



# **AGENDA**

## ***Finance and Administration Committee Meeting***

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### **Committee Members**

Michael Hennessey, Chairman  
Richard Murphy, Vice Chairman  
Andrew Do  
Gene Hernandez  
Steve Jones  
Joe Muller  
Michelle Steel

Orange County Transportation Authority  
Headquarters  
Conference Room 07  
550 South Main Street  
Orange, California

**Wednesday, April 22, 2020 at 10:30 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](http://www.octa.net) or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

### **Guidance for Public Access to the Board of Directors/Committee Meeting**

On March 12, 2020 and March 18, 2020, Governor Gavin Newsom enacted Executive Orders N-25-20 and N-29-20 authorizing a local legislative body to hold public meetings via teleconferencing and make public meetings accessible telephonically or electronically to all members of the public to promote social distancing due to the state and local State of Emergency resulting from the threat of Novel Coronavirus (COVID-19).

In accordance with Executive Order N-29-20, and in order to ensure the safety of the Orange County Transportation Authority (OCTA) Board of Directors (Board) and staff and for the purposes of limiting the risk of COVID-19, in-person public participation at public meetings of the OCTA will not be allowed during the time period covered by the above-referenced Executive Orders.

Instead, members of the public can listen to AUDIO live streaming of the Board and Committee meetings by clicking the below link:

<http://www.octa.net/About-OCTA/Who-We-Are/Board-of-Directors/Live-and-Archived-Audio/>



## **Guidance for Public Access to the Board of Directors/Committee Meeting (Continued)**

Public comments may be submitted for the upcoming Board and Committee meetings by emailing them to [boardofdirectors@octa.net](mailto:boardofdirectors@octa.net)

If you wish to comment on a specific agenda Item, please identify the Item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

In order to ensure that staff has the ability to provide comments to the Board Members in a timely manner, please submit your public comments 30 minutes prior to the start time of the Board and Committee meeting date.



**Call to Order**

**Roll Call**

**Pledge of Allegiance**

Committee Chairman Hennessey

**1. Public Comments**

**Special Calendar**

**2. Metrolink Update: Performance Overview, COVID-19 Response, Budget Development**

Jennifer L. Bergener

Metrolink staff will present a verbal overview of ridership, service performance, and the impact and response to COVID-19 on operation and development of the Southern California Regional Rail Authority Fiscal Year 2020-21 Budget.

**Consent Calendar (Items 3 through 8)**

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.

**3. Approval of Minutes**

Approval of the minutes of the Finance and Administration Committee meeting of April 8, 2020.

**4. Fiscal Year 2019-20 Internal Audit Plan, Third Quarter Update**

Janet Sutter

**Overview**

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan on August 12, 2019. This report provides an update for the third quarter of the fiscal year 2019-20.



**4. (Continued)**

**Recommendation**

Receive and file the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan, Third Quarter Update.

**5. Approval of the Fiscal Year 2020-21 Local Transportation Fund Claim for Public Transportation and Community Transit Services**

Sam Kaur/Andrew Oftelie

**Overview**

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation and community transit services throughout Orange County. To receive the funds, the Orange County Transit District must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

**Recommendations**

- A. Approve the Orange County Transit District Fiscal Year 2020-21 Local Transportation Fund Claim for public transportation services in the amount of \$165,118,625, and for community transit services in the amount of \$8,753,906, for a total claim amount of \$173,872,531.
- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

**6. Approval of the Fiscal Year 2020-21 Local Transportation Fund Claim for Laguna Beach Public Transportation Services**

Sam Kaur/Andrew Oftelie

**Overview**

The Laguna Beach Municipal Transit Lines, a department within the City of Laguna Beach, is eligible to receive funding from the Local Transportation Fund in Orange County for providing public transportation services throughout the city. To receive the funds, the Laguna Beach Municipal Transit Lines must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.





**6. (Continued)**

**Recommendations**

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2020-21 Local Transportation Fund Claim for public transportation services in the amount of \$1,205,587.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

**7. Third Quarter Fiscal Year 2019-20 Procurement Status Report**

Virginia Abadessa/Andrew Oftelie

**Overview**

The third quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from January 1 through March 31, 2020, that were approved by the Board of Directors during this period. The third quarter procurement status report also projects future procurement activity for the fourth quarter as identified in the fiscal year 2019-20 budget.

**Recommendation**

Receive and file as an information item.

**8. Cooperative Agreement with the Riverside County Transportation Commission for the State Route 91 Corridor Operations Project**

Kirk Avila/Darrell E. Johnson

**Overview**

The Orange County Transportation Authority proposes to enter into a cooperative agreement with the Riverside County Transportation Commission to define the roles, responsibilities, and funding obligations for the construction of the State Route 91 Corridor Operations Project between the Green River on-ramp and southbound State Route 241 toll road.



**8. (Continued)**

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Cooperative Agreement No. C-0-2227, to define roles and responsibilities between the Orange County Transportation Authority and the Riverside County Transportation Commission, in the amount of \$15,000,000, for the construction of the State Route 91 Corridor Operations Project between the Green River on-ramp and southbound State Route 241 toll road.

**Regular Calendar**

**9. Orange County Transportation Authority Investment and Debt Programs Report - March 2020**

Robert Davis/Andrew Oftelie

**Overview**

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending March 31, 2020. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

**Recommendation**

Receive and file as an information item.



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**10. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2019**

Janet Sutter

**Overview**

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Local Fair Share funds provided to nine cities and the County of Orange, and Senior Mobility Program funds provided to five cities, for the fiscal year ended June 30, 2019. Local Fair Share program reports include observations of ineligible maintenance of effort expenditures, misreporting of indirect cost charges, and misreporting of fund balance. Senior Mobility Program reports include observations relating to late submission of monthly reports, lack of evidence of competitive procurement of third-party vendors, missing contract provisions, and inadequate tracking of ineligible trips.

**Recommendations**

- A. Direct staff to monitor implementation of corrective actions proposed by the cities.
- B. Direct staff to review observations and develop recommendations, as appropriate, for Board of Directors' consideration related to the City of Anaheim's compliance with the Measure M2 Ordinance and Eligibility Guidelines.

**11. Orange County Transportation Authority Fiscal Year 2020-21 Budget Workshop Preview**

Victor Velasquez/Andrew Oftelie

**Overview**

The Orange County Transportation Authority is developing the fiscal year 2020-21 budget, which identifies available revenues and the costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail in a two-hour informal workshop following the May 11, 2020, Orange County Transportation Authority Board of Directors' meeting.

**Recommendation**

Review the fiscal year 2020-21 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors' meeting on May 11, 2020.



**Discussion Items**

**12. Chief Executive Officer's Report**

**13. Committee Members' Reports**

**14. Closed Session**

There are no Closed Session items scheduled.

**15. Adjournment**

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, May 13, 2020**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Conference Room 07, Orange, California.

# Metrolink Update

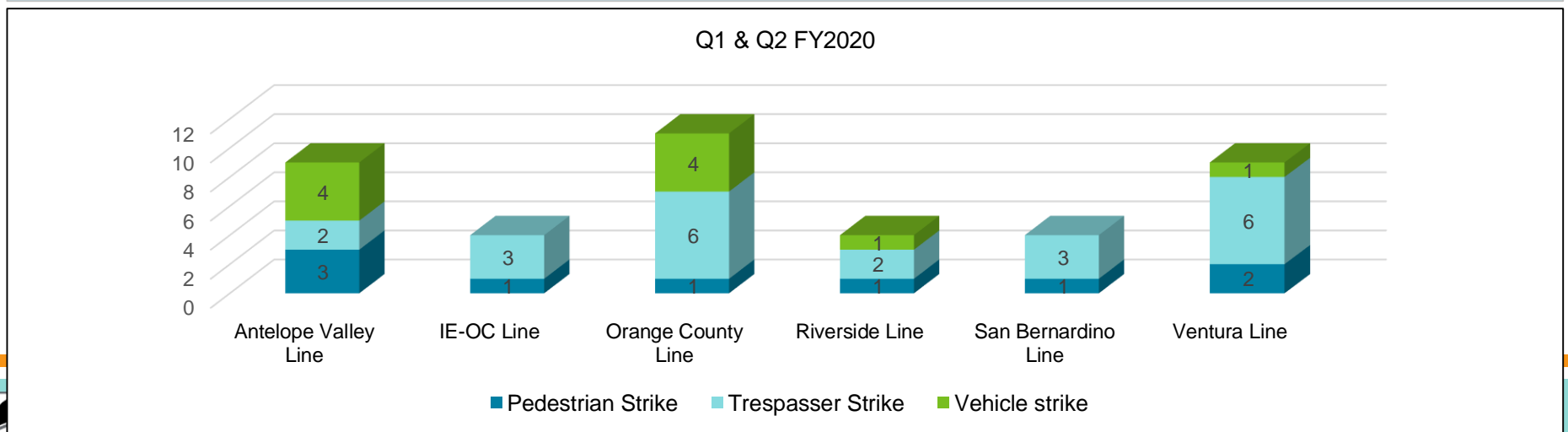
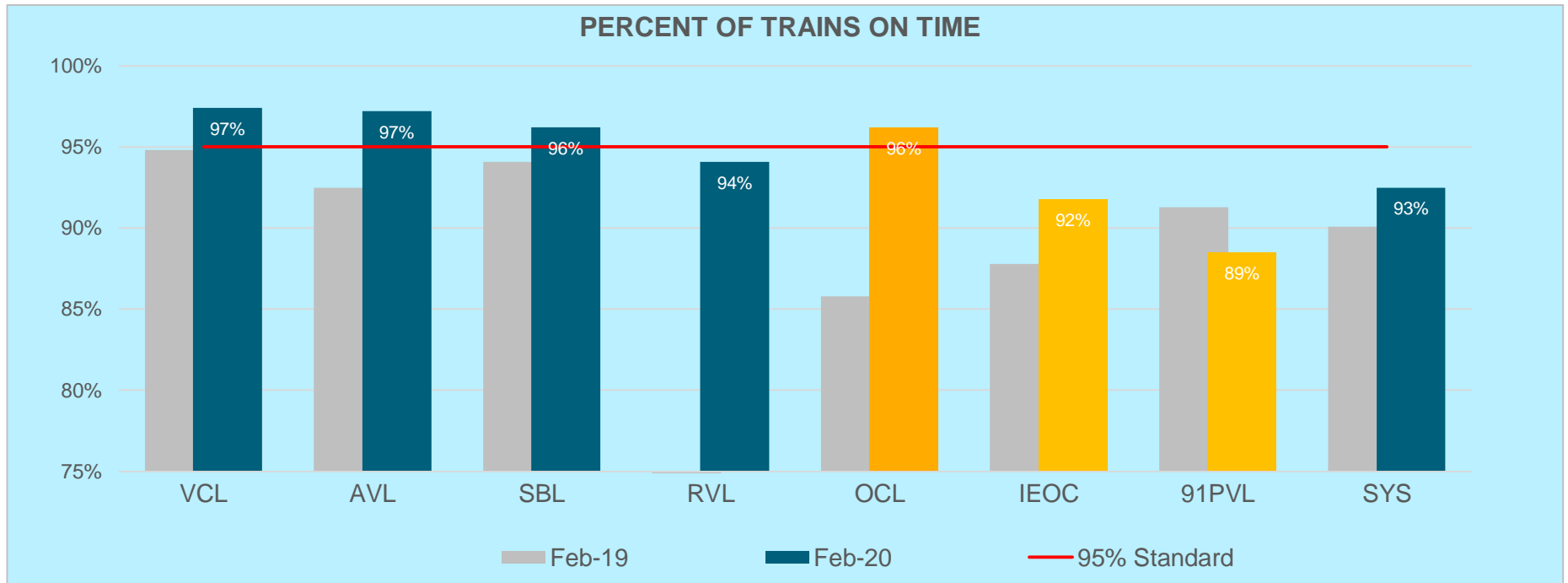
A scenic photograph of a Metrolink train traveling along a coastal track at sunset. The train is dark green and silver, moving from left to right. The background features a beach, palm trees, and a bright orange and yellow sunset sky with scattered clouds. The foreground is a grassy area with low-lying green plants.

Performance Overview  
COVID-19 Response  
Budget Development



# SERVICE PERFORMANCE

## FEBRUARY 2020







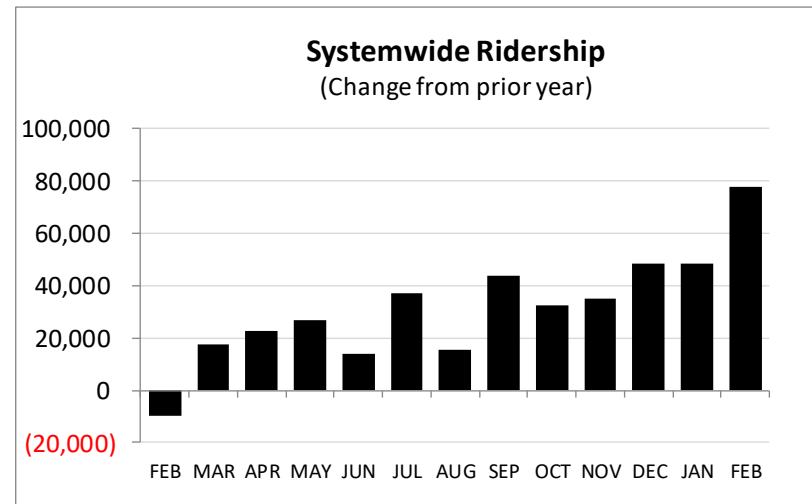
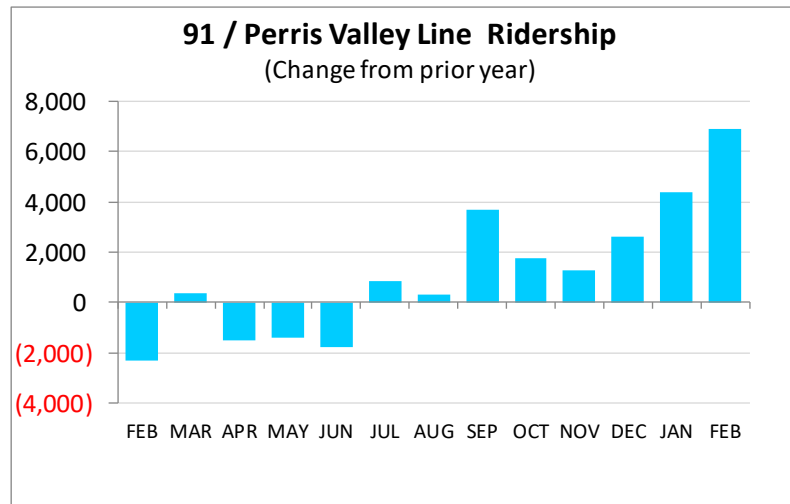
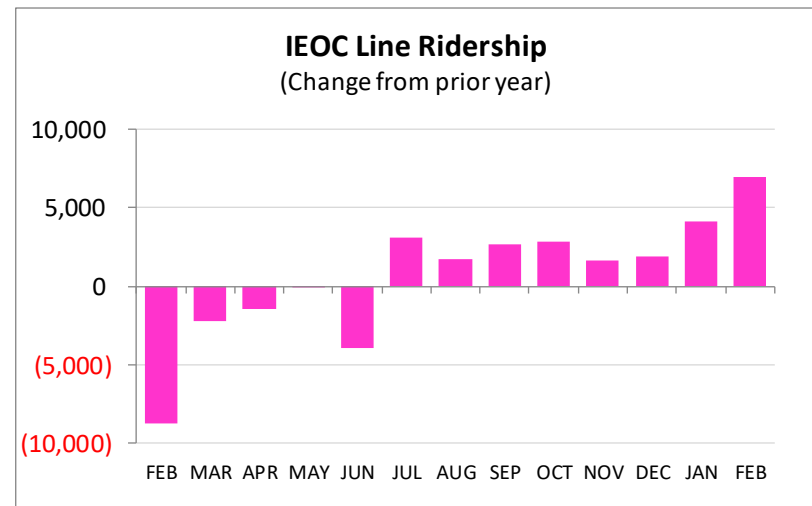
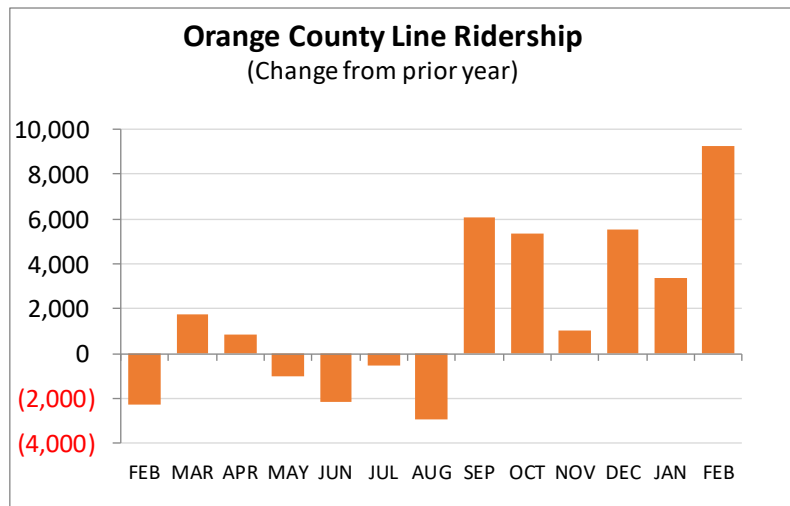
# RIDERSHIP UPDATE

## FEBRUARY 2020

FEB 2020 **1,013,757**  
Systemwide Boardings  
FEB 2019 **935,781**

**+8.3%**

### RIDERSHIP CHANGE FROM PRIOR YEAR - LAST 13 MONTHS





## Tier 4s in Revenue Service

- 32 Currently Deployed
- Summer 2020: All 40 Locomotives Deployed



A More Environmentally Friendly Metrolink





# RIDERSHIP UPDATE

## FEBRUARY 2020

FEB 2020 **1,013,757**  
Systemwide Boardings  
FEB 2019 **935,781**



## FEBRUARY 2020 HIGHLIGHTS

- Ridership increased by 8.3% over February 2019.
- Most lines reported the best ridership growth in many months, with 40% of the growth coming from intermediate trips outside of LA Union Station.
- For the fiscal year through February ridership was up **4.3%** from a year ago, while fare revenue was up **3.7%** over the same period.
- Systemwide on-time performance improved to 93%, from 90% a year earlier.
- **Job growth and higher gasoline prices continued to create favorable economic conditions for Metrolink.**

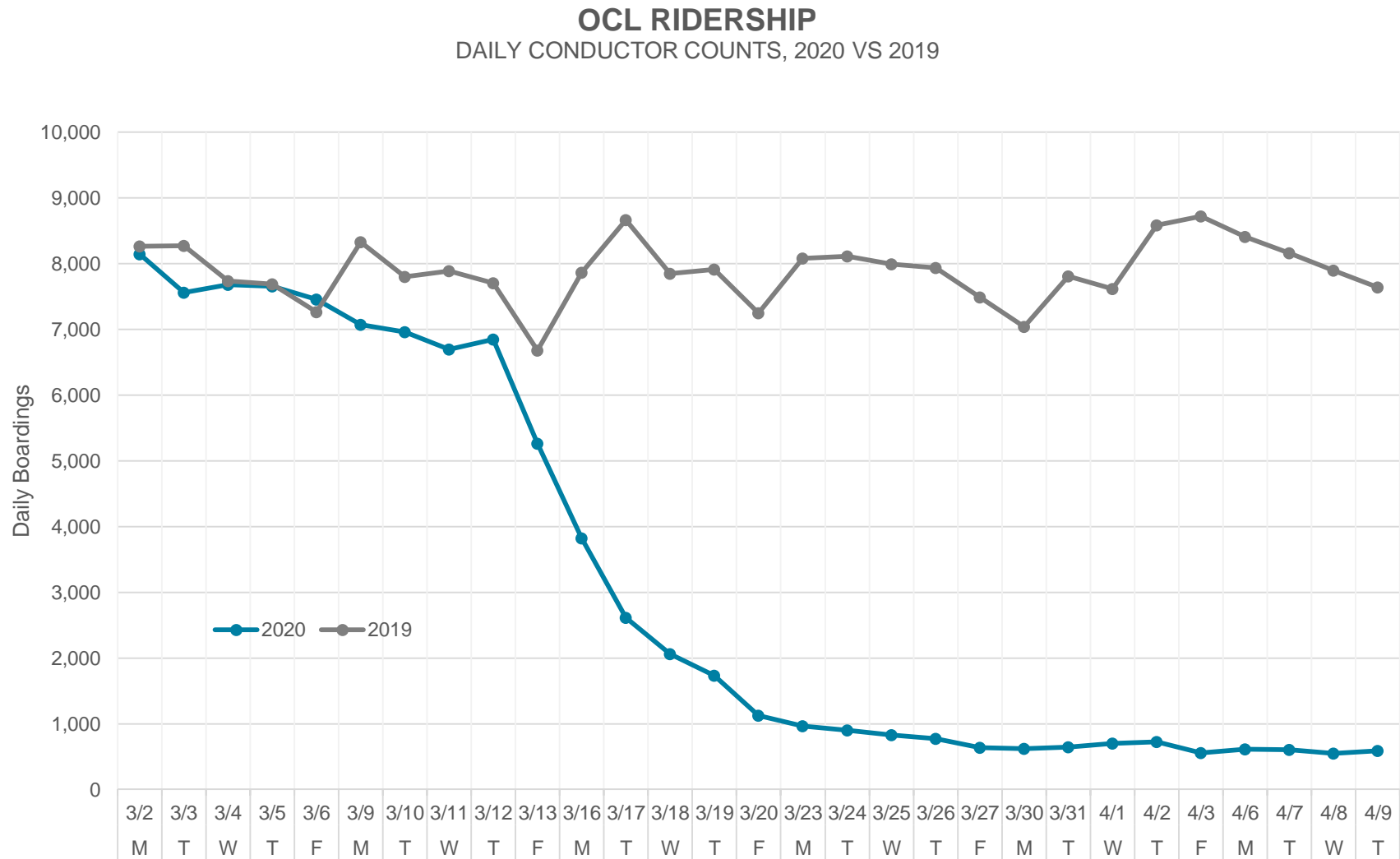


# COVID-19: Impact & Response



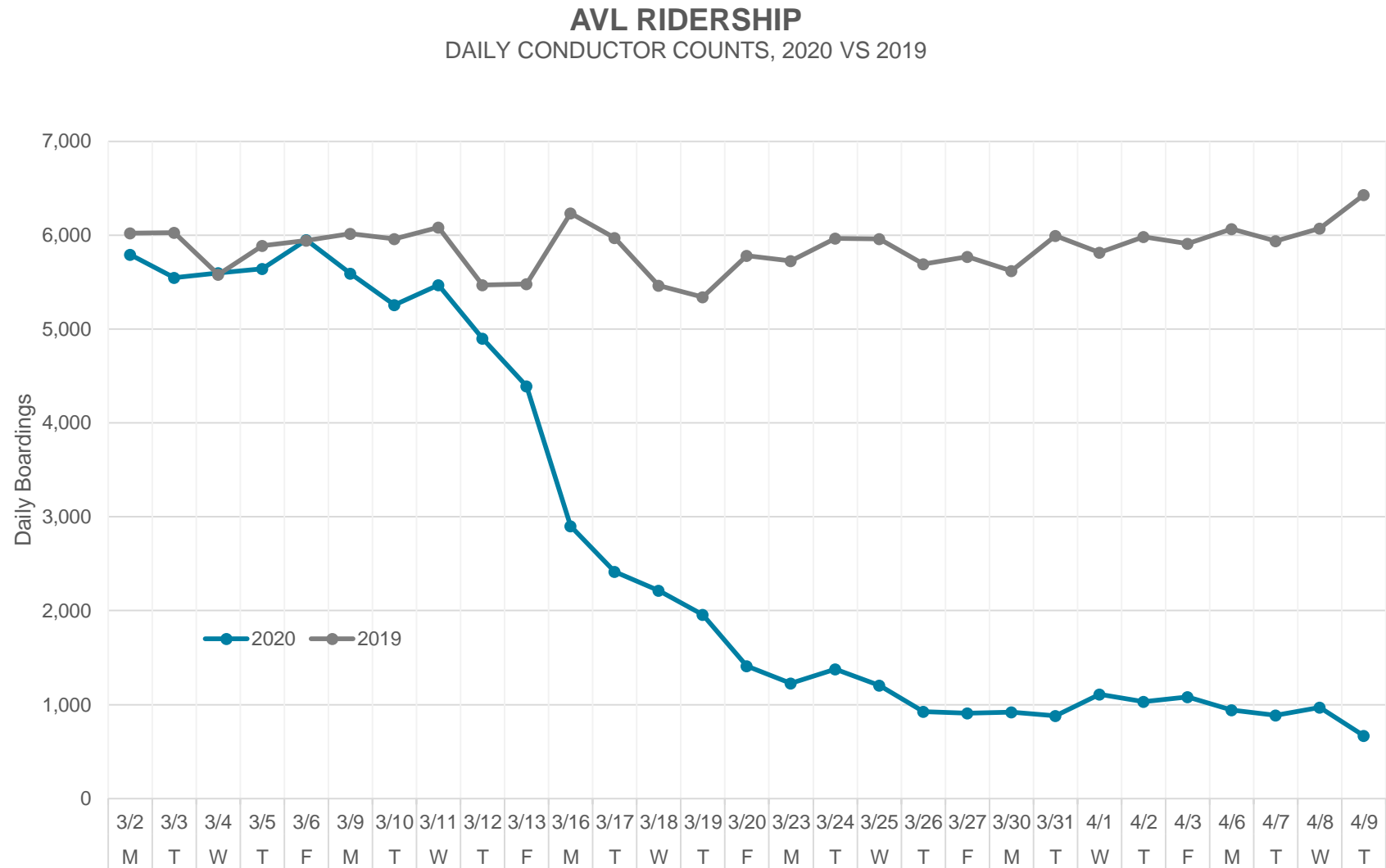
# OCL Ridership

## March 2 – April 9 Weekday Boardings



# IEOC Ridership

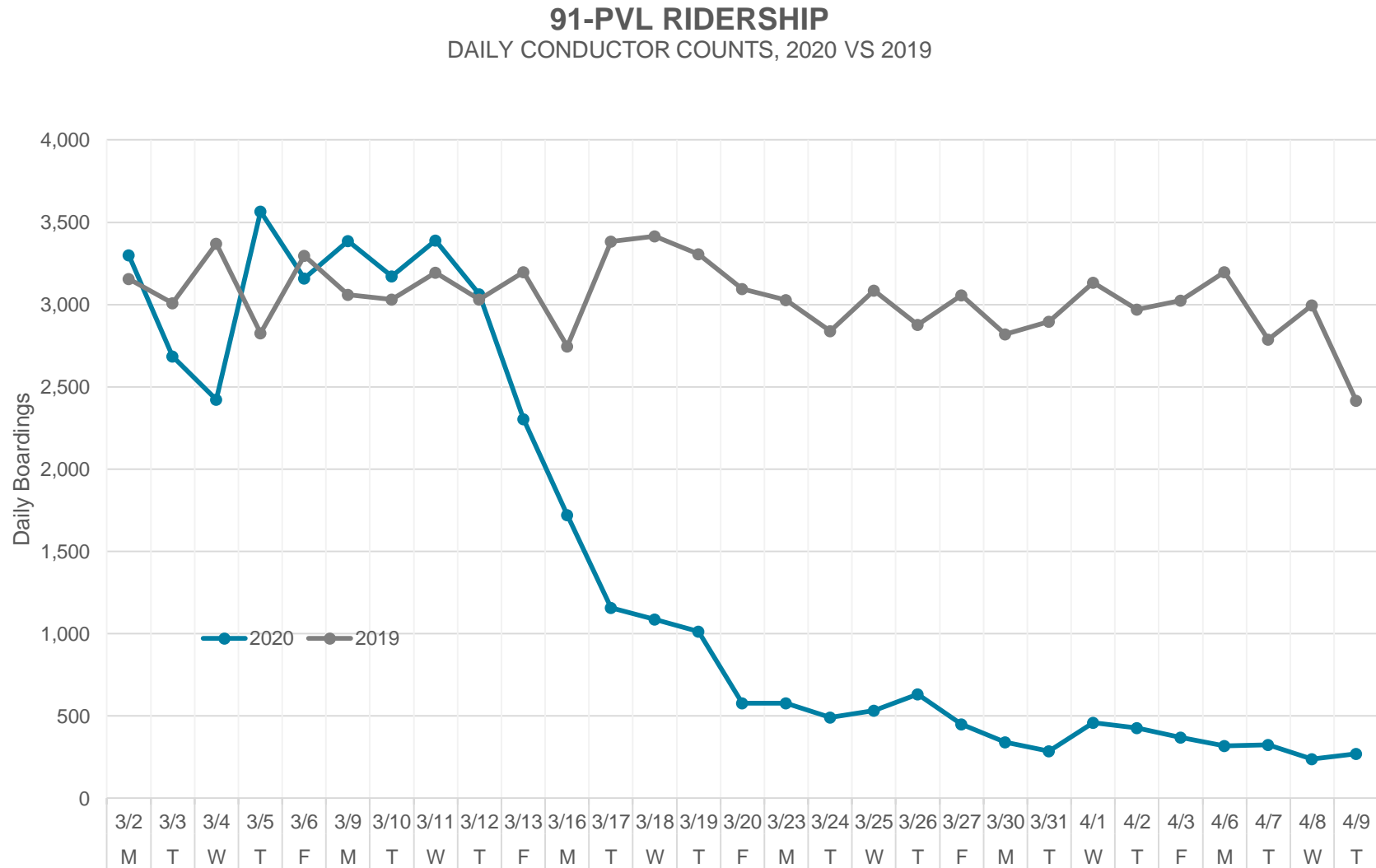
## March 2- April 9 Weekday Boardings





# 91-PVL Ridership

## March 2 – April 9 Weekday Boardings



# COVID-19: Key Actions

- Safety & health precautions
  - Increased porters & car cleaning frequency
  - Crew cleans trains every day
  - Touch-point sanitation
  - Crew fills hand sanitizers more regularly
  - Team has supply of masks, gloves and sanitizer
- March 4 & March 24: Communication with passengers: Metrolink Safety Precautions and Cleaning Standards
- March 13: Work from Home Option Announced
- March 26: Implemented 30% Service Reduction
- March 26: Text Feature Launched – Text 'ML19' to 333777 for latest updates
- April 1: Families First Cares Act compliant
- Today: Ridership ↓ 90% vs 2019

