with BNSF. BNSF and Metrolink have agreed to a 180-day path forward plan to negotiate new terms for Metrolink's shared use of BNSF-owned and operated railroad, along with new liability and indemnifications terms. In parallel, BNSF has agreed to finalize the station engineering approvals, negotiate the draft C&M agreement, and begin processing the draft lease agreement. The goal is to have all agreements between OCTA, City of Placentia, Metrolink, and BNSF ready to be executed in 180 days. Concurrently with this effort, OCTA will update the project cost estimate to reflect current market pricing and inclusion of costs being negotiated in the C&M agreement. Staff will seek OCTA Board approval of required funding revisions prior to release of an invitation for bids for construction planned now in January 2020.

Summary

Capital project delivery continues to progress and has been reflected in the CAP. The planned FY 2018-19 performance metrics created from forecast project schedules will be used as a general project delivery performance indicator. Staff will continue to manage project costs and schedules across all project phases to meet project delivery commitments and report quarterly.

Attachments

- A. Capital Action Plan, Status Through March 2019
- B. Capital Programs Division, Fiscal Year 2018-19 Performance Metrics Through March 2019

Prepared by:

















A handwritten signature in blue ink, appearing to read "James G. Beil".

James G. Beil, P.E.
Executive Director, Capital Programs
(714) 560-5646

Capital Action Plan

Status Through Mar 2019















Updated: April 18, 2019

Capital Projects	Cost	Schedule							
	Baseline/Forecast	Plan/Forecast							
	(millions)	Begin Environmental	Complete Environmental	Begin Design	Complete Design	Construction Ready	Advertise Construction	Award Contract	Complete Construction
Freeway Projects:									
 I-5, Pico to Vista Hermosa	\$113.0	Jun-09	Dec-11	Jun-11	Oct-13	Feb-14	Oct-14	Dec-14	Aug-18
Project C	\$83.0	Jun-09	Oct-11	Jun-11	Oct-13	May-14	Sep-14	Dec-14	Aug-18
 I-5, Vista Hermosa to Pacific Coast Highway	\$75.6	Jun-09	Dec-11	Jun-11	Feb-13	Jun-13	Oct-13	Dec-13	Mar-17
Project C	\$73.9	Jun-09	Oct-11	Jun-11	May-13	Aug-13	Feb-14	Jun-14	Jul-17
 I-5, Pacific Coast Highway to San Juan Creek Road	\$70.7	Jun-09	Dec-11	Jun-11	Jan-13	May-13	Aug-13	Oct-13	Sep-16
Project C Cost/Schedule Risk	\$75.5	Jun-09	Oct-11	Jun-11	Jan-13	Apr-13	Aug-13	Dec-13	Jul-18
 I-5, I-5/Ortega Interchange	\$90.9	Sep-05	Jun-09	Jan-09	Nov-11	Mar-12	Jun-12	Aug-12	Sep-15
Project D	\$75.2	Sep-05	Jun-09	Jan-09	Dec-11	Apr-12	Jun-12	Aug-12	Jan-16
 I-5, I-5/Ortega Interchange (Landscape)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project D	N/A	N/A	N/A	Jan-14	Oct-14	Feb-15	Aug-15	Sep-15	Sep-16
 I-5, SR-73 to Oso Parkway	\$151.9	Sep-11	Jun-14	Mar-15	Jan-18	May-18	Aug-18	Dec-18	Jan-24
Project C & D Cost/Schedule Risk	\$196.1	Oct-11	May-14	Mar-15	Aug-18	May-19	Aug-19	Dec-19	Feb-25
 I-5, Oso Parkway to Alicia Parkway	\$196.2	Sep-11	Jun-14	Nov-14	Jun-17	Dec-17	Feb-18	Jun-18	Feb-23
Project C & D Cost/Schedule Risk	\$203.1	Oct-11	May-14	Nov-14	Dec-17	Jun-18	Nov-18	Mar-19	Nov-23
 I-5, Alicia Parkway to El Toro Road	\$133.6	Sep-11	Jun-14	Mar-15	Jun-18	Dec-18	Jan-19	May-19	Jun-23
Project C Cost/Schedule Risk	\$164.2	Oct-11	May-14	Mar-15	Apr-19	Nov-19	Mar-20	Jun-20	Jul-24
 I-5, SR-73 to El Toro Road (Landscape)	TBD	N/A	N/A	TBD	TBD	TBD	TBD	TBD	TBD
Project C	\$12.4	N/A	N/A	Jan-22	Sep-23	Jan-24	Mar-24	Jun-24	Dec-25
 I-5, I-5/El Toro Road Interchange	TBD	Apr-17	Nov-19	TBD	TBD	TBD	TBD	TBD	TBD
Project D	TBD	Apr-17	Nov-19	TBD	TBD	TBD	TBD	TBD	TBD
 I-5, I-405 to SR-55	TBD	May-14	Aug-18	TBD	TBD	TBD	TBD	TBD	TBD
Project B	TBD	May-14	Aug-19	TBD	TBD	TBD	TBD	TBD	TBD
 I-5, SR-55 to SR-57	\$38.1	Jul-11	Jun-13	Jun-15	Mar-17	Jul-17	Sep-17	Dec-17	Apr-21
Project A	\$41.5	Jun-11	Apr-15	Jun-15	Jun-17	Dec-17	Mar-18	Nov-18	Apr-21
 SR-55, I-405 to I-5	\$410.9	Feb-11	Nov-13	Sep-17	Apr-20	Dec-20	Apr-21	Jul-21	Aug-25
Project F Cost/Schedule Risk	\$410.9	May-11	Aug-17	Sep-17	Apr-20	Dec-20	Apr-21	Jul-21	Aug-25
 SR-55, I-5 to SR-91	TBD	Dec-16	Jan-20	TBD	TBD	TBD	TBD	TBD	TBD
Project F	TBD	Dec-16	Jan-20	TBD	TBD	TBD	TBD	TBD	TBD
 SR-57 Northbound (NB), Orangewood Avenue to Katella Avenue	TBD	Apr-16	Dec-18	TBD	TBD	TBD	TBD	TBD	TBD
Project G	TBD	Apr-16	Mar-19	TBD	TBD	TBD	TBD	TBD	TBD
 SR-57 (NB), Katella Avenue to Lincoln Avenue	\$78.7	Apr-08	Jul-09	Jul-08	Nov-10	Mar-11	May-11	Aug-11	Sep-14
Project G	\$38.0	Apr-08	Nov-09	Aug-08	Dec-10	Apr-11	Jul-11	Oct-11	Apr-15

