



Measure M2 Taxpayer Oversight Committee (TOC) Audit Subcommittee Teleconference Notice

Subcommittee Members:

Frank Davies: Orange County Auditor-Controller
Larry Tekler
Mark Kizzar
Larry A. Lang
Michael Pascual

Teleconference Sites:

Orange County Transportation Authority - Headquarters
550 S. Main Street
Conference Room 07
Orange, CA

Guidance for Public Access to the TOC Audit Subcommittee 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) TOC Audit Subcommittee Members 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 May 12, 2020 Taxpayer Oversight Committee Audit Subcommittee meeting by clicking the below link:

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

Public comments may be submitted for the upcoming May 12, 2020 TOC Audit Subcommittee meeting by emailing them to publiccomments@octa.net.

If you wish to comment on a specific agenda item, please identify the committee name and item number in your email. All public comments that are timely received will be part of the public record and distributed to the TOC Audit Subcommittee. 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 TOC Audit Subcommittee Members in a timely manner, please submit your public comments **30 minutes prior to the start time of the Committee meeting date.**

Agenda Descriptions/Public Comments on Agenda Items

The Agenda descriptions are intended to give notice to members of the public of a general summary of items of business to be transacted or discussed. Members from the public wishing to address the Committee will be recognized by the Chairman at the time the Agenda item is to be considered. A speaker's comments shall be limited to three (3) minutes.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA at (714) 560-5611, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

SPECIAL MEETING AGENDA

- 1. Welcome**
- 2. Approval of Minutes for October 8, 2019**
- 3. Presentation Items**
 - A. Proposed Measure M2 - Maintenance of Effort Adjustment
Kia Mortazavi, Executive Director, Planning
 - B. Proposed Changes to Agreed-Upon Procedures and Selection of Cities
Janet Sutter, Executive Director, Internal Audit
 - Agreed-Upon Procedures - LFS, SMP, SNEMT
 - Measure M Cities - Suggested Selection for FY 2020 Audits
 - C. M2 Ordinance Compliance Matrix
Tamara Warren, Program Manager, M2 Program Management Office
- 4. Action Items**
 - A. Review of Measure M2 Audits for Santa Ana/Stanton - Eide Bailly LLP
Janet Sutter, Executive Director, Internal Audit
 - OCLTA Measure M2 MOE AUP Report, Year Ended June 30, 2019 - Santa Ana
 - OCLTA Measure M2 MOE AUP Report, Year Ended June 30, 2019 - Stanton
 - B. Review of Measure M2 Audits - Crowe LLP
Kathy Lai, Partner/Jennifer Richards, Managing Director
 - OCLTA Annual Financial and Compliance Report
 - AUP Applied to Measure M2 Status Report
 - OCLTA AUP Related to Article XIII-B
 - OCLTA Measure M2 AUP Reports, Year Ended June 30, 2019
 - C. Annual Adoption of Audit Charter
Janet Sutter, Executive Director, Internal Audit
- 5. Public Comments***
- 6. Adjournment**

The next meeting is scheduled for June 9, 2020

*Public Comments: At this time, members of the public may address the Taxpayer Oversight Committee (TOC) regarding any items within the subject matter jurisdiction of the TOC, provided that no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to three (3) minutes per person, unless different time limits are set by the Chairman, subject to the approval of the TOC.

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 business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

**Measure M Taxpayer Oversight Committee
Audit Subcommittee
Orange County Transportation Authority
550 S. Main Street, Orange CA, Room 08
October 8, 2019 @ 4:00 p.m.**

MEETING MINUTES

Committee Members Present:

Mark Kizzar, Second District Representative
Larry Tekler, Second District Representative
Larry Lang, Fourth District Representative
Michael Pascual, Fourth District Representative

Committee Members Absent:

Orange County Auditor-Controller

Orange County Transportation Authority Staff Present:

Sean Murdock, Director, Finance and Administration
Andrew Oftelie, Executive Director, Finance and Administration
Alice Rogan, Director, External Affairs
Janet Sutter, Executive Director, Internal Audit
Tamara Warren, Measure M Program Manager

Recorder:

Teri Lepe, Executive Assistant, Internal Audit

Guest:

Kathy Lai, Partner, Crowe LLP

1. Welcome

Larry Tekler called the Orange County Transportation Authority (OCTA) Taxpayer Oversight Committee (TOC) Audit Subcommittee (AS) Meeting to order at 4:06 p.m.

2. Approval of the Minutes for May 21, 2019

A motion was made by Larry Lang and seconded by Mark Kizzar to approve the May 21, 2019 TOC AS minutes, with Michael Pascual abstaining. Minutes were approved by quorum.

3. Presentation Item

A. Communications by Independent Financial Statement Auditor: Crowe LLP

Kathy Lai, Partner, Crowe LLP (Crowe), informed the committee that she and Janet Sutter, Executive Director, Internal Audit, agreed it would be beneficial for Kathy to introduce the firm of Crowe to the TOC AS, as this is the first year Crowe is acting as OCTA's independent financial statement auditor.

Kathy relayed Crowe is a top ten public accounting firm, and that she personally oversees the entire California public sector practice. Kathy then named various Southern California transportation agencies that Crowe audits. Kathy added that Jennifer Richards, Managing Director, would be assisting Kathy in her oversight of OCTA's financial and compliance audits. Discussion then ensued between Kathy and TOC AS members regarding past audits, materiality, and clean opinion.

B. Sales Tax Update

Sean Murdock, Director, Finance and Administration, told the TOC AS that OCTA updates the Measure M2 (M2) Sales Tax Forecast yearly for the entire program from the base year, currently fiscal year 2018-19, to 2041. Sean relayed that OCTA has completed this year's forecast, which will be presented to OCTA's Board of Directors and the full TOC. Sean then proceeded to explain the forecasting methodology for those that are not familiar with the process.

Sean relayed that for the first time in five years, OCTA has experienced an increase in terms of year-over-year growth for the program. This year's forecast is \$13.4 billion in total revenue for the M2 program compared with last year's forecast of \$13.1 billion. Discussion ensued regarding previous years' forecasts to actuals, the blended university forecast, and MuniServices' forecast. Larry Tekler asked if the university's presentations to the Finance and Administration Committee are available for viewing. Sean replied they are, as well as MuniServices' forecast, which can be found on OCTA's website.

C. Other Matters

Alice Rogan, Director, External Affairs, told TOC AS members that the Orange County Board of Supervisors voted to appoint Frank Davies as the Auditor-Controller, and that he will most likely join the TOC at the December meeting.

4. Action Items

None.

5. Public Comments

There were no public comments.

6. Adjournment

The Measure M TOC AS meeting adjourned at 4:47 p.m. The next regularly scheduled meeting will be on Tuesday, December 10, 2019, in Conference Room 08 of the 550 Building of OCTA Headquarters.



May 4, 2020

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Proposed Amendment to the Orange County Local Transportation Authority Measure M2 Ordinance No. 3

Overview

The voter-approved Measure M2 Ordinance No. 3 requires that local jurisdictions meet a maintenance of effort requirement to remain eligible to receive Measure M2 funding. Local jurisdictions are experiencing a significant decline in general fund revenues because of the novel coronavirus pandemic, which is expected to impact their ability to meet this maintenance of effort requirement. An amendment to the ordinance is recommended to assist the local jurisdictions through this unprecedented period of economic uncertainty. The proposed amendment is presented for Board of Directors' consideration, and approval is requested to set a public hearing date initiating the amendment process.

Recommendations

- A. Direct staff to initiate the process to amend the Orange County Local Transportation Authority Measure M2 Ordinance No. 3 to address the anticipated near-term negative growth in general fund revenues as it relates to the maintenance of effort requirement.
- B. Direct staff to set a date of June 22, 2020, for a public hearing and Board of Directors action to consider adoption of the amendment to the Orange County Local Transportation Authority Measure M2 Ordinance No. 3 as it relates to the maintenance of effort requirement.
- C. Approve updates to the Fiscal Year 2020-21 Measure M2 Eligibility Guidelines, including revised maintenance of effort forms addressing the changes needed to implement the proposed amendment.

Background

In November 2006, Orange County voters approved the Renewed Measure M2 Ordinance No. 3, also called Measure M2 (M2). The Orange County Transportation Authority (OCTA) is committed to fulfilling the promises made in M2. This means delivering all projects and programs included in the M2 Expenditure Plan and complying with the specific requirements identified in the M2 Ordinance No. 3 (M2 Ordinance). Also included in the M2 Ordinance is an amendment process to address unforeseen circumstances.