# Recovery Plan Framework

- Advocacy – Federal CARES Act
- Ridership Recovery Scenarios
- “New Normal” Campaign
- FY20 & FY21 Budget Approach

# FY20 Cost Containment Strategies

## Underway

- Travel freeze (estimate of \$395k)
- Reviewing all discretionary spending to evaluate whether we can postpone to a future date
- Freeze on hiring that is not in the “offer” stage, except for mission critical positions (25 FTE, 19 LT, 12 PT, 23 GOCT, 7 Internships)
- Dept Heads have identified +\$7M in savings/deferral



# Operating Surplus

DESCRIPTION	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
<b>Operating Budget (\$000)</b>						
FY18 Surplus Available	\$269	<b>426</b>	1,239	1,841	0	\$3,775
FY 19 Surplus Available	<u>1,333</u>	<u><b>804</b></u>	<u>497</u>	<u>555</u>	<u>410</u>	<u>\$3,599</u>
Total	\$1,602	<b>\$1,230</b>	\$1,736	\$2,396	\$410	\$7,374

# Continuing Appropriations Request

## Operating Subsidy by Member Agency @ FY20 Level

METRO	\$18,729
OCTA	\$ 7,274
RCTC	\$ 5,111
SBCTA	\$ 4,120
VCTC	<u>\$ 2,577</u>
<b>Total</b>	<b>\$37,810</b>
	<b>3 Months</b>



# Next Steps

- Request Delay of Transmittal of Formal FY21 Operating Budget
- Continue Transparent Communications with OCTA CEO
- Implement “New Normal” Campaign



Create Value, Exceed Expectations.



**Committee Members Present  
Via Teleconference:**

Michael Hennessey, Chairman  
Richard Murphy, Vice Chairman  
Andrew Do  
Gene Hernandez  
Steve Jones  
Joe Muller  
Michelle Steel

**Staff Present**

Darrell E. Johnson, Chief Executive Officer  
Laurena Weinert, Clerk of the Board  
Gina Ramirez, Deputy Clerk of the Board  
James Donich, General Counsel (teleconference)  
OCTA Staff and Members of the General Public

**Committee Members Absent**

None

**Call to Order**

The April 8, 2020, regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Hennessey at 10:33 a.m.

**Pledge of Allegiance**

Committee Chairman Hennessey led in the Pledge of Allegiance.

**Roll Call**

The Deputy Clerk of the Board conducted an attendance Roll Call and announced that there was a quorum of the Finance and Administration Committee.

**1. Public Comments**

No public comments were received.

**Special Calendar**

**2. Orange County Transportation Authority Financial Update**

Andrew Oftelie, Chief Financial Officer, provided a PowerPoint presentation on the following:

- Program Updates; and
- Short-Term Portfolio Balance of \$1.6 Billion.

Mr. Oftelie introduced James P. Sarni, Managing Principal of Payden & Rygel, who introduced William E. Davis, III, Vice President of Payden & Rygel.



**2. (Continued)**

Mr. Sarni presented a PowerPoint on the following:

- Orange County Transportation Authority Executive Summary;
- Payden and Rygel Overview;
- Economic and Market Overview;
- Broad Bond Market Overview; and
- Orange County Transportation Authority Key Investment Policy Guidance vs. California Code 53601 as of March 31, 2020.

A discussion ensued regarding asset-backed securities, auto loans, ratings, and quality of the portfolio.

Mr. Oftelie continued his PowerPoint presentation on the following:

- Cash balance of \$2.1 Billion

Sean Murdock, Director of Finance and Administration, continued the PowerPoint presentation on the following:

- Measure M2 (M2) Program;
- M2 Program: Sales Tax vs. Debt Service;
- Bus Program;
- 91 Express Lanes;
- 91 Express Lanes: Revenue vs. Debt Service;
- Interstate 405 Express Lanes;
- Rating Agencies; and
- Next Steps.

A discussion ensued regarding \$400 million invested by Payden and Rygel, M2 sales tax collection decline, debt service, Metrolink ridership, and how the Metrolink Member Agencies will pay their subsidy portion.

Darrell E. Johnson, Chief Executive Officer (CEO), stated that Metrolink is making the right decisions, and the Member Agencies will be receiving the Coronavirus Aid, Relief, and Economic Security Act funds.



## **Consent Calendar (Items 3 through 6)**

### **3. Approval of Minutes**

A motion was made by Director Hernandez, seconded by Director Do, and following a roll call vote, declared passed 5-0, to approve the minutes from the Finance and Administration Committee meeting of March 11, 2020.

Committee Vice Chairman R. Murphy and Director Jones were not present to vote on this item.

### **4. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2019**

A motion was made by Director Hernandez, seconded by Director Do, and following a roll call vote, declared passed 5-0, to receive and file Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2019, Internal Audit Report No. 20-509, as an information item.

Committee Vice Chairman R. Murphy and Director Jones were not present to vote on this item.

### **5. Orange County Transportation Authority Investment and Debt Programs Report - February 2020**

A motion was made by Director Hernandez, seconded by Director Do, and following a roll call vote, declared passed 5-0, to receive and file as an information item.

Committee Vice Chairman R. Murphy and Director Jones were not present to vote on this item.

### **6. Fiscal Year 2019-20 Second Quarter Budget Status Report**

A motion was made by Director Hernandez, seconded by Director Do, and following a roll call vote, declared passed 5-0, to receive and file as an information item.

Committee Vice Chairman R. Murphy and Director Jones were not present to vote on this item.

## Regular Calendar

### 7. 91 Express Lanes Update and Temporary Measures

James Donich, General Counsel, cautioned the Committee Members about speculating when making statements or comments about facts or situations that are material to the investors for this item.

Kirk Avila, General Manager of Express Lanes, provided a PowerPoint presentation for this item as follows:

- Recent Events;
- Recent Traffic Volumes;
- Traffic Volume Comparison to March 2019;
- Temporary Measures Taken to Date;
- Temporary Board Authorizations Requested;
- Outstanding Debt;
- Reserves in Place as of February 29, 2020;
- Board Recommendations; and
- Next Steps.

Committee Chairman Hennessey inquired about Projects I and J (Projects) and how it was decided to fund the Projects and put the extra funds into Measure M2 (M2).

Mr. Johnson, CEO, responded the original Projects were funded under M2. He stated that the Orange County Transportation Authority (OCTA) needed to find alternative funding sources, and the Board of Directors took action to dedicate the amount of \$740 million. Additionally, OCTA continues to make deposits into an M2 project fund with the priority of funding for the Projects. He also stated that the project fund balance is at \$57.2 million, and OCTA continues to make the deposits as planned towards the amount of \$740 million.

A motion was made by Director Hernandez, seconded by Director Do, and following a roll call vote, declared passed 6-0, to:

- A. Authorize the Chief Executive Officer to temporarily waive for a period of up to 90 days, 91 Express Lanes monthly account fees, contingent upon a similar approval from the Riverside County Transportation Commission.
- B. Authorize the Chief Executive Officer to temporarily modify for a period of up to 90 days the 91 Express Lanes Toll Policy to allow for the ability to remove automatic toll rates increases, if necessary.

Director Steel was not present to vote on this item.

## **Discussion Items**

### **8. Fiscal Year 2020-21 Revised Budget Assumptions**

Victor Velasquez, Department Manager of Planning and Analysis, provided a PowerPoint presentation on the following:

- Fiscal Year 2020-21 Budget Timeline;
- Major Programs;
- Measure M2 Program Assumptions;
- Bus Programs Revenue Assumptions;
- Bus Operations Expenditure Assumptions;
- Rail Program Revenue Assumptions;
- Rail Program Expenditure Assumptions;
- 91 Express Lanes Program Assumptions; and
- Next Steps.

Committee Chairman Hennessey inquired about the 3.9 percent operating increase for Metrolink, and does the increase include the decline from Coronavirus (COVID-19), or is this before the drop.

Mr. Johnson, CEO, responded that under the joint powers agreement, Metrolink must transmit a budget to OCTA by May 1<sup>st</sup>. He stated when Metrolink does send the budget, OCTA will adjust as appropriate.

No action was taken on this information item.

### **9. Chief Executive Officer's Report**

Construction and Freeway Closures:

- In response to the COVID-19 pandemic, one of the unique opportunities OCTA is taking advantage of is that traffic volumes on Orange County freeways have dropped as much as 60 percent since the stay-at-home order was issued.
- OCTA is making every effort to speed up construction.
- On the Interstate 405 Improvement Project, OCTA is extending the hours of freeway and lane closures.
- While some businesses are closed in the downtown Santa Ana area, crews are working day and night to install water pipelines as part of the OC Streetcar Project.





**9. (Continued)**

- With 24-hour road closures in place for the above mentioned work locations, the installation time frame will be reduced.

**10. Committee Members' Reports**

Committee Chairman Hennessey extended his thanks to the OCTA staff for their hard work during these times. He also acknowledged that with Mr. Johnson's and the Executive staff leadership, how impressive it is that 600 employees are working remotely from home.

Committee Chairman Hennessey asked, after COVID-19, that OCTA review or start a discussion on how companies can reduce trips on freeways and streets by encouraging staff to work from home, at least one or two days a week.

**11. Closed Session**

There were no Closed Session items scheduled.

**12. Adjournment**

The meeting was adjourned at 12:00 p.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, April 22, 2020**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Conference Room 07, Orange, California.

ATTEST

\_\_\_\_\_  
Gina Ramirez  
Deputy Clerk of the Board

\_\_\_\_\_  
Michael Hennessey  
Committee Chairman



***April 22, 2020***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Fiscal Year 2019-20 Internal Audit Plan, Third Quarter Update

### ***Overview***

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan on August 12, 2019. This report provides an update for the third quarter of the fiscal year 2019-20.

### ***Recommendation***

Receive and file the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan, Third Quarter Update.

### ***Background***

The Internal Audit Department (Internal Audit) provides independent appraisals of the Orange County Transportation Authority's (OCTA) operations and activities to assist management and the Board of Directors in the discharge of their duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

### ***Discussion***

The OCTA Internal Audit Department Fiscal Year (FY) 2019-20 Internal Audit Plan (Plan) Third Quarter Update (Attachment A) reflects the status of each audit project.

During the third quarter of the FY, Internal Audit completed an audit of Same-Day Taxi Services and concluded that program and contract oversight controls and invoice review controls were adequate and functioning, and that Yellow Cab of Greater Orange County complies with contract terms. One recommendation was made to improve procurement of this service in the future by assessing competition, and ensuring compliance with evaluation committee composition, interview, and proposal evaluation procedures. Management agreed with the recommendation and indicated that staff will conduct an industry workshop with potential vendors to assess the likelihood of competition in the future. Management also indicated policy and procedures would be revised to require that staff follow competitive-negotiated procurement procedures when single proposals are received.

An audit of interagency fare revenue agreements with the Southern California Regional Rail Authority and the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency was also issued and concluded that controls in place to ensure collection of revenues in accordance with these agreements are adequate and functioning.

Also, on behalf of Internal Audit, an audit of OCTA's Patch Management Program was issued by the firm BCA Watson Rice, LLP. The audit found that the Patch Management Program for the Windows operating environment complies with industry standards and best practices; however, auditors recommended the program be expanded to address areas outside the Windows environment. The auditors identified five areas of improvement to further enhance the program. Management agreed with the recommendations and indicated that progress has been made, and efforts will continue, to implement recommended improvements.

The semi-annual audit of investments for the period July 1 through December 31, 2019, was also issued, and reported that OCTA complied with its debt, investment, and reporting policies and procedures during the period.

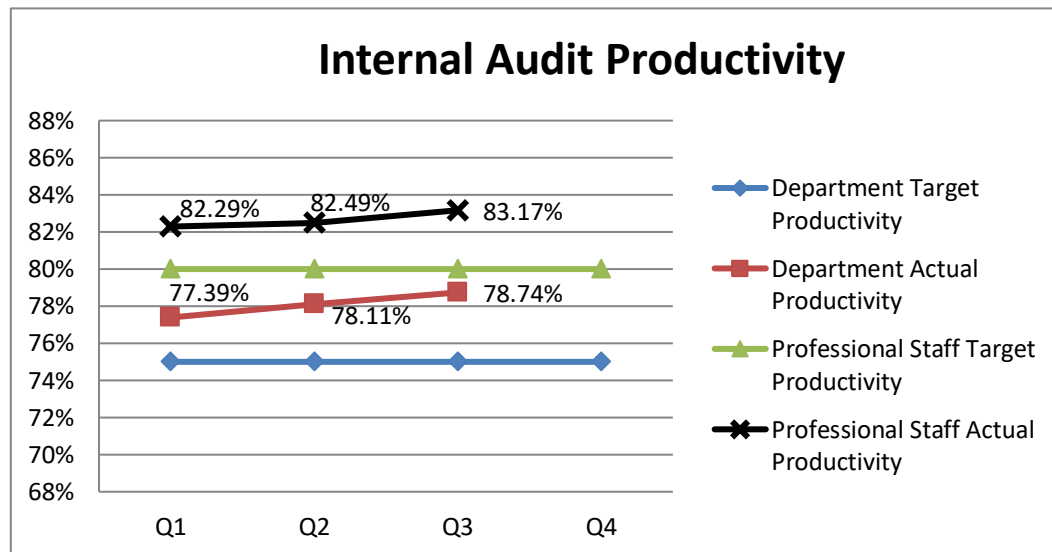
Eide Bailly LLP, an independent accounting firm, issued results of agreed-upon procedures (AUP) related to Measure M2 Maintenance of Effort expenditures by the cities of Santa Ana and Stanton for the FY ended June 30, 2019. Based on the audits, the cities spent sufficient funds to meet the required minimum expenditures as outlined in settlement agreements between the cities and OCTA.

#### **Internal Audit Productivity**

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the

professional staff and for the department as a whole. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for internal audit professional staff, not including the executive director, is 80 percent.

For the third quarter ended March 31, 2020, Internal Audit achieved year-to-date cumulative productivity of 79 percent, and the professional staff achieved cumulative productivity of 83 percent.



### Price Reviews

At the request of the Contracts Administration and Materials Management (Camm) Department, and consistent with OCTA procurement policy, Internal Audit applies AUP to single bid procurements to ensure that Camm handled the procurement in a fair and competitive manner. Internal Audit also applies AUP to prices proposed by architectural and engineering firms, and sole source contractors, to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. During the third quarter, Internal Audit issued results of fifteen price reviews.

### Fraud Hotline

Internal Audit is responsible for administering the OCTA Fraud Hotline. The fraud hotline system allows reporters to file complaints anonymously through the internet or by calling a toll-free phone number. Complaints may also be received in person, by phone, or by mail directly to Internal Audit. To ensure proper

recordkeeping, all complaints are recorded in the Ethicspoint system, regardless of how the complaint is received.

During the quarter ended March 31, 2020, Internal Audit received five reports through OCTA's Fraud Hotline, [www.ethicspoint.com](http://www.ethicspoint.com). Based on the nature of the complaints, three were referred to management, legal counsel, or an appropriate outside agency for disposition. One report did not provide sufficient information for follow-up, and another report was investigated by Internal Audit, resulting in a recommendation being made to management to enhance policy. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended March 31, 2020, Internal Audit provided initial contact within two business days.

#### Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan as Attachment B. Internal Audit includes the findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended March 31, 2020, Internal Audit completed follow-up reviews of four outstanding audit recommendations and closed one of them (Attachment C). Two recommendations from the audit of Construction Safety have been partially addressed but will remain open until management updates policy and procedures and conducts staff training. One recommendation from the audit of Board of Directors' (Board) compensation also remains open pending management obtaining Board approval of the Personnel and Salary Resolution for FY 2020-21.

#### **Summary**

Internal Audit will continue to implement the Plan, report on performance metrics, follow-up on outstanding audit recommendations, and report progress on a quarterly basis.

***Attachments***

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan, Third Quarter Update
- B. Outstanding Audit Recommendations, Third Quarter, Fiscal Year 2019-20
- C. Audit Recommendations Closed During Third Quarter, Fiscal Year 2019-20

**Prepared by:**



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**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2019-20 Internal Audit Plan  
Third Quarter Update**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours To Date</b>	<b>Under (Over)</b>	<b>Status (Date Issued)</b>
<b>Mandatory External Independent Audits</b>							
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY20-001 through FY20-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2019-20.	Financial	450	494	(44)	Complete
Federal Triennial Review	FY20-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80	14	66	Issued 10-31-19
External Regulatory Audits	FY20-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	4	56	
<b>Internal Audit Department Projects</b>							
Risk Assessment and Annual Audit Plan	FY20-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	200	72	128	
Quality Assurance and Self-Assessment	FY20-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	160	152	8	
Fraud Hotline Activities	FY20-102	Administrative duties related to maintenance of the fraud hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	54	187	23 Reports Year-to-Date
Automated Workpaper Solution	FY20-103	System updates/training related to automated workpaper solution.	Workpaper System	40	26	14	
<b>Internal Audits</b>							
<b>Clerk of the Board</b>							
Board Compensation and Ethics Compliance	FY19-513	Review procedures and record-keeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180	202	(22)	Complete 10-31-19
<b>Express Lanes Program</b>							
Master Custodial Agreement	FY19-514	Review and test activities related to the Master Custodial Agreement between the Orange County Transportation Authority (OCTA), Riverside County Transportation Commission, and the Bank of the West for tracking and deposit of revenues and transponder deposits.	Compliance	300	308	(8)	Complete 12-10-19
<b>Human Resources and Organizational Development</b>							
Medical Exams	FY20-508	Assess and test controls to ensure compliance with Federal Motor Carrier Safety Administration regulations, policy and procedurs related to employee medical safety certifications.	Compliance	180	399	(219)	In Process
Department of Motor Vehicles (DMV) Pull Notice Program	FY20-5XX	Assess and test operation of the DMV Pull Notice Program.	Compliance	240		240	

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2019-20 Internal Audit Plan  
Third Quarter Update**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours To Date</b>	<b>Under (Over)</b>	<b>Status (Date Issued)</b>
<b>Capital Programs</b>							
Interstate 5 (I-5) Project: State Route (SR) 55 to SR-57	FY20-5XX	Review the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control/ Compliance	300		300	
Orange Transportation Center Parking Structure Project	FY19-508	Review of the Orange Transportation Center Parking Structure Project, including project administration, oversight controls, and contract compliance.	Internal Control	220	184	37	Complete 10-31-19
<b>Planning</b>							
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-5XX	Review and assessment of OCTA's monitoring and reporting controls related to CTFP projects.	Internal Control	240		240	
<b>Operations</b>							
Coach Operator Scheduling	FY19-505	Review the coach operator scheduling process, including the use of the HASTUS application.	Operational	80	88	(8)	Complete 8-26-19
Same Day Taxi Service	FY20-503	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with Yellow Cab of Orange County for the provision of Same Day Taxi Service.	Internal Control/ Compliance	300	279	22	Complete 1-8-20
Revenue Vehicle Maintenance	FY20-506	Evaluate the adequacy of controls in place to ensure compliance with revenue vehicle maintenance standards and test for compliance with maintenance policy and procedures.	Operational	300	336	(36)	In Process
<b>Finance and Accounting</b>							
Treasury	FY20-502, FY20-509	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	313	(113)	Complete 11-4-19
Grant Closeouts	FY19-510	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	22	18	Complete 7-31-19
Renewable Natural Gas Credits	FY19-511	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	60	23	37	Complete 7-16-19
Corporate Credit Cards	FY20-504	Evaluate the adequacy of controls over corporate credit cards and test for compliance with policy and procedures.	Operational	240	222	18	Complete 12-23-19
Interagency Revenue Agreements	FY20-505	Review and test activities related to the interagency fare revenue agreements between OCTA and Southern California Regional Rail Authority and the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency.	Operational	240	196	44	Complete 2-5-20
Banking Services - Bank of the West	FY20-507	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Operational/ Compliance	240	70	170	In Process
<b>Information Systems</b>							
Patch Management	FY20-501	Assess the adequacy of the patch management program.	Operational	120	122	(2)	Complete 18-20



**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2019-20 Internal Audit Plan  
Third Quarter Update**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours To Date</b>	<b>Under (Over)</b>	<b>Status (Date Issued)</b>
<b>Contract Administration and Materials Management (Camm)</b>							
Price Reviews	PR20-0XX	As requested by the Contracts Administration and Materials Management (Camm) Department, apply agreed-upon procedures to Sole Source, Single Bid, and Architectural and Engineering firm proposals.	Price Review	800	875	(75)	25 Reports Issued
Buy America	FY20-5XX	As requested by Camm, apply agreed-upon procedures to determine compliance with Buy America requirements.	Buy America	200	2	198	
<b>External Affairs</b>							
Bus Marketing	FY19-512	Review the bus marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing.	Operational/ Compliance	160	453	(293)	Complete 12-5-19
<b>Unscheduled Reviews and Special Requests</b>							
Unscheduled Reviews and Special Requests	FY20-800	Time allowed for unplanned audits and/or to address requests from the Board and management.	Varies	240	48	192	
<b>COVID-19 Response and Downtown</b>							
COVID-19 Response	FY20-XXX	Time spent working on COVID-19 Response.		-	17	(17)	
COVID-19 Downtime	FY20-XXX	Downtime related to COVID-19.		-	76	(76)	
<b>Monitoring Activities</b>							
Measure M Taxpayer Oversight Committee (TOC)	FY20-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	8	52	
Metrolink Audit Activities	FY20-602	Obtain and review audit results of Metrolink activities.	Non-Audit Service	40		40	
Capital Asset Inventory Observation	FY20-604	At the request of the Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80		80	
Bus Base Inspections	FY20-603	At the request of the Operations Division, participation on annual base inspection teams.	Non-Audit Service	40	20	20	Complete
<b>Follow-up Reviews</b>							
Follow-up Reviews and Reporting	FY20-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320	210	110	
<b>Total Audit Project Planned Hours (A)</b>				<b>6,650</b>	<b>5,287</b>	<b>1,364</b>	

Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2019-20 Internal Audit Plan  
Third Quarter Update

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Internal Audit Administration</b>							
Board and Committee Meetings				180	87	94	
Executive Steering and Agenda Setting Meetings				180	91	90	
Internal Audit Staff Meetings				150	117	33	
Other Administration				1,500	1,136	365	
			<b>Total Hours (B)</b>	<b>8,660</b>	<b>6,716</b>	<b>1,944</b>	
			<b>Department Target Efficiency (A/B)</b>	75%	79%		
			<b>Target Efficiency - Professional Staff</b>	80%	83%		

**Outstanding Audit Recommendations  
Third Quarter, Fiscal Year 2019-20**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response and Status</b>	<b>Internal Audit Status</b>
6/17/19	19-506	Human Resources and Organizational Development (HROD)	Construction Safety Program	The Internal Audit Department (Internal Audit) recommends that management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations.	Jun-20	Management concurs with the recommendation, and will further evaluate the safety specifications levels and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety-related training for project managers and safety reporting by applicable contractors.	<b>Update March 2020:</b> Management has made some progress to further develop the program by revising the commodity code listing and revising safety specifications, to reduce requirements; however, the Construction Safety Management Policy has not been updated to better reflect responsibilities, and a training program for project managers is still in development.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.	Jun-20	Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.	<b>Update March 2020:</b> Management has partially addressed this item by developing a system for documenting safety observations; however, the Construction Safety Management Policy has not been updated to reflect the safety observations system responsibilities, and a training program for project managers is still in development.
10/31/2019	19-513	Clerk of the Board (COB) and HROD	Board Member Compensation, Mileage Reimbursements, and Training	Internal Audit recommends management update policies and procedures to address all applicable payments and payees, to require training of all compensated persons representing the Orange County Transportation Authority (OCTA) on boards and/or committees, and to ensure proper communication of policies to Board of Directors (Board) members, and former Board members representing OCTA, on a periodic basis.	Jul-20	The policy will be revised and provided to all Board members and former Board members by December 2019, upon update, and annually thereafter. Revisions to the language in the Personnel and Salary Resolution (P&SR) will be made and presented for Board approval with the fiscal year (FY) 2020-21 budget.	<b>Update March 2020 -</b> The COB) has updated policy and pocedures and communicated to the Board of Directors. HROD has added language to the P&SR and will present these for Board approval with the FY 2020-21 budget.