Capital Action Plan

Status Through Mar 2019

Updated: April 18, 2019

Capital Projects	Cost	Schedule							
	Baseline/Forecast	Plan/Forecast							
	(millions)	Begin Environmental	Complete Environmental	Begin Design	Complete Design	Construction Ready	Advertise Construction	Award Contract	Complete Construction
 SR-57 (NB), Katella Avenue to Lincoln Avenue (Landscape)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project G	N/A	N/A	N/A	May-09	Jul-10	Jun-17	Jul-17	Sep-17	Jun-18
 SR-57 (NB), Orangethorpe Avenue to Yorba Linda Boulevard	\$80.2	Aug-05	Dec-07	Feb-08	Dec-09	Apr-10	Jun-10	Oct-10	May-14
Project G	\$52.3	Aug-05	Dec-07	Feb-08	Jul-09	Dec-09	May-10	Oct-10	Nov-14
 SR-57 (NB), Yorba Linda Boulevard to Lambert Road	\$79.3	Aug-05	Dec-07	Feb-08	Dec-09	Apr-10	Jun-10	Oct-10	Sep-14
Project G	\$54.1	Aug-05	Dec-07	Feb-08	Jul-09	Mar-10	May-10	Oct-10	May-14
 SR-57 (NB), Orangethorpe Avenue to Lambert Road (Landscape)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project G	N/A	N/A	N/A	Oct-14	Aug-17	Dec-17	Jan-18	Feb-18	Apr-19
 SR-57 (NB), Lambert Road to Tonner Canyon	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Project G	TBD	Jul-20	Jan-23	TBD	TBD	TBD	TBD	TBD	TBD
 SR-91 Westbound (WB), I-5 to SR-57	\$78.1	Jul-07	Apr-10	Oct-09	Feb-12	Jul-12	Aug-12	Nov-12	Apr-16
Project H	\$59.2	Jul-07	Jun-10	Mar-10	Apr-12	Aug-12	Oct-12	Jan-13	Jun-16
 SR-91 Westbound (WB), I-5 to SR-57 (Landscape)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project H	N/A	N/A	N/A	Nov-14	Aug-16	Dec-16	Feb-17	Mar-17	Nov-17
 SR-91, SR-57 to SR-55	TBD	Jan-15	Oct-18	TBD	TBD	TBD	TBD	TBD	TBD
Project I	TBD	Jan-15	Jan-20	TBD	TBD	TBD	TBD	TBD	TBD
 SR-91 (WB), Tustin Interchange to SR-55	\$49.9	Jul-08	Jul-11	Jul-11	Mar-13	Jul-13	Aug-13	Oct-13	Jul-16
Project I	\$42.5	Jul-08	May-11	Jun-11	Feb-13	Apr-13	Jun-13	Oct-13	Jul-16
 SR-91, SR-55 to SR-241	\$128.4	Jul-07	Jul-09	Jun-09	Jan-11	Apr-11	Jun-11	Sep-11	Dec-12
Project J	\$79.7	Jul-07	Apr-09	Apr-09	Aug-10	Dec-10	Feb-11	May-11	Mar-13
 SR-91, SR-55 to SR-241 (Landscape)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project J	N/A	N/A	N/A	May-12	Feb-13	Apr-13	Jul-13	Oct-13	Feb-15
 SR-91 Eastbound, SR-241 to SR-71	\$104.5	Mar-05	Dec-07	Jul-07	Dec-08	Mar-09	May-09	Jul-09	Nov-10
Project J	\$57.8	Mar-05	Dec-07	Jul-07	Dec-08	May-09	Jun-09	Aug-09	Jan-11
91 Express Lanes to SR-241 Toll Connector	TBD	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	TBD	Nov-13	TBD	Dec-16	TBD	TBD	TBD	TBD	TBD
 I-405, I-5 to SR-55	TBD	Dec-14	Jul-18	TBD	TBD	TBD	TBD	TBD	TBD
Project L	TBD	Dec-14	Aug-18	TBD	TBD	TBD	TBD	TBD	TBD
 I-405, SR-55 to I-605 (Design-Build)	\$1,900.0	Mar-09	Mar-13	Mar-14	Nov-15	Feb-16	Mar-16	Nov-16	May-23
Project K	\$1,900.0	Mar-09	May-15	Mar-14	Nov-15	Feb-16	Mar-16	Nov-16	May-23
I-405/SR-22 HOV Connector	\$195.9	N/A	N/A	Sep-07	Sep-09	Mar-10	May-10	Aug-10	Aug-14
	\$120.6	N/A	N/A	Sep-07	Jun-09	Sep-09	Feb-10	Jun-10	Mar-15