Over the next few months, OCTA and local jurisdictions will have a clearer picture of the implications of the novel coronavirus (COVID-19) pandemic and its impact to sales tax revenues, fuel sales, and local agency general fund revenues (GFR). However, action is currently needed to ensure that OCTA can continue providing funds to eligible local jurisdictions.

Local jurisdictions are required to meet specific requirements in order to receive M2 revenues, one of which is related to maintenance of effort (MOE) spending levels. MOE is the amount the local jurisdiction's spend in discretionary non-transportation funds, or GFR, for streets and roads purposes. The intent is to ensure that M2 revenues do not supplant funding for streets and roads that a local jurisdiction was previously spending.

The original MOE level was established in 1991 with the first Measure M (M1) program using a five-year average of the funding amount local jurisdictions spent on streets and roads maintenance and construction between 1985 and 1990. The MOE amount remained unchanged during the 20-year life of M1; therefore, it did not keep pace with annual inflation. Recognizing the need for an adjustment, a process was included in the M2 Ordinance to update the MOE amount every three years. The adjustment is determined by looking back at the California Department of Transportation construction cost index growth during a three-year period and applying that growth rate to the MOE, with the exception that the increase cannot be greater than the jurisdiction's increase in GFR for the same period. The most recent adjustment approved by the Board of Directors (Board) on April 13, 2020, is only the third adjustment to the original MOE as established under M1.

Discussion

Because of the potential economic impacts related to the COVID-19 pandemic, a limited amendment to the MOE requirements is proposed to ensure local jurisdictions can continue receiving M2 revenues. The M2 Ordinance requires jurisdictions to annually submit two items to OCTA related to MOE:

- 1) MOE certification – before the start of the annual fiscal year budget, local jurisdictions must certify that sufficient expenditures have been budgeted to meet the MOE benchmark.
- 2) Expenditure report – annually, local jurisdictions must submit a detailed financial report. This report is used to validate eligible uses of M2 funds and to report actual MOE expenditures to meet the MOE benchmark requirement.

These requirements – outlined in Section 6 of the M2 Ordinance, and in Section III of Attachment B to the M2 Ordinance – must be met in order for local jurisdictions to continue to receive M2 revenues. Attachment A provides the existing MOE language as included in the M2 Ordinance.

The M2 Ordinance allows for amendments for unforeseen circumstances, which is noted and further discussed in Section 12 of the M2 Ordinance. A specific process for amendments was established by the OCTA Board during M1 and has continued in M2. Amendments to the M2 Ordinance, which do not affect the Transportation Investment Plan, require a two-thirds vote from the OCTA Board, as well as a public hearing and notification process.

As the state-designated Local Transportation Sales Tax Authority responsible for administering M2, OCTA is committed to upholding the intent of the M2 Ordinance. As such, amendments should only be proposed when absolutely necessary to keep the M2 promises to voters. Amendments to M2 are not a normal occurrence. Over the last 29 years, between both M1 and M2, there have only been four ordinance amendments. During this same period, there have been ten plan amendments. Ordinance amendments are corrective changes in nature versus plan amendments, which address funding needs and cost savings through reallocation of funds between projects and programs within the same mode. The change required for MOE will require an ordinance amendment. Attachment B provides information on the amendment process, the language on amendments from the M2 Ordinance, and a history of the prior amendments.

Given the financial impacts anticipated to occur as a result of COVID-19, it will be challenging for all local jurisdictions to satisfy MOE expenditure report requirements for fiscal year (FY) 2019-20 and MOE certification and expenditure report requirements for FY 2020-21. For reference, OCTA sales tax collections in FY 2018-2019 were \$331 million. Due to COVID-19, OCTA is anticipating a 33 percent decline in sales tax in the fourth quarter of FY 2019-20. As a result, OCTA anticipates finishing FY 2019-20 with \$303 million in sales tax receipts, which represents a \$28 million (8.5 percent) decrease in sales tax when compared to FY 2018-19. In addition, an early forecast by Muni Services, the firm that prepares OCTA's short-term forecasted growth rate, is anticipating an additional 4.5 percent reduction in sales tax for FY 2020-21 to \$290 million.

In total, OCTA anticipates collecting \$41 million (12.4 percent) less sales tax in FY 2020-21 than in FY 2018-19 due to COVID-19.

The economic impacts of COVID-19 may not permit local jurisdictions to meet the MOE benchmark requirement for the FY 2019-20 and FY 2020-21. Initial estimates, based upon an informal OCTA poll, indicate local jurisdictions expect, on average, an approximate seven percent reduction in FY 2019-20 revenues (with some estimates as high as 14 percent), and an approximate seven percent reduction in FY 2020-21 revenues (with some estimates as high as 15 percent). City of Costa Mesa Mayor Katrina Foley sent a letter to OCTA Chief Executive Officer Darrell E. Johnson on April 16, 2020 (Attachment C), expressing concern related to lost revenues and requesting a suspension of the MOE requirement for three years, the reduction of the MOE benchmark requirement, and potentially allowing agencies up to seven years to repay the required MOE if they are not able to meet the requirement after the proposed suspension period.

Staff reviewed and considered several options ranging from no changes to the MOE requirement, to suspending the MOE requirement – the latter of which is inconsistent with the legislative intent of the M2 Ordinance because M2 revenues would supplant and not supplement local revenues.

In consultation with OCTA legal counsel, staff has developed a solution intended to be fair and reasonable for all jurisdictions with the goal of balancing local funding issues with the intent of M2 Ordinance. If approved, this will provide local jurisdictions with a path forward before the approaching FY 2020-21 MOE certification requirement deadline of June 30, 2020. Therefore, staff is recommending an amendment to the Orange County Local Transportation Authority M2 Ordinance No. 3, Section 6, MOE Section to:

- Require submittal of the FY 2019-20 expenditure report and accept the actual expenditures reported as meeting the MOE requirement, even if the total expenditure amount is below the MOE benchmark requirement for FY 2019-20.
- Modify the MOE budget certification requirement for FY 2020-21 to require that local jurisdictions certify a budget that commits to continuing the same proportional share of streets and roads expenditures to GFR, based upon the proportion of the current MOE benchmark to GFR that were reported in their respective Comprehensive Annual Financial Report for FY 2018-19, at a minimum. This approach allows the MOE amount to float with fluctuations in local agency GFR levels in FY 2020-21 while upholding the intent of the M2 Ordinance to use M2 revenues as supplemental funding. Attachment D provides the revised temporary MOE benchmark for FY 2020-21, and Attachment E provides the revised MOE certification form.

- Require local jurisdictions to submit the FY 2020-21 expenditure reports to confirm that they have met the proportional share of total GFR or MOE dollar amount as defined in Attachment D.

The proposed amendment language is provided in Attachment F. The process and timing for amending the M2 Ordinance and MOE submittals is shown below:

Actions	Date
Governor declared a state of emergency related to COVID-19	March 4, 2020
Governor enacted the stay-at-home order	March 19, 2020
M2 Eligibility Guidelines, FY 2020-21 approved	April 13, 2020
OCTA Executive Committee considers M2 amendment	May 4, 2020
OCTA Board considers M2 amendment and sets a public hearing date for June 22, 2020	May 11, 2020
Proposed amendment sent to local jurisdictions for public review prior to public hearing (Attachment F)	May 12, 2020
Taxpayers Oversight Committee provided an update on ordinance amendment	May 12, 2020
Issue public hearing notice (at least 30 days prior to public hearing)	May 21, 2020
Public hearing on amendment and roll call vote by Board (requires two-thirds vote)	June 22, 2020
Adopted amendment transmitted to local jurisdiction	June 23, 2020
Local jurisdictions required to submit the MOE certification for FY 2020-21 (Attachment E)	June 30, 2020
Local Fair Share disbursement for fourth quarter, FY 2019-20 (estimated date)	July 15, 2020
Amendment effective 45 days following adoption	August 6, 2020
Local Fair Share disbursement (estimated date)	September 16, 2020

Summary

An amendment to the M2 Ordinance to assist local agencies in managing the economic impacts of the COVID-19 pandemic is proposed. The amendment modifies the MOE requirements for FY 2019-20 and FY 2020-21 while upholding the legislative intent of the M2 Ordinance. Staff also requests the Board set a public hearing date for June 22, 2020, and approval of an updated MOE Certification Form is proposed.