**Outstanding Audit Recommendations  
Third Quarter, Fiscal Year 2019-20**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response and Status</b>	<b>Internal Audit Status</b>
10/31/19	19-508	Capital Programs and Finance and Administration (F&A)	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	Internal Audit recommends that independent cost estimates (ICE's) be prepared prior to receipt of price and cost information from contractors. Internal Audit also recommends that project management instruct Construction Management consultants (CM's) to retain documentation evidencing scrutiny of force account costs, including credits. For future contracts, Internal Audit recommends contract language outlining labor costs paid on force account be clarified and enforced, with consideration for treatment of payroll insurance and taxes.	Apr-20	<p>Management agrees that an ICE should be prepared to support proposed contract change orders. The detailed ICE will then be used by the CM and the project manager (PM) to reconcile and determine the adequacy of any costs provided by the contractor. The CM will be required to document justification or source for individual line items in the ICE. CM's will also be reminded to assure that appropriate documentation is retained to support force account costs paid to, or credits taken from, the contractor.</p> <p>The Contracts Administration and Materials Management Department (CAMP) will work with legal counsel on language on how to treat payroll insurance and taxes for force account labor and to provide clarity to the contract provisions.</p>	
10/31/19	19-508	Capital Programs and F&A	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	<p>Internal Audit recommends that prime and sub-consultants be required to have an adequate labor timekeeping system.</p> <p>Management should remind consultants of the need to request amendments to add staff, labor rates, and other direct costs in a timely fashion.</p>	Apr-20	<p>Capital Programs will work with CAMP to include language in the Personnel Qualifications and Responsibilities section of future Request for Proposals to require both prime contractors and sub-consultants to have an adequate labor timekeeping system.</p> <p>During project kick-off meetings after contract execution, and in on-going meetings with the PM's, CAMP staff will emphasize the need for timely submission of requests for amendments.</p>	
10/31/19	19-508	External Affairs	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	Internal Audit recommends management develop and implement written procedures to outline roles and responsibilities of staff tasked with implementing operations and maintenance agreements, and performing ongoing oversight of agencies taking possession of assets built with federal funds.	Apr-20	Management agrees with the recommendation and is coordinating across all divisions within the agency to develop procedures that ensure adequate monitoring and oversight of federal facilities that are owned and maintained by an OCTA subrecipient.	
11/4/2019	20-502	F&A	Investments: Compliance, Controls, and Reporting January 1, 2019 through June 30, 2019	Internal Audit recommends the Treasury Department implement and document a more robust secondary review to ensure the accuracy of investment information presented to the Board.	May-20	Management has already implemented the use of a more robust review process by utilizing a checklist that validates each data input and is signed by the reviewing manager to ensure the integrity of the data for the Monthly and Quarterly Investment and Debt Reports.	

**Outstanding Audit Recommendations  
Third Quarter, Fiscal Year 2019-20**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response and Status</b>	<b>Internal Audit Status</b>
11/4/2019	20-502	F&A	Investments: Compliance, Controls, and Reporting January 1, 2019 through June 30, 2019	Internal Audit recommends that management revise the policy compliance schedule to evaluate all applicable investments in accordance with the policy. Also, if management intends to exempt debt reserve funds from diversification and maturity limits, the policy should be updated accordingly. Finally, the schedule should include information on indenture requirements and determination of compliance.	May-20	Management has already made a change to include cash equivalents in the compliance schedule. Management also agrees that additional clarification is required to expressly exempt debt service reserve funds from the policy and will make this change during the next update cycle. Finally, management will include information detailing indenture requirements and compliance going forward.	
12/5/2019	19-512	External Affairs	Bus Marketing	Management should revise practices to ensure that contracts for similar services are combined and contract terms are set for longer periods when recurring services are sought. Management should train staff and perform monitoring, to ensure procurements are not being designed to fall under approval thresholds.	Jun-20	Management concurs and has begun to implement practices to have longer terms and consolidate future contracts for similar services to support Bus Marketing needs. External consulting expertise will be procured to provide project management training. Management has also implemented a requisition process with added controls that will ensure procurements are not being designed to fall under approval thresholds.	
12/5/2019	19-512	External Affairs	Bus Marketing	Management should undergo training to reiterate the responsibilities of those charged with reviewing and approving invoices. Invoice Review Checklists should be blank and completed as invoices are reviewed.	Jun-20	Management has implemented a program controls function for all marketing and customer engagement contracts. This new function will ensure thorough and accurate reviews, approvals, and payments of contract invoices. Additionally, training will be provided.	
12/5/2019	19-512	External Affairs	Bus Marketing	Internal Audit recommends written procedures be reviewed with project managers and management require documented compliance with requirements. Documentation should include the source and support of stated evaluation criteria and related results.	Jun-20	Management will evaluate and update the current processes and procedures manual to reflect current needs and work environment to include the source and support of stated evaluation criteria and related results. It is expected that the new processes, procedures, and training will be completed by the end of December 2020.	

**Outstanding Audit Recommendations**  
**Third Quarter, Fiscal Year 2019-20**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response and Status</b>	<b>Internal Audit Status</b>
12/20/2019	20-504	F&A	Corporate Credit Cards	Management should update policies to provide additional guidance for obtaining and documenting approvals.	Jun-20	Management will clarify procedures for the approval of business meals and purchase of complete tables. The procedures will also outline the acceptable forms of written authorization, such as interoffice memo, email, etc. Management anticipates implementing the changes in early January 2020.	
1/8/2020	20-503	F&A	Same-Day Taxi Service	For future procurements, Internal Audit recommended that management assess the likelihood of competition. Internal Audit also recommended that management ensure compliance with policy and procedures (P&P) or revise the P&P accordingly.	Jul-20	Management agreed to comply with the recommendation and will conduct an industry workshop with potential vendors to assess the likelihood of competition in the future. Management will also revise the P&P to require that staff follow the competitive negotiated procurement procedures when single proposals are received.	
2/18/2020	20-501	F&A	Patch Management Program (PMP)	The auditors offered one recommendation to expand the PMP to address all other operating systems hardware, software, and peripherals, and to incorporate all devices into the PMP. The auditors also offered four recommendations to further enhance the PMP by formalizing plans to address patch vulnerabilities, removing obsolete operating systems and software from the network, restricting users from installing unauthorized software, and developing test scripts to ensure system functionality after implementation of a patch.	Aug-20	Management agreed with the recommendations and indicated that progress has been made, and efforts will continue, to implement these improvements.	

**Audit Recommendations Closed During  
Third Quarter, Fiscal Year 2019-20**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Management Response</b>
3/12/19	N/A	Planning Division and Finance and Administration	Measure M (M2) City Audits: Local Fair Share and Senior Mobility Program	Staff will review observations and make recommendations for Board of Directors (Board) action, as appropriate. Staff will also follow-up with cities to provide information on requirements and obtain revised expenditure reports, as applicable.	Staff has followed up with cities; all cities with findings attended a M2 Finance Directors workshop where all findings were reviewed. Several cities with findings will be re-audited in the coming months with results presented to the Board in April 2020. The cities of Santa Ana and Stanton were found ineligible pending the outcome of fiscal year (FY) 2018-19 agreed-upon procedures. <b>Update March 2020:</b> Audits of Stanton and Santa Ana for fiscal year FY 2018-19 were presented to the Board March 23, 2020. Both cities were found in compliance with Maintenance of Effort requirements of Measure M.





***April 22, 2020***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Approval of the Fiscal Year 2020-21 Local Transportation Fund Claim for Public Transportation and Community Transit Services

***Overview***

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation and community transit services throughout Orange County. To receive the funds, the Orange County Transit District must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

***Recommendations***

- A. Approve the Orange County Transit District Fiscal Year 2020-21 Local Transportation Fund Claim for public transportation services in the amount of \$165,118,625, and for community transit services in the amount of \$8,753,906, for a total claim amount of \$173,872,531.
- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

***Background***

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to public transit and non-transit related projects. The TDA created a Local Transportation Fund (LTF) in each county for transportation purposes specified in the TDA. Revenues are derived from 1/4 cent of the current retail sales tax.

The LTF revenues are collected by the California Department of Tax and Fee Administration and returned to local jurisdictions based on the volume of sales during each month. As required by the TDA, LTF receipts are deposited with the

Orange County Treasury (Fund 182) and are administered by the Orange County Auditor-Controller (OCAC). The Orange County Transportation Authority (OCTA) is the Transportation Planning Agency (TPA) responsible for the allocation of the LTF. Upon instructions from OCTA, LTF receipts are disbursed by the OCAC among the various administrative, planning, and public transportation apportionments as specified in the TDA.

In Orange County, OCTA has designated the Orange County Transit District (OCTD) as the public transportation services operator and the Consolidated Transportation Services Agency. Therefore, OCTD is the claimant for Article 4 and 4.5 funds. Section 6630 of the California Code of Regulations requires OCTD to file a claim with OCTA in order to receive an allocation from the LTF for providing public transportation and community transit services under Articles 4 and 4.5 of the TDA.

### ***Discussion***

On February 24, 2020, the OCTA Board of Directors (Board) approved the LTF Fiscal Year (FY) 2020-21 apportionments. A total of \$173,872,531 was approved for OCTD, consisting of \$165,118,625 for Article 4 public transit services and \$8,753,906 for Article 4.5 community transit services.

On March 23, 2020, the OCTD Board adopted a resolution authorizing the filing of the LTF claim for a total of \$173,872,531 for funding public transportation and community transit services during FY 2020-21. OCTA, as the TPA for Orange County, is authorized to approve LTF claims and make payments from the LTF through written instructions to the OCAC.

### ***Summary***

OCTA's approval of the OCTD claim against the LTF in the amount of \$173,872,531 will enable the OCTD to continue providing public transportation and community transit services throughout Orange County in FY 2020-21.

***Attachments***

None.

**Prepared by:**



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**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649



***April 22, 2020***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Approval of the Fiscal Year 2020-21 Local Transportation Fund Claim for Laguna Beach Public Transportation Services

***Overview***

The Laguna Beach Municipal Transit Lines, a department within the City of Laguna Beach, is eligible to receive funding from the Local Transportation Fund in Orange County for providing public transportation services throughout the city. To receive the funds, the Laguna Beach Municipal Transit Lines must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

***Recommendations***

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2020-21 Local Transportation Fund Claim for public transportation services in the amount of \$1,205,587.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

***Background***

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to public transit and non-transit related projects. The TDA created in each county a Local Transportation Fund (LTF) for transportation purposes specified in the TDA. Revenues are derived from 1/4 cent of the current retail sales tax. The LTF revenues are collected by the California Department of Tax and Fee Administration and returned to the local jurisdictions based on the volume of sales during each month.

As required by the TDA, in Orange County the LTF receipts are deposited in the Orange County LTF account (Fund 182) in the Orange County Treasury and are administered by the Orange County Auditor-Controller (OCAC).

## **Approval of the Fiscal Year 2020-21 Local Transportation Fund   Page 2 Claim for Laguna Beach Public Transportation Services**

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In Orange County, the Orange County Transportation Authority (OCTA) is the Transportation Planning Agency (TPA) responsible for the allocation of the LTF within its jurisdiction. Upon instructions from OCTA, LTF receipts are distributed by the OCAC among the various administrative, planning, and public transportation apportionments as specified in the TDA.

The Orange County Transit District and the Laguna Beach Municipal Transit Lines (LBMTL) are the only public transit operators in Orange County eligible to receive allocations from the LTF. Article 4 of TDA Section 6630 of the California Code of Regulations requires the City of Laguna Beach (City) to file a claim with OCTA in order to receive an allocation from the LTF for providing public transportation throughout the city.

### ***Discussion***

On February 24, 2020, the OCTA Board of Directors approved the LTF Fiscal Year (FY) 2020-21 apportionments. The total apportionment approved for LBMTL equaled \$1,205,587.

On March 17, 2020, the Laguna Beach City Council adopted a resolution authorizing the filing of an LTF claim with OCTA for public transportation services. The City submitted its FY 2020-21 LTF claim in the amount of \$1,205,587, that will be used by LBMTL to meet FY 2020-21 operating expenses. The OCTA, as the TPA for Orange County, is authorized to approve LTF claims and make payments from the LTF through written instructions to the OCAC.

### ***Summary***

OCTA's approval of the City claim against the Orange County LTF in the amount of \$1,205,587, will enable the LBMTL to continue providing public transportation services throughout the City during FY 2020-21.

***Attachments***

None.

**Prepared by:**

A handwritten signature in blue ink that reads "Supindayit Kaur".

Sam Kaur  
Department Manager,  
Revenue and Grants Administration  
(714) 560-5889

**Approved by:**

A handwritten signature in blue ink that reads "A. Oftelie".

Andrew Oftelie  
Chief Financial Officer,  
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***April 22, 2020***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Third Quarter Fiscal Year 2019-20 Procurement Status Report

### ***Overview***

The third quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from January 1 through March 31, 2020, that were approved by the Board of Directors during this period. The third quarter procurement status report also projects future procurement activity for the fourth quarter as identified in the fiscal year 2019-20 budget.

### ***Recommendation***

Receive and file as an information item.

### ***Background***

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2019-20 Budget on June 10, 2019, which identifies the goods and services that will be purchased during the FY. A quarterly procurement report has been prepared detailing the procurement activity for line items that were approved by the Board during the third quarter of FY 2019-20. The report also provides a “look-ahead” of upcoming procurement activity by Board committee. The quarterly procurement report identifies contractual activity, not dollars spent.

### ***Discussion***

During the third quarter of FY 2019-20, the Contracts Administration and Materials Management Department handled 481 different contractual documents. Of the total, 301 procurements, valued at \$142,010,675 were



completed; the remaining procurements will be executed during the fourth quarter of FY 2019-20.

In the third quarter, the Board acted on 34 procurements. The procurements were split between 17 new agreements valued at \$37,475,366, two amendments valued at \$1,382,059, five construction change orders valued at \$27,986,960, two cooperative agreements valued at \$956,700, two amendments to cooperative agreements valued at \$1,120,791, three purchase orders valued at \$1,764,280, one sole source agreement valued at \$162,090, and two option-term amendments valued at \$8,423,344. Not all procurements are completed within the quarter in which they begin. Often, the procurements require cost and price reviews and negotiations which can lengthen the procurement process. Procurements not completed within the third quarter will be completed in the fourth quarter of FY 2019-20. Attachment A shows a list of Board-approved procurements during the third quarter.

Looking forward to the fourth quarter of FY 2019-20 (April through June 2020), the Board committees will be asked to take action on several items such as:

- Consultant selection for on-call right-of-way support services;
- Consultant selection for the development and implementation of a mobile ticketing application;
- Consultant selection for operation and maintenance services for the OC Streetcar project; and
- Award an agreement for electric vehicle charging stations at Garden Grove and Santa Ana bus bases.

The estimated value of these upcoming procurements is \$124,786,500. Attachments B through E identify procurement activity anticipated in the fourth quarter of FY 2019-20 by the committee that will review the items.


### ***Summary***

This report provides an update of the procurement activity for the third quarter of FY 2019-20, January through March 2020, as well as a look-ahead at anticipated procurement activity for the fourth quarter of FY 2019-20. Staff recommends that this report be received and filed as an information item.

***Attachments***

- A. Board-Approved Contracts – Third Quarter FY 2019-2020
- B. Regional Planning and Highways Committee – Fourth Quarter Outlook  
(April 1, 2020 – June 30, 2020)
- C. Transit Committee – Fourth Quarter Outlook  
(April 1, 2020 – June 30, 2020)
- D. Finance and Administration Committee – Fourth Quarter Outlook  
(April 1, 2020 – June 30, 2020)
- E. Legislative and Communications Committee – Fourth Quarter Outlook  
(April 1, 2020 – June 30, 2020)

**Prepared by:**



Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
(714) 560-5623

**Approved by:**



Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
(714) 560-5649

## AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Bridgestone Americas Tire Operations, LLC	9-1354	Lease and Full Service of Bus Tires	1/22/2020	4/30/2025	\$10,245,763
DKS Associates	9-1513	On-Call Traffic Engineering and Intelligent Transportation System Services for Regional Traffic Signal Synchronization Projects	4/1/2020	3/31/2025	\$5,328,000 (Aggregate)
Albert Grover & Associates, Inc.	9-1810	On-Call Traffic Engineering and Intelligent Transportation System Services for Regional Traffic Signal Synchronization Projects	4/15/2020	4/15/2025	\$5,328,000 (Aggregate)
KOA Corporation	9-1811	On-Call Traffic Engineering and Intelligent Transportation System Services for Regional Traffic Signal Synchronization Projects	4/30/2020	4/30/2025	\$5,328,000 (Aggregate)
Iteris, Inc.	9-1812	On-Call Traffic Engineering and Intelligent Transportation System Services for Regional Traffic Signal Synchronization Projects	4/30/2020	4/30/2025	\$5,328,000 (Aggregate)
WKE, Inc.	9-1557	Plans, Specifications, and Estimates for the SR 91 Improvement Project Between La Palma Avenue and SR 55	5/22/2020	8/31/2028	\$14,000,000
Advanced Civil Technologies	9-1658	SR 91 Geometric and Design Alternatives Analysis	4/15/2020	10/15/2021	\$599,809
Golden Gate Steel dba Golden Gate Construction	9-1589	Maintenance Shop Floor Restoration at Garden Grove Bus Base	3/26/2020	9/27/2021	\$420,000
Kleinfelder Construction Services	9-1571	Public Outreach Consulting Services for the I-405 Improvement Project Between SR 73 and I-605	5/1/2020	4/30/2024	\$3,326,544
Onyx Paving Company, Inc.	9-1796	Asphalt Pavement Replacement at the Fullerton Park and Ride	4/24/2020	8/22/2020	\$210,000
Stantec Architecture, Inc.	9-1599	On-Call Architectural and Engineering Design and Construction Support Services for Transit Facility Projects	6/30/2020	6/30/2023	\$3,000,000 (Aggregate)
Gannett Fleming ,Inc.	0-2111	On-Call Architectural and Engineering Design and Construction Support Services for Transit Facility Projects	6/30/2020	6/30/2023	\$3,000,000 (Aggregate)
IBI Group	0-2112	On-Call Architectural and Engineering Design and Construction Support Services for Transit Facility Projects	6/30/2020	6/30/2023	\$3,000,000 (Aggregate)
Dahl, Taylor and Associates, Inc.	0-2113	On-Call Architectural and Engineering Design and Construction Support Services for Transit Facility Projects	6/30/2020	6/30/2023	\$3,000,000 (Aggregate)
IDS Group, Inc.	0-2114	On-Call Architectural and Engineering Design and Construction Support Services for Transit Facility Projects	6/30/2020	6/30/2023	\$3,000,000 (Aggregate)
Core Probe International, Inc.	9-1595	Installation of Monitoring Wells at Garden Grove Bus Base	5/1/2020	7/30/2020	\$91,000
Golden Gate Steel dba Golden Gate Construction	9-1696	Replacement of Heating, Ventilation, and Air Conditioning Units at the Garden Grove Bus Base Maintenance Building	4/24/2020	10/21/2020	\$254,250
<b>TOTAL NUMBER OF CONTRACTS</b>					<b>17</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$37,475,366</b>

## Board-Approved Contracts - Third Quarter FY 2019-2020

### AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
California Coach Towing, Inc.	5-3109	Amendment No. 2 Extend the Freeway Service Patrol Services Term of Agreement for Ten Months	11/21/2020	9/20/2021	\$1,182,858
Team A&B, Inc. dba A&B Towing	5-3374	Amendment No. 3 Extend the Freeway Service Patrol Services Term of Agreement for Ten Months	11/21/2020	9/20/2021	\$199,201
<b>TOTAL NUMBER OF AMENDMENTS</b>					<b>2</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$1,382,059</b>

### CONTRACT CHANGE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Walsh Construction Company II, LLC	7-1904	Contract Change Order No. 3.1 Removal and Disposal of Contaminated Materials within the Orange County Transit District-Owned Pacific Electric Right-of-Way and other Project Areas for the Construction of the OC Streetcar Project	2/25/2020	1/19/2022	\$7,278,795
OC 405 Partners	5-3843	Contract Change Order No. 60 Additional Design and Construction Efforts for the Heil Avenue Pedestrian Overcrossing	2/25/2020	12/31/2025	\$1,044,000
OC 405 Partners	5-3843	Contract Change Order No. 61 Establish a Three-Year Plant Establishment Period	2/26/2020	12/31/2025	\$16,000,000
OC 405 Partners	5-3843	Contract Change Order No. 62 Reflect the 2017 State Senate Bill 1 Diesel Fuel Sales Tax Rate Increase	3/19/2020	12/31/2025	\$1,764,165
OC 405 Partners	5-3843	Contract Change Order No. 8.3 Collect and Dispose of Unknown Hazardous Materials for the I-405 Improvement Project from SR 73 to I-605	4/10/2020	12/31/2025	\$1,900,000
<b>TOTAL NUMBER OF CHANGE ORDERS</b>					<b>5</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$27,986,960</b>

### COOPERATIVE AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Union Pacific Railroad and California Department of Transportation	9-1793	Reimbursement of Costs for Union Pacific Railroad Company Bolsa Overhead Bridge as Part of the I-405 Improvement Project	4/30/2020	12/31/2025	\$781,700
Orange County Flood Control District	9-1469	Define Roles and Responsibilities for the SR 55 Improvement Project Between I-405 and I-5	6/1/2020	12/31/2025	\$175,000
<b>TOTAL NUMBER OF CONTRACTS</b>					<b>2</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$956,700</b>

## Board-Approved Contracts - Third Quarter FY 2019-2020

### COOPERATIVE AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
City of Fountain Valley	5-3613	Amendment No. 4 Design and Construction of an 8-Inch Waterline Along the Freeway Between Mount Baldy Circle and Euclid Street, as Part of the I-405 Improvement Project.	5/15/2020	4/30/2023	\$282,000
City of Westminster	5-3615	Amendment No. 2 Additional City Services for the I-405 Improvement Project	5/15/2020	4/30/2002	\$838,791
<b>TOTAL NUMBER OF CONTRACTS</b>					<b>2</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$1,120,791</b>

### PURCHASE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Western Office	9-1652	Purchase, Installation, Reconfiguration and Preventative Maintenance of Systems and Ancillary Furniture	1/23/2020	1/13/2022	\$990,000
Marsh USA, Inc.	A44160	91 Express Lanes Property, Flood and Earthquake Insurance	3/1/2020	3/1/2021	\$500,000
FFBH Motors LLC	9-1732	Purchase Six Responder Full-Size, Crew Cab, Pick-Up Trucks and One Full-Size Police Interceptor Utility Hybrid Sports Utility Vehicle	2/24/2020	12/31/2020	\$274,280
<b>TOTAL NUMBER OF CONTRACTS</b>					<b>3</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$1,764,280</b>

### SOLE SOURCE

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Xerox Corporation	9-1771	Xerox Nuvera 144 EA Production Press, Training and Maintenance	1/13/2020	5/31/2020	\$162,090
<b>TOTAL NUMBER OF CONTRACTS</b>					<b>1</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$162,090</b>

### OPTION YEARS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
HDR Engineering, Inc.	4-1854	Amendment No. 11 Exercise First Two-Year Option Term for Project Management Consultant Services for the OC Streetcar Project	4/1/2020	2/22/2022	\$8,064,286
Gamboa Services Inc, dba Corporate Image Maintenance	5-3680	Amendment No. 3 Exercise Second Option Term for Bus Cleaning and Pesticide Application Services	5/1/2020	4/30/2021	\$359,058
<b>TOTAL NUMBER OF AMENDMENTS</b>					<b>2</b>
<b>TOTAL DOLLAR VALUE</b>					<b>\$8,423,344</b>

## REGIONAL PLANNING and HIGHWAYS COMMITTEE - Fourth Quarter Outlook (April 1, 2020 - June 30, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 6, 2020	Consultant selection for construction management support services for the Interstate 5 widening project between Alicia Parkway and El Toro Road	\$9,056,000	Capital Programs
	Construction Change Orders with the OC405 Partners for the Interstate 405 Improvement Project	\$1,300,000	Capital Programs
	Award agreement with Center for Demographic Research at California State University at Fullerton	\$331,861	Planning
<hr/>			
May 4, 2020	Consultant selection for on-call right-of-way support services	\$3,500,000	Capital Programs
	Cooperative Agreement with the California Department of Transportation for the Interstate 5 improvement project between Avenida Pico and San Diego County line	\$450,000	Capital Programs
	Cooperative Agreement with the California Department of Transportation for the Interstate 605/Katella Avenue Interchange Improvement Project	\$200,000	Capital Programs

**REGIONAL PLANNING and HIGHWAYS COMMITTEE - Fourth Quarter Outlook (April 1, 2020 - June 30, 2020)**

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
June 1, 2020	Consultant selection for the Traffic Engineering and Intelligent Transportation Services for the Edinger Avenue Regional Traffic Signal Synchronization Project	\$6,196,000	Planning

## TRANSIT COMMITTEE - Fourth Quarter Outlook (April 1, 2020 - June 30, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 9, 2020	Consultant selection to provide OC ACCESS eligibility determination services	\$3,062,866	Operations
	Consultant selections to provide vanpool services	\$12,917,229	Operations
	Construction Change Order for utility conflicts for the construction of the OC Streetcar Project	\$2,450,000	Capital Programs
<hr/>			
May 14, 2020	Consultant services to provide operation and maintenance services for the OC Streetcar Project	\$49,876,685	Capital Programs
	Contract award for power generator replacement at the Anaheim and Irvine Construction Circle bus bases	\$1,410,000	Capital Programs
	Contract award for electric vehicle charging stations at the Garden Grove and Santa Ana bus bases	\$2,050,000	Capital Programs
	Contract award for heating and ventilation unit replacement at Anaheim Bus Base Maintenance Building	\$650,000	Capital Programs



# TRANSIT COMMITTEE - Fourth Outlook (April 1, 2020 - June 30, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
May 14, 2020	Amendment to Agreement for travel training services	\$735,084	Operations
	Cooperative Agreements with agencies to provide Special Transportation Services	\$3,117,103	Operations
	Amendments to Cooperative Agreements with non-profit agencies to provide Senior Mobility Program Services	\$304,522	Operations
	Amendment to Cooperative Agreement with the Regional Center of Orange County to provide senior mobility services	\$8,084,848	Operations
	Contract award to purchase paratransit buses	\$14,953,419	Operations
	Sole source agreement with Trapeze to purchase software modules	\$197,744	Operations
	Sole source agreement with Giro, Inc, for Hastus software upgrades	\$1,360,799	Operations

June 11, 2020

No procurement actions on this agenda

## FINANCE AND ADMINISTRATION COMMITTEE -Fourth Quarter Outlook (April 1, 2020 - June 30, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 8, 2020	No procurement actions on this agenda		
April 22, 2020	No procurement actions on this agenda		
May 13, 2020	Consultant selection for Risk/Claims Management System	\$500,000	Finance and Administration
	Sole Source Agreement for health insurance brokerage services	\$342,000	Human Resources and Organizational Development
	Consultant selection for technical consulting services for the Next Gen Fare Collection Services	\$870,000	External Affairs
May 27, 2020	Consultant selection to provide deferred compensation services	\$0	Human Resources and Organizational Development
June 10, 2020	No procurement actions on this agenda		

## LEGISLATIVE AND COMMUNICATIONS COMMITTEE - Fourth Quarter Outlook (April 1, 2020 - June 30, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 16, 2020	Amendment to Agreement with Hill International, Inc. to provide public outreach services on the Interstate 5 Central County Improvement Project between State Route 55 and State Route 57	\$100,340	External Affairs
	Amendment to Agreement with Outfront Media Group LLC, to revise the payment terms in the Agreement	Revenue	External Affairs
May 21, 2020	Consultant selection for ridership program consulting services	\$380,000	External Affairs
June 18, 2020	Contract award for print, package, and delivery of bus books	\$180,000	External Affairs
	Consultant selection for graphic design services for bus service changes	\$210,000	External Affairs



***April 22, 2020***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Cooperative Agreement with the Riverside County Transportation Commission for the State Route 91 Corridor Operations Project

***Overview***

The Orange County Transportation Authority proposes to enter into a cooperative agreement with the Riverside County Transportation Commission to define the roles, responsibilities, and funding obligations for the construction of the State Route 91 Corridor Operations Project between the Green River on-ramp and southbound State Route 241 toll road.