Capital Action Plan

Status Through Mar 2019

Updated: April 18, 2019

Capital Projects	Cost	Schedule							
	Baseline/Forecast	Plan/Forecast							
	(millions)	Begin Environmental	Complete Environmental	Begin Design	Complete Design	Construction Ready	Advertise Construction	Award Contract	Complete Construction
I-405/I-605 HOV Connector	\$260.4	N/A	N/A	Sep-07	Sep-09	Mar-10	May-10	Oct-10	Jan-15
	\$172.6	N/A	N/A	Sep-07	Sep-09	Feb-10	May-10	Oct-10	Mar-15
I-405/SR-22/I-605 HOV Connector (Landscape)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	Jun-08	May-09	Feb-16	May-16	Jul-16	Feb-18
I-605, I-605/Katella Interchange Project M	TBD	Aug-16	Nov-18	TBD	TBD	TBD	TBD	TBD	TBD
	TBD	Aug-16	Oct-18	TBD	TBD	TBD	TBD	TBD	TBD
Grade Separation Projects:									
Sand Canyon Avenue Railroad Grade Separation Project R	\$55.6	N/A	Sep-03	Jan-04	Jul-10	Jul-10	Oct-10	Feb-11	May-14
	\$61.9	N/A	Sep-03	Jan-04	Jul-10	Jul-10	Oct-10	Feb-11	Jan-16
Raymond Avenue Railroad Grade Separation Project O	\$77.2	Feb-09	Nov-09	Mar-10	Aug-12	Nov-12	Feb-13	May-13	Aug-18
	\$125.1	Feb-09	Nov-09	Mar-10	Dec-12	Jul-13	Oct-13	Feb-14	May-18
State College Boulevard Railroad Grade Separation (Fullerton) Project O	\$73.6	Dec-08	Jan-11	Jul-06	Aug-12	Nov-12	Feb-13	May-13	May-18
	\$100.3	Dec-08	Apr-11	Jul-06	Feb-13	May-13	Sep-13	Feb-14	Mar-18
Placentia Avenue Railroad Grade Separation Project O	\$78.2	Jan-01	May-01	Jan-09	Mar-10	May-10	Mar-11	Jun-11	Nov-14
	\$64.5	Jan-01	May-01	Jan-09	Jun-10	Jan-11	Mar-11	Jul-11	Dec-14
Kraemer Boulevard Railroad Grade Separation Project O	\$70.4	Jan-01	Sep-09	Jan-09	Jul-10	Jul-10	Apr-11	Aug-11	Oct-14
	\$63.8	Jan-01	Sep-09	Feb-09	Jul-10	Jan-11	Jun-11	Sep-11	Dec-14
Orangethorpe Avenue Railroad Grade Separation Project O	\$117.4	Jan-01	Sep-09	Feb-09	Dec-11	Dec-11	Feb-12	May-12	Sep-16
	\$108.6	Jan-01	Sep-09	Feb-09	Oct-11	Apr-12	Sep-12	Jan-13	Oct-16
Tustin Avenue/Rose Drive Railroad Grade Separation Project O	\$103.0	Jan-01	Sep-09	Feb-09	Dec-11	Mar-12	May-12	Aug-12	May-16
	\$98.3	Jan-01	Sep-09	Feb-09	Jul-11	Jun-12	Oct-12	Feb-13	Oct-16
Lakeview Avenue Railroad Grade Separation Project O	\$70.2	Jan-01	Sep-09	Feb-09	Oct-11	Oct-12	Feb-13	May-13	Mar-17
	\$110.6	Jan-01	Sep-09	Feb-09	Jan-13	Apr-13	Sep-13	Nov-13	Jun-17
17th Street Railroad Grade Separation Project R	TBD	Oct-14	Jun-16	TBD	TBD	TBD	TBD	TBD	TBD
	TBD	Oct-14	Nov-17	TBD	TBD	TBD	TBD	TBD	TBD
Rail and Station Projects:									
Rail-Highway Grade Crossing Safety Enhancement Project R	\$94.4	Jan-08	Oct-08	Jan-08	Sep-08	Sep-08	Sep-08	Aug-09	Dec-11
	\$90.4	Jan-08	Oct-08	Jan-08	Sep-08	Sep-08	Sep-08	Aug-09	Dec-11
San Clemente Beach Trail Safety Enhancements Project R	\$6.0	Sep-10	Jul-11	Feb-12	Apr-12	Apr-12	Jul-12	Oct-12	Jan-14
	\$5.0	Sep-10	Jul-11	Feb-12	Jun-12	Jun-12	Oct-12	May-13	Mar-14
San Juan Capistrano Passing Siding Cost/Schedule Risk	\$25.3	Aug-11	Jan-13	Mar-15	May-16	May-16	Aug-16	Dec-16	Feb-21
	\$34.1	Aug-11	Mar-14	Mar-15	Aug-18	Aug-18	Aug-18	Mar-19	Feb-21

Capital Action Plan

Status Through Mar 2019

Updated: April 18, 2019

Capital Projects	Cost	Schedule							
	Baseline/Forecast	Plan/Forecast							
	(millions)	Begin Environmental	Complete Environmental	Begin Design	Complete Design	Construction Ready	Advertise Construction	Award Contract	Complete Construction
OC Streetcar	\$424.4	Aug-09	Mar-12	Feb-16	Sep-17	Oct-17	Dec-17	Aug-18	Dec-21
Project S Cost/Schedule Risk	\$424.4	Aug-09	Mar-15	Feb-16	Nov-17	Dec-17	Dec-17	Sep-18	Feb-22
Placentia Metrolink Station and Parking Structure	\$34.8	Jan-03	May-07	Oct-08	Jan-11	TBD	TBD	TBD	TBD
Project R Cost/Schedule Risk	\$34.8	Jan-03	May-07	Oct-08	Feb-11	Jan-20	Jan-20	May-20	Dec-21
Anaheim Canyon Station	\$27.9	Jan-16	Dec-16	Mar-19	May-19	May-19	Jul-19	Nov-19	Mar-21
	\$29.9	Jan-16	Jun-17	Mar-18	Aug-19	Aug-19	Oct-19	Feb-20	May-21
Orange Station Parking Expansion	\$33.2	Dec-09	Dec-12	Nov-10	Apr-13	Jul-16	Jul-16	Nov-16	Feb-19
	\$32.3	Dec-09	May-16	Nov-10	Apr-16	Jul-16	Jul-16	Jun-17	Feb-19
Fullerton Transportation Center - Elevator Upgrades	\$3.5	N/A	N/A	Jan-12	Dec-13	Dec-13	Jun-14	Sep-14	Mar-17
Cost/Schedule Risk	\$4.6	N/A	N/A	Jan-12	Dec-13	Dec-13	Aug-14	Apr-15	May-19
Laguna Niguel/Mission Viejo Station ADA Ramps	\$3.5	Jul-13	Jan-14	Jul-13	Aug-14	Aug-14	Sep-14	Jan-15	Apr-17
	\$5.2	Jul-13	Feb-14	Jul-13	Jul-15	Jul-15	Jul-15	Oct-15	Sep-17
Anaheim Regional Transportation Intermodal Center	\$227.4	Apr-09	Feb-11	Jun-09	Feb-12	Feb-12	May-12	Jul-12	Nov-14
Project R & T	\$232.2	Apr-09	Feb-12	Jun-09	May-12	May-12	May-12	Sep-12	Dec-14

Note: Costs associated with landscape projects are included in respective freeway projects.

Grey = Milestone achieved
Green = Forecast milestone meets or exceeds plan
Yellow = Forecast milestone is one to three months later than plan
Red = Forecast milestone is over three months later than plan

Begin Environmental: The date work on the environmental clearance, project report, or preliminary engineering phase begins.

Complete Environmental: The date environmental clearance and project approval is achieved.

Begin Design: The date final design work begins, or the date when a design-build contract begins.

Complete Design: The date final design work is 100 percent complete and approved.

Construction Ready: The date contract bid documents are ready for advertisement, including certification of right-of-way, all agreements executed, contract constraints are cleared.

Advertise for Construction: The date a construction contract is both funded and advertised for bids.

Award Contract: The date the construction contract is awarded.

Construction Complete: The date all construction work is completed and the project is open to public use.