Attachments

- A. Orange County Local Transportation Authority Ordinance No. 3, Maintenance of Effort Requirements Excerpt, Section 6, Page 3
- B. Procedures to Amend the Renewed Measure M Transportation Investment Plan and Ordinance No. 3, Language Excerpt and Amendment History
- C. Letter from Mayor Katrina Foley, City of Costa Mesa, to Darrell Johnson, Chief Executive Officer, Orange County Transportation Authority, dated April 16, 2020
- D. FY 2020-21 MOE Benchmark as a Percentage of FY 2018-19 GFR
- E. Appendix I, Maintenance of Effort (MOE) Certification Form
- F. Draft Ordinance Amendment Language, Section 6, Page 3

Prepared by:



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

Approved by:



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

**Orange County Local Transportation Authority Ordinance No. 3
Maintenance of Effort Requirements Excerpt**

Section 6, Page 3

SECTION 6. MAINTENANCE OF EFFORT REQUIREMENTS

It is the intent of the Legislature and the Authority that the Net Revenues allocated to a jurisdiction pursuant to the Ordinance for street and road projects shall be used to supplement existing local discretionary funds being used for transportation improvements. Each jurisdiction is hereby required to annually maintain as a minimum no less than the maintenance of effort amount of local discretionary funds required to be expended by the jurisdiction for local street and road purposes pursuant to the current Ordinance No. 2 for Fiscal Year 2010-2011. The maintenance of effort level for each jurisdiction as determined through this process shall be adjusted effective July 1, 2014 and every three fiscal years thereafter in an amount equal to the percentage change for the Construction Cost Index compiled by Caltrans for the immediately preceding three calendar years, providing that any percentage increase in the maintenance of effort level based on this adjustment shall not exceed the percentage increase in the growth rate in the jurisdiction's general fund revenues over the same time period. The Authority shall not allocate any Net Revenues to any jurisdiction for any fiscal year until that jurisdiction has certified to the Authority that it has included in its budget for that fiscal year an amount of local discretionary funds for streets and roads purposes at least equal to the level of its maintenance of effort requirement. An annual independent audit may be conducted by the Authority to verify that the maintenance of effort requirements are being met by the jurisdiction. Any Net Revenues not allocated pursuant to the maintenance of effort requirement shall be allocated to the remaining eligible jurisdictions according to the formula described in the Ordinance.

Attachment B, Section III – Requirements for Eligible Jurisdictions

Page B7-B10

III. REQUIREMENTS FOR ELIGIBLE JURISDICTIONS.

A. In order to be eligible to receive Net Revenues, a jurisdiction shall satisfy and continue to satisfy the following requirements.

1. Congestion Management Program. Comply with the conditions and requirements of the Orange County Congestion Management Program (CMP) pursuant to the provisions of Government Code Section 65089.

2. Mitigation Fee Program. Assess traffic impacts of new development and require new development to pay a fair share of necessary transportation improvements attributable to the new development.

3. Circulation Element. Adopt and maintain a Circulation Element of the jurisdiction's General Plan consistent with the MPAH.

4. Capital Improvement Program. Adopt and update biennially a six-year Capital Improvement Program (CIP). The CIP shall include all capital transportation projects, including projects funded by Net Revenues, and shall include transportation projects required to demonstrate compliance with signal synchronization and pavement management requirements.

5. Traffic Forums.

Participate in Traffic Forums to facilitate the planning of traffic signal synchronization programs and projects. Eligible Jurisdictions and Caltrans, in participation with the County of Orange and the Orange County Division of League of Cities, will establish the boundaries for Traffic Forums. The following will be considered when establishing boundaries:

- a. Regional traffic routes and traffic patterns;
- b. Inter-jurisdictional coordination efforts; and
- c. Total number of Traffic Forums.

6. Local Traffic Signal Synchronization Plan. Adopt and maintain a Local Traffic Signal Synchronization Plan which shall identify traffic signal synchronization street routes and traffic signals; include a three-year plan showing costs, available funding and phasing of capital, operations and maintenance of the street routes and traffic signals; and include information on how the street routes and traffic signals may be synchronized with traffic signals on the street routes in adjoining jurisdictions. The Local Traffic Signal Synchronization Plan shall be consistent with the Traffic Signal Synchronization Master Plan.

7. Pavement Management Plan. Adopt and update biennially a Pavement Management Plan, and issue, using a common format approved by the Authority, a report every two years regarding the status of road pavement conditions and implementation of the Pavement Management Plan.

a. Authority, in consultation with the Eligible Jurisdictions, shall define a countywide management method to inventory, analyze and evaluate road pavement conditions, and a common method to measure improvement of road pavement conditions.

b. The Pavement Management Plan shall be based on: either the Authority's countywide pavement management method or a comparable management

method approved by the Authority, and the Authority's method to measure improvement of road pavement conditions.

c. The Pavement Management Plan shall include:

(i) Current status of pavement on roads;

(ii) A six-year plan for road maintenance and rehabilitation, including projects and funding;

(iii) The projected road pavement conditions resulting from the maintenance and rehabilitation plan; and

(iv) Alternative strategies and costs necessary to improve road pavement conditions.

8. Expenditure Report. Adopt an annual Expenditure Report to account for Net Revenues, developer/traffic impact fees, and funds expended by the Eligible Jurisdiction which satisfy the Maintenance of Effort requirements. The Expenditure Report shall be submitted by the end of six (6) months following the end of the jurisdiction's fiscal year and include the following:

a. All Net Revenue fund balances and interest earned.

b. Expenditures identified by type (i.e., capital, operations, administration, etc.), and program or project.

9. Project Final Report. Provide Authority with a Project Final Report within six months following completion of a project funded with Net Revenues.

10. Time Limits for Use of Net Revenues.

a. Agree that Net Revenues for Regional Capacity Program projects and Regional Traffic Signal Synchronization Program projects shall be expended or encumbered no later than the end of the fiscal year for which the Net Revenues are programmed. A request for extension of the encumbrance deadline for no more than twenty-four months may be submitted to the Authority no less than ninety days prior to the deadline. The Authority may approve one or more requests for extension of the encumbrance deadline.

b. Agree that Net Revenues allocated for any program or project, other than a Regional Capacity Program project or a Regional Traffic Signal Synchronization Program project, shall be expended or encumbered within three years of receipt. The Authority may grant an extension to the three-year limit, but extensions shall not be granted beyond a total of five years from the date of the initial funding allocation.

c. In the event the time limits for use of Net Revenues are not satisfied then any retained Net Revenues that were allocated to an Eligible Jurisdiction and interest earned thereon shall be returned to the Authority and these Net Revenues and

interest earned thereon shall be available for allocation to any project within the same source program.

11. Maintenance of Effort. Annual certification that the Maintenance of Effort requirements of Section 6 of the Ordinance have been satisfied.

12. No Supplanting of Funds. Agree that Net Revenues shall not be used to supplant developer funding which has been or will be committed for any transportation project.

13. Consider, as part of the Eligible Jurisdiction's General Plan, land use planning strategies that accommodate transit and non-motorized transportation.

**PROCEDURES TO AMEND THE
RENEWED MEASURE M TRANSPORTATION INVESTMENT PLAN
AND ORDINANCE NO. 3., LANGUAGE EXCERPT AND AMENDMENT HISTORY**

PROCEDURES

The Orange County Local Transportation Authority (OCLTA) Ordinance No. 3 approved by Orange County voters on includes a provision The following procedures are applicable to amend the Renewed Measure M Transportation Investment Plan (Plan) and the Orange County Local Transportation Authority (OCLTA) Ordinance No. 3, by the OCTLA Board of Directors (Board):

A proposed amendment which eliminates a program or project specified on page 31 of the Plan shall not be adopted unless the Board adopts a finding that the transportation purpose of the program or project to be eliminated will be satisfied by a different program or project.

A proposed amendment which changes funding categories, programs, or projects identified within the expenditure plan, page 31 of the Plan, shall be first approved by a two-thirds vote of the Taxpayers Oversight Committee.

Proposed amendments to the Plan and Ordinance No. 3 shall be presented to the Board. The Board shall set a date no sooner than 30 days thereafter for a public hearing to consider the proposed amendment(s), and the proposed amendment(s) shall be transmitted to the Board of Supervisors and the City Council of each Orange County city not less than 30 days prior to the public hearing.

Local agencies may offer comment in writing or in person at the public hearing and such comments shall be incorporated into the public record of the hearing.

The Board shall hold a public hearing prior to adoption of the amendment.

The amendment shall be passed by a roll call vote (at least a two-thirds majority) of Board members.

OCTA shall give written notice of the amendment to the County Board of Supervisors and all City Councils.

Amendment(s) to the Plan or Ordinance No. 3 shall become effective 45 days after adoption.

In addition, a proposed amendment which changes funding allocations among the four major categories of: freeway projects, streets and roads projects, transit projects, and environmental cleanup projects, as identified on page 31 of the Plan; or which changes funding allocations for Local Fair Share Program net revenues (Section IV, C, 3 of Attachment B) shall also be approved by a simple majority vote of the electors before going into effect.