***Recommendation***

Authorize the Chief Executive Officer to negotiate and execute Cooperative Agreement No. C-0-2227, to define roles and responsibilities between the Orange County Transportation Authority and the Riverside County Transportation Commission, in the amount of \$15,000,000, for the construction of the State Route 91 Corridor Operations Project between the Green River on-ramp and southbound State Route 241 toll road.

***Discussion***

The Measure M2 (M2) Next 10 Delivery Plan was approved by the Orange County Transportation Authority (OCTA) Board of Directors (Board) on November 14, 2016, and provided for the continued acceleration of the delivery of M2 freeway, streets and roads, transit, and environmental projects through the year 2026. Included in the M2 Next 10 Delivery Plan was Board approval to allocate net excess 91 Express Lanes revenue to the M2 Freeway Program, in an amount not to exceed the project costs of the State Route 91 (SR-91), Project I and Project J. In October 2017, the Board approved the establishment of a 91 Express Lanes Capital Reserve that funds future SR-91, Project I, and Project J expenditures, estimated to total \$748.73 million. An update to the M2 Next 10 Delivery Plan was presented and approved by the Board in November 2019.

On January 6, 2020, the Board authorized the use of up to \$15 million in 91 Express Lanes excess toll revenues for the westbound Orange County portion of Project J, SR-91 between State Route 241 (SR-241) and Interstate 15. The Orange County portion adds one additional lane on the SR-91 between Green River Road and the SR-241 toll road and is referred to as the SR-91 Corridor Operations Project (Project). This Project is included in the most recently approved SR-91 Implementation Plan.

The Riverside County Transportation Commission (RCTC) is the lead agency for the Project. The lead agency is responsible for procuring all design and construction management services and providing staff resources necessary to complete the Project. RCTC will be responsible for the process of selecting and contracting with a design firm, construction management firm, and contractor to complete the Project in compliance with all applicable local, state, and federal laws. The total estimated cost is approximately \$44 million with OCTA contributing \$15 million towards the cost of the Project.

The cooperative agreement describes the responsibilities of OCTA and RCTC. OCTA is responsible for making 15 monthly payments to RCTC, each in the amount of one million dollars for a total of \$15 million for the Project. OCTA will also allow for the closure of the westbound 91 Express Lanes in Orange County for approximately ten nights and accommodate for any eastbound closures, as well. The closures are required for the installation of temporary and final striping for the construction of the Project. The closures will occur during late night and early morning hours.

In return for the closures, RCTC agrees to reimburse OCTA for lost toll revenues. A predetermined closure reimbursement schedule is included in the agreement and is based upon historical traffic volumes. If the closures extend beyond the approved hours, a penalty has been included for those occurrences.

#### **Fiscal Impact**

The contribution of funds for the Project will be included in OCTA's proposed Fiscal Year 2020-21 and Fiscal Year 2021-22 Budgets and will be funded with excess toll revenues from the 91 Express Lanes Capital Reserve fund.

***Summary***

Staff is recommending the Board authorize the Chief Executive Officer to negotiate and execute Cooperative Agreement No. C-0-2227, to define roles and responsibilities between the Orange County Transportation Authority and the Riverside County Transportation Commission, in the amount of \$15,000,000, for the construction of the State Route 91 Corridor Operations Project between the Green River on-ramp and southbound State Route 241 toll road.

***Attachment***

None.

**Prepared by:**



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Kirk Avila  
General Manager  
Express Lanes Programs  
714-560-5674



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Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
714-560-5623



***April 22, 2020***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Orange County Transportation Authority Investment and Debt Programs Report - March 2020

***Overview***

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending March 31, 2020. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

***Recommendation***

Receive and file as an information item.

***Discussion***

As of March 31, 2020, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.1 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, the short-term portfolio for future budgeted expenditures, and the bond proceeds portfolio to meet Measure M2 transportation program needs. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

The weighted average book yield for the OCTA portfolio is 2.1 percent. The book yield measures the exact income, or interest, on a bond without regard to market price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

The OCTA's month-end balance in the Local Agency Investment Fund was \$10,805,564.73, with an average monthly effective yield of 1.8 percent. The OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$12,974,235.41. For the month of February, the monthly gross yield for the OCIP was 2.0 percent. Yields for the month of March will be received in April.

As a result of the novel coronavirus, there were several rating actions that occurred during the month of March. Specifically, the debt rating of eight securities held within OCTA's investment portfolio were placed under review for possible downgrade, and seven securities were downgraded. As of March 31, 2020, the securities meet the minimum ratings requirements set forth by OCTA's Investment Policy. Please refer to I-11 (Negative Credit Watch) and I-12 (Rating Downgrades) of Attachment A for further details

OCTA's debt portfolio had an outstanding principal balance of \$1 billion as of March 31, 2020. Approximately 62 percent of the outstanding balance is comprised of M2 debt, nine percent is associated with the 91 Express Lanes Program, and 29 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

### ***Summary***

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending March 31, 2020.

### ***Attachment***

- A. Orange County Transportation Authority Investment and Debt Programs  
– For the Period Ending March 31, 2020.

**Prepared by:**



Robert Davis  
Department Manager  
Treasury/Public Finance  
(714) 560-5675

**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649



**Treasury/Public Finance Department's  
Report On**

**Orange County Transportation Authority  
Investment and Debt Programs**



**Presented to the  
Finance and Administration Committee**

**For The Period Ending  
March 31, 2020**

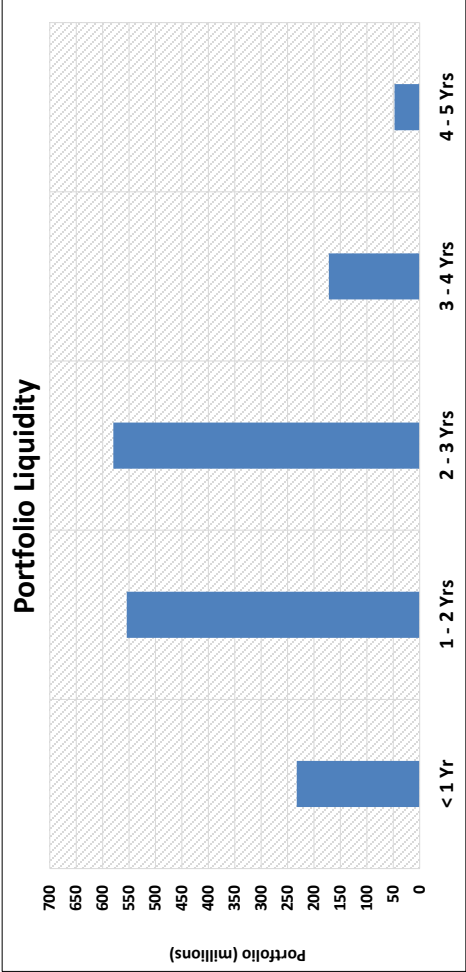
# INVESTMENT PROGRAM

# OCTA Investment Dashboard

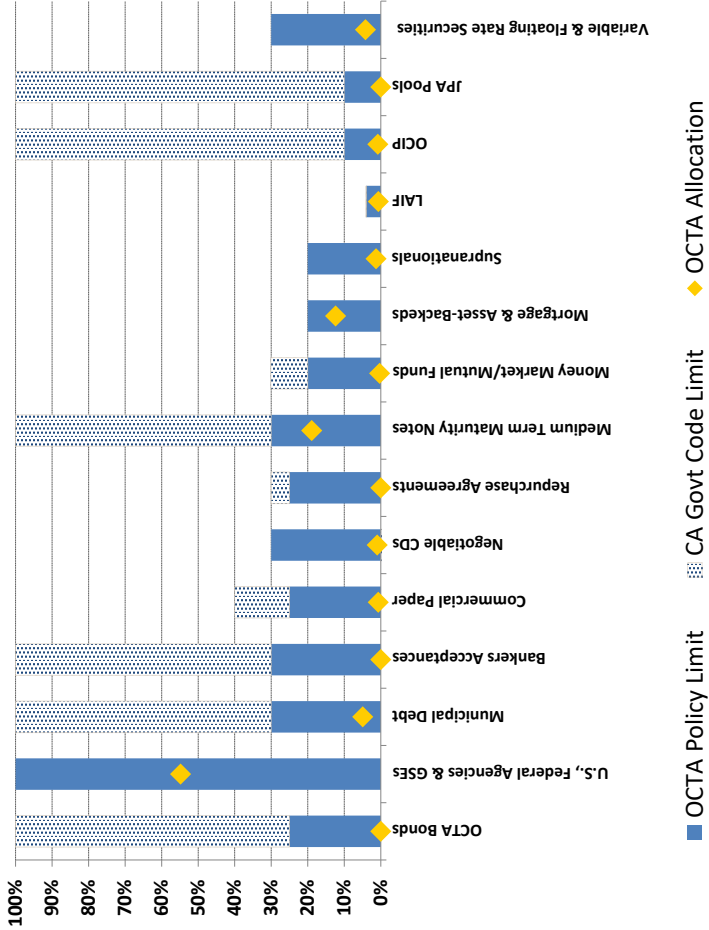
3/31/2020

## Safety of Principal

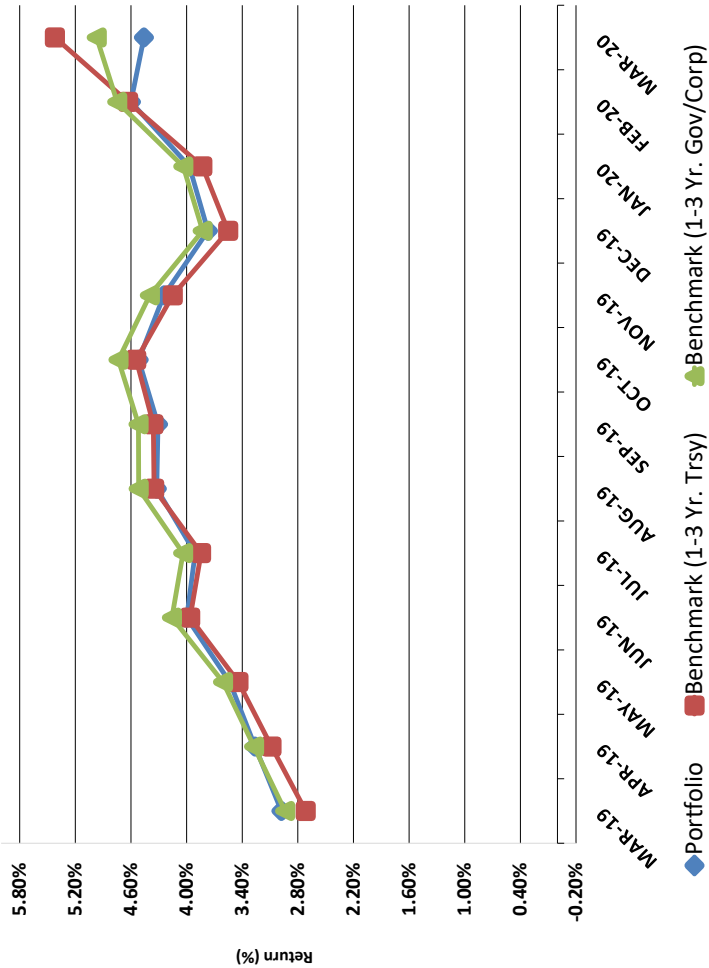
Securities that fall below OCTA's minimum credit quality requirements:



## Portfolio Diversification



## Portfolio Return - 12 Month



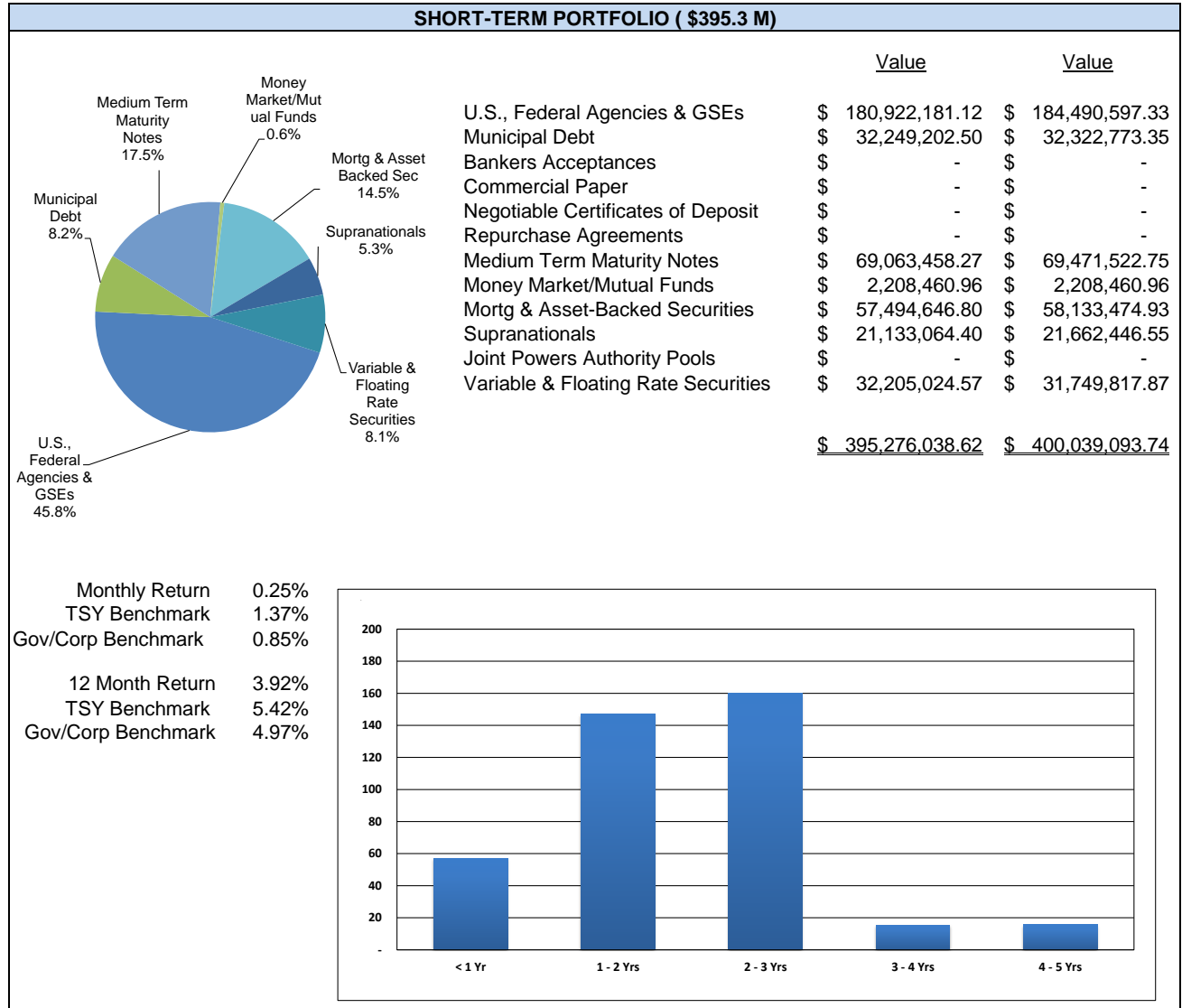
# Investment Profile

## 3/31/2020

Portfolio / Managers	Depository	Role	Governing Document	Type of Investment	Amount (\$ Millions)
OCTA	Bank of the West	Broker	Investment Policy	Repurchase Agreement	\$ 47.1
California State Treasurer	LAIF	Custodian	Investment Policy	Investment Pool/LAIF	10.8
Orange County Treasurer	OCIP	Custodian	Investment Policy	Investment Pool/OCIP	13.0
<b>Subtotal OCTA Liquid Portfolio</b>					<b>\$ 70.9</b>
<b><u>SHORT-TERM PORTFOLIO:</u></b>					
<b><u>Investment Managers</u></b>					
MetLife Investment Management	U.S Bank	Custodian	Investment Policy	Various	\$ 395.3
Chandler Asset Management	U.S Bank	Custodian	Investment Policy	Various	394.1
Payden & Rygel Investment Counsel	U.S Bank	Custodian	Investment Policy	Various	400.4
PFM Asset Management	U.S Bank	Custodian	Investment Policy	Various	396.5
<b>Subtotal Short-Term Portfolio (Investment Managers)</b>					<b>\$ 1,586.3</b>
<b><u>BOND PROCEEDS PORTFOLIO:</u></b>					
OCTA/ Measure M2	BNY Mellon	Trustee	Indenture	Money Market Fund	\$ 58.6
OCTA/ Measure M2	Bank of Nova Scotia	Custodian	Indenture/GIC	Guaranteed Investment Contract	216.9
OCTA/ Measure M2	BNY Mellon	Trustee	Indenture	N/A	-
OCTA/ Measure M2	BNY Mellon	Trustee	Indenture	Money Market Fund	96.9
<b>Subtotal OCTA Bond Proceeds Portfolio</b>					<b>\$ 372.4</b>
<b><u>RESERVE FUNDS PORTFOLIO:</u></b>					
OCTA/ 91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Indenture	Commercial Paper	\$ 11.4
OCTA/ 91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Indenture	Commercial Paper	10.5
OCTA/ 91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Indenture	Commercial Paper	3.1
OCTA/ 91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Indenture	U.S. Treasury Obligations	0.0
OCTA/ 91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Indenture	U.S. Treasury Obligations	0.0
Bank Deposits/Cash	Bank of the West	Trustee	Indenture	Cash	0.2
<b>Subtotal OCTA Reserve Funds Portfolio</b>					<b>\$ 25.2</b>
<b>TOTAL</b>					<b>\$ 2,054.8</b>

## Investment Manager Diversification and Maturity Schedules

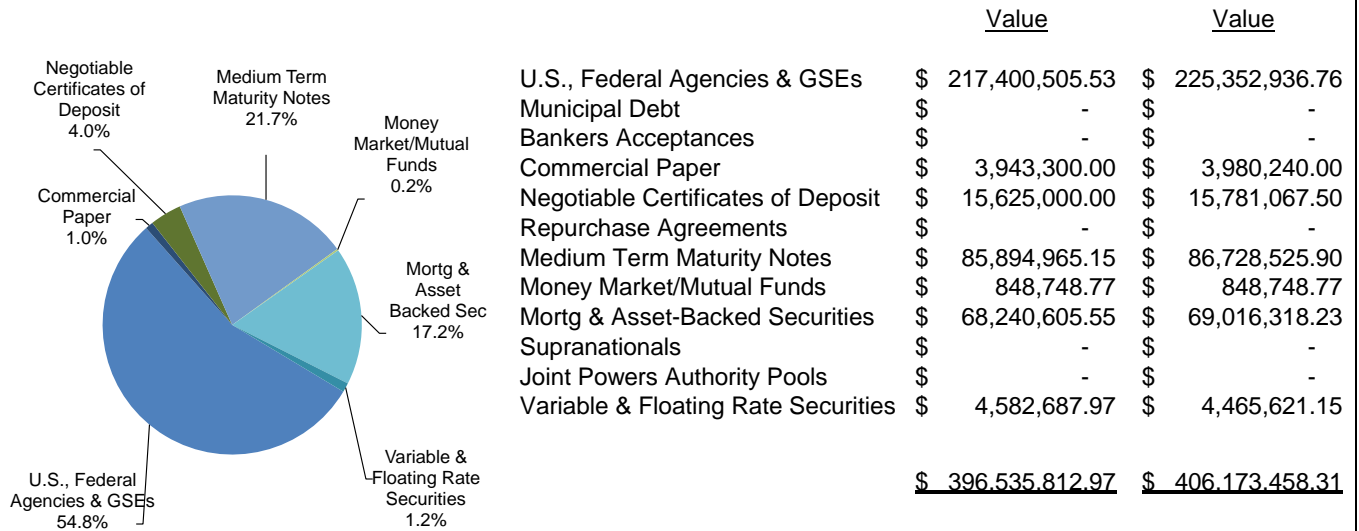
**MetLife Investment Management**  
3/31/2020



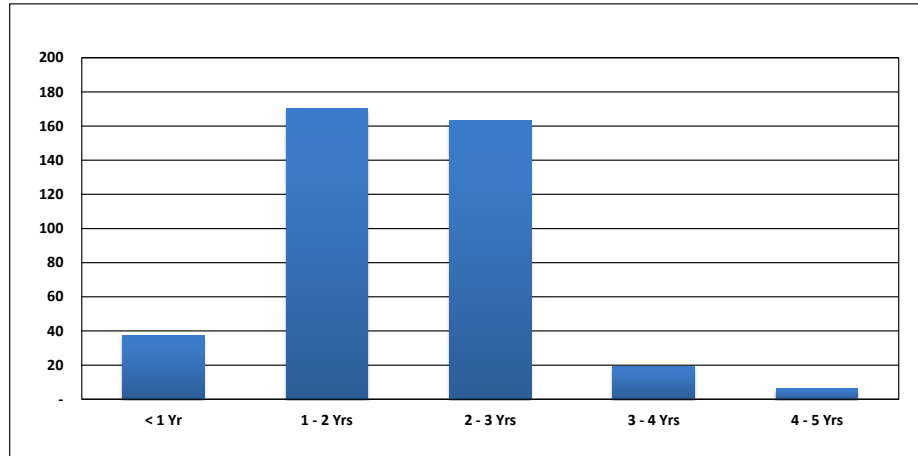
## Investment Manager Diversification and Maturity Schedules

**PFM**  
**3/31/2020**

### SHORT-TERM PORTFOLIO ( \$396.5 M)



Monthly Return	0.61%
TSY Benchmark	1.37%
Gov/Corp Benchmark	0.85%
12 Month Return	4.74%
TSY Benchmark	5.42%
Gov/Corp Benchmark	4.97%

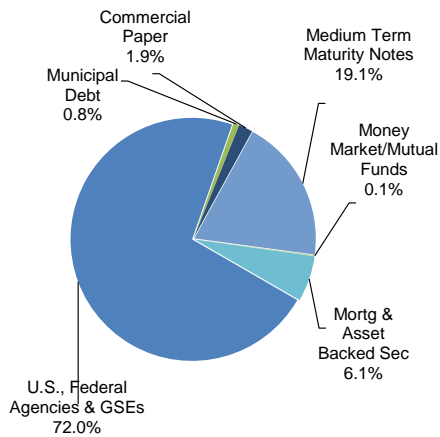


## Investment Manager Diversification and Maturity Schedules

### Chandler Asset Management

3/31/2020

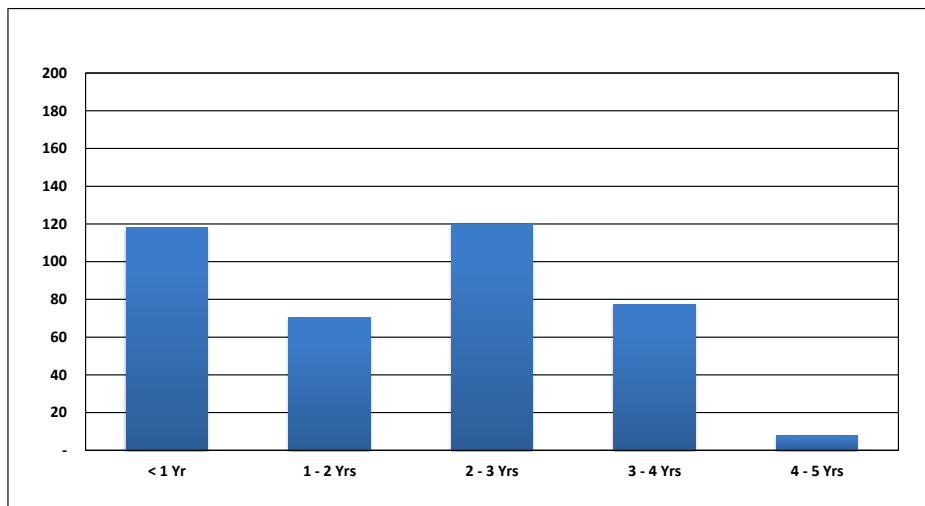
#### SHORT-TERM PORTFOLIO (\$394.1 M)



	Book Value	Market Value
U.S. Federal Agencies & GSEs	\$ 283,792,679.98	\$ 292,870,902.10
Municipal Debt	\$ 3,000,000.00	\$ 3,059,700.00
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ 7,431,083.33	\$ 7,492,950.00
Negotiable Certificates of Deposit	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 75,465,862.25	\$ 77,253,912.60
Money Market/Mutual Funds	\$ 425,977.76	\$ 425,977.76
Mortg & Asset-Backed Securities	\$ 24,016,000.39	\$ 24,066,387.15
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ -	\$ -
	<u>\$ 394,131,603.71</u>	<u>\$ 405,169,829.61</u>