Acronyms

- I-5 - Santa Ana Freeway (Interstate 5)
- SR-73 - San Joaquin Freeway (State Route 73)
- SR-55 - Costa Mesa Freeway (State Route 55)
- SR-57 - Orange Freeway (State Route 57)
- SR-91 - Riverside Freeway (State Route 91)
- SR-22 - Garden Grove Freeway (State Route 22)
- I-405 - San Diego Freeway (Interstate 405)
- SR-241 - Foothill/Eastern Transportation Corridor (State Route 241)
- I-605 - San Gabriel River Freeway (Interstate 605)
- SR-71 - Corona Expressway (State Route 71)
- ADA - Americans with Disabilities Act

Capital Programs Division Fiscal Year 2018-19 Performance Metrics Through March 2019

Begin Environmental

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
No "Begin Environmental" milestones scheduled for FY 2018-19									
Total Forecast/Actual	0	0	0	0	0	0	0	0	0

Complete Environmental

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
I-405, I-5 to SR-55	X	✓							
I-605/Katella Interchange			X	✓					
SR-57 (Northbound), Orangewood Avenue to Katella Avenue					X	✓			
I-5, I-405 to SR-55							X		
Total Forecast/Actual	1	1	1	1	1	1	1	0	4

Begin Design

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
No "Begin Design" milestones scheduled for FY 2018-19									
Total Forecast/Actual	0	0	0	0	0	0	0	0	0

Complete Design

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
San Juan Capistrano Passing Siding	X	✓							
I-5, SR-73 to Oso Parkway	X	✓							
I-5, Alicia Parkway to El Toro Road							X		
Anaheim Canyon Metrolink Station							X		
Total Forecast/Actual	2	2	0	0	0	0	2	0	4

Construction Ready

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
San Juan Capistrano Passing Siding	X	✓							
Placentia Metrolink Station and Parking Structure					X				
Anaheim Canyon Metrolink Station							X		
I-5, SR-73 to Oso Parkway							X		
Total Forecast/Actual	1	1	0	0	1	0	2	0	4

Advertise Construction

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
San Juan Capistrano Passing Siding	X	✓							
I-5, Oso Parkway to Alicia Parkway			X	✓					
Placentia Metrolink Station and Parking Structure					X				
Total Forecast/Actual	1	1	1	1	1	0	0	0	3

Capital Programs Division Fiscal Year 2018-19 Performance Metrics Through March 2019

Award Contract

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
OC Streetcar	X	✔							
I-5, SR-55 to SR-57			X	✔					
I-5, Oso Parkway to Alicia Parkway					X	✔			
San Juan Capistrano Passing Siding					X	✔			
Placentia Metrolink Station and Parking Structure							X		
Total Forecast/Actual	1	1	1	1	2	2	1	0	5

Complete Construction

Project Description	FY 19 Qtr 1		FY 19 Qtr 2		FY 19 Qtr 3		FY 19 Qtr 4		FY 19
	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst	Actual	Fcst
I-5, Pico to Vista Hermosa	X	✔							
I-5, Pacific Coast Highway to San Juan Creek Road	X	✔							
Fullerton Transportation Center Elevator Upgrades			X						
Orange Metrolink Station Parking Structure					X	✔			
SR-57 (Northbound), Orangethorpe Avenue to Lambert Road Landscape							X		
Total Forecast/Actual	2	2	1	0	1	1	1	0	5

Totals	8	8	4	3	6	4	7	0	25
--------	---	---	---	---	---	---	---	---	----

Begin Environmental: The date work on the environmental clearance, project report, or preliminary engineering phase begins.

Complete Environmental: The date environmental clearance and project approval is achieved.

Begin Design: The date final design work begins or the date when a design-build contract begins.

Complete Design: The date final design work is 100 percent complete and approved.

Construction Ready: The date contract bid documents are ready for advertisement, right-of-way certified, all agreements executed, and contract constraints are cleared.

Advertise for Construction: The date a construction contract is both funded and advertised for bids.

Award Contract: The date the construction contract is awarded.

Construction Complete: The date all construction work is completed and the project is open to public use.

Acronyms

I-5 - Santa Ana Freeway (Interstate 5)

SR-73 - San Joaquin Freeway (State Route 73)

SR-55 - Costa Mesa Freeway (State Route 55)

SR-57 - Orange Freeway (State Route 57)

I-605 - San Gabriel River Freeway (Interstate 605)

I-405 - San Diego Freeway (Interstate 405)

X = milestone forecast in quarter

✔ = milestone accomplished in quarter



May 6, 2019

To: Executive Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Measure M2 Eligibility for the City of Stanton

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is positioned to the right of the "From:" line.

Overview

The Orange County Transportation Authority's Internal Auditor recently prepared an audit of the City of Stanton for fiscal year 2017-18. The audit concluded that the City of Stanton did not expend sufficient discretionary funds on streets and road purposes to meet the Measure M2 Ordinance maintenance of effort requirement. Based on this information, recommendations are presented related to compliance with the Measure M2 Ordinance.

Recommendations

- A. Find the City of Stanton ineligible to receive net Measure M2 revenues.
- B. Suspend payments to the City of Stanton of net Measure M2 revenues until the City of Stanton can demonstrate compliance with Measure M2 eligibility requirements and the Board of Directors acts to find the City of Stanton an "eligible agency."
- C. Authorize the Chief Executive Officer to execute Amendment No. 5 to Contract No. C-5-3564 with Vavrinek, Trine, Day and Company, LLP to revise the scope of work, add an additional task to apply agreed-upon procedures to assess compliance with maintenance of effort expenditure requirements, extend the agreement through June 30, 2020, and authorize staff to deduct fiscal year 2018-19 audit costs from any future net Measure M2 payments to the City of Stanton.
- D. Increase the City of Stanton's maintenance of effort requirement for fiscal year 2018-19 by the amount of expenditures that were not met as identified in the fiscal year 2017-18 audit.
- E. Authorize the Chief Executive Officer to negotiate and execute a settlement agreement with the City of Stanton to correct and remedy the fiscal year 2017-18 audit issues.

Background

The Measure M2 (M2) Ordinance outlines eligibility requirements that each local agency must continually satisfy to receive net revenues from the M2 Program, including local fair share, the Senior Mobility Program, and awards through competitive programs. One of the requirements is that a local agency must continue to invest a certain level of discretionary revenues, such as general funds that support street and road activities, to be deemed eligible for any M2 funding. This requirement is rooted in the California Public Utilities Code (PUC) 180001 that enables local transportation authorities to seek voter approval for sales tax measures. The PUC states the intent of the legislature is that funds generated through a sales tax ordinance “shall supplement existing local revenues used for public transportation purposes and that local governments maintain their existing commitment of local funds for transportation purposes” (PUC 180200).

In the eligibility process, this requirement is referred to as the maintenance of effort (MOE) requirement and was also included in the original Measure M Program. Each jurisdiction is required to maintain a minimum level of local streets and roads discretionary expenditures. The minimum level was based on the average of general fund expenditures for local street maintenance and construction over the period of fiscal year (FY) 1985-86 through FY 1989-90. M2 used a similar benchmark and requires the amount to be adjusted for inflation every three years commensurate with overall growth of the local agency’s general fund revenues.

The local agency demonstrates its commitment to comply with the required MOE through budgeting the appropriate level of discretionary funding as part of the local agency budget process and providing the Orange County Transportation Authority (OCTA) with an expenditure report to validate the commitment at the end of the budget year.

In the 29 years of combined experience of administering the original Measure M and now M2 programs, OCTA has never had an instance in which it had to find a local jurisdiction ineligible to receive net Measure M revenues due to failure to meet the MOE requirement.