Orange County Local Transportation Authority Ordinance No. 3 Amendment Excerpt

Page 6-7

SECTION 12. AMENDMENTS

The Authority may amend the Ordinance, including the Plan, to provide for the use of additional federal, state and local funds, to account for unexpected revenues, or to take into consideration unforeseen circumstances. The Authority shall notify the board of supervisors and the city council of each city in the county and provide them with a copy of the proposed amendments, and shall hold a public hearing on proposed amendments prior to adoption, which shall require approval by a vote of not less than two thirds of the Authority Board of Directors. Amendments shall become effective forty-five days after adoption. No amendment to the Plan which eliminates a program or project specified on Page 31 of the Plan shall be adopted unless the Authority Board of Directors adopts a finding that the transportation purpose of the program or project to be eliminated will be satisfied by a different program or project. No amendment to the Plan which changes the funding categories, programs or projects identified on page 31 of the Plan shall be adopted unless the amendment to the Plan is first approved by a vote of not less than two thirds of the Committee. In addition, any proposed change in allocations among the four major funding categories of freeway projects, street and road projects, transit projects and Environmental Cleanup projects identified on page 31 of the Plan, or any proposed change of the Net Revenues allocated pursuant to Section IV C 3 of Attachment B for the Local Fair Share Program portion of the Streets and Roads Projects funding category, shall be approved by a simple majority vote of the electors before going into effect.

Amendment History

Measure M Amendments

Ordinance Amendment

1. September 23, 1991: Procedures and Recommendation for Amendments to the Measure M Ordinance
2. September 26, 2011: Agencies which qualify as an “Eligible Jurisdiction” under Ordinance No. 3 (Measure M2) to also be an “Eligible Jurisdiction” under Ordinance No. 2. (Policy Resolution No. 3, Section II C1, subsection b)

Expenditure Plan Amendments

1. November 25, 1991: Reallocation of Funds Within Freeway Program
2. May 23, 1994: Reallocation of Freeway Program Funding Between I-5 and SR-91/SR-55
3. May 13, 1996: Cost Savings Transferred to CURE Accounts
4. June 9, 1997: Amendments to Local Streets and Road Component
5. December 10, 2001: Amend Freeway Program to Add SR-22 at \$203 Million
6. September 13, 2004: Amend Freeway Program to Advance SR-22 and Additional \$123.7 Million
7. September 24, 2007: Modify SR-57 Description Consistent with Project G in Measure M2 and Increase Funding by \$22 Million and Expand Limits of SR-22 to Include the West County Connection Improvements and Increase Funding by \$10 Million
8. March 8, 2010: Decrease SR-57 Funding by \$22 Million

Measure M2 Amendments

Ordinance Amendment

1. November 25, 2013: Strengthens the eligibility and selection process for TOC members to prevent any person with a financial conflict of interest from serving as a member. Also requires currently elected or appointed officers who are applying to serve on the TOC to complete an "Intent to Resign" form.
2. December 14, 2015 (corrected March 14, 2016): Accounts for additional funding from Project T allocated to the Fare Stabilization Program by changing Attachment B language to reflect a 1.47% delegation (rather than 1%) of Project U funding towards Fare Stabilization. Corrected amendment language was presented to the Board on March 14, 2016.

Transportation Investment Plan Amendments

1. November 9, 2012: Reallocation of Funds within Freeway Program Between SR-91 and I-405
2. December 14, 2015 (corrected March 14, 2016): Closeout of Project T and Reallocation of Remaining Funds within Transit Program between Metrolink Service Expansion (Project R) and Fare Stabilization Program (Project U). Corrected amendment language was presented to the Board on March 14, 2016.



CITY OF COSTA MESA

77 Fair Drive | P.O. Box 1200, Costa Mesa | California 92628-1200
Phone 714.754.5285 | Fax 714.754.5330 | www.costamesaca.gov | Katrina.Foley@costamesaca.gov

From the Office of the Mayor Katrina Foley

April 16, 2020

Darrell Johnson
Chief Executive Officer
Orange County Transportation Authority
550 S. Main St.
Orange, CA 92868

Dear Mr. Johnson:

Thank you for your continued work to serve Orange County cities and residents during the COVID-19 pandemic. The statewide shelter in place order, health care concerns, and financial strains are forcing local governments to respond to our communities' needs in unprecedented ways – I appreciate your partnership in this effort.

In the spirit of continued cooperation and in light of the current COVID-19 health and economic crisis, I, Katrina Foley, Mayor of the City of Costa Mesa, am writing to respectfully request that Orange County Transportation Authority (OCTA) relax the existing Measure M maintenance of effort (MOE) requirements. The relaxation of these requirements will greatly aid all Orange County cities as we continue to meet the immediate needs of our residents with limited financial resources due to the COVID-19 outbreak.

As you know, cities throughout Orange County are projecting significant deficits for the current fiscal year (FY 2019-20) ending on June 30, 2020 while projecting multi-million dollar revenue losses in the upcoming fiscal year. The COVID-19 crisis has also created challenges for cities to complete capital improvement projects due to the statewide social distancing requirements. The current mandates, as well as decreased revenue and across-the-board budget shortfalls, have significantly impacted cities' ability to meet OCTA's MOE requirements.



CITY OF COSTA MESA

77 Fair Drive | P.O. Box 1200, Costa Mesa | California 92628-1200
Phone 714.754.5285 | Fax 714.754.5330 | www.costamesaca.gov | Katrina.Foley@costamesaca.gov

From the Office of the Mayor Katrina Foley

Under ordinary circumstances, cities are required to provide financial documentation to OCTA in order to receive its fair share of Measure M funds and participate in competitive block grants. The required documentation assures OCTA that cities are maintaining a minimum level of city general funds for street and road expenditures from funding sources other than Measure M. These funding levels required by OCTA gradually increases each fiscal year. Failure to meet these requirements jeopardizes cities' Measure M annual funding and triggers an audit intended to bring cities back into compliance of the MOE.

Cities across the State rely on two primary sources of revenue streams to conduct business: property taxes and sales taxes. Due to the necessary closure of non-essential businesses to slow the spread of the virus, sales taxes throughout the County and State have hit record lows, resulting in massive and unforeseen reduced revenue to cities. Moreover, this reduced revenue comes at a time when cities are the first line of defense and response to its residents' public safety needs. To that end, we respectfully request that OCTA take the following actions to provide much needed relief for cities:

- Relax the MOE requirements for the current fiscal year and the next two fiscal years.
- Postpone increasing the MOE requirements. Increased MOE amounts should be reinstated when sales tax revenues reach the 2018-19 fiscal year levels.
- Any cities that do not meet the MOE requirements should be tracked and be allowed 7 years to make up the balance. This will ensure that the MOE commitments are still honored while providing cities with financial flexibility during the current crisis.

MAYOR
Katrina Foley
At Large

MAYOR PRO TEM
John B. Stephens
At Large

COUNCIL MEMBER
Andrea Marr
District 3

COUNCIL MEMBER
Manuel Chavez
District 4

COUNCIL MEMBER
Arlis Reynolds
District 5

COUNCIL MEMBER
Sandra L. Genis
At Large

COUNCIL MEMBER
Allan R. Mansoor
At Large



CITY OF COSTA MESA

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From the Office of the Mayor Katrina Foley

Several cities have raised these issues during recent meetings with OCTA. We thank OCTA for agreeing to discuss a potential process for revising the MOE requirements moving forward. We ask that you take our requests into consideration as you determine a path forward and work with cities to find a solution that accommodates both OCTA and cities. We look forward to our continued partnership and collaborative efforts to continue serving the residents of Orange County.