Monthly Return 0.63%  
 TSY Benchmark 1.37%  
 Gov/Corp Benchmark 0.85%

12 Month Return 4.79%  
 TSY Benchmark 5.42%  
 Gov/Corp Benchmark 4.97%

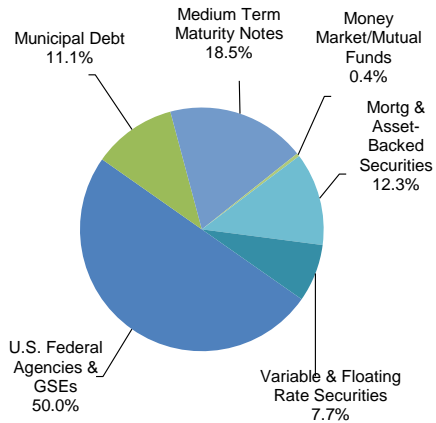


## Investment Manager Diversification and Maturity Schedules

**Payden & Rygel**

**3/31/2020**

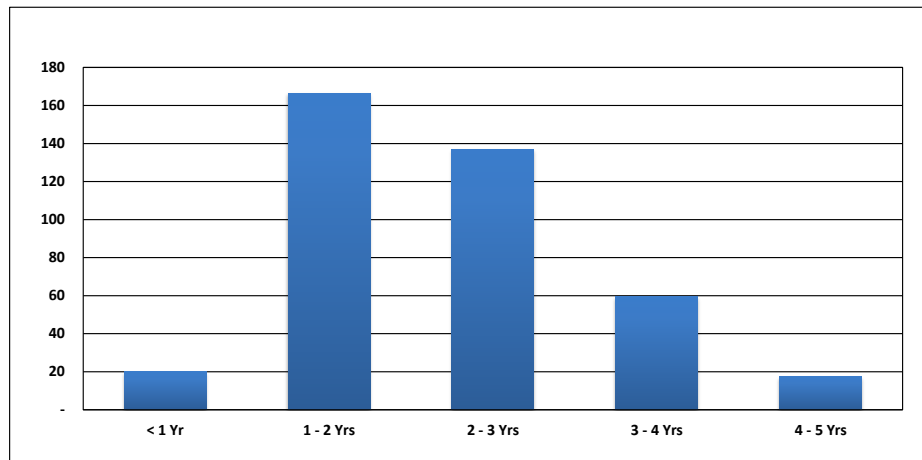
### SHORT-TERM PORTFOLIO (\$400.4 M)



	Book Value	Market Value
U.S. Federal Agencies & GSEs	\$ 200,271,214.86	\$ 204,344,818.99
Municipal Debt	\$ 44,427,484.37	\$ 44,758,559.97
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 73,934,031.69	\$ 73,855,986.91
Money Market/Mutual Funds	\$ 1,679,415.83	\$ 1,679,415.83
Mortg & Asset-Backed Securities	\$ 49,392,381.67	\$ 49,788,074.27
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 30,682,507.90	\$ 30,682,614.26
	<u>\$ 400,387,036.32</u>	<u>\$ 405,109,470.23</u>

Monthly Return 0.26%  
 TSY Benchmark 1.37%  
 Gov/Corp Benchmark 0.85%

12 Month Return 4.41%  
 TSY Benchmark 5.42%  
 Gov/Corp Benchmark 4.97%

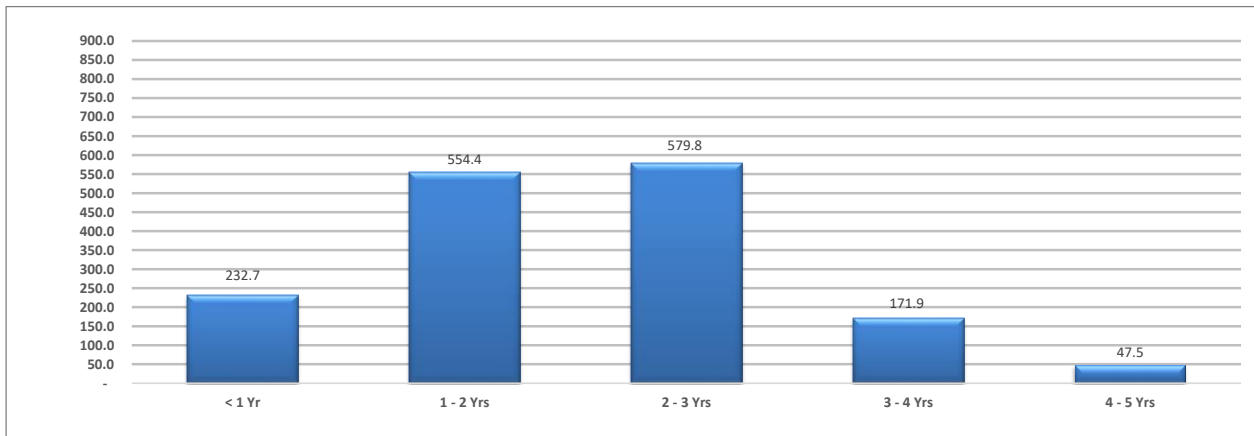
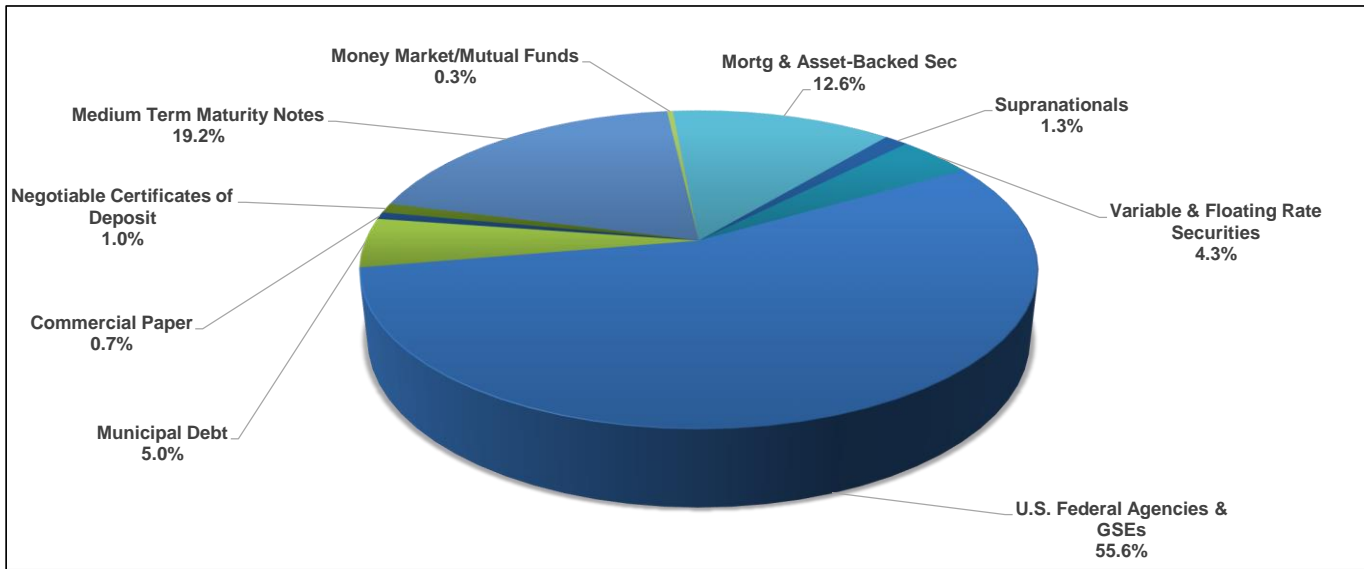




# Short-Term Portfolio

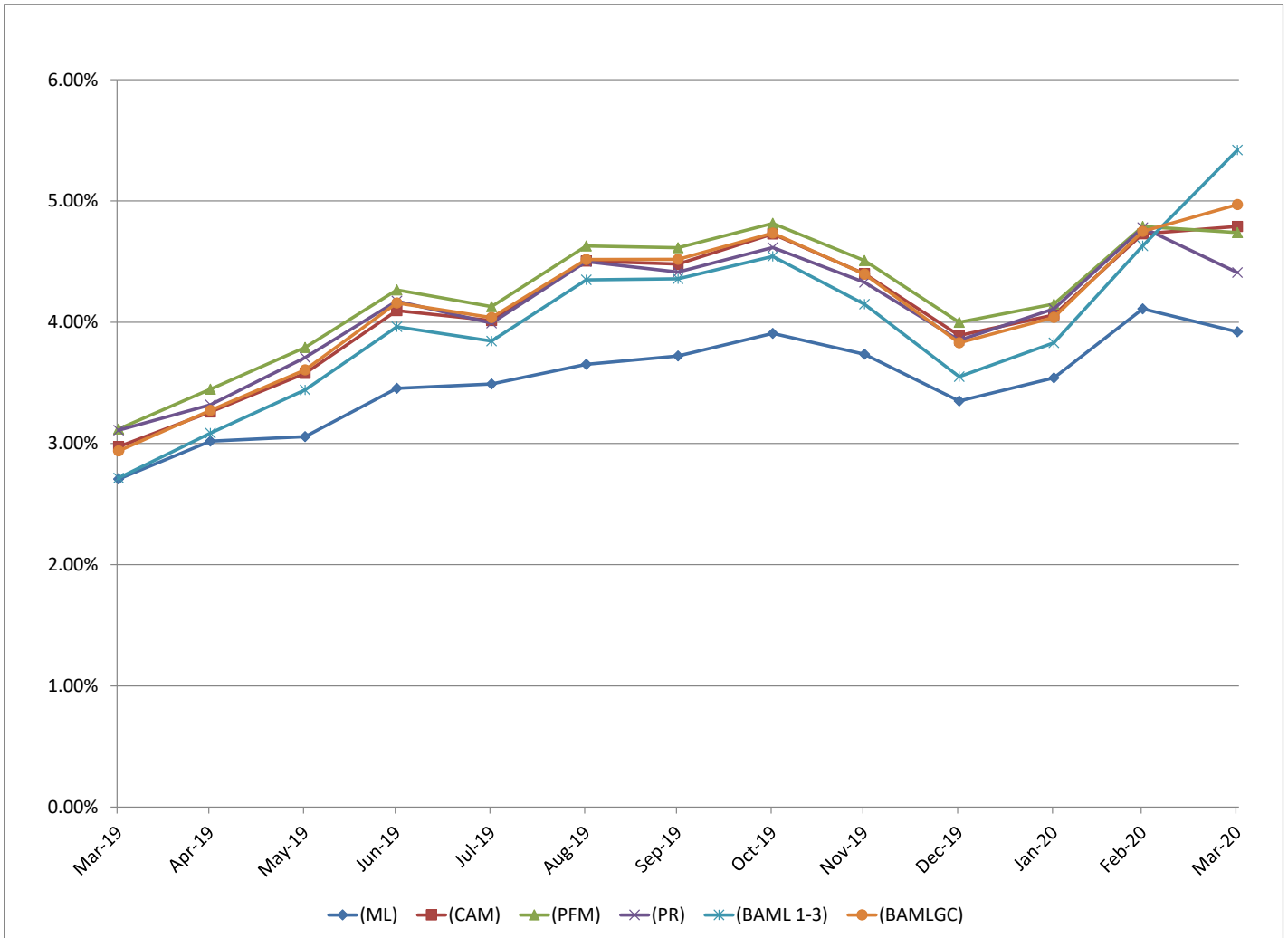
3/31/2020

## Portfolio Composition



**Orange County Transportation Authority**  
**Short-Term Portfolio Performance**  
**3/31/2020**

**Trailing 1-Year Total Return**  
**Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks**

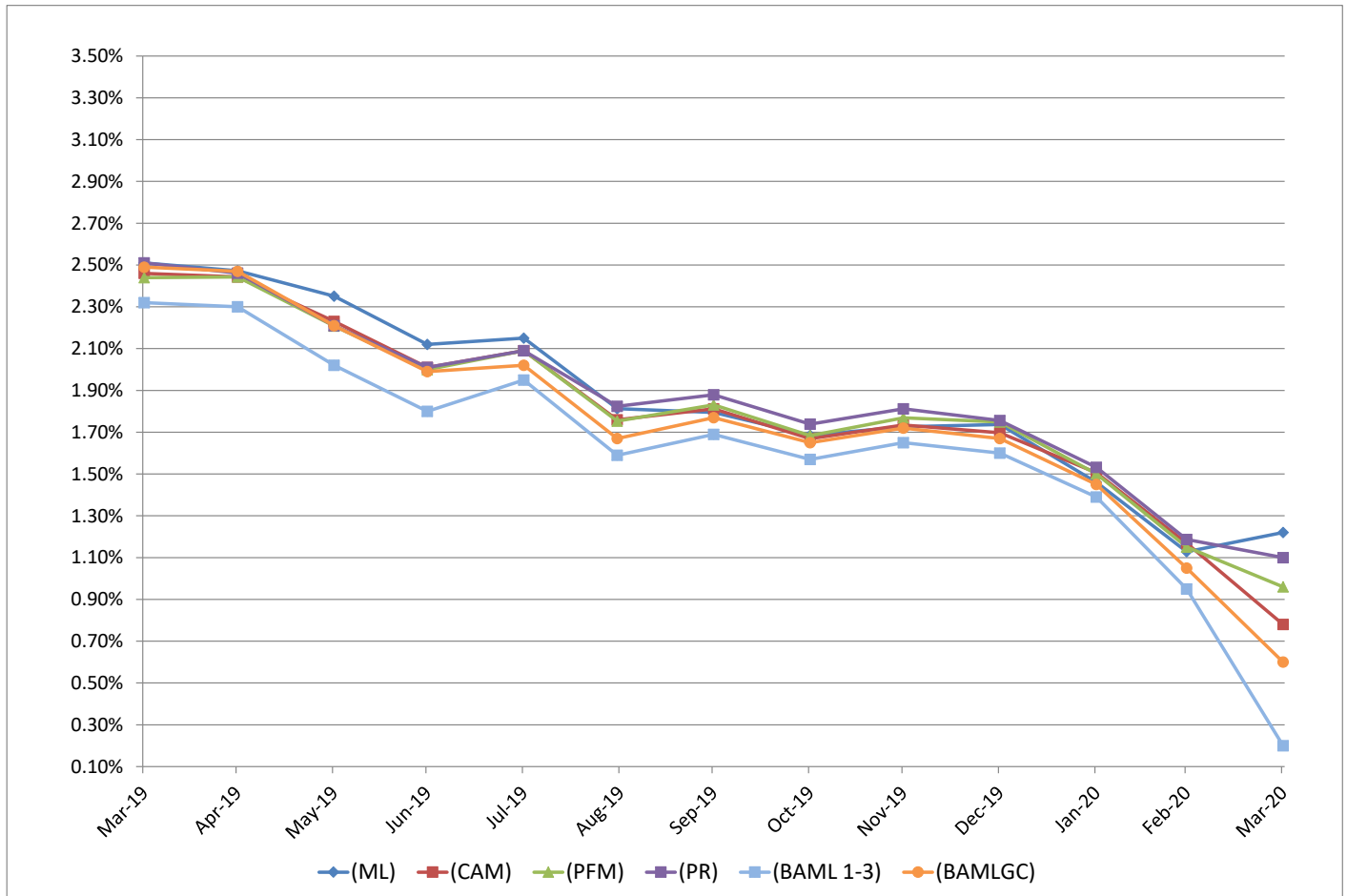


	MetLife Investment Mgmt (ML)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Mar-19	2.71%	2.97%	3.12%	3.11%	2.72%	2.94%
Apr-19	3.02%	3.26%	3.45%	3.32%	3.08%	3.27%
May-19	3.06%	3.58%	3.79%	3.71%	3.44%	3.61%
Jun-19	3.45%	4.10%	4.27%	4.17%	3.96%	4.16%
Jul-19	3.49%	4.01%	4.13%	3.99%	3.84%	4.04%
Aug-19	3.65%	4.50%	4.63%	4.50%	4.35%	4.52%
Sep-19	3.72%	4.48%	4.61%	4.41%	4.36%	4.52%
Oct-19	3.91%	4.73%	4.82%	4.62%	4.54%	4.74%
Nov-19	3.74%	4.40%	4.51%	4.33%	4.15%	4.40%
Dec-19	3.35%	3.89%	4.00%	3.85%	3.55%	3.83%
Jan-20	3.54%	4.06%	4.15%	4.11%	3.83%	4.04%
Feb-20	4.11%	4.73%	4.79%	4.78%	4.63%	4.75%
Mar-20	3.92%	4.79%	4.74%	4.41%	5.42%	4.97%

# Short-Term Portfolio Performance

## 3/31/2020

Historical Yields  
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



	MetLife Investment Mgmt (ML)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Mar-19	2.51%	2.46%	2.44%	2.51%	2.32%	2.49%
Apr-19	2.47%	2.44%	2.44%	2.46%	2.30%	2.47%
May-19	2.35%	2.23%	2.21%	2.21%	2.02%	2.21%
Jun-19	2.12%	2.01%	2.00%	2.01%	1.80%	1.99%
Jul-19	2.15%	2.09%	2.09%	2.09%	1.95%	2.02%
Aug-19	1.81%	1.76%	1.75%	1.82%	1.59%	1.67%
Sep-19	1.80%	1.81%	1.83%	1.88%	1.69%	1.77%
Oct-19	1.69%	1.67%	1.68%	1.74%	1.57%	1.65%
Nov-19	1.73%	1.73%	1.77%	1.81%	1.65%	1.72%
Dec-19	1.74%	1.70%	1.75%	1.76%	1.60%	1.67%
Jan-20	1.46%	1.51%	1.50%	1.53%	1.39%	1.45%
Feb-20	1.13%	1.17%	1.15%	1.19%	0.95%	1.05%
Mar-20	1.22%	0.78%	0.96%	1.10%	0.20%	0.60%

# Investment Compliance

3/31/2020

Portfolio Subject to Investment Policy			
Short-Term/Liquid Portfolio	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Federal Agencies & GSEs	\$ 882,386,581	53.2%	100%
Municipal Debt	\$ 79,676,687	4.8%	30%
Commercial Paper	\$ 11,374,383	0.7%	25%
Negotiable Certificates of Deposit	15,625,000	0.9%	30%
Repurchase Agreements	\$ 46,140,070	2.8%	25%
Medium Term Maturity Notes	304,358,317	18.4%	30%
Money Market/Mutual Funds	\$ 5,162,603	0.3%	20%
Mortgage & Asset-Backed	199,143,634	12.0%	20%*
Supranationals	\$ 21,133,064	1.3%	20%
Local Agency Investment Fund	10,805,565	0.7%	\$ 65 Million
Orange County Investment Pool	\$ 12,974,235	0.8%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	\$ 967,352	0.1%	5%
Variable & Floating Rate Securities	67,470,220	4.1%	30%
<b>Total Short-Term/Liquid Portfolio</b>	<b>\$ 1,657,217,714</b>	<b>100.0%</b>	

\*Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

Portfolio Subject to Indenture					
<u>Bond Proceeds Portfolio</u>	Dollar Amount	OCTA		Indenture Requirements	
	<u>Invested</u>	<u>Credit Quality</u>	<u>Term</u>	<u>Credit Quality</u>	<u>Term</u>
Money Market Funds	\$ 155,553,834	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Treasury Bills	\$ -	AAA/Aaa/AA+	30 days	Min. A2/A	Max. 4 years
Guaranteed Investment Contract	216,850,000	Aa2/AA-/A+	N/A	Min. A3/A-	N/A
<b>Total Bond Proceeds Portfolio</b>	<b>\$ 372,403,834</b>				
<u>Reserve Funds Portfolio</u>					
Commercial Paper	25,018,067	P-1/F-1	30 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	165,250				
US Treasuries Obligations	1,974	AAA/Aaa	30 days	Min. A2/A	Max. 5 years
<b>Total Reserve Funds Portfolio</b>	<b>\$ 25,185,290</b>				
<b>Total Portfolio Subject to Indenture</b>	<b>\$ 397,589,124</b>				
<b>Portfolio Total</b>	<b>\$ 2,054,806,838</b>				

# Negative Credit Watch

3/31/2020

Manager / Security	Par Amount	Maturity	S&P	Moody's	Fitch Ratings
<b>PFM</b>					
Merck & Co. On February 5, 2020, S&P placed the long-term ratings of Merck & Co. under review for possible downgrade. The credit watch placement is due to Merck's announcement that it will be spinning off a large portion of their brand. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Merck, and their vast pharmaceutical diversification.	1,250,000	2/10/2022	AA-	A1	A+
3M Company On March 24, 2020, Moody's placed the long-term ratings of 3M Company under review for possible downgrade. The credit watch placement is due to expectations of higher leverage needs and weaker earnings for the year. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to increased demand for 3M products, in light of COVID-19.	1,155,000	Various**	A+	A1	N/A
Toyota Motor Credit Corporation On March 26, 2020, S&P and Moody's placed the long-term ratings of Toyota Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification .	4,430,000	Various***	AA-	A1	A+
American Honda Finance Corporation On March 27, 2020, S&P and Moody's placed the long-term ratings of Honda Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification.	3,800,000	6/27/2022	A	A3	N/A
<b>Payden &amp; Rygel</b>					
San Francisco Bay Area Rapid Transit District (BART) On March 20, 2020, Fitch placed the long-term ratings of San Francisco BART under review for possible downgrade. The credit watch placement is due to a broad sector revision of bonds secured by economically sensitive tax revenues, in light of COVID-19. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the strong credit quality of the agency as well as a strong cash flow.	630,000	7/1/2020	AA+	N/A	AA+
<b>Chandler Asset Management</b>					
Toyota Motor Credit Corporation On March 26, 2020, S&P and Moody's placed the long-term ratings of Toyota Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification .	3,500,000	Various****	AA-	A1	A+
General Dynamics Corporation On March 20, 2020, S&P placed the long-term ratings of General Dynamics under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the company's demand for business jets and related services. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the dominate role defense plays in their overall business.	4,000,000	5/11/2021	A	A2	N/A
American Honda Finance Corporation On March 27, 2020, S&P and Moody's placed the long-term ratings of Honda Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification.	3,500,000	Various*****	A	A3	N/A
Daimler Finance North America On March 25, 2020, Moody's placed the long-term ratings of Daimler under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on global demand for vehicles, and the impact of production halts on the supply chain. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Daimler securing \$12 billion in EUR loan facilities.	3,000,000	5/5/2020	BBB+	A3	A-
*9/15/21 & 3/11/22					
**9/14/21 & 3/1/22					
***1/8/21 & 1/11/22					
****4/17/20 & 4/13/21					
*****11/16/22 & 1/12/24					

# Rating Downgrades

## 3/31/2020

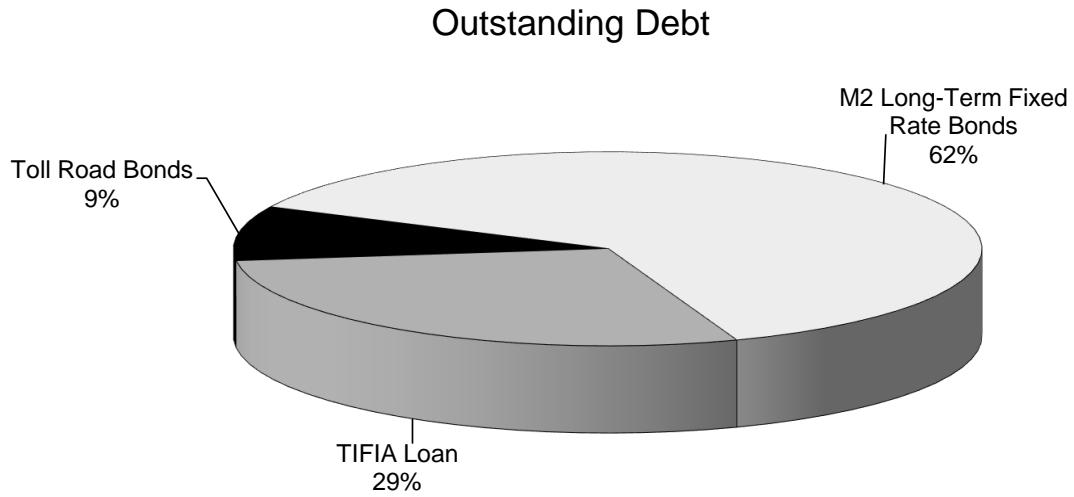
<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
<b>PFM</b>					
Exxon Mobil Corporation On March 16, 2020, S&P downgraded the long term credit rating of Exxon from AA+ to AA. The downgrade is due to Exxon's higher leverage metrics, and weakened oil prices due to the COVID-19 outbreak. The security complies with the requirements of the Investment Policy and the manager is comfortable holding due to the industry strength of Exxon, and anticipated OPEC discussions.	1,600,000	3/6/2022	AA	Aaa	N/A
<i>Toyota Motor Credit Corporation</i> On March 26, 2020, Moody's downgraded the long term credit rating of Toyota Co. from Aa3 to A1. The downgrade is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification .	4,430,000	Various*	AA-	A1	A+
<i>American Honda Finance Corporation</i> On March 27, 2020, Moody's downgraded the long term credit rating of Honda Co. from A2 to A3. The downgrade is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification.	3,800,000	6/27/2022	A	A3	N/A
<b>Chandler Asset Management</b>					
<i>Toyota Motor Credit Corporation</i> On March 26, 2020, Moody's downgraded the long term credit rating of Toyota Co. from Aa3 to A1. The downgrade is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification .	3,500,000	Various**	AA-	A1	A+
<i>American Honda Finance Corporation</i> On March 27, 2020, Moody's downgraded the long term credit rating of Honda Co. from A2 to A3. The downgrade is due to the impact COVID-19 will have on the economy, oil prices, and the rise in used car prices. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification.	3,500,000	Various***	A	A3	N/A
Daimler Finance North America On March 26, 2020, S&P downgraded the long-term credit rating of Daimler from A- to BBB+. The downgrade is due to the impact COVID-19 will have on global demand for vehicles, and the impact of production halts on the supply chain. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Daimler securing \$12 billion in EUR loan facilities.	3,000,000	5/5/2020	BBB+	A3	A-
Oracle Corp On March 30, 2020, Moody's and Fitch downgraded the long-term credit rating of Oracle from A1 to A3, and A to A- , respectively. The downgrade is due to Oracle's plans to raise new debt and use proceeds for general corporate purposes. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to strong demand of products as well as proven earnings.	4,000,000	5/15/2022	A+	A3	A-
*1/8/21 & 1/11/22					
**4/17/20 & 4/13/21					
***11/16/22 & 1/12/24					

# DEBT PROGRAM

# Total Outstanding Debt

## As of 3/31/20

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**TOTAL OUTSTANDING DEBT:     \$1,005,375,000**



# Outstanding Debt

## As of 3/31/20

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### Orange County Local Transportation Authority (OCLTA-M2)

#### 2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Debt Service FY 2020:	17,270,000
Pledged Revenue Source:	M2 Sales Tax Revenues
Ratings (Fitch/ Moody's/ S&P):	AA+/Aa2/AA+
Final Maturity:	2041

#### 2019 M2 Sales Tax Bond

Issued:	\$ 376,690,000
Outstanding:	376,690,000
Debt Service FY 2020:	17,939,230
Pledged Revenue Source:	M2 Sales Tax Revenues
Ratings (Fitch/ S&P):	AA+/AA+
Final Maturity:	2041

### 91 Express Lanes

#### 2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$ 124,415,000
Outstanding:	91,685,000
Debt Service FY 2020:	10,798,325
Pledged Revenue Source:	91 Toll Road Revenues
Ratings (Fitch/ Moody's/ S&P):	A+/A1/AA-
Final Maturity:	2030

### 405 Express Lanes

#### 2017 TIFIA Loan

Outstanding:	\$ 287,000,000
Accrued Debt Service FY 2020:	\$ 13,977,168
Pledged Revenue Source:	405 Toll Road Revenues
Ratings (Moody's):	Baa2
Final Maturity:	2057



**April 22, 2020**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Orange County Local Transportation Authority Measure M2  
Agreed-Upon Procedures Reports, Year Ended June 30, 2019

### **Overview**

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Local Fair Share funds provided to nine cities and the County of Orange, and Senior Mobility Program funds provided to five cities, for the fiscal year ended June 30, 2019. Local Fair Share program reports include observations of ineligible maintenance of effort expenditures, misreporting of indirect cost charges, and misreporting of fund balance. Senior Mobility Program reports include observations relating to late submission of monthly reports, lack of evidence of competitive procurement of third-party vendors, missing contract provisions, and inadequate tracking of ineligible trips.