The OCTA Board of Directors (Board) makes a determination of eligibility annually based on the information that is provided by each jurisdiction and with support from the Taxpayer Oversight Committee (TOC), which is also charged with reviewing certain submittals. Following the annual eligibility cycle, the TOC directs the internal auditor to carry out audits to confirm that funds have been

spent in accordance with the M2 Ordinance and that each jurisdiction had sufficient expenditures to meet the previously self-certified MOE requirement. Every year, OCTA's Finance and Administration, Internal Audit, and Planning staff, as well as the TOC, have cautioned local agencies that budgeting at or just above the required MOE amount may put the agency's M2 funds at risk if they end up not meeting the requirement due to disallowed costs.

At the direction of the TOC, the OCTA Internal Auditor prepared an audit that was presented to the Board on April 8, 2019, which indicated that the City of Stanton (City) did not have sufficient expenditures for FY 2017-18 to meet its MOE requirement (Attachment A). This will impact the City's eligibility determination and the disbursement of net Measure M revenues to the City. It should be noted that the City has provided a response to the audit that is also included in Attachment A.

Discussion

In May 2017, the City provided the required MOE certification that stated it budgeted sufficient expenditures for FY 2017-18, consistent with the following requirement:

“The Authority shall not allocate any net revenues to any jurisdiction for any fiscal year until that jurisdiction has certified to the Authority that it has included in its budget for that fiscal year an amount of local discretionary funds for streets and roads purposes, at least equal to the level of its maintenance of effort requirement.”

The City met this MOE requirement based on the submittal and self-certification. The next submittal required from the City related to MOE and eligibility was the expenditure report, which was approved by the City Council through a resolution and submitted to OCTA on October 23, 2018. The City was required to spend \$245,103 using discretionary revenues toward streets and roads-related costs. According to the expenditure plan that was submitted, the City spent \$246,244 to meet this requirement.

However, the audit has determined that the City did not meet the MOE that was reported in its annual expenditure report for FY 2017-18 because several of the expenditures included do not qualify as satisfying MOE requirements (i.e., streets and roads purposes). After deducting these non-transportation expenditures, the City did not meet the MOE requirement for FY 2017-18. However, the City responded that an additional \$13,483 of general fund transportation-related expenditures could be counted toward the MOE requirement. The City also stated that another \$25,000 in transportation

expenditures in another fund could be transferred to the general fund. Alternatively, the City suggested overspending MOE in the future to make up for the underrun in FY 2017-18 MOE expenditures. On April 15, 2019, staff met with the City of Stanton to review the City's audit response, as well as any potential follow-up items. Based on the discussion at the meeting, staff believes the audit findings should remain unchanged.

Under this circumstance, the following M2 Ordinance requirement applies:

“A determination of non-eligibility of a jurisdiction shall be made only after a hearing has been conducted and a determination has been made by the Authority's Board of Directors that the jurisdiction is not an eligible jurisdiction.”

Because the audit determined that the City did not meet the MOE requirement, and in order to be consistent with the requirements of the M2 Ordinance and comply with the intent of the authorizing state statute, it is recommended that the Board find the City ineligible to receive Measure M revenues. Specific recommendations include:

- Find the City ineligible to receive net M2 revenues;
- Suspend payments to the City of net M2 revenues;
- Deduct FY 2018-19 audit costs from any future net M2 payments to the City;
- Increase the City's MOE requirement for FY 2018-19 by the amount of expenditures that were not met as identified in the FY 2017-18 audit; and
- Execute a settlement agreement with the City to correct and remedy the audit issues.

Based on these recommendations, net M2 payments would be suspended until such time that the City has re-established eligibility. These funds will be held in reserve for the City. The City will be required to demonstrate through a future OCTA audit of financial reports, (the audit would be paid for by the City), that it has met the MOE required for FY 2018-19, plus made up for the underrun in MOE expenditures from FY 2017-18. As the M2 Ordinance and eligibility guidelines do not include precise terms and conditions related to re-establishing eligibility, OCTA would execute an agreement with the City that further details specific requirements and timeframes. The City has indicated in its response to the audit, which is provided in Attachment A, that it is willing to work with OCTA on a remedy.

Summary

A recent audit indicated that the City of Stanton did not meet Measure M2 eligibility requirements. Recommendations are presented in response to the audit, consistent with the intent of the Measure M2 Ordinance.

Attachment

- A. Vavrinek, Trine, Day & Co., LLP, Certified Public Accounts, Independent Accountants' Report on Applying Agreed-Upon Procedures - City of Stanton

Prepared by:



Adriann Cardoso
Department Manager, Capital
Programming
(714) 560-5915

Approved by:



Kia Mortazavi
Executive Director, Planning
(714) 560-5741



VAVRINEK, TRINE, DAY & CO., LLP

Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF STANTON**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Stanton's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$245,213 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101) under the Street Maintenance Department. No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were \$246,244 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$246,244 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$115,170, representing approximately 47% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified five expenditures, totaling \$8,593 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, the City did not meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for inspection. We inspected the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$25,168 as indirect costs. Indirect MOE expenditures tested totaled \$12,584. No exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$1,471,623 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2017/2018	Local Fair Share (M2)	\$ 499,681
2016/2017	Local Fair Share (M2)	\$ 175,576

We agreed the fund balance of \$675,257 to the City’s Expenditure Report (Schedule 1, line 20), with no differences. No exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City’s Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 220, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were \$1,279,188 (see Schedule A), which agrees to the City’s Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$1,020,348 representing approximately 80% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges, and described the dollar amount tested. We identified the amounts charged and inspected supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

10. We obtained and inspected the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavinich, Trin, Dog Co, LLP

Laguna Hills, California
March 12, 2019

CITY OF STANTON, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:	
Other Street Purpose Maintenance - Schedule 3, line 15	\$ 221,076
Indirect and/or Overhead - Schedule 3, line 1	<u>25,168</u>
Total MOE Expenditures	<u>246,244</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

Rutledge & Palais Alley Improvement Project (Citywide Pavement Rehabilitation)	807,596
Western Ave. & Thunderbid Traffic Signal Project (Traffic Signal Improvements)	321,082
Maintenance - Various Street Repairs (Citywide Sluury Seal / Citywide Sidewalk Repair)	<u>150,510</u>
Total Measure M2 Local Fair Share Expenditures	<u>1,279,188</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 1,525,432</u>

Note:

The above amounts were taken directly from the financial records of the City of Stanton and were not audited.



March 12, 2019

David J. Shawver
Mayor

Rigoberto A. Ramirez
Council Member

Carol Warren
Council Member

Gary Taylor
Council Member

Robert W. Hall
Interim City Manager

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Stanton as of and for the fiscal year ended June 30, 2018.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings:

MOE expenditures tested totaled \$115,170, representing approximately 47% of total MOE expenditures for the fiscal year ended June 30, 2018. We identified five expenditures, totaling \$8,593 that were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, the City did not meet the minimum MOE requirement.