Sincerely,

Katrina Foley
Mayor, City of Costa Mesa

cc: OCTA Board of Directors

**FY 2020-21 MOE Benchmark as a
Percentage of FY 2018-19 GFR**

Local Agency	(A) FY 2020-21 MOE Benchmark ¹	(B) FY 2018-19 GFR ²	(A/B) MOE Benchmark as a % of GFR
Aliso Viejo	538,604	20,264,249	2.66%
Anaheim	11,725,957	412,996,000	2.84%
Brea	838,243	65,445,918	1.28%
Buena Park	4,206,464	70,242,813	5.99%
Costa Mesa	8,607,340	143,753,298	5.99%
County of Orange	-	N/A	N/A
Cypress	3,607,878	36,691,594	9.83%
Dana Point	1,510,094	41,545,825	3.63%
Fountain Valley	1,564,638	61,380,673	2.55%
Fullerton	4,413,567	100,526,519	4.39%
Garden Grove	3,938,473	129,838,910	3.03%
Huntington Beach	5,921,206	236,631,000	2.50%
Irvine	8,001,915	221,961,000	3.61%
La Habra	1,737,300	48,583,838	3.58%
La Palma	201,688	12,057,831	1.67%
Laguna Beach	1,806,353	88,020,317	2.05%
Laguna Hills	331,579	22,047,533	1.50%
Laguna Niguel	908,566	43,809,474	2.07%
Laguna Woods	104,578	6,351,788	1.65%
Lake Forest	226,678	54,795,849	0.41%
Los Alamitos	182,250	14,165,860	1.29%
Mission Viejo	2,864,895	63,356,854	4.52%
Newport Beach	12,547,102	229,812,594	5.46%
Orange	3,392,885	124,241,260	2.73%
Placentia	770,006	35,796,833	2.15%
Rancho Santa Margarita	428,337	19,137,375	2.24%
San Clemente	1,316,842	65,789,926	2.00%
San Juan Capistrano	492,518	36,522,274	1.35%
Santa Ana	9,040,904	275,532,227	3.28%
Seal Beach	642,598	35,500,962	1.81%
Stanton	285,869	23,951,047	1.19%
Tustin	1,697,045	67,924,240	2.50%
Villa Park*	360,429	3,722,258	9.68%
Westminster	1,805,546	66,489,760	2.72%
Yorba Linda	2,608,191	38,335,027	6.80%
Totals	98,626,539	2,917,222,926	

*Final CAFR has not been published. Draft CAFR provided by City of Villa Park on April 21, 2020 has been used.

¹FY 2020-21 MOE Benchmarks were taken from the Board-approved staff report on April 13, 2020.

²GFRs are from FY 2018-19 CAFRs published online .

CAFR - Comprehensive Annual Financial Report

FY - Fiscal year

GFR - General fund revenue

MOE - Maintenance of effort

N/A - Not Applicable



APPENDIX I

Maintenance of Effort (MOE) Certification Form

Jurisdiction: _____

Type of GENERAL FUND Transportation Expenditures:

Please complete and attach supporting budget documentation for each line item listed below, if the MOE certification is based on the MOE benchmark by dollar value. For FY 2020-21 only, the table does not need to be completed if the Agency is certifying to meet the percentage of general fund revenues.

MAINTENANCE	Total Expenditure
Subtotal Maintenance	\$

CONSTRUCTION	Total Expenditure
Subtotal Construction	\$

INDIRECT /OTHER	Total Expenditure
Subtotal Indirect /Other	\$

Total General Fund Transportation Expenditures	\$
(Less Total MOE Exclusions ¹)	\$
MOE Expenditures	\$
MOE Benchmark Requirement²	\$
(Shortfall)/Surplus	\$

Certification:

I hereby certify that:

- The City/County of _____ is aware of the State Controller’s “Guidelines Relating to Gas Tax Expenditures for Cities and Counties”, which is a guide for determining MOE Expenditures for Measure M2 Eligibility purposes and;
- The City/County of _____’s MOE Reporting Form is in compliance with direction provided in the State Controller’s “Guidelines Relating to Gas Tax Expenditures for Cities and Counties” and;

Choose one of the following:

- The City/County of _____ certifies that the budgeted MOE expenditures meet the fiscal year (FY) FY 20-21 MOE benchmark requirement based on dollar value.
- or
- The City/County of _____ certifies that it will meet the MOE % of general fund revenues and has included in its budget for FY 2020-21 the use of local discretionary funds for streets and roads purposes that is equal to _____% (Use percentage in MOE Benchmark by Local Agency Table) of the City’s budgeted general fund revenues.

Finance Director Signature

Finance Director (Print Name)

Date

¹Funding sources include Measure M, federal, state, redevelopment, and bond financing.

²MOE benchmark requirement was modified in light of the coronavirus pandemic. To calculate the City’s FY 2020-21 MOE benchmark requirement, please refer to the updated MOE benchmark table that was approved by the Board of Directors on May 11, 2020.

DRAFT ORDINANCE AMENDMENT LANGUAGE
Section 6, Page 3

“In order to address the impacts of the novel coronavirus pandemic (commonly referred to as COVID-19), for fiscal year (FY) 2019-20, jurisdictions shall comply with all submittal requirements under the ordinance, including, but not limited to, those requirements under Attachment B (III) - Requirements for Eligible Jurisdictions, but will not be required to meet the required maintenance of effort (MOE) amount for that particular jurisdiction for the FY 2019-20. For FY 2020-21, jurisdictions shall be required to comply with all submittal requirements under the ordinance, including, but not limited to, those requirements under Attachment B (III) - Requirements for Eligible Jurisdictions, but shall only be required to meet the MOE amount for that particular jurisdiction for the FY at the same proportional share of streets and roads expenditures to general fund revenues based upon the proportion of the FY 2020-21 MOE benchmark to general fund revenues that were reported in their respective Comprehensive Annual Financial Report for FY 2018-19. Jurisdictions are encouraged to use their best efforts during FY 2019-20 and FY 2020-21 to meet original MOE levels.”

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
MEASURE M2 AGREED-UPON PROCEDURES – PROJECT Q AND U
Year Ended June 30, 2019**

Agreed Upon Procedures for Measure M2 Local Fair Share Eligible Jurisdictions:

Perform the procedures below for the following cities: _____.

1. Obtain the OCLTA Maintenance of Effort (MOE) Calculation Report and identify the required minimum amount to be spent on MOE expenditures by the Eligible Jurisdiction.
2. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.
3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2018 and determine whether the Eligible Jurisdiction met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.
4. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for testing. 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. Verify that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.
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 the indirect costs charged and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.
6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2018, agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.
7. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2018. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.
8. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
MEASURE M2 AGREED-UPON PROCEDURES – PROJECT Q AND U
Year Ended June 30, 2019**

from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for testing. 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.
 - b. Verify that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.
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. Describe the dollar amount tested. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.
10. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.
11. Determine whether the Eligible Jurisdictions was found eligible by the TOC Eligibility Subcommittee.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
MEASURE M2 AGREED-UPON PROCEDURES – PROJECT Q AND U
Year Ended June 30, 20XX**

Agreed Upon Procedures for Measure M2 Senior Mobility Program - Eligible Jurisdictions:

Perform the procedures below for the following cities: _____

1. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.
2. Describe which fund(s) the Eligible Jurisdiction 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, 20XX. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.
3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Senior Mobility Program as of June 30, 20XX, agree to the balance as listed on the Eligible Jurisdictions' 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, 2018, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.
4. Obtain and inspect the Eligible Jurisdiction's interest allocation and fare collection methodologies 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 Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.
5. Verify that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total expenditures for fiscal year ended June 30, 20XX.
6. Select a sample of Measure M2 Senior Mobility Program expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for testing. 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.
 - b. Verify that the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.
7. Inquire as to the procedures used by the Eligible Jurisdictions 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.
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 Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable,

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
MEASURE M2 AGREED-UPON PROCEDURES – PROJECT Q AND U
Year Ended June 30, 20XX**

select a sample of charges. Describe the dollar amount tested. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

9. Determine if the Eligible Jurisdiction contracts with a third party service provider to provide senior transportation service, and perform the following:
 - a. Verify that 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.
10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verify that the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.
11. Obtain and sample four monthly operations reports, and determine the reports were submitted by the last day of the following month.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
MEASURE M AGREED-UPON PROCEDURES – PROJECT Q AND U
Year Ended June 30, 20XX**

Agreed Upon Procedures for Measure M Senior Non-Emergency Medical Transportation Program
(County of Orange):

1. Obtain and read the Cooperative Agreement between OCLTA and the County of Orange and determine that the agreement was properly approved and executed.
2. Document which funds the County used to track expenditures relating to Senior Non Emergency Medical Transportation Program (SNEMT) monies in its general ledger and the amount spent during the fiscal year ended June 30, 20XX. Agree to amount listed as expended on schedule 2 of expenditure report. Explain any differences.
3. Obtain a listing of Measure M2 SNEMT payments made from OCLTA to the County and calculate the amount the County has received for the past three fiscal years. Obtain the cash balance of the County's SNEMT funds as of June 30, 20XX and determine whether funds are expended within three years of receipt. For payments received during the fiscal year ended June 30, 20XX, agree to amount listed as received on schedule 2 of expenditure report. Explain any differences.
4. Review the County's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 SNEMT fund.
5. Determine the amount of Tobacco Settlement funds required to be expended by the County for the fiscal year ending June 30, 20XX (e.g. obtain from OCLTA the percentage requirement and apply to the annual state allocation of Tobacco Settlement funds for the year under review).
6. Determine that the County spent the required annual amount of Tobacco Settlement funds on the SNEMT program and select a sample from the general ledger to verify the expenditures related to the SNEMT program.
7. Select a sample of Measure M2 SNEMT expenditures from the County's general ledger expenditure detail. 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.
 - b. Verify that the expenditures selected in (a) above are exclusively for the SNEMT program and comply with the Measure M2 Project U Senior/Disabled Program Funding Policy guidelines and the cooperative agreement.
8. Inquire as to the procedures used by the County 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.
9. Identify whether or not indirect costs were charged as Measure M2 SNEMT expenditures. If applicable, select a sample of charges. Review the amounts charged and review supporting documentation for reasonableness and appropriate methodology.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
MEASURE M AGREED-UPON PROCEDURES – PROJECT Q AND U
Year Ended June 30, 20XX**

Agreed Upon Procedures for Measure M Senior Non-Emergency Medical Transportation Program
(County of Orange):

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

11. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and perform the following:
 - a. Review the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verify that the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

12. Obtain the quarterly summary reports and determine the reports were properly prepared and submitted within forty-five (45) days.