### **Recommendations**

- A. Direct staff to monitor implementation of corrective actions proposed by the cities.
- B. Direct staff to review observations and develop recommendations, as appropriate, for Board of Directors' consideration related to the City of Anaheim's compliance with the Measure M2 Ordinance and Eligibility Guidelines.

### **Background**

Annually, the Audit Subcommittee (Subcommittee) of the Taxpayers Oversight Committee selects a sample of local jurisdictions receiving Measure M2 (M2) funding for audit, to determine the local jurisdictions' level of compliance with provisions of the M2 Ordinance. For the fiscal year (FY) ended June 30, 2019,

the Subcommittee selected nine cities and the County of Orange for review of Local Fair Share (LFS) program funding, and five cities for review of Senior Mobility Program (SMP) funding. The agreed-upon procedures (AUP) applied for these reviews were approved by the Subcommittee.

The LFS program is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. Since the LFS program is intended to augment, not replace, existing transportation expenditures, each jurisdiction is required to maintain a minimum level of local street and road expenditures to conform to a defined maintenance of effort (MOE) requirement. Cities are required to submit copies of their Seven-Year Capital Improvement Plan, reflecting projects that will be funded with LFS.

The SMP funds local community transportation services for seniors. This program provides up to 80 percent of the funding, and participating local jurisdictions provide a 20 percent match. Seniors must be age 60 or older to be eligible to participate in the program. A cooperative agreement, along with a written service plan, is executed between the local jurisdiction and the Orange County Local Transportation Authority (OCLTA), to outline requirements of the program and to describe services to be provided. Cities are required to submit monthly SMP activity reports within 30 days of month end.

All M2 revenues, interest earned on net revenues, expenditures, and expenditures of earned interest are required to be reflected on an annual expenditure report. The expenditure report requires certification by the respective city's finance director and must be adopted by the city council and filed with OCLTA within six months of FY end.

### ***Discussion***

Crowe LLP (auditors), conducted interviews of city finance and program-related staff, and applied the AUP, including testing of expenditures for compliance with program requirements, review of indirect costs for adequate support and reasonableness, testing to ensure allocation of interest, and testing of annual expenditure reports for accuracy.

### **Agreed-Upon Procedures: LFS Program Funds**

The auditors examined the cities of Anaheim, Dana Point, Garden Grove, Huntington Beach, La Habra, Mission Viejo, San Clemente, Seal Beach, and Westminster. The auditors also examined the County of Orange. No observations resulted from the audits of the City of Garden Grove or the County of Orange.

At two cities, the auditors identified expenditures that were not properly classified as MOE expenditures. The City of San Clemente continued to meet the minimum MOE requirement after removal of the ineligible amounts. However, after removal of ineligible amounts for the City of Anaheim (Anaheim), the city no longer met the minimum MOE requirement. Anaheim staff responded that they believed the expenditures, which are allowable costs against LFS, would also qualify as MOE. However, guidelines require MOE expenditures comply with California State Constitution Article XIX street and road expenditures, while LFS expenditures may be used for other transportation needs. In addition, Anaheim noted that they recorded allowable MOE expenditures, sufficient to meet their MOE requirement, against LFS.

In total, four cities misreported the amount of indirect costs on their expenditure report, and four cities misreported their LFS fund balance on their expenditure report.

A summary of all findings and city management responses can be found at Attachment A, and the detailed reports, along with written management letters, can be found at Attachment B.

#### Agreed-Upon Procedures: SMP Funds

The auditors examined the cities of Dana Point, Fountain Valley, La Habra, San Clemente, and Tustin. No observations resulted from the audit of the City of San Clemente.

Late submission of required reports was identified at three cities, and two cities lacked documentation to evidence that their transportation service provider was competitively procured. Service provider contracts at those two cities also lacked a required provision to ensure wheelchair accessibility. One city also provides transportation services to persons under age 60 but did not have an adequate process in place to ensure costs related to these ineligible trips were not funded by SMP.

A summary of all findings and city management responses can be found at Attachment C, and the detailed reports, along with written management letters, can be found at Attachment D.

#### ***Summary***

The auditors have completed AUP related to M2 LFS and SMP funds provided to twelve cities for the FY ended June 30, 2019.

***Attachments***

- A. Summary of Results of Agreed-Upon Procedures Audits Orange County Local Transportation Authority Measure M2 Local Fair Share for the Year Ended June 30, 2019
- B. Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2019
- C. Summary of Results of Agreed-Upon Procedures Audits Orange County Local Transportation Authority Measure M2 Senior Mobility Program for the Year Ended June 30, 2019
- D. Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Reports Year Ended June 30, 2019

**Prepared by:**



Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

**SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS**  
**Orange County Local Transportation Authority**  
**Measure M2 Local Fair Share for the Year Ended June 30, 2019**

City	Result	City Management Response
Anaheim	Testing of maintenance of effort (MOE) expenditures identified thirteen expenditures related to Anaheim Regional Transportation Intermodal Center (ARTIC) operations, totalling \$2,468,620, that were not properly classified as street and road expenditures.	Local Fair Share (LFS) funds were used for the land, construction, and some operating costs of ARTIC. Management believed that ARTIC operating costs were eligible for MOE. In fiscal year (FY) 2019, LFS funds were used to pay for approximately \$2 million in MOE-eligible, street and road expenditures. As such, the City of Anaheim (Anaheim) did meet the MOE requirement and is requesting that OCTA allow Anaheim to restate these expenditures. Alternatively, Anaheim has an additional \$2 million in eligible expenditures that were not reported.
Dana Point	The City of Dana Point (Dana Point) reported a LFS fund balance of \$718,967 on its expenditure report; the actual fund balance was \$717,853, a difference of \$1,114. The prior audit of Dana Point, for FY 2018, also noted a variance in the reported fund balance.	The difference represents an expenditure that was processed prior to closing the books for FY 2019, but was not deducted from the fund balance reported on the expenditure report. A revised expenditure report will be submitted.
Garden Grove	No exceptions were noted.	
Huntington Beach	The City of Huntington Beach (Huntington Beach) reported a fund balance of \$1,819,187 on its expenditure report; the actual fund balance was \$1,788,766, a difference of \$30,421.	Huntington Beach will review its closing and financial reporting process and implement procedures to ensure these variances do not occur in future reports.
	Huntington Beach reported \$1,065,100 in indirect salary charges to the LFS fund as direct costs on its expenditure report, rather than indirect costs.	Huntington Beach will review its closing and financial reporting process and implement procedures to ensure that LFS expenditures are correctly classified in future reports.
La Habra	Testing of MOE expenditures identified thirteen expenditures totalling \$1,951 that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of La Habra (La Habra) continued to meet the MOE requirement. The prior audit of La Habra for FY 2018, also identified two expenditures that were not properly classified.	Staff will ensure that these ineligible expenditures are excluded from future reporting.
	La Habra reported \$113,357 in indirect salary charges to the LFS fund as direct costs on its expenditure report, rather than indirect costs. The prior audit of La Habra for FY 2018 also identified indirect costs that were not properly reported.	La Habra will ensure these expenditures are properly reported in the future.
Mission Viejo	Testing of MOE expenditures identified six expenditures totalling \$589, that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of Mission Viejo (Mission Viejo) continued to meet the MOE requirement.	In the future, Mission Viejo will remove expenditures that are not in accordance with Gas Tax Guidelines from MOE.
	Mission Viejo reported a fund balance of \$874,713 on its expenditure report; the actual fund balance was \$934,676, a difference of \$59,963.	Mission Viejo has identified and corrected the discrepancies.
San Clemente	Testing of MOE expenditures identified two expenditures totalling \$429,089, that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of San Clemente ( San Clemente) continued to meet the MOE requirement.	San Clemente mistakenly included these expenditures against MOE, and is considering actions to better identify and remove ineligible costs.

**SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS**  
**Orange County Local Transportation Authority**  
**Measure M2 Local Fair Share for the Year Ended June 30, 2019**

<b>City</b>	<b>Result</b>	<b>City Management Response</b>
Seal Beach	The City of Seal Beach (Seal Beach) reported \$9,566 in MOE direct salary charges as indirect costs on its expenditure report. In addition, one expenditure of \$991 was not properly classified as an MOE indirect cost. However, after removing the amount, Seal Beach continued to meet the MOE requirement.	Seal Beach will ensure that indirect charges are properly reported in the future.
	Seal Beach reported a fund balance of \$1,545,089 on its expenditure report; the actual fund balance was \$841,764, a difference of \$703,325.	Seal Beach will ensure that all expenses will be taken into account in the future when reporting ending fund balance.
Westminster	The City of Westminster (Westminster) reported \$120,911 in MOE indirect salary charges as direct costs on its expenditure report, rather than indirect costs.	Westminster will move Public Works Administration salaries to the indirect cost line in the future.
County of Orange	No exceptions were noted.	

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 LOCAL FAIR SHARE**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2019**



**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 LOCAL FAIR SHARE**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2019**

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2019. Please refer to the individual divider tab for our report on each Agency.

City of Anaheim

City of Dana Point

City of Garden Grove

City of Huntington Beach

City of La Habra

City of Mission Viejo

City of San Clemente

City of Seal Beach

City of Westminster

Orange County

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF ANAHEIM

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Anaheim's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$10,058,292 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked and identified in the general ledger by fund and unit. The General Fund (Fund 101) and various units were used to distinguish MOE eligible expenditures from other types of General Fund expenditures. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$11,048,172 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$11,048,172 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$3,593,794, which represented approximately 33% of total MOE expenditures for the fiscal year ended June 30, 2019. We identified 13 expenditures relating to transfers to the Anaheim Regional Transportation Intermodal Center (ARTIC), totaling \$2,468,620 that were not properly classified as local street and road expenditures, nor were they allowable per the Ordinance. After removing the unallowable amounts from total MOE expenditures, the City's MOE expenditures totaled was \$8,579,552, which is \$1,478,740 lower than the minimum MOE requirement of \$10,058,292. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$988,735 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$140,264 representing 14% of the total MOE indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included allocated management salaries for the Public Works department and quarterly information system connectivity. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$7,859,130 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We agreed the fund balance of \$295,758 to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: All expenditures relating to Measure M2 Local Fair Share monies were tracked in Fund 271 – Fair share. Fund 271 Measure M2 – Fair share was established exclusively for OCTA M2 – Fair share projects. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$2,351,685 (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. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: Compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. Measure M2 Local Fair Share expenditures selected totaled \$1,962,245, representing approximately 83% of total Measure M2 Local Fair Share expenditures of \$2,351,685 for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed \$140,426 as indirect cost per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 30 charges for inspection with a total amount of \$75,838 representing 54% of the total Local Fair Share indirect costs. We recomputed the selected indirect costs charges using City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries for involvement in Local Fair Share projects. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as Local Fair Share indirect costs and are allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: 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 examination 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 purpose 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.



Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF ANAHEIM, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

	<b>SCHEDULE A</b>
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead – Schedule 3, line 1	\$ 988,735
Construction & Right-of-Way	
Signals, Safety Devices, & Street Lights	884,972
Maintenance	
Street Lights & Traffic Signals	3,960,275
Other Street Purpose Maintenance	2,745,570
ARTIC Operations	<u>2,468,620</u>
Total MOE Expenditures	\$ 11,048,172
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Capital Project Administration	\$ 140,426
General Agency Coordination	42,755
ARTIC	138,927
Blue Gum St & Miraloma Pavement Rehab	72,515
Lincoln Ave Pavement Rehab (State College to Sunkist)	376,188
Orangewood Ave Pavement Rehab (Haster to Lewis)	8,933
La Palma & Magnolia Pavement Rehab	92,138
Orangewood Ave Pavement Rehab (Harbor to Haster)	24,249
Orange Ave Pavement Rehab (Western to Dale)	471,784
Weir Canyon Road Pavement Rehab (Serrano-Parkglan)	25,313
Euclid St Pavement Rehab (GlenOak to 91 Freeway)	58,933
Lincoln & Rio Vista Pavement Rehab	467,126
Arterial Slurry Group 2	252,275
La Palma Pavement Rehab (East to Acacia)	94,035
State College Pavement Rehab (Kimberly to City Limits)	2,140
Central Anaheim Pavement Rehab at County Limits	14,244
Euclid Pavement Rehab (Orangewood to Broadway)	1,699
Orangethorpe Pavement Rehab (Lakeview to Imperial)	7,108
LA Palma Pavement Rehab (Lakeview to Imperial)	6,731
Broadway Pavement Rehab (Gilbert to Greenwich)	<u>54,166</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 2,351,685</u>
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 13,399,857

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



City of Anaheim  
**DEPARTMENT OF PUBLIC WORKS**

**Exhibit 1**

March 26, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Anaheim as of and for the fiscal year ended June 30, 2019.

**Procedure #4**

Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$3,593,794, which represented approximately 33% of total MOE expenditures for the fiscal year ended June 30, 2019. We identified 13 expenditures relating to transfers to the Anaheim Regional Transportation Intermodal Center (ARTIC), totaling \$2,468,620 that were not properly classified as local street and road expenditures, nor were they allowable per the Ordinance. After removing the unallowable amounts from total MOE expenditures, the City's MOE expenditures totaled \$8,579,552, which is \$1,478,740 lower than the minimum MOE requirement of \$10,058,292. No other exceptions were found as a result of this procedure.

City's Response:

ARTIC is a joint project of regional significance involving OCTA and the City of Anaheim (Anaheim). Fair Share funds were used for the project land, construction and some operating costs. Anaheim counted a portion of the ARTIC operating cost towards the MOE requirement in the belief that this transportation purpose was an eligible MOE expense. In FY 2019, Anaheim also used Fairshare to pay for approximately \$2 million in MOE eligible street reconstruction expenditures, but could just have easily used the General Fund to pay these expenditures.

Each jurisdiction is required to maintain a minimum level of local streets and roads expenditures to conform to the MOE requirement and what is important is that Anaheim did meet this requirement.

On Schedule 3 of the M2 Expenditure Report for the FY June 30, 2019, Anaheim reported in Column Q (Fairshare) \$2,029,577 of Street Reconstruction expense. Anaheim also reported in the MOE column, \$2,468,620 of expense for ARTIC operating (as stated in the finding). If Anaheim is permitted to restate these expenditures by changing the column so that the Street Reconstruction expenditures are reported in the MOE column and an equal amount of ARTIC expenditures are reported in Column Q (Fairshare), then Anaheim is demonstrating that the MOE has been met. This minor change would not impact the total expenditures by fund but would clarify the types of expenditures by fund.

In addition, Anaheim has \$2 million in MOE eligible expenditures that were not reported on the MOE reporting form but, if allowed, Anaheim would update the expenditure report to show these expenditures.



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Rudy Emami, Director of Public Works



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Deborah Moreno, Finance Director/City Treasurer



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Chris Zapata, City Manager



INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
CITY OF DANA POINT

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Dana Point's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$1,313,011 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and various program codes. The City recorded its MOE expenditures in its General Fund (01) under the Street Maintenance (2350), Street Sweeping (2490), and Storm Drains (2510) program codes. The City also used Capital Projects Fund (11) under the Slurry Seal (3110) and Arterial Roadways-Pavement Preservation (3110) program codes. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$6,030,795 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$6,030,795 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 MOE expenditures totaling \$4,311,401, which represented approximately 72% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,717,175 for the past three fiscal years ended June 30, 2017, 2018 and 2019. City of Dana Point reported Local Fair Share fund balance of \$718,967 as of June 30, 2019 on the Expenditure Report (Schedule 1, Line 20); however, from inspecting the general ledger detail, the fund balance amount was \$717,853, a difference of \$1,114. We determined funds were expended within three years of receipt, without any exception. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: We inspected the general ledger detail of the total Local Fair Share expenditures of \$0 to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4) of \$0. No exceptions were found as a result of this procedure.

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven- Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: Since the City did not have any expenditures during the year for Local Fair Share projects, we did not select a sample of Measure M2 Local Fair Share expenditures. We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the 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, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: 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 examination 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 purpose 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.

  
Crowe LLP

Costa Mesa, California  
April 1, 2020

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CITY OF DANA POINT, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of Effort (MOE) Expenditures:

Maintenance	
Overlay and sealing	\$ 4,283,304
Street lights and traffic signals	109,907
Other street purpose maintenance	<u>1,637,584</u>
Total maintenance	6,030,795

Total MOE Expenditures	\$ 6,030,795
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Total Measure M2 Local Fair Share Expenditures	<u>-</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 6,030,795</u>
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Note: The above amounts were taken directly from the financial records of the City of Dana Point and were not audited.



March 16, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Dana Point as of and for the fiscal year ended June 30, 2019.

#### **Procedure #6**

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,717,175 for the past three fiscal years ended June 30, 2017, 2018 and 2019. City of Dana Point reported Local Fair Share fund balance of \$718,967 as of June 30, 2019 on the Expenditure Report (Schedule 1, Line 20); however, from inspecting the general ledger detail, the fund balance amount was \$717,853, a difference of \$1,114. We determined funds were expended within three years of receipt, without any exception. No other exceptions were found as a result of this procedure.

#### City's Response:

The City processed a transfer of \$1,114 to cover eligible expenditures prior to closing the books at June 30, 2019. That eligible use of funds was not reflected on the Expenditure Report. The City agrees and has amended its reconciliation and review procedures for the M2 Expenditure Report. A revised Expenditure Report will be submitted to OCTA.



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Mark Denny, City Manager

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Michael Killebrew, Director of Finance

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Matt Sinacori, Director of Public Works & Engineering

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF GARDEN GROVE

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Garden Grove's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$3,378,344 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked in general ledger by fund and packages. The City recorded its MOE expenditures in its General Fund (111) and by various packages (cost centers). No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$5,389,909 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$5,389,909 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures for inspection totaling \$2,045,827, which represented approximately 38% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1); Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$1,233,538 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$705,830 representing 57% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and did not identify any exceptions. The indirect costs inspected included allocated vehicle maintenance, personnel, and information system charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$7,577,028 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We reconciled the fund balance of \$1,547,170 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: The Local Fair Share expenditures were tracked in general ledger by fund. The City recorded its Local Fair Share expenditures in its General Fund (111). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$3,169,265 (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. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 20 Measure M2 Local Fair Share expenditures for inspection totaling \$3,166,374, representing approximately 99% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the 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, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: 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 examination 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.

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.

  
Crowe LLP

Costa Mesa, California  
April 1, 2020

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CITY OF GARDEN GROVE, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead – Schedule 3, line 1	\$ 1,233,538
Maintenance	
Overlay and sealing	874,451
Street lights and traffic signals	146,089
Other street purpose maintenance	<u>3,135,831</u>
Total MOE Expenditures	\$ 5,389,909
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Ahpalt Mnt/ Overlay	20,567
9th/ GG Blvd/ Lft Trn	50,003
Magnlia/ Orngwd L TR	28,909
Ped Signl Head Hsip	15,568
Chapman Coordinatn	316,773
Westmnstr Coordintn	45,184
Lewis Recnstr	646
Euclid Rehab	231,987
Brookhurst Rehab	12,741
Fairviw Slurry Seal	68,353
Euc Reh (Lamp-Chap)	5,100
19/20 Cdbg Local St	410
Magnolia St Reconst	204
Chapman Rehab	2,021,087
GG Rehab-Bkhrst-NLS	72,922
Euclid (Hzrd-Wstmst)	278,709
Wstmstr Rehab-Match	<u>102</u>
Total Measure M2 Local Fair Share Expenditures	\$ 3,169,265
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 8,559,174</u>

Note: The above amounts were taken directly from the financial records of the City of Garden Grove and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF HUNTINGTON BEACH

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Huntington Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$5,607,203 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked and identified in the general ledger by fund and unit. The City's MOE expenditures were recorded in the General Fund (100), Infrastructure Fund (314), and various units. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$12,805,164 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$12,805,164 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$4,055,575, which represented approximately 32% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$738,368 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$402,332 representing 54% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$9,155,187 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$1,788,766 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,819,187, identifying a difference of \$30,421. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: Expenditures relating to Measure M2 Local Fair Share were recorded in the General Fund (100) and Infrastructure Fund (314). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$4,938,457 (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. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 15 Measure M2 Local Fair Share expenditures for inspection totaling \$1,498,176, representing approximately 30% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, the City did not classify Local Fair Share indirect costs correctly. The City had recorded expenditures totaling \$1,065,100 for allocated salaries as direct charges rather than indirect charges. We selected 4 employees' salaries for inspection with a total amount of \$425,751 representing 40% of the total Local Fair Share indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated senior civil engineers' salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the Local Fair Share indirect costs were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No other exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree 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.

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 examination 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 purpose 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.

A handwritten signature in cursive script that reads "Crowe LLP".

Crowe LLP

Costa Mesa, California  
April 1 2020

CITY OF HUNTINGTON BEACH, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead	\$ 738,368
Construction and right-of-way	
Street reconstruction	2,682,416
Signals, safety devices, and street sights	<u>617,106</u>
Total construction and right-of way	3,299,522
Maintenance	
Patching	1,969,482
Street lights and traffic signals	1,592,839
Other street purpose maintenance	<u>4,949,841</u>
Total maintenance	8,512,162
Other	<u>255,112</u>
Total MOE Expenditures	\$ 12,805,164
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Indirect and/ or overhead	1,065,100
Arterial Rehabilitation 16-17	3,368
Arterial Rehabilitation 17-18	1,627,500
Arterial Rehabilitation 18-19	1,377,982
Atlanta Avenue widening	500,000
General maintenance public works	<u>364,507</u>
Total Measure M2 Local Fair Share Expenditures	\$ <u>4,938,457</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 17,743,619</u>

Note: The above amounts were taken directly from the financial records of the City of Huntington Beach and were not audited.



# CITY OF HUNTINGTON BEACH

## Finance Department

March 11, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share Program for the City of Huntington Beach as of and for the fiscal year ended June 30, 2019.

### **Procedure #6**

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$9,155,187.52 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$1,788,766 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,819,187, identifying a difference of \$30,421. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

### City's Response:

The difference of \$30,421 was carried forward from prior fiscal years. The City will review its current closing and financial reporting processes and implement procedures to ensure these variances do not occur in future reports.

### **Procedure #9**

Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as Indirect Cost for LFS for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified \$1,065,100 of charges for allocated salaries that should have been reported as indirect charges. Upon selection of the four employees' salaries for inspection with a total amount of \$425,751 representing 40% of the total LFS indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated Senior Civil Engineers' and Contract Administrator's salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the LFS indirect costs were allowable per the Ordinance and percentages allocated to LFS were justifiable. No other exceptions were found as a result of this procedure.



City's Response:

The City will review its financial reporting processes and implement procedures to ensure that Local Fair Share expenditures are correctly classified in future reports.



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Dahle Bulosan, Acting Chief Financial Officer



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Tom Herbel, Acting Public Works Director

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
CITY OF LA HABRA

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 La Habra's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$1,529,313 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and various object codes. The City recorded its MOE expenditures in its General Fund (113) under Engineering (152101), Traffic Management (1522301), Street Maintenance (17311), and Storm Drain (174101) object codes. Various categories were also used to track the expenditures. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$2,011,124 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,011,124 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$248,127, which represented approximately 13% of total MOE expenditures (and 17% of total *required* MOE expenditures) for the fiscal year ended June 30, 2019. We identified 13 expenditures, totaling \$1,951 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$592,537 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$83,106 representing 14% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated vehicle maintenance and fuel and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$2,694,697 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We agreed the fund balance of \$2,167,540 to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: The expenditures relating to Measure M2 Local Fair Share monies were tracked in the City's general ledger by fund and program. The City recorded its expenditures relating to Measure M2 Local Fair Share monies in Measure M2-Fairshare Fund (138) and various programs. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$645,858 (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.

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(Continued)

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven- Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 20 Measure M2 Local Fair Share expenditures for inspection totaling \$547,386, representing approximately 85% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined the that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspecting the Expenditure Report (Schedule 3, line 1), the City reported \$0 as Indirect Cost for Local Fair Share for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified \$113,357 of charges for allocated salaries that should have been reported as indirect charges. Upon selection of the two employees' salaries for inspection with a total amount of \$113,357 representing 100% of the total Local Fair Share indirect costs, we recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated senior civil engineers' salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the Local Fair Share indirect costs were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No other exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

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

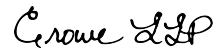
This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, 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 purpose 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.

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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.

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

Crowe LLP

Costa Mesa, California  
April 1 2020

CITY OF LA HABRA, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or overhead	\$ 592,537
Maintenance	
Street lights and traffic signals	791,293
Storm damages	51,755
Other street purpose maintenance	<u>575,539</u>
Total maintenance	1,418,587
Total MOE Expenditures	\$ 2,011,124
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Lambert Road rehabilitation 2017-18	1,143
Alley improvement 2017-18	6,523
Residential street rehabilitation 2016-18	275,615
Alley improvement 2017-18	148,119
Environmental cleanup 2017-18	43,272
La Habra Boulevard pavement rehabilitation project	31,769
Residential street rehabilitation/slurry 2018-19	20,000
Union Pacific Railroad crossing improvement at Cypress	6,060
Measure M2 Fairshare administration	<u>113,357</u>
Total Measure M2 Local Fair Share Expenditures	\$ 645,858
Total Measure M2 MOE and Local Fair Share Expenditures	<u>\$ 2,656,982</u>

Note: The above amounts were taken directly from the financial records of the City of La Habra and were not audited.



## City of La Habra

*"A Caring Community"*

## FINANCE DEPARTMENT

110 E. La Habra Boulevard  
Post Office Box 785  
La Habra, CA 90633-0785  
Office: (562) 383-4050  
Fax: (562) 383-4478

March 16, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of La Habra as of and for the fiscal year ended June 30, 2019.

### Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures, which represented approximately 13% of total MOE expenditures (and 17% of total *required* MOE expenditures) for the fiscal year ended June 30, 2019. We identified 13 expenditures, totaling \$1,951 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

### City's Response:

The MOE expenditure findings listed above have been brought to our attention and explained why they are not allowable per the Ordinance. Staff will ensure that expenditures within these categories will be excluded from future reporting.


## Procedure #9

Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

**Findings:** Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as Indirect Cost for LFS for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified \$113,357 of charges for allocated salaries that should have been reported as indirect charges. Upon selection of the two employees' salaries for inspection with a total amount of \$113,357 representing 100% of the total LFS indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated Senior Civil Engineers' salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the LFS indirect costs were allowable per the Ordinance and percentages allocated to LFS were justifiable. No other exceptions were found as a result of this procedure.

### City's Response:

The duties performed by the City's Public Works Senior Civil Engineer and later by the Principal Engineer were deemed to be administrative indirect costs which were allowable per the Ordinance and not direct costs. These charges have no effect on the total expenditures but the City acknowledges that they were reported on the wrong line item. The City will ensure that these charges are reported as such on future reports.




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James D. Sadro  
City Manager



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Elias Saykali  
Director of Public Works



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Melvin L. Shannon  
Director of Finance



INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF MISSION VIEJO

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Mission Viejo's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$2,538,900 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked in the City's general ledger by fund and categories. The City recorded its MOE expenditures in its General Fund (101) and various categories. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$4,549,955 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$4,549,955 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$2,151,099, which represented approximately 47% of the total MOE expenditures for the fiscal year ended June 30, 2019. We identified six expenditures, totaling \$589 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$1,147,033 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$752,347 representing 66% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated utilities charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,769,169 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$934,676 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$874,713, noting a difference of \$59,963. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: The City recorded its expenditures relating to Measure M2 Local Fair Share monies in General Fund (101) and Measure M2 Fund (267). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$1,443,319 (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. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. M2 Local Fair Share expenditures selected totaled \$1,269,396 representing approximately 88% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed \$29,238 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$25,111 representing 86% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as Local Fair Share indirect costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: 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 examination 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 purpose 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.

*Crowe LLP*

Crowe LLP

Costa Mesa, California

April 1, 2020

CITY OF MISSION VIEJO, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead – Schedule 3, line 1	\$ 1,147,033
Maintenance	
Patching	1,961,033
Street lights and traffic signals	932,111
Other street purpose maintenance	<u>509,778</u>
Total MOE Expenditures	\$ 4,549,955
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Measure M2 street related (541267-6599)	
Maintenance- other street purpose maintenance	30,000
Alicia/Marguerite intersection (CIP 17232)	
street reconstruction	74,919
Santa Margarita Parkway/Marguerite intersection (CIP 17233)	
street reconstruction	34,940
TRAP- south of Crown Valley (CIP 18239)	
Maintenance- other street purpose maintenance	188,195
Los Alisos traffic signal synchronization project (19240)	
Administration	36
Arterial highway resurfacing and slurry (CIP 19837)	
Administration	4,091
Residential resurfacing (CIP 19838)	
Maintenance - overlay and sealing	1,244,287
Administration	25,111
Adjustments	
Reduce prior year expenditures for reimbursements received from other agencies	
Arterial highway resurfacing and slurry (CIP 19837)	
Maintenance - overlay and sealing	(53,925)
Residential resurfacing (CIP 19838)	
Maintenance - overlay and sealing	<u>(104,335)</u>
Total Measure M2 Local Fair Share Expenditures	\$ 1,443,319
Total MOE, and Measure M2 Local Fair Share Expenditures	<u>\$ 5,993,274</u>

Note: The above amounts were taken directly from the financial records of the City of Mission Viejo and were not audited.



# City of Mission Viejo

## Administrative Services Department

**Brian Goodell**  
*Mayor*

**Trish Kelley**  
*Mayor Pro Tem*

**Wendy Bucknum**  
*Council Member*

**Greg Rath**  
*Council Member*

**Edward Sachs**  
*Council Member*

### Exhibit 1

March 17, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Mission Viejo as of and for the fiscal year ended June 30, 2019.

#### Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$2,151,099, which represented approximately 47% of the total MOE expenditures for the fiscal year ended June 30, 2019. We identified six expenditures, totaling \$589 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

#### City's Response:

The City has consistently reported the same MOE expenditures on the Measure M2 report as what is reported on the annual street report. However, in conjunction with OCTA, Crowe has advised that only MOE expenditures that are in accordance with gas tax guidelines should be included as MOE expenditures on the Measure M2 report. The City will review MOE expenditures and remove expenditures related to training and memberships/dues in the future. The City has continued to meet the MOE requirement and exceeded this requirement by \$2M for 18/19.



# City of Mission Viejo

## Administrative Services Department

**Brian Goodell**  
*Mayor*

**Trish Kelley**  
*Mayor Pro Tem*

**Wendy Bucknum**  
*Council Member*

**Greg Rath**  
*Council Member*

**Edward Sachs**  
*Council Member*

### Procedure #6

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,769,169 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$934,676 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$874,713, noting a difference of \$59,963. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

### City's Response:

The City has identified the fund balance discrepancies and has come up with a corrective plan as follows: \$29,732.69 in final Measure M1 revenue received from OCTA in 2016 will be recorded on the M2 report by adjusting the fund balance per direction received from OCTA. An additional \$40.05 was also identified as a reclassification of personnel costs that did not include the project string on our general ledger and will be removed from the 19/20 report fund balance. The remaining \$30,270.57 was moved from the Regional Capacity Program to Fairshare on the M2 Report for 16/17 at OCTA's instruction, but never corrected on the City's general ledger. This has now been reclassified on the City's general ledger.

Signature: \_\_\_\_\_

Title: City Manager

Signature: \_\_\_\_\_

Title: Director of Public Works

Signature: \_\_\_\_\_

Title: Director of Finance

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
CITY OF SAN CLEMENTE

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 San Clemente's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$1,135,209 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and programs. The City recorded its MOE expenditures in its General Fund (001) and the following programs: Traffic Signals (611), Traffic Maintenance (612), Street Maintenance & Repair (614), Street Lighting (618), Major Street Maintenance (416), Public Works Admin (481), Overhead Charges (414), Traffic (413), and Street Engineering (415). No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$4,819,693 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$4,819,693 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.

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(Continued)



4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 MOE expenditures totaling \$3,155,739, which represented approximately 65% of total MOE expenditures for the fiscal year ended June 30, 2019. Per inspection of MOE expenditures, we identified two vendor payments for Lyft Inc. and Butterfli Technologies, Inc. totaling \$429,089 that were not allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect the supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$1,215,413 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$152,900 representing 13% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel salaries. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$2,916,804 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We reconciled the fund balance of \$1,062,205 from the general ledger detail to City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: The City used specific projects in the Street Improvement Fund (042) to track Measure M2 Local Fair Share expenditures. The projects for FY 2018-19 were as follows: 18327 (FY 2018 Street Improvement Projects), 27306 (As Needed Pavement Repairs), 17343 (South La Esperanza), 17345 (Via Cascadita), 16352 (Avenida Navarro), and 17341 Avenida Presidio. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$1,411,504 (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. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine 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: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected four Measure M2 Local Fair Share expenditures for inspection totaling \$1,384,664 representing approximately 98% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined the that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the 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, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: 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 examination 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 purpose 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.

A handwritten signature in cursive script that reads "Crowe LLP".

Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF SAN CLEMENTE, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of Effort (MOE) Expenditures:	
Indirect and overhead	\$ 1,215,413
Street reconstruction	519,670
Maintenance	
Patching	376,830
Overlay and sealing	1,061,088
Street lights and traffic signals	<u>1,646,692</u>
Total maintenance	3,084,610
Total MOE Expenditures	\$ 4,819,693
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Street improvement projects	\$ 1,187,440
As needed pavement repairs	177,112
South La Esperanza	6,630
Via Cascadita	2,175
Avenida Navarro – Pico to Los Molinos	15,274
Avenida Presidio	<u>22,873</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 1,411,504</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 6,231,197</u>

Note: The above amounts were taken directly from the financial records of the City of San Clemente and were not audited.



March 5, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of San Clemente as of and for the fiscal year ended June 30, 2019.

#### **Procedure #4**

Select a sample of MOE expenditures from the City's general ledger expenditure detail and describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 MOE expenditures totaling \$3,155,739, which represented approximately 65% of total MOE expenditures for the fiscal year ended June 30, 2019. Per inspection of MOE expenditures, we identified two vendor payments for Lyft Inc. and Butterfli Technologies, Inc. with total amount of \$429,089.09 that were not allowable per the ordinance. However, after removing the amount from total MOE expenditures, San Clemente continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

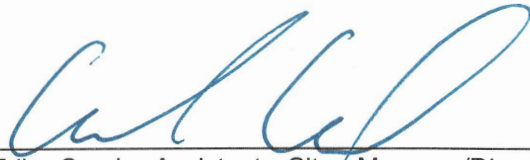
City's response: The City's SCRides program costs were budgeted as a pilot program in the Traffic budget. The City mistakenly did not properly identify and remove those costs from the Maintenance of Effort reporting. The City is considering adding a separate program for transit related costs to breakout non-MOE eligible costs and better identify costs for reporting purposes.

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(Continued)

A handwritten signature in blue ink, appearing to read "Dunek", written over a horizontal line.

Robert Dunek, City Manager

A handwritten signature in blue ink, appearing to read "Erik Sund", written over a horizontal line.

Erik Sund, Assistant City Manager/Director of  
Administrative Services

A handwritten signature in blue ink, appearing to read "Tom Bonigut", written over a horizontal line.

Tom Bonigut, Public Works Director/ City Engineer

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF SEAL BEACH

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Seal Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$551,208 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked and identified in the general ledger by fund and object codes. The City of Seal Beach MOE expenditures were recorded in the General Fund (100) under object codes: Engineering (42), Storm Drains (43), Street Maintenance (44), and Landscape Maintenance (49). No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$1,321,124 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$1,321,124 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$491,447, which represented approximately 37% of the total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$567,714 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection totaling \$107,287 representing 19% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries, vehicle maintenance, project advertising, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that one of the expenditures totaling \$9,566 should have been coded to direct cost; therefore, was not properly classified as MOE indirect costs, but it was allowable per the Ordinance. However, one other expenditure selected for testing totaling \$991 for a file cabinet was not allowable per the Ordinance. After removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,310,883 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$841,764 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,545,089, identifying a difference of \$703,325. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: Expenditures relating to Measure M2 Local Fair Share were recorded in the Project X-Fund (80). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$187,793 (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. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. Measure M2 Local Fair Share expenditures selected totaled \$152,551 representing approximately 81% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the 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, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree 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.

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 examination 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 purpose 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.

  
Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF SEAL BEACH, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead	\$ 567,714
Construction and right-of-way	
Pedestrian Ways & Bikepaths	3,863
Storm Drains	<u>112,963</u>
Total construction and right-of way	116,826
Maintenance	
Patching	22,496
Overlay & Sealing	500
Street lights and traffic signals	40,243
Storm Drainage	32,094
Other street purpose maintenance	<u>541,251</u>
Total maintenance	636,584
Total MOE Expenditures	\$ 1,321,124
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Westminster Avenue Median Improvement Project No. ST-1509	20,383
Local Street Resurfacing Program Project No. ST-1602	3,901
Local Street Resurfacing Program Project No. ST-1702	1,333
Annual Concrete Repair Program Project No. ST-1802	75,000
New Traffic Signal Battery Back Up Project No. ST-1808	81,996
Lampson Avenue ATP Bike Lane Grant Project No. ST-1811	3,846
Local Street Resurfacing Program Project No. ST-1902	<u>1,334</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 187,793</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 1,508,917</u>

Note: The above amounts were taken directly from the financial records of the City of Seal Beach and were not audited.

March 27, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share Program for the City of Seal Beach as of and for the fiscal year ended June 30, 2019.

## Procedure #5

Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$567,714 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection totaling \$107,287 representing 19% of the total indirect costs. We recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries, vehicle maintenance, project advertising, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that one of the expenditures totaling \$9,566 should have been coded to direct cost; therefore, was not properly classified as MOE indirect costs, but it was allowable per the Ordinance. However, one other expenditure selected for testing totaling \$991 for file cabinet was not allowable per the Ordinance. After removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response: The City concurs and will ensure that indirect charges are properly reported in the future

## Procedure #6

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

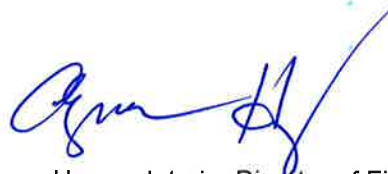
Findings: The City received \$1,310,883 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$841,764 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,545,089, identifying a difference of \$703,325. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

City's Response: The City concurs and will ensure that the expenses will be taking into account in the future when reporting the ending fund balance.



Jill R. Ingram, City Manager

Name and Title of Responsible Party



Alayna Hoang, Interim Director of Finance

Name and Title of Responsible Party



Steve Myrter, Public Works Director

Name and Title of Responsible Party

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
CITY OF WESTMINSTER

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Westminster's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. 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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the City.

Findings: The City was required to spend \$1,548,761 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and various object codes. The City recorded its MOE expenditures in its General Fund (100) and various object codes. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$4,049,921 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$4,049,921 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.

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(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures for inspection totaling \$1,366,202, which represented approximately 33% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$686,773 in indirect costs for MOE for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified an additional \$120,911 in indirect charges for Public Works Administration allocated salaries. We selected 25 indirect costs for inspection with a total amount of \$538,728 representing 67% of the total MOE indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel salaries, vehicle maintenance and fuel, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that the MOE indirect costs were allowable per the Ordinance and percentages allocated to MOE were justifiable. No other exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,406,532 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We agreed the fund balance of \$1,550,764 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree 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). Explain any differences.

Findings: The City's Measure M2 Local Fair Share expenditures were recorded in Fund 211 and 400, Measure M Capital Projects (55026) and Measure M Admin (55027) object codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$1,182,752 (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. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven- Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected four Measure M2 Local Fair Share expenditures for inspection totaling \$900,811 representing approximately 76% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. The City reported \$51,251 in indirect costs on the Expenditure Report. We selected 12 charges for inspection with a total amount of \$45,588 representing 89% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as Local Fair Share indirect costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: 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 examination 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 purpose 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.

  
Crowe LLP

Costa Mesa, California  
April 1, 2020

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(Continued)

CITY OF WESTMINSTER, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Maintenance of Effort (MOE) Expenditures:

Indirect and Overhead	\$ 807,684
Street Reconstruction	1,461,540
Maintenance	783,745
Direct Engineering Administrative Salaries	<u>996,952</u>

Total MOE Expenditures	\$ 4,049,921
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Indirect and Overhead	51,251
City-wide Street improvements	854,110
Debt Service and Administration	220,773
Electricity charges for the City traffic signals	<u>56,618</u>

Total Measure M2 Local Fair Share Expenditures	\$ <u>1,182,752</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	\$ <u><u>5,232,673</u></u>
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Note: The above amounts were taken directly from the financial records of the City of Westminster and were not audited.

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(Continued)



# City of Westminster

8200 Westminster Boulevard, Westminster, CA 92683 714.898.3311  
www.westminster-ca.gov

March 16, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

TRI TA  
Mayor

KIMBERLY HO  
Vice Mayor

SERGIO CONTRERAS  
Council Member

TAI DO  
Council Member

CHI CHARLIE NGUYEN  
Council Member

SHERY JOHNSON  
Interim City Manager

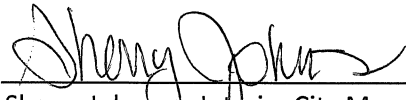
The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Westminster as of and for the fiscal year ended June 30, 2019.

## Procedure #5

Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$686,773 in indirect costs for MOE for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified an additional \$120,911 in indirect charges for Public Works Administration allocated salaries. We selected 25 indirect costs for inspection with a total amount of \$538,728 representing 67% of the total MOE indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel salaries, vehicle maintenance and fuel, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that the MOE indirect costs were allowable per the Ordinance and percentages allocated to MOE were justifiable. No other exceptions were found as a result of this procedure.

City's Response: The City will move Public Works Administration salaries to the indirect line on future reports.

A handwritten signature in cursive script, reading "Sherry Johnson".

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Sherry Johnson, Interim City Manager

A handwritten signature in cursive script, reading "Marwan Youssef".

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Marwan Youssef, Public Works Director

A handwritten signature in cursive script, reading "Erin Backs".

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Erin Backs, Acting Finance Director

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
COUNTY OF ORANGE

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers' Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 County of Orange's (County) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The County'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. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the County.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

2. Describe which funds the County used to track all street and road expenditures and inquire how the County identifies MOE expenditures in its general ledger.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the County met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the County's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

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(Continued)

4. Select a sample of MOE expenditures from the County's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the County and calculate the amount the County received for the past three fiscal years. Obtain the fund balance of the County's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the County's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The County received \$10,075,343 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We reconciled the fund balance of \$0 as of June 30, 2019 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe which fund the County 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the County's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The County's Measure M2 Local Fair Share expenditures were recorded in Fund 115, OC Road Fund, under cost category 4, Services & Supplies. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$3,596,067 (see Schedule A), which agreed to the County's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. Obtain the County's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the County's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the County's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the County's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

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(Continued)

Findings: We compared the projects listed on the County's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 25 Measure M2 Local Fair Share expenditures totaling \$1,938,497, representing approximately 54% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the County's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to determine whether the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the County's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: 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 examination 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.

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.



Crowe LLP

Costa Mesa, California  
April 1, 2020

COUNTY OF ORANGE, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Measure M2 Local Fair Share Expenditures (Schedule 4)	
Pavement Management (Overlay/Sealing Various Sites)	\$ 21,424
Pavement Management & Other Maintenance (Various Sites)	<u>3,574,643</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 3,596,067</u>

Note: The above amounts were taken directly from the financial records of the County of Orange and were not audited.



**SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS**  
**Orange County Local Transportation Authority**  
**Measure M2 Senior Mobility Program for the Year Ended June 30, 2019**

<b>City</b>	<b>Result</b>	<b>City Management Response</b>
Dana Point	The City of Dana Point (Dana Point) contracts with Age Well Senior Services (Age Well) for its Senior Mobility Program (SMP) transportation. Dana Point staff asserted that Age Well was selected through a competitive process in 2013; however, there was no documentation to evidence this. Further, while Age Well indicates that wheelchair accessible vehicles are available, the contract with Age Well does not include the required language related to availability of accessible vehicles. The prior audit of Dana Point for fiscal year (FY) 2018 identified the same conditions.	Dana Point will conduct a competitive procurement of these services and include required language in the next contract. The current contract term is through June 30, 2021.
	One of the four monthly reports tested was not submitted within 30 days of month end, as required.	Dana Point has amended procedures to ensure monthly reports are submitted as required.
Fountain Valley	No exceptions were noted.	
La Habra	The City of La Habra (La Habra) indicated that services from Keolis Transit Services (Keolis) were procured through a piggyback of a City of Costa Mesa (Costa Mesa) procurement in June 2017; however, La Habra had not obtained evidence that the procurement was competitive, as required. In addition, the contract with Keolis does not include required language relating to provision of wheelchair accessible vehicles, as needed. This finding was observed in the audit of La Habra for FY 2018. It should be noted that the agreement with Keolis expires in April 2021, and includes two, one-year options.	Future contract awards will include written documentation to substantiate any discussion or analysis of the procurement and selection process. La Habra uses wheelchair-accessible vehicles and will ensure future contracts include the provision requiring these vehicles be available.
	One of the four monthly reports tested was not submitted within 30 days of month end, as required.	La Habra will set-up review procedures to ensure reports are submitted timely going forward.
San Clemente	No exceptions were noted.	
Tustin	The City of Tustin (Tustin) allows persons 55 years and older to participate in their senior transportation program. The Measure M2 (M2) Ordinance and SMP Guidelines require participants to be aged 60 or older. Tustin did not have an adequate process in place to ensure that costs related to ineligible trips are not funded by the SMP.	Tustin will implement controls to track trips separately for riders under and over the age of 60, to ensure that costs are segregated moving forward. It should be noted that for FY 2019, M2 funds paid for approximately 56 percent of total costs, and only one percent of participants are under the age of 60.
	Two of the four monthly reports tested were not submitted within 30 days of month end, as required.	Tustin has instituted measures to help prevent late submissions going forward.

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 SENIOR MOBILITY PROGRAM**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2019**

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 SENIOR MOBILITY PROGRAM**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2019**

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2019. Please refer to the individual divider tab for our report on each Agency.

City of Dana Point

City of Fountain Valley

City of La Habra

City of San Clemente

City of Tustin

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF DANA POINT

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Dana Point's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund and object code. The City records its Senior Mobility Program expenditures in its Measure M Fund (04) under the Professional Services object code (2230). The City reported \$23,870 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

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(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$152,718 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$103,659 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$103,659; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$53,555 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology. Interest is allocated based on a weighted average of the City's earned interest rates and the fund's month-end balances during the fiscal year. The City reported \$829 of interest income for the year ended June 30, 2019, which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). Additionally, we inquired of City personnel regarding fare collection methodologies. The City did not charge fares for senior transportation services during the year. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$9,752, which was approximately 40% of the total expenditures of \$23,870. No exceptions were identified as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditures selected in (a) above were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$23,870 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or Department of Motor Vehicles issued identification card for age verification. If the driver's license/ID card does not show a current Dana Point address, a current utility bill is also required to verify residency. City staff reviews the application for completeness and verifies age and residency in accordance with the Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1) Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, Line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether that the Contractor was selected using a competitive procurement process; and
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Age Well to provide senior transportation services under the Senior Mobility Program. The City contracted with Age Well in January 2013. The City did not have supporting evidence that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract through June 30, 2016, and the amended contract through June 30, 2021, we also did not find language requiring that wheelchair accessible vehicles be made available and used as needed.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
  - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
  - b. Determine whether the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted within 30 days of month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/4/19	4
December 2018	1/31/19	-
February 2019	3/31/19	-
June 2019	7/17/19	-

No other 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 examination 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 Senior Mobility Program. 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 purpose 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.



Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF DANA POINT, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Measure M2 Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	<u>\$ 23,870</u>
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 23,870</u>

Note: The above amounts were taken directly from the financial records of the City of Dana Point and were not audited.





February 28, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility Program for the City of Dana Point as of and for the fiscal year ended June 30, 2019.

### **Procedure #9**

Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:

- a. Determine whether the Contractor was selected using a competitive procurement process.
- b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on inspection of the general ledger expenditure detail and discussion with City personnel, the City contracted with Age Well to provide senior transportation services under the Senior Mobility Program. The City contracted with Age Well in January 2013. The City did not have supporting evidence that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract through June 30, 2016, and the amended contract through June 30, 2021, we also did not find language requiring that wheelchair accessible vehicles be made available and used as needed.

### City's Response:

The City knows that Age Well only uses wheelchair accessible vehicles. However, the City agrees and will include specific language requiring the availability and use of wheelchair accessible vehicles in the next RFP process and subsequent contract. Although, the City did bid out the transportation contract in 2013, staff is unable to locate the documentation. The City will maintain documentation related to the competitive procurement process in the future.



## Procedure #11

We obtained and sampled four monthly summary reports, and determined the reports were submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, March 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted timely within 30 days of month end to OCLTA. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/4/19	4
December 2018	1/31/19	-
February 2019	3/31/19	-
June 2019	7/17/19	-

No other exceptions were found as a result of this procedure.

### City's Response:

The City agrees with the finding that one of the monthly reports was received four (4) days after the required filing deadline. Staff has amended procedures to ensure that all reports are submitted within 30 days of month end.

Mark Denny, City Manager

Michael Killebrew, Director of Finance

Sherry Murphy, Recreation Manager

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF FOUNTAIN VALLEY

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Fountain Valley's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures relating to Measure M2 Senior Mobility Program were tracked in the general ledger by fund, and sub-project. The City recorded its Senior Mobility Program expenditures in its General Fund (11) and Measure M2 Fund (25), various sub project codes, and object. The City reported \$159,310 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$246,383 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$12,243 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$12,243; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$86,401 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were identified as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology. We identified interest income of \$1,668, which was calculated by multiplying the SMP average monthly cash balance of \$106,720 and the Measure M2 Fund interest rate of 1.5628%. The City reported \$1,667 of interest income for the year ended June 30, 2019 which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). Additionally, we inquired of City personnel regarding fare collection methodologies. There is no net cost to the City to run the proposed senior transportation program. The City charged \$2 per fare for senior transportation services during the year. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual- basis funding allocation) for fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. Total match expenditures amounted to \$46,077, which was approximately 29% of the total expenditures of \$159,310. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditures selected in (a) above were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$114,388 representing 72% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or Department of Motor Vehicles issued identification card for age verification. The City then verifies that the applicant is a resident of Fountain Valley, and 60 years of age or older in accordance with Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether the Contractor was selected using a competitive procurement process; and
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Yellow Cab to provide senior transportation services under the Senior Mobility Program. From inspecting the Yellow Cab procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
  - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
  - b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined that the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary reports, and determine the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined all four reports were timely submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	12/19/18	-
December 2018	1/28/19	-
February 2019	3/26/19	-
June 2019	7/31/19	-

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 examination 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 Senior Mobility Program. 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.

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.



Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF FOUNTAIN VALLEY, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	\$ 159,310
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 159,310</u>

Note: The above amounts were taken directly from the financial records of the City of Fountain Valley and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF LA HABRA

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 La Habra's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund and various object codes. The City records its Senior Mobility Program expenditures in its Measure M Fund (134) and various object codes. The City reported \$61,382 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.



3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$171,720 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$0 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$0; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$61,382 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: The City spent the total amount funded by OCLTA for their Senior Mobility Program. As such, no remaining fund balance was recorded and no interest revenue was allocated. We inquired of City personnel regarding fare collection methodologies. Fares are collected by Keolis Transit Services for the Senior Mobility Program. The revenues are tracked by monthly summary reports. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$15,501 which was approximately 25% of the total expenditures of \$61,382. No exceptions were identified as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
  - a. Agree 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; and
  - b. Determine whether the expenditures selected in (a) above were exclusively for Senior Mobility Program and meet requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$61,382 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their photo identification for age and residence verification. City staff reviews the application for completeness and verifies age and residency in accordance with Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, Line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether that the Contractor was selected using a competitive procurement process; and
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Keolis Services in April 2018 to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we found that the City did not conduct a competitive procurement. The City had relied on a competitive process conducted by the City of Costa Mesa in June 2017. Although the City's purchasing policy indicates that the City can utilize cooperative governmental purchasing contracts for a service which was established by another governmental agency's bid award, there was no written documentation to substantiate any discussions or analysis of the procurement selection process. In addition, per inspection of the original contract, we did not find the language requiring that wheelchair accessible vehicles be made available and used as needed, was included in the contract as required.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
  - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
  - b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor and determined that the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted within 30 days of month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/2/19	2
December 2018	1/23/19	-
February 2019	3/26/19	-
June 2019	7/24/19	-

No other 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 examination 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 Senior Mobility Program. 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 purpose 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.



Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF LA HABRA, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Measure M2 Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	<u>\$ 61,382</u>
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 61,382</u>

Note: The above amounts were taken directly from the financial records of the City of La Habra and were not audited.



## City of La Habra

*"A Caring Community"*

## FINANCE DEPARTMENT

110 E. La Habra Boulevard  
Post Office Box 785  
La Habra, CA 90633-0785  
Office: (562) 383-4050  
Fax: (562) 383-4478

March 9, 2020

### Board of Directors

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility Program for the City of La Habra as of and for the fiscal year ended June 30, 2019.

### Procedure #9

Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:

- a. Determine whether that the Contractor was selected using a competitive procurement process; and
- b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on inspection of the general ledger expenditure detail and discussion with City personnel, the City contracted with Keolis Services in April 2018 to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we found that the City did not conduct a competitive procurement. The City had relied on a competitive process conducted by the City of Costa Mesa in June 2017. Although from inspecting the City's purchasing policy, the City could utilize cooperative governmental purchasing contracts for a service which was established by another governmental agency's success bid award, there was no written documentation to substantiate any discussions or analysis of the procurement selection process. In addition, per inspection of the original contract, we did not find the language requiring that wheelchair accessible vehicles be made available and used as needed, was included in the contract as required.

### City's Response:

- a. The City attempted to meet the requirement to conduct a competitive procurement by "piggy-backing" on the City of Costa Mesa's successful bid award, which as stated above, was allowed by our purchasing policy. According to the City's La Habra Shuttle agenda report requesting authorization to execute an agreement with Keolis Transit Services, LLC, to operate the La Habra Shuttle, it stated that the City of Costa Mesa received two responses, one of which was deemed unresponsive to the RFP, therefore, Keolis was awarded the Costa Mesa contract. Staff reviewed

the Costa Mesa RFP and determined that their general scope of services were similar to La Habra's program requirements. Keolis was willing to honor the pricing that was quoted in the Costa Mesa agreement with the City of La Habra and was awarded the agreement. Future contract awards will include written documentation to substantiate any discussion or analysis of the procurement selection process.

- b. The City's contract agreement did not include language requiring that wheelchair accessible vehicles be made available and used as needed was purely an oversight. The City regularly uses two vehicles and has a third vehicle which is used as a backup. All three vehicles were donated by OCTLA and all three are wheelchair accessible vehicles. The City supplied a video of one of the buses with an operator demonstrating the wheelchair lift going up and down. Nevertheless, we will include the required language in future contracts.

#### **Procedure #11**

Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

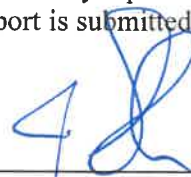
Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted within 30 days of month end to OCLTA. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/2/19	2
December 2018	1/23/19	-
February 2019	3/26/19	-
June 2019	7/24/19	-

No other exceptions were found as a result of this procedure.

#### City's Response:

The City is aware that all summary reports should be submitted within 30 days of month end to OCLTA. We will set up additional review procedures to ensure all summary reports are submitted within 30 days of month end with particular emphasis that the November report is submitted before our Christmas and New Year's holiday recess.



James D. Sadro  
City Manager



Kelly Fujio  
Director of Community Services



Melvin L. Shannon  
Director of Finance

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF SAN CLEMENTE

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 San Clemente's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund and object. The City recorded its Senior Mobility Program expenditures in its Gas Tax Fund (12) under OCTA Senior Center Trans object code. The City reported \$48,609 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$223,392 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$67,427 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$67,427; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$78,339 during the fiscal year ended June 30, 2019, to the general ledger detail and the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology. Interest is allocated based on the weighted average of the City's earned interest rates and the fund's month-end balances during the fiscal year. The City reported \$1,726 of interest income for the year ended June 30, 2019, which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$14,590, which was approximately 30% of the total expenditures of \$48,609. No exceptions were identified as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
  - a. Agree 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; and
  - b. Determine if the expenditures selected in (a) above were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$48,609 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.



7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with the City of San Clemente as to the process for determining eligibility. The Public Works Management Analyst processes all applications sent to the City for participation in the program. To verify eligibility, the Public Works Management Analyst reviews the application before entering the information into the program roster. Applicants must have photo ID and proof that they are residents of San Clemente and that they are older than 60 in accordance with Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. If the applicant meets all the eligibility requirements, their application materials are entered onto the official program roster. Applicants must be on this verified/ approved roster before they can book rides through Yellow Cab for the Senior Mobility Program. The Public Works Management Analyst sends this roster to the Yellow Cab program liaison, who also verifies that the applicants were eligible before entering them in the Yellow Cab system for ride booking. No exceptions were identified as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether that the Contractor was selected using a competitive procurement process; and
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Yellow Cab Inc. to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we found that the City completed a competitive procurement process prior to contracting with Yellow Cab Inc. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included in the contract as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
  - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
  - b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined all four reports were timely submitted within 30 days of month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	12/10/18	-
December 2018	1/15/19	-
February 2019	3/26/19	-
June 2019	7/17/19	-

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 examination 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 Senior Mobility Program. 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 purpose 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.



Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF SAN CLEMENTE, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Measure M2 Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	<u>\$ 48,609</u>
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 48,609</u>

Note: The above amounts were taken directly from the financial records of the City of San Clemente and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
CITY OF TUSTIN

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

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 Tustin's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund. The City recorded its Senior Mobility Program expenditures in its Measure M Fund (139). The City reported \$70,669 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the Measure M fund expenditures of \$70,669, excluding the match funds. No exceptions were found as a result of this procedure.

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. Explain any differences. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$184,091 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$77,377 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$77,377; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$62,943 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology and identified that the interest income for the year of \$2,860 was calculated by multiplying the SMP average monthly cash balance and the Measure M2 Fund interest rate. The City reported \$2,860 of interest income for the year ended June 30, 2019 which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). Additionally, we inquired of City personnel regarding fare collection methodologies. Fare collection is strictly a suggested donation and the fares are used to offset the cost of the program. No exceptions were found as a result of this procedure. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual- basis funding allocation) for fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$34,800 which was approximately 49% of the total expenditures of \$70,669. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree 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; and
  - b. Determine if the expenditures selected in (a) above are exclusively for Senior Mobility Program and meet the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$70,669 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Per management, any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or identification card for age verification. However, the City allows persons 55 years and older to participate, while the Measure M2 Funding Policy Guidelines and the Ordinance require participants be aged 60 or older. We inquired as to the City's method for ensuring costs related to trips provided to ineligible persons (under 60 years of age) were not funded by the SMP; and the City did not have an adequate process for segregating costs for these trips. No other exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:

- a. Determine whether the Contractor was selected using a competitive procurement process; and
- b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City did not contract with a third-party provider. As a result, we did not perform the procedures listed above.

10. Obtain the proof of insurance coverage for the City's contractor and perform the following:

- a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
- b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: Based on inspection of the general ledger expenditure detail and discussion with City personnel, the City did not contract with a third-party provider. As a result, we did not perform the procedures listed above.

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Two of the reports were not submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/10/18	10
December 2018	1/13/19	-
February 2019	4/4/19	4
June 2019	7/31/19	-

No other 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 examination 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 Senior Mobility Program. 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 purpose 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.



Crowe LLP

Costa Mesa, California  
April 1, 2020

CITY OF TUSTIN, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2019  
(Unaudited)

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**SCHEDULE A**

Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	\$ 70,669
 Total Measure M2 Senior Mobility Program Expenditures	 <u>\$ 70,669</u>

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



## Parks and Recreation Services



April 1, 2020

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility Program for the City of Tustin as of and for the fiscal year ended June 30, 2019.

### Procedure #7

Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Per management, any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or identification card for age verification. However, the City allows persons 55 years and older to participate, while the Measure M2 Funding Policy Guidelines and the Ordinance require participants be aged 60 or older. We inquired as to the City's method for ensuring costs related to trips provided to ineligible persons (under 60 years of age) were not funded by the SMP; and the City did not have an adequate process for segregating costs for these trips. No other exceptions were found as a result of this procedure.

City's Response: The City of Tustin offers transportation services for individuals 55 years and older. Participants are required to pre-register in order to participate in the program. The City's registration system shows that there are currently 676 participants over the age of 60 and 7 participants under the age of 60, which correlates to approximately 99% of participants meeting the 60 years of age threshold established by the Measure M2 Funding Policy Guidelines. Historically, the City has not tracked the number of trips for those participants that are under the age of 60. However, the City will implement controls to track trips separately for riders under and over the age of 60 in order to ensure that costs are segregated moving forward. However, it should be noted that in Fiscal Year 2018/19, Measure M2 funds (including related interest income) paid for approximately 56% of the total cost of the senior transportation program. Therefore, we believe that Measure M2 funds have been used to pay for only eligible program costs.

Tustin Family & Youth Center  
14722 Newport Ave., Tustin, CA 92780  
T: (714) 573-3370 • F: (714) 734-9421

Tustin Area Senior Center  
200 South "C" Street, Tustin, CA 92780  
T: (714) 573-3340 • F: (714) 544-7334

Columbus Tustin Activity Center  
17522 Beneta Way, Tustin, CA 92780  
T: (714) 573-3009 • F: (714) 731-8247

T: (714) 573-3326 • F: (714) 838-4779

300 Centennial Way, Tustin, CA 92780-3715 • [www.tustinca.org](http://www.tustinca.org)

**Procedure #11**

Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/10/18	10
December 2018	1/13/19	-
February 2019	4/4/19	4
June 2019	7/31/19	-

Through inspection, we determined that two of four reports were not timely submitted in timely manner or within 30 days of month end to OCLTA.

City's Response:

The Tustin Area Senior Center Supervisor, the person coordinating all SMP reports, was out on maternity leave from August 2018 through December 2018 which resulted a short delay in submitting the November 2018 monthly summary report. Similarly, the delay in submitting the February 2019 monthly summary report was due to a subsequent backlog of the Senior Center Supervisor's workload. Measures have since been instituted to identify a backup full-time staff person that will coordinate SMP reports in the case of any future leaves.

DocuSigned by:

*Chad Clanton*

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Chad W. Clanton

Director, Parks and Recreation Department

DocuSigned by:

*Jason Al-Imam*

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Jason Al-Imam

Director, Finance

DocuSigned by:

*Matthew S. West*

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Matthew S. West

City Manager



***April 22, 2020***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Orange County Transportation Authority Fiscal Year 2020-21  
Budget Workshop Preview

***Overview***

The Orange County Transportation Authority is developing the fiscal year 2020-21 budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail in a two-hour informal workshop following the May 11, 2020, Orange County Transportation Authority Board of Directors' meeting.

***Recommendation***

Review the fiscal year 2020-21 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors' meeting on May 11, 2020.

***Discussion***

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2019 with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). These projections were updated in March 2020 based on the novel coronavirus (COVID-19) pandemic. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided funding that helped OCTA balance the budget based on the service plan, program goals, and objectives that are in accordance with those of the Board of Directors (Board) and Chief Executive Officer (CEO).

Each division developed and submitted its budget requests in January, which were subject to successive internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of Human Resources and Organizational Development, to ensure a balanced and fiscally responsible

budget is delivered consistent with the Board's goals, CEO's goals, OCTA Strategic Plan, Comprehensive Business Plan, and the Next10 Plan.

The development of the FY 2020-21 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration (F&A) Committee on February 28, 2020, and the OCTA Board on March 11, 2020. However, due to the COVID-19 pandemic, revised budget assumptions were presented to the F&A Committee on April 8, 2020, and the OCTA Board on April 13, 2020. The presentation covered the changed economic landscape based on the COVID-19 pandemic and revised revenue and expense assumptions used to develop the budget for OCTA's major programs including: Measure M2 (M2), transit, commuter rail, motorist services, and 91 Express Lanes.

Due to the recent COVID-19 pandemic, sales tax in FY 2020-21 for the M2 Program and 1/4 cent Local Transportation Fund sales tax revenues are forecasted to decline by 4.3 percent on a year-over-year basis. This is based on the sales tax forecasting methodology provided by Muni Services Inc. OCTA is also assuming that sales tax will decline by approximately 33 percent in the last quarter of FY 2019-20.

The FY 2020-21 proposed budget represents a balanced plan of sources and uses of funds. Sources of funds include new revenues received within the year, as well as planned uses of prior year designations. Planned uses of prior year designations are funds set aside (designated) in prior FYs to be utilized in the current FY. The uses of these funds are planned and do not represent a utilization of funds as a result of deficit spending. Expenditures include current year expenditures, as well as funds designated in the current FY to be used in a future FY.

The combination of estimated revenues and planned use of reserves produces available funding of \$1,525.6 million, while proposed expenditures and designations yield a total use of funds of \$1,525.6 million. On a year-over-year comparison to the approved FY 2019-20 budget, the FY 2020-21 proposed budget is .03 percent or \$388.2 million more than the FY 2019-20 budget.

Under the M2 Program, while the COVID-19 pandemic is expected to impact sales tax revenues, there is financial capacity within the program to continue to improve freeways, streets and roads throughout Orange County, as well as fund multiple transit programs through FY 2020-21. We will continue to monitor the impact to the M2 program, and through our Comprehensive Business Plan, we will continuously model the stability of the program over its lifecycle. Included in the proposed budget is \$423.2 million to help fund freeway improvement

projects on Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91. Approximately \$147 million is budgeted to improve streets and roads, including \$55.6 million for the Regional Capacity Program, \$49.7 million to fund the Local Fair Share Program, and \$35.8 million for Regional Traffic Signal Synchronization. In addition, the budget also includes \$62.3 million for M2 Transit, including \$31.6 million for ongoing construction of the OC Streetcar.

With the help of the CARES Act, the FY 2020-21 budget will include the same level of fixed-route bus service as was included in the FY 2019-20 budget. A total of 1.63 million revenue hours will be budgeted with 62 percent of the hours directly operated by OCTA and 38 percent of the hours provided by OCTA's contractor. While the budget will assume pre-COVID-19 pandemic levels of bus service, actual restoration of service will occur throughout the year with ridership demand and public health considerations driving the decision on levels of service. Paratransit service trips are anticipated to decrease by 2 percent to 1.7 million. In addition, OC Flex service will be budgeted at 23.6 thousand revenue hours, which is the same as the FY 2019-20 budget.

The CARES Act stimulus will also provide OCTA with the ability to take a demand-based approach to restore OCTA's Metrolink subsidy to accommodate for up-to pre-COVID-19 pandemic trips. That is a total of 54 weekday trips and 16 weekend trips for Metrolink service within Orange County. Staff will continue to work with Metrolink on their subsidy request.

The COVID-19 pandemic has not only caused the economy to slow but has resulted in severe traffic declines well in excess of peak losses during the Great Recession in 2008 for the 91 Express Lanes Program. The 91 Express Lanes are currently experiencing traffic declines of approximately 70 percent when compared to the same period last year. The 91 Express Lanes excess revenue reserve has approximately \$82 million available to fund future operating and debt service payments. As a result, revenues and expenses are balanced for the 91 Express Lanes Program for FY 2020-21.

Staff will be presenting the FY 2020-21 budget in detail in an informal workshop setting on May 11, 2020. The presentation will include a discussion of program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 8, 2020, Board meeting, after which staff anticipates seeking Board approval of the budget.

***Summary***

Staff will conduct a budget workshop for the OCTA Board at the May 11, 2020, Board meeting. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 8, 2020, Board meeting, after which staff anticipates seeking Board approval of the budget.

***Attachment***

- A. Orange County Transportation Authority Fiscal Year 2020-21 Budget Workshop Preview

**Prepared by:**



Victor Velasquez  
Department Manager,  
Financial Planning and Analysis  
(714) 560-5592

**Approved by:**



Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
(714) 560-5649

# Orange County Transportation Authority Fiscal Year 2020-21 Budget Workshop Preview

OCTA



# Budget Themes

- Conservative budget planning due to coronavirus (COVID-19) economic uncertainty
- CARES\* Act funds available for transit operations programs
- Demand-based approach to restore up to 1.6 million hours of OC Bus service
- Continuation of Measure M2 Next 10 Plan
- Metrolink restoration of up to 58 weekday and 16 weekend trains
- 91 Express Lanes anticipate a reduction in trips to 10.9 million
- No new hires or new initiatives added to budget

\*Coronavirus Aid, Relief, and Economic Security Act



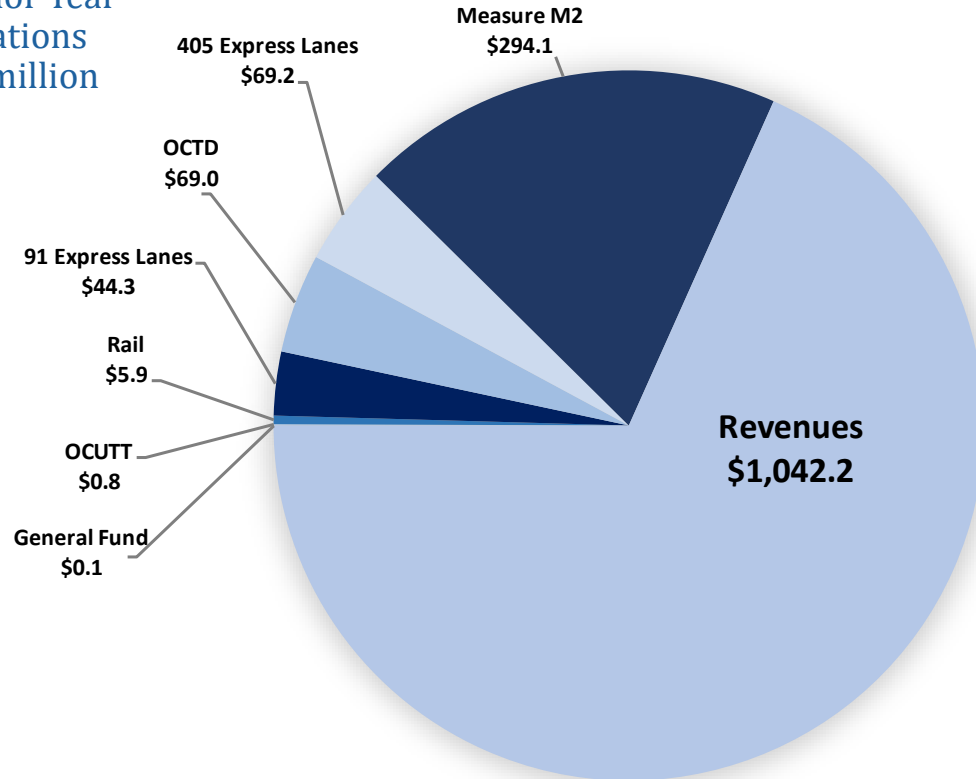
# COVID-19 Impacts

- Response and planning for short-term and long-term impacts
- Well-positioned to weather uncertainty through long-standing conservative fiscal policies and reserves
- Significant declines expected in top sales-tax generators, recovery time unknown
- Additional economic recovery packages possible, federal, and state
- Closely monitor financial markets for potential impacts
- Continuous analysis and flexibility key, with amendments possible

# Budget Overview

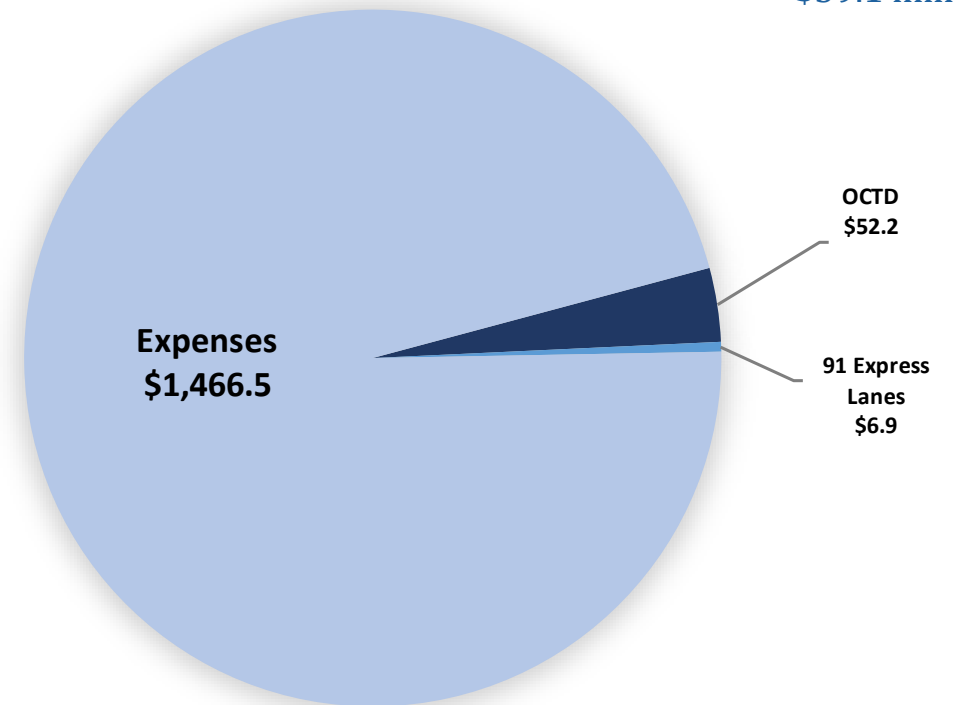
## Source of Funds \$1,525.6 million

Use of Prior Year  
Designations  
\$483.4 million



## Use of Funds \$1,525.6 million

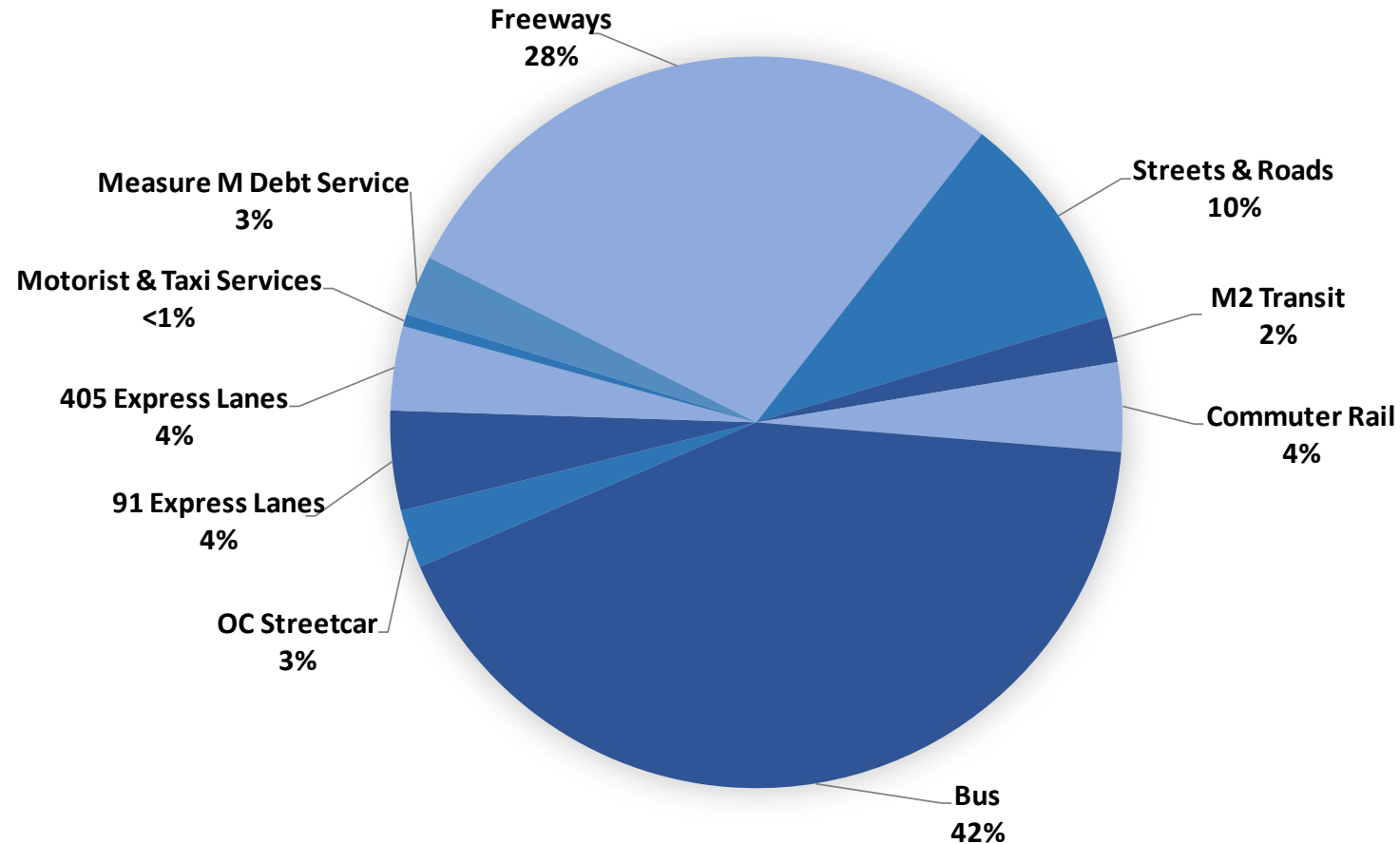
Designations  
\$59.1 million



# Budget Sources & Uses

In Millions Sources	FY 2019-20 Approved Budget	FY 2020-21 Proposed Budget	Change \$	Change %
Revenues	\$ 1,159.8	\$ 1,042.2	\$ (117.6)	-10.1%
Use of Prior Year Designations	365.4	483.4	118.0	32.3%
<b>Total Revenue / Use of Designations</b>	<b>\$ 1,525.2</b>	<b>\$ 1,525.6</b>	<b>\$ 0.4</b>	<b>0.0%</b>
Uses				
Salaries and Benefits	\$ 169.7	\$ 174.3	\$ 4.6	2.7%
LOSSAN Salaries and Benefits	2.7	2.9	0.2	7.4%
Services and Supplies	373.6	418.4	44.8	12.0%
Contributions to Other Agencies	169.7	173.6	3.9	2.3%
Interest/Debt Service	59.0	66.1	7.1	12.0%
Capital	667.8	631.1	(36.7)	-5.5%
Designations	82.7	59.1	(23.6)	-28.5%
<b>Total Expenditures / Designations</b>	<b>\$ 1,525.2</b>	<b>\$ 1,525.6</b>	<b>\$ 0.4</b>	<b>0.0%</b>

# Total Budget by Program



# Next Steps

- Budget Workshop Presentation – Board of Directors May 11
- Committee Meetings and One-on-One Meetings with Board Members May 11-June 7
- Public Hearing Preview – Finance and Administration Committee May 27
- Public Hearing – Board (public hearing and approval) June 8
- Back-up Public Hearing – Board (public hearing and approval) June 22