City's Response:

The City has identified additional General Fund local street and road expenditures in the amount of \$13,482.89. These expenditures were not recorded as MOE expenditures; however we believe the identified expenditures qualify as local street and road-related, and the total exceeds the identified disallowed costs. We also have over \$25,000 in local street and road expenditures charged to a Lighting and Landscaping District Fund in excess of our shortage that could be transferred if necessary. Alternatively, the City would be willing to transfer from the General Fund or overspend our MOE next year. We are willing to do whatever it takes to be in compliance of our MOE requirement.

The City has already made revisions to internal controls to ensure that this situation will not occur again. Additional controls implemented include:

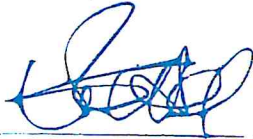
- a) An additional review to ensure all General Fund street maintenance-related expenditures are accurately classified.
- b) A mid-year review of expenditures charged to our Street Maintenance division.

7800 Katella Avenue
Stanton, CA 90680
Phone (714) 379-9222
Fax (714) 890-1443
www.ci.stanton.ca.us

- c) A year-end review to ensure that expenditures charged are appropriate and that the MOE has been met, with the back-up of re-allocating funds charged to our Lighting and Landscaping District Fund if our MOE has not been met.
- d) On top of the additional procedures, we will be budgeting a minimum of 10% cushion between the minimum MOE requirement and the City's local street and road expenditure budget.

As a result of the above internal control changes, we are confident that the City will meet the minimum MOE requirements in the future, and would be willing to comply with another audit next year or one in the next few years to verify that these controls protect against falling short of our MOE requirement.

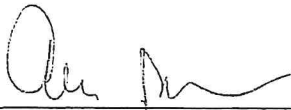
Sincerely,



Title: Interim City Manager




Title: Assistant City Manager
(Director of Finance)



Title: Public Works Director



May 6, 2019

To: Executive Committee
From: Darrell E. Johnson, Chief Executive Officer 
Subject: Measure M2 Eligibility for the City of Santa Ana

Overview

The Orange County Transportation Authority's Internal Auditor recently prepared an audit of the City of Santa Ana for fiscal year 2017-18. The audit concluded that the City of Santa Ana did not expend sufficient discretionary funds on streets and road purposes to meet the Measure M2 Ordinance maintenance of effort requirement. Based on this information, recommendations are presented related to compliance with the Measure M2 Ordinance.

Recommendations

- A. Find the City of Santa Ana ineligible to receive net Measure M2 revenues.
- B. Suspend payments to the City of Santa Ana of net Measure M2 revenues until the City of Santa Ana can demonstrate compliance with Measure M2 eligibility requirements and the Board of Directors acts to find the City of Santa Ana an "eligible agency."
- C. Authorize the Chief Executive Officer to execute Amendment No. 5 to Contract No. C-5-3564 with Vavrinek, Trine, Day and Company, LLP to revise the scope of work, add an additional task to apply agreed-upon procedures to assess compliance with maintenance of effort expenditure requirements, extend the agreement through June 30, 2020, and authorize staff to deduct fiscal year 2018-19 audit costs from any future net Measure M2 payments to the City of Santa Ana.
- D. Increase the City of Santa Ana's maintenance of effort requirement for fiscal year 2018-19 by the amount of expenditures that were not met as identified in the fiscal year 2017-18 audit.
- E. Authorize the Chief Executive Officer to negotiate and execute a settlement agreement with the City of Santa Ana to correct and remedy the fiscal year 2017-18 audit issues.

Background

The Measure M2 (M2) Ordinance outlines eligibility requirements that each local agency must continually satisfy to receive net revenues from the M2 Program, including local fair share, the Senior Mobility Program, and awards through competitive programs. One of the requirements is that a local agency must continue to invest a certain level of discretionary revenues, such as general funds that support street and road activities, to be deemed eligible for any M2 funding. This requirement is rooted in the California Public Utilities Code (PUC) 180001 that enables local transportation authorities to seek voter approval for sales tax measures. The PUC states the intent of the legislature is that funds generated through a sales tax ordinance “shall supplement existing local revenues used for public transportation purposes and that local governments maintain their existing commitment of local funds for transportation purposes” (PUC 180200).

In the eligibility process, this requirement is referred to as the maintenance of effort (MOE) requirement and was also included in the original Measure M Program. Each jurisdiction is required to maintain a minimum level of local streets and roads discretionary expenditures. The minimum level was based on the average of general fund expenditures for local street maintenance and construction over the period of fiscal year (FY) 1985-86 through FY 1989-90. M2 used a similar benchmark and requires the amount to be adjusted for inflation every three years commensurate with overall growth of the local agency’s general fund revenues.

The local agency demonstrates its commitment to comply with the required MOE through budgeting the appropriate level of discretionary funding as part of the local agency budget process and providing the Orange County Transportation Authority (OCTA) with an expenditure report to validate the commitment at the end of the budget year.

In the 29 years of combined experience of administering the original Measure M and now M2 programs, OCTA has never had an instance in which it had to find a local jurisdiction ineligible to receive net Measure M revenues due to failure to meet the MOE requirement.

The OCTA Board of Directors (Board) makes a determination of eligibility annually based on the information that is provided by each jurisdiction and with support from the Taxpayer Oversight Committee (TOC), which is also charged with reviewing certain submittals. Following the annual eligibility cycle, the TOC directs the internal auditor to carry out audits to confirm that funds have been spent in accordance with the M2 Ordinance and that each jurisdiction had sufficient expenditures to meet the previously self-certified MOE requirement.

Every year, OCTA's Finance and Administration, Internal Audit, and Planning staff, as well as the TOC, have cautioned local agencies that budgeting at or just above the required MOE amount may put the agency's M2 funds at risk if they end up not meeting the requirement due to disallowed costs.

At the direction of the TOC, the OCTA Internal Auditor prepared an audit that was presented to the Board on April 8, 2019, which indicated that the City of Santa Ana (City) did not have sufficient expenditures for FY 2017-18 to meet its MOE requirement (Attachment A). This will impact the City's eligibility determination and the disbursement of net Measure M revenues to the City. It should be noted that the City has provided a response to the audit that is also included in Attachment A.

Discussion

In June 2017, the City provided the required MOE certification that stated it budgeted sufficient expenditures for FY 2017-18, consistent with the following requirement:

“The Authority shall not allocate any net revenues to any jurisdiction for any fiscal year until that jurisdiction has certified to the Authority that it has included in its budget for that fiscal year an amount of local discretionary funds for streets and roads purposes, at least equal to the level of its maintenance of effort requirement.”