13. Inquire of the County whether they prioritized trips provided under the SNEMT program. If so, determine whether actual expenditures exceed available program funding and whether OCLTA was notified as required.

Measure M Cities - Suggested Selection for FY2020

Agency	Local Fair Share						SMP & SNEMT					
	Last Audit	No. of Findings Last Audit	Payments FY 6/30/19	Payments FY 6/30/20 as of 4/14/20	Payments Since Inception as of 4/14/20	% of Total	Last Audit	No. of Findings Last Audit	Payments FY 6/30/19	Payments FY 6/30/20 as of 4/14/20	Payments Since Inception as of 4/14/20	% of Total
Aliso Viejo	2018	1	729,887.09	538,139.19	5,534,174.78	1.26%	n/a	0	27,060.10	20,117.15	166,648.62	0.35%
Anaheim	2019	1	6,256,066.50	2,321,084.87	45,701,327.53	10.39%	2015	1	293,083.93	217,885.80	2,256,992.19	4.77%
a Brea	2015	1	1,020,032.96	761,915.62	7,957,338.32	1.81%	n/a	0	46,006.06	34,202.05	354,289.37	0.75%
Buena Park	2018	2	1,521,727.66	1,152,264.98	12,414,317.51	2.82%	2017	1	78,748.67	58,543.69	606,433.44	1.28%
Costa Mesa	2018	3	2,646,625.60	1,982,697.33	20,253,564.51	4.60%	2017	3	94,437.29	70,207.01	727,249.09	1.54%
Cypress	2017	1	918,029.34	683,848.24	7,333,430.08	1.67%	n/a	0	56,103.22	41,708.52	429,292.92	0.91%
Dana Point	2019	1	615,903.31	457,294.71	4,619,385.60	1.05%	2019	2	53,554.56	39,813.78	329,811.51	0.70%
Fountain Valley	2016	2	1,094,785.41	819,392.25	8,626,736.09	1.96%	2019	0	86,401.18	64,232.76	496,256.84	1.05%
Fullerton	2016	2	2,330,997.25	1,724,335.47	18,072,714.46	4.11%	2016	5	141,269.07	105,022.91	1,080,983.54	2.29%
Garden Grove	2019	0	2,645,433.45	1,967,748.84	20,667,250.18	4.70%	2015	0	169,141.89	125,744.25	1,302,537.26	2.75%
Huntington Beach	2019	2	3,494,796.80	2,620,381.86	27,024,281.49	6.14%	2015	0	250,341.71	186,110.19	1,927,837.40	4.08%
Irvine	2017	2	5,064,375.07	3,814,873.71	37,592,027.15	8.54%	2013	1	182,353.37	135,565.99	1,404,278.02	2.97%
Laguna Beach	2017	2	459,194.99	338,062.34	3,546,931.18	0.81%	n/a					
a Laguna Hills	2015	0	610,581.52	450,034.71	4,736,311.32	1.08%	n/a	0	38,126.01	28,343.82	293,605.60	0.62%
Laguna Niguel	2016	1	1,167,650.27	876,282.47	9,257,003.66	2.10%	2017	4	80,231.07	59,645.73	617,841.87	1.31%
Laguna Woods	2016	2	225,031.51	166,044.28	1,770,436.80	0.40%	2017	0	93,234.48	69,312.79	717,987.58	1.52%
La Habra	2019	2	929,043.11	701,366.77	7,316,123.48	1.66%	2019	2	59,321.58	44,101.11	456,827.64	0.97%
c Lake Forest	2016	1	1,434,079.58	1,081,340.95	11,006,359.58	2.50%	2018	0	72,650.07	54,009.85	559,464.07	1.18%
a La Palma	2015	0	270,692.21	199,677.90	2,286,972.31	0.52%	n/a					
Los Alamitos	2017	1	233,179.13	173,336.29	1,804,302.94	0.41%	n/a					
Mission Viejo	2019	2	1,657,113.37	1,231,162.34	12,996,837.62	2.95%	2016	3	125,788.52	93,514.28	822,724.65	1.74%
Newport Beach	2016	0	1,979,182.45	1,474,252.44	15,289,672.43	3.48%	2016	1	143,154.57	106,424.64	1,102,404.64	2.33%
Orange	2018	2	2,964,925.43	2,196,138.46	22,902,806.54	5.21%	2014	3	135,970.20	101,083.59	1,047,081.52	2.21%
a Placentia	2016	3	855,436.29	389,155.06	6,368,338.60	1.45%	n/a	0	58,541.36	43,521.09	450,817.04	0.95%
Rancho Santa Margarita	2017	0	758,220.17	558,614.90	5,886,860.83	1.34%	n/a	0	28,841.57	21,441.54	222,102.69	0.47%
San Clemente	2019	1	1,022,510.80	760,889.95	7,815,362.96	1.78%	2019	0	78,339.06	58,239.19	603,280.80	1.28%
San Juan Capistrano	2017	2	673,136.74	509,537.37	5,268,630.58	1.20%	2017	3	49,985.12	37,160.17	307,831.36	0.65%
Santa Ana	2018	3	4,991,264.27	3,693,034.76	38,666,230.28	8.79%	2015	2	208,542.24	155,035.44	1,605,944.55	3.40%
Seal Beach	2019	2	436,678.62	317,684.22	3,480,548.36	0.79%	2014	2	72,604.55	53,976.01	559,120.36	1.18%
Stanton	2018	1	529,092.32	390,313.88	4,161,412.68	0.95%	n/a	0	34,881.66	25,931.88	266,912.24	0.56%
a Tustin	2015	0	1,615,929.86	1,206,847.77	12,429,935.85	2.83%	2019	2	60,829.96	45,222.49	468,444.26	0.99%
Villa Park	2017	2	93,439.69	68,808.08	725,309.42	0.16%	n/a	0	11,956.64	8,888.87	58,627.61	0.12%
Westminster	2019	1	1,544,090.49	1,122,450.25	11,893,179.30	2.70%	2014	1	113,812.38	84,610.92	876,450.31	1.85%
Yorba Linda	2016	2	1,081,797.97	806,937.98	8,352,462.49	1.90%	2016	2	77,233.78	57,417.48	594,767.71	1.26%
County Unincorporated	2019	0	3,596,067.28	2,594,584.45	26,213,927.90	5.96%	n/a					
a County - SNEMT							2016	5	3,192,611.02	2,373,465.62	24,585,797.36	51.98%
Total			57,466,998.51	40,150,534.69	439,972,504.81	100%			6,215,156.89	4,620,500.61	47,300,644.06	100%

- a Recommended selection: 4-5 year rotation.
- b Recommended selection: Total payments over 250,000 and never been audited.
- c Recommended selection by the Eligibility Committee.