The City met this MOE requirement based on the submittal and self-certification. The next submittal required from the City related to MOE and eligibility was the expenditure report, which was submitted to OCTA on November 29, 2018, and was formally approved by the City Council through a resolution on December 18, 2018. The City was required to spend \$7,755,107 using discretionary revenues toward streets and roads-related costs. According to the expenditure plan that was submitted, the City spent \$8,207,411 to meet this requirement.

However, the audit could not verify the indirect cost methodology for ten transactions, totaling \$715,626, to confirm that those costs are eligible MOE expenditures. The City, in its response to the audit, agreed that it could not produce the original allocation methodology that is being applied and has indicated it will engage a third party to implement updated internal service charges. After deducting these unverifiable expenditures, the City did not meet the MOE requirement for FY 2017-18. The City responded that it has graffiti abatement charges, which were not submitted toward the MOE requirement, and believes they would be eligible to meet the MOE obligation. On April 15, 2019, staff met with the City to review the City's audit response, as well as any potential follow-up items. Based on the discussion at the meeting, staff believes the audit findings should remain unchanged.

Under this circumstance, the following M2 Ordinance requirement applies:

“A determination of non-eligibility of a jurisdiction shall be made only after a hearing has been conducted and a determination has been made by the Authority’s Board of Directors that the jurisdiction is not an eligible jurisdiction.”

Because the audit determined that the City did not provide sufficient verifiable expenditures in its expenditure report to meet the MOE requirement, and in order to be consistent with the requirements of the M2 Ordinance and comply with the intent of the authorizing state statute, it is recommended that the Board find the City ineligible to receive Measure M revenues. Specific recommendations include:

- Find the City ineligible to receive net M2 revenues;
- Suspend payments to the City of net M2 revenues;
- Deduct FY 2018-19 audit costs from any future net M2 payments to the City;
- Increase the City’s MOE requirement for FY 2018-19 by the amount that the City fell short in meeting the required MOE for FY 2017-18, as identified in the FY 2017-18 audit; and
- Execute a settlement agreement with the City to correct and remedy the audit issues.

Based on these recommendations, net M2 payments would be suspended until such time that the City has re-established eligibility. These funds will be held in reserve for the City. The City will be required to demonstrate through a future OCTA audit of financial reports, (the audit would be paid for by the City), that it has met the MOE required for FY 2018-19, plus made up for the underrun in MOE expenditures from FY 2017-18. As the M2 Ordinance and eligibility guidelines do not include precise terms and conditions related to re-establishing eligibility, OCTA would execute an agreement with the City that further details specific requirements and timeframes.

Summary

A recent audit indicated that the City of Santa Ana did not meet Measure M2 eligibility requirements. Recommendations are presented in response to the audit, consistent with the intent of the Measure M2 Ordinance.

Attachment

- A. Vavrinek, Trine, Day & Co., LLP, Certified Public Accounts, Independent Accountants' Report on Applying Agreed-Upon Procedures - City of Santa Ana

Prepared by:



Adriann Cardoso
Department Manager,
Capital Programming
(714) 560-5915

Approved by:



Kia Mortazavi
Executive Director, Planning
(714) 560-5741



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY SANTA ANA**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Santa Ana's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2018. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$7,755,107 in MOE expenditures during the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

2. We described which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund under the Street Light Maintenance Accounting Unit (01117630), Roadway Markings/Signs Accounting Unit (01117625), Roadway Cleaning Accounting Unit (06817641), and Street Signs Accounting Unit (06817643). No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2018 were \$8,207,411 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$8,207,411 to the amount reported on the City's Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$2,507,830, representing approximately 31% of total MOE expenditures for the fiscal year ended June 30, 2018. We were unable to verify the indirect cost methodology for 10 transactions totaling \$715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. If MOE expenditures of \$715,626 were removed, the City would not meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for inspection. We inspected the supporting documentation for reasonableness and appropriate methodology.

Findings: Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussion with City’s accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in other lines of the City’s Expenditure Report totaling \$1,546,764 for the fiscal year ending June 30, 2018. Indirect MOE expenditures tested totaled \$1,456,821. Similar to procedure 4 above, we were unable to verify the indirect cost methodology for 10 transactions totaling \$715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. No other exceptions were found as a result of this procedure.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$13,785,292 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2017/2018	Local Fair Share (M2)	\$ 4,726,596
2016/2017	Local Fair Share (M2)	\$ 4,619,182
2015/2016	Local Fair Share (M2)	\$ 270,073

We agreed the fund balance of \$9,615,851 compared to the City’s Expenditure Report (Schedule 1, line 20) of \$9,747,041, identifying a difference of \$131,190. No other exceptions were found as a result of this procedure.

7. We described which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4), explaining any differences.

Findings: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 32, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2018 were \$6,578,954 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: Measure M2 Local Fair Share expenditures tested totaled \$4,723,797 representing approximately 72% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. No exceptions were found as a result of this procedure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges, and described the dollar amount tested. We identified the amounts charged and inspected supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, \$571,578 of indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2018. M2 expenditures under Schedule 3, Line 1 tested totaled \$101,600. No exceptions were found as a result of this procedure.

10. We obtained and inspected the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.


11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Findings: We inspected the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.


Laguna Hills, California
March 13, 2019

CITY OF SANTA ANA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2018
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Lights & Traffic Signals - Schedule 3, line 13	\$ 2,485,446
Other Street Purpose Maintenance - Schedule 3, line 15	<u>5,721,965</u>
Total MOE Expenditures	<u>8,207,411</u>

Measure M2 Local Fair Share Expenditures (Schedule 4):

Alley Improvement Program (FY 14/15 - 17/18)	299,095
Bike Lane Project Development (FY 14 & FY 18)	39,625
Bristol Street Corridor Traffic Synchronization	20,948
Bristol Street Protected Lane Edinger - 1st	21,686
Citywide Bike Racks and SARTC Bicycle Center	1,631
Crosswalk Upgrades - Phase II	1,409
Fairview St: Segerstrom to NCL (Arterial Street Preventative Maintenance)	724,941
First Street Bike Lane - Newhope to Harbor	25,629
Arterial Street Preventative Maintenance	489,726
Grand/Glassel/Kraemer Corridor Traffic Signal Synchronization	11,581
Harbor Boulevard Corridor Traffic Signal Synchronization	12,024
Heninger Elementary Safe Routes to School	41,243
Local Street Preventive Maintenance FY 17/18	1,048,554
Pavement Management (FY16-17 -17/18)	307,293
Pedestrian Countdown and ADA Upgrade (Count Down Pedestrian Heads - Citywide)	(1,483)
Project Development FY 17/18	144,129
Right-of-Way Management FY17/18	91,849
Traffic Management Plans FY 16/17 - 17/18	28,307
Traffic Signal Modifications at 4 Intersections*	16,029
Warner Industrial Community Pavement Improvements	2,763,420
Warner Avenue Rehabilitation: WCL at Santa Ana River to Grand (Arterial Street Preventative Maintenance)	452,061
Westminster Avenue/17th Street Corridor Traffic Signal Synchronization	9,929
Westminster Avenue Rehabilitation: Clinton to Fairview	23,541
Westminster Avenue Rehabilitation: Harbor to Clinton	<u>5,787</u>
Total Measure M2 Local Fair Share Expenditures	<u>6,578,954</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 14,786,365</u>

Note:

The above amounts were taken directly from the financial records of the City of Santa Ana and were not audited.

* This includes 4 separate CIP projects including
 17th Street at English Street - Traffic Signal Modification
 Edinger Avenue at Sullivan Street - Traffic Signal Modification
 MacArthur Boulevard at Plaza Drive - Traffic Signal Modification
 Westminster Avenue at Clinton Street - Traffic Signal Modification

MAYOR
Miguel A. Pulido
MAYOR PRO TEM
Juan Villegas
COUNCILMEMBERS
Cecilia Iglesias
David Penaloza
Vacant
Vicente Sarmiento
Jose Solorio



ACTING CITY MANAGER
Steven A. Mendoza
CITY ATTORNEY
Sonia R. Carvalho
ACTING CLERK OF THE COUNCIL
Norma Mitre-Ramirez

EXHIBIT 1

CITY OF SANTA ANA

20 Civic Center Plaza • P.O. Box 1988
Santa Ana, California 92702
www.santa-ana.org

March 13, 2019

Vavrinek, Trine, Day & Co., LLP
25231 Paseo De Alicia, Suite 100
Laguna Hills, California 92653

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Santa Ana as of and for the fiscal year ended June 30, 2018.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail, and described the percentage of total expenditures selected for testing. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings:

MOE expenditures tested totaled \$2,507,830, representing approximately 31% of total MOE expenditures for the fiscal year ended June 30, 2018. We were unable to verify the indirect cost methodology for 10 transactions totaling \$715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. If MOE expenditures of \$715,626 were removed, the City would not meet the minimum MOE requirement.

City's Response:

The \$715,626 represents Internal Service Fund charges allocated to the Public Works Agency programs identified in the MOE Calculation Report. The allocation methodology was developed based on the City's review of services provided by each Internal Service Fund and associated costs. These charges have been adjusted incrementally each year to reflect changes in the total cost to provide services and approved by the City Council through the annual budget process. However, due to staff changes and records retention, the City is unable to locate supporting documentation for the initial allocation methodology. The City will be engaging a third party to develop and implement updated internal service charges.

SANTA ANA CITY COUNCIL

Miguel A. Pulido
Mayor
mpulido@santa-ana.org

Juan Villegas
Mayor Pro Tem, Ward 5
jvillegas@santa-ana.org

Vicente Sarmiento
Ward 1
vsarmiento@santa-ana.org

David Penaloza
Ward 2
dpenaloza@santa-ana.org

Jose Solorio
Ward 3
jsolorio@santa-ana.org

Vacant
Ward 4

Cecilia Iglesias
Ward 6
ciglesias@santa-ana.org

Subsequent to filing the fiscal year 2017-18 MOE Calculation Report, the City became aware that expenditures related to its graffiti abatement program were erroneously excluded from the report. OCTA had previously confirmed that the graffiti abatement expenditures were eligible for MOE calculations. The total expenditures related to the graffiti abatement program for the fiscal year ended June 30, 2018 was \$1,161,335. The addition of the graffiti abatement expenditures would reflect the City’s continued compliance in meeting and/or exceeding the minimum MOE requirements.

Procedure #5

We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction’s Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for inspection. We inspected the supporting documentation for reasonableness and appropriate methodology.

Findings:

Based on inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussion with City’s accounting personnel and inspection of the general ledger expenditure detail, we identified indirect costs charged as M2 expenditures in other lines of the City’s Expenditure Report totaling \$1,546,764 for the fiscal year ending June 30, 2018. Indirect MOE expenditures tested totaled \$1,456,821. Similar to procedure 4 above, we were unable to verify the indirect cost methodology for 10 transactions totaling \$715,626. The City was unable to provide evidence of a documented allocation methodology to support the allocation of the charges. No other exceptions were found as a result of this procedure.

City’s Response:

The City reviewed and verified the indirect costs identified by the auditors. The City will report indirect costs on M2 Expenditures Report Schedule 3, line 1, effective fiscal year 2018-19. As discussed in the City’s response to the finding noted under Procedure #4 above, the addition of the graffiti abatement expenditures would reflect the City’s continued compliance in meeting and/or exceeding the minimum MOE requirements.

Procedure #6

We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2018, agreed to the balance as listed on the City’s Expenditure Report (Schedule 1, line 20), and determined whether funds were expended within three years of receipt, explaining any differences.

Findings:

The City received \$13,785,292 for the past three fiscal years ended June 30, 2016, 2017 and 2018. The remaining fund balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Fund Balance</u>
2017/2018	Local Fair Share (M2)	\$ 4,726,596
2016/2017	Local Fair Share (M2)	\$ 4,619,182
2015/2016	Local Fair Share (M2)	\$ 270,073

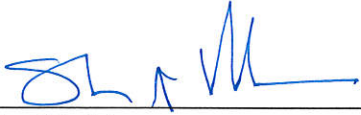
SANTA ANA CITY COUNCIL

We agreed the fund balance of \$9,615,851 to the City's Expenditure Report (Schedule 1, line 20), identifying a difference of \$131,190. No other exceptions were found as a result of this procedure.

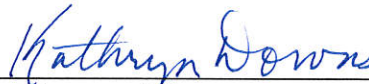
City's Response:

The fund balance of \$9,615,851 did not include \$220,775 of interest allocation reported on Schedule 1, line 20 of the M2 Expenditures Report. Therefore, the fund balance should have been \$9,836,626, which results in a difference of \$89,585. The difference was an unidentified variance carried over from prior fiscal years. Due to staff changes and records retention, the City was unable to find supporting documentation for the variance. During upcoming fiscal years, the City will continue to review and improve internal procedures to ensure accurate financial reporting.

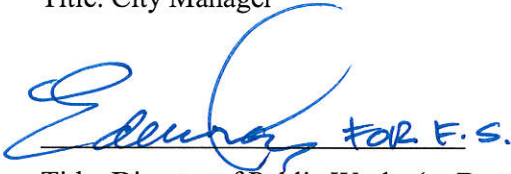
Sincerely,



Title: City Manager



Title: Director of Finance



Title: Director of Public Works (or Department that oversees Measure M-Local Fair Share)

SANTA ANA CITY COUNCIL