LFS SMP LFS & SMP SNEMT

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
1.00	Administrative and General Requirements						
2.00	Has a transportation special revenue fund ("Local Transportation Authority Special Revenue Fund") been established to maintain all Revenues?	Sec. 10.1	F & A	One-time, start-up	Done	Sean Murdock	Yes. The LTA Fund (Fund 17) was established for this purpose. A discussion of the fund and its purpose can be found in the OCLTA audited financial statements. Please reference: " OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report ," for year ending June 30, 2019 - Attachment F. Staff Report dated January 27, 2020.
3.00	Have the imposition, administration and collection of the tax been done in accordance with all applicable statutes, laws, rules and regulations prescribed and adopted by California Department of Tax and Fee Administration (formerly State Board of Equalization)?	Sec. 3	F & A	Recurring	Done to date	Sean Murdock	Yes. See independent auditor's findings related to applying Agreed-Upon Procedures to the Measure M2 Status Report. Please reference: " OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report ," for year ending June 30, 2019 - Attachment F. Staff Report dated January 27, 2020.
4.00	Have Net Revenues been allocated solely for the transportation purposes described in the Ordinance?	Sec. 4	F & A	Recurring	Done to date	Sean Murdock	Yes. See independent auditor's findings related to applying Agreed-Upon Procedures to the Measure M2 Status Report. Please reference: " OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report ," for year ending June 30, 2019 - Attachment F. Staff Report dated January 27, 2020.
5.00	"Pay as you go" financing is the preferred method of financing transportation improvements and operations under the Ordinance. Before issuing bonds, has the Authority determined the scope of expenditures made "pay-as-you-go" financing unfeasible?	Sec. 5	F & A, Planning	Recurring	Done to date	Sean Murdock	Yes. Please reference: " Plan of Finance for Early Action Plan ," Staff Report dated November 9, 2007 -Attachment D. " Renewed Measure M Early Action Plan Review ," Staff Report dated December 14, 2009. " Paying for M2 - Bond Financing Legal Memo ," dated March 5, 2012.
6.00	Have maintenance of effort (MOE) levels been established for each jurisdiction for fiscal year 2010-2011 pursuant to Ordinance 2?	Sec. 6	Planning	One-time, start-up	Done	Joe Alcock/ Adriann Cardoso	Yes. The MOE benchmark for each jurisdiction was originally established under Ordinance No. 2. MOE for FY 2010-11 was established and adopted by the OCTA Board as part of the M2 Eligibility Guidelines. Please reference: " Measure M2 Local Agency Eligibility Guidelines and Requirements ," Staff Report dated January 25, 2010.
7.00	Have city MOE levels been adjusted by July 1, 2014 and every three years thereafter using the Caltrans Construction Cost Index?	Sec. 6	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. The second MOE adjustment was presented to the Board on April 10, 2017. MOE correction for City of San Juan Capistrano was presented to the Board on May 8, 2017. Placentia MOE Benchmark adjustment was

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
							<p>presented to the Board with the FY 18-19 M2 Eligibility Guidelines on April 9, 2018 due to a delay in adopting a final CAFR.</p> <p>The next MOE benchmark adjustment will become effective July 1, 2020 and is anticipated to go to the Board for approval on April 13, 2020.</p> <p>Please reference the following Staff Reports: “Fiscal Year 2014-15 Measure M2 Maintenance of Effort Adjustment and Updates to Eligibility and Local Signal Synchronization Plan Guidelines,” dated April 14, 2014.</p> <p>“Fiscal Year 2014-15 Maintenance of Effort Benchmark Adjustments,” dated August 11, 2014 to see adjustments made for the cities of La Habra, Laguna Woods, Los Alamitos and Yorba Linda.</p> <p>“Fiscal Year 2017-18 Measure M2 Maintenance of Effort Adjustment and Updates to the Eligibility and Local Signal Synchronization Plan Guidelines,” dated April 10, 2017.</p> <p>“Measure M2 Eligibility Review Recommendations for Fiscal Year 2015-16 Expenditure Reports and City of San Juan Capistrano’s Maintenance of Effort Benchmark,” dated May 8, 2017.</p> <p>“Fiscal Year 2018-19 Measure M2 Eligibility and Countywide Pavement Management Plan Guidelines and City of Placentia’s Maintenance of Effort Benchmark,” dated April 9, 2018.</p>
8.00	Have MOE requirements been met annually by each jurisdiction?	Sec. 6	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	<p>No. Due to 2019 audit findings, on May 13, 2019 the Board found the cities of Stanton and Santa Ana ineligible to receive net M2 Revenues based upon failing to meet and/or substantiate MOE requirements for fiscal year 2017-2018.</p> <p>Please reference “Measure M2 Eligibility for the City of Santa Ana” and “Measure M2 Eligibility for the City of Stanton.” Staff Reports Dated May 13, 2019.</p>

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
							<p>The Board suspended all disbursements of M2 funding and required the cities sign separate settlement agreements that identified steps to regain compliance. A specific date was not established for the Board to reconsider the two cities' M2 Eligibility status but a meeting is required to occur prior to May 2020.</p> <p>For the remaining 33 entities, MOE requirements have been met annually.</p> <p>Please reference: "Measure M2 Eligibility Review Recommendations for Fiscal Year 2017-18 Expenditure Reports," Staff Report dated July 8, 2019. "Fiscal Year 2019-20 Measure M2 Annual Eligibility Review," Staff Report dated December 9, 2019.</p>
9.00	Have Revenues expended for salaries and benefits of Authority administrative staff remained within the one-percent per year limit?	Sec 7	F & A	Recurring	Action plan in place	Sean Murdock & Changsu Lee	<p>Yes. These are tracked on a fiscal year basis. Expenditures were 0.74% for the fiscal year period between July 1, 2018 and June 30, 2019, which was less than the 1% of net revenue requirement. The amount under 1% for the fiscal year was \$907,282. However, program-to-date expenditures are over the 1% limit by \$596,194. This amount has been borrowed from the Orange County Unified Transportation Trust and is being paid back when administrative expenditures underrun revenue in any given year of the program.</p> <p>Please reference "OCTA Summary of Measure M2 Administrative Costs From Inception through June 30, 2019."</p>
10.00	Has the Authority, to the extent possible, used existing state, regional and local planning and programming data and expertise to carry out the purposes of the Ordinance?	Sec. 7	Planning	Recurring	Done to date	Tamara Warren	<p>Yes, OCTA as appropriate, looks to other existing resources to ensure that work is not duplicative and that expenses are kept to a minimum. In cases where OCTA does not have the expertise available, OCTA contracts with other external agencies. For example, OCTA regularly has cooperative agreements with the California Department of Transportation, local universities, Army Corp of Engineers, and contracts with private sector experts as needed to meet the requirements of the Ordinance.</p>

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
11.00	Have expenses for administrative staff and for project implementation incurred by the Authority, including contracted expenses, been identified in an annual report pursuant to Ordinance No. 3, Sec. 10.8?	Sec. 7 and Sec. 10.8	External Affairs	Recurring	Done to date	Alice Rogan & Marissa Espino	Yes. Annual reports identify expenses for administrative staff and for project implementation incurred by the Authority, including contracted expenses. M1 Annual reports from years 2008 - 2011 included minor updates on M2 Early Action Plan progress and funding. All reports are saved in the M2 Document Center. As a one-time courtesy, hyperlinks for all M2 annual reports up to 2015 were provided in the 2015 matrix. For the 2018 M2 report, please reference: " Measure M Annual Report Infographic – 2018 " published in spring 2019.
12.00	Has the 2006-2007 Authority appropriations limit been set at \$1,123 million?	Sec. 8	F & A	One-time, start-up	Done	Sean Murdock	Yes. Please reference " Board Resolution 2006-32 Establishing LTA Appropriations Limit FY 2006-07 ," dated June 12, 2006.
13.00	Has the Authority's appropriations limit been adjusted annually?	Sec. 8	F & A	Recurring	Done to date	Sean Murdock	Yes. All Board Resolutions establishing LTA appropriations are saved in the M2 Document Center. As a one-time courtesy, hyperlinks for all resolutions were provided in the 2015 matrix. For the approved 2018 resolution, please reference page 187: " Board Resolution 2019-027 Establishing LTA Appropriations Limit FY 2019-20 ," dated June 10, 2019.
14.00	Has the County of Orange Auditor-Controller, in the capacity as Chair of the Taxpayer Oversight Committee, annually certified that the Revenues were spent in compliance with the Ordinance?	Sec. 10.2	External Affairs	Recurring	Done to Date	Alice Rogan	Yes. Each year since 2007, subsequent to Measure M Annual Hearings, the County Auditor-Controller has annually certified that revenues were spent in compliance with the Ordinance. For this reporting period, on June 11, 2019, County Auditor-Controller Eric Woolery, certified that OCTA has spent revenues in compliance with the Ordinance as noted in the minutes of the TOC meeting. All Annual Hearing Compliance Memos are saved in the M2 Document Center. For the most recent confirmation of compliance please reference the " Taxpayer Oversight Committee Measure M2 Annual Public Hearing Results and Compliance Finding ", dated June 11, 2019.

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
15.00	Have receipt, maintenance and expenditure of Net Revenues been distinguishable in each jurisdiction's accounting records from other funding sources, and distinguishable by program or project?	Sec. 10.3	F&A, Internal Audit	Recurring	Action plan in place	Sean Murdock	<p>Yes, local agencies submit expenditure reports annually that distinguish funding sources and tie to accounting records that are subject to audits. Starting with the 2011 version of the annual expenditure report, local jurisdictions' finance directors are also required to attest to this requirement and each year hereafter. Jurisdictions are also subject to audits that cover this requirement. Internal Audit, through contractors, conducts audits of 8-10 jurisdictions per year covering this matter. Expenditure Reports for each city are reviewed by staff and the TOC. The agencies to be audited are selected by the TOC Audit Subcommittee. The TOC approved FY 2017-18 Expenditure Reports on June 11, 2019. Two city's expenditure reports were not approved due to insufficient MOE expenditures. The cities were Stanton and Santa Ana. Audited agency findings are included in the Agreed-Upon Procedures M2 Reports.</p> <p>Please reference:</p> <ol style="list-style-type: none"> 1. "June 11, 2019 - Meeting Minutes," dated August 13, 2019. 2. "Measure M2 Annual Eligibility Review Subcommittee Recommendations for Fiscal Year 2017-18 Expenditure Reports," dated July 8, 2019. 3. "OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report," for year ending June 30, 2019 – Attachment F. Report dated January 27, 2020.
16.00	Has interest earned on Net Revenues allocated pursuant to the Ordinance been expended only for those purposes for which Net Revenues were allocated?	Sec. 10.3	F & A	Recurring	Done to date	Sean Murdock	<p>Yes. See independent auditor's findings related to applying Agreed-Upon Procedures to the Measure M2 Status Report.</p> <p>Please reference: "OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report," for year ending June 30, 2019 – Attachment F. Report dated January 27, 2020.</p>
17.00	Have jurisdictions used Net Revenues only for transportation purposes authorized by the Ordinance?	Sec. 10.4	F&A, Internal Audit	Recurring	Action plan in place	Sean Murdock	Yes. See Item 15 notes.

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
18.00	If any jurisdiction used Net Revenues for other than transportation purposes, has it fully reimbursed the Authority the Net Revenues misspent and been deemed ineligible to receive Net Revenues for a period of five years?	Sec. 10.4	F & A	Recurring	N.A.	Sean Murdock	Not applicable because there have been no such occurrences to date. Compliance is subject to audits by Internal Audit.
19.00	Has a Taxpayer Oversight Committee been established to provide an enhanced level of accountability for expenditures of Revenues and to help ensure that all voter mandates are carried out as required?	Sec. 10.5	External Affairs	One-time, start-up	Done	Alice Rogan	Yes. The Citizens Oversight Committee established under M1 was transitioned into the Taxpayer Oversight Committee (TOC) in August 2007. The transition was mentioned in the OCTA Staff Update portion of the June 12, 2007 COC Meeting Minutes, included in the August 28, 2007 TOC Meeting Agenda Packet. The TOC has since met regularly to provide an enhanced level of accountability for expenditures of Revenues and to help ensure that all voter mandates are carried out as required. Agenda Packets and Meeting Minutes for each TOC meeting can be found in the Document Center. Please reference: " TOC Agenda Packet ," dated August 28, 2007.
20.00	Have performance assessments to evaluate efficiency, effectiveness, economy and program results been conducted every three years?	Sec. 10.6	PMO	Recurring	Done to Date	Tamara Warren	Yes, to date, four Triennial M2 Performance Assessments have been conducted. The most recent performance assessment covering 2015 – 2018 can be found: " Triennial M2 Performance Assessment 2015-2018 ," dated March 11, 2019. Please reference the 2016 M2 Ordinance Tracking Matrix or the M2 Document Center for prior M2 Performance Assessments.
21.00	Have the performance assessments been provided to the Taxpayers Oversight Committee?	Sec. 10.6	PMO, External Affairs	Recurring	Done to Date	Tamara Warren & Alice Rogan	Yes, to date, four performance assessments have been provided to the TOC. Please reference the following agenda packets: " TOC Agenda Packet 2010 ," dated December 14, 2010. " TOC Agenda Packet 2013 ," dated April 9, 2013. " TOC Agenda Packet 2016 ," dated June 14, 2016. " TOC Agenda Packet 2019 ," dated April 9, 2019.
22.00	Have quarterly status reports regarding the major projects detailed in the Plan been brought before the Authority in public meetings?	Sec. 10.7	PMO	Recurring	Done to Date	Tamara Warren	Yes, quarterly reports have consistently been brought before the Board. The reports are posted on the OCTA website and saved in the M2 Document Center. These reports can be found by searching for "M2 Quarterly Report". The latest report was presented to the Board on March 9, 2020. Please reference: " M2 Quarterly Report Q2 October to December 2019 ," Staff report dated March 9, 2020.

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
23.00	Has the Authority published an annual report on how revenues have been spent and on progress toward implementation and publicly reported on the findings?	Sec. 10.8	External Affairs	Recurring	Done to date	Alice Rogan	Yes. These annual reports were prepared and made public since FYs 2010-11. The FY 2017-18 report was presented to the Board March 2019. See Item 11 for links to public reports.
24.00	Has the Authority, every ten years, conducted a comprehensive review of all projects and programs implemented under the Plan to evaluate the performance of the overall program?	Sec. 11	PMO	Recurring	Done to date	Tamara Warren	The first comprehensive Ten-Year Review was conducted for the period covering November 8, 2006 through June 30, 2015. The final report was presented to the Board on October 12, 2015. Please reference: " M2 Ten-Year Review Report ."
25.00	If the Authority has amended the Ordinance, including the Plan, has the Authority followed the process and notification requirements in Ordinance No. 3, Sec. 12, including approval by not less than two-thirds vote of the Taxpayer Oversight Committee?	Sec. 12	PMO, External Affairs	Recurring	Done to Date	Tamara Warren & Alice Rogan	Yes. For Amendment #1 (Nov. 9, 2012) to the Plan (Freeway Category), OCTA followed the Plan amendment process and notification requirements (including TOC approval on Oct. 9, 2012). For Amendment #2 (Nov. 25, 2013) to the Ordinance (Attachment C), OCTA followed the Ordinance amendment process and notification requirements (didn't require TOC approval). For Amendment #3 (Dec. 14, 2015, corrected on Mar. 14, 2016) to the Plan (Transit Category) and Ordinance (Attachment B), OCTA followed the Plan amendment process and notification requirements (including TOC approval on Nov. 10, 2015). Please reference: " TOC M2 Amendment No. 1 Approval Memo ," dated October 9, 2012. " TOC M2 Amendment No. 2 Public Hearing ," Staff Report dated November 25, 2013. " TOC M2 Amendment No. 3 Approval Memo ," dated November 10, 2015.
26.00	General Requirements - Allocation of Net Revenues						
27.00	Have at least five percent of the Net Revenues allocated for Freeway Projects been used to fund Programmatic Mitigation of Freeway Projects, and have these funds derived by pooling funds from the mitigation budgets of individual Freeway Projects?	Att. B, Sec. II.A.5	Planning, F & A	30-year	Done to date	Sean Murdock	Yes. See independent auditor's findings related to applying Agreed-Upon Procedures to the Measure M2 Status Report. Please reference: " OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report " for year ending June 30, 2019 – Attachment F. Report dated January 27, 2020.

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
28.00	<p>Has the Authority used Revenues as follows:</p> <ul style="list-style-type: none"> - First, paid the California Department of Tax and Fee Administration (formerly State Board of Equalization) for services and functions? - Second, paid the administrative costs of the Authority? - Third, satisfied the annual allocation of two percent of Revenues for Environmental Cleanup? - Fourth, satisfied the debt service requirements of all bonds issued pursuant to the Ordinance that are not satisfied out of separate allocations? 	Att. B, Sec. IV.A.1-4	F & A	Recurring	Done to date	Sean Murdock	<p>Yes. See independent auditor's findings related to applying Agreed-Upon Procedures to the Measure M2 Status Report.</p> <p>Please reference: "OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report" for year ending June 30, 2019 – Attachment F. Report dated January 27, 2020.</p>
29.00	<p>After providing for the use of Revenues as described above, has the Authority allocated Net Revenues as follows:</p> <ul style="list-style-type: none"> - Freeway Projects - 43%? - Streets and Roads Projects - 32%? - Transit Projects - 25%? 	Att. B, Sec. IV.B.1-3	F & A	Recurring	Done to date	Sean Murdock	<p>Yes. See independent auditor's findings related to applying Agreed-Upon Procedures to the Measure M2 Status Report.</p> <p>Please reference: "OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report" for year ending June 30, 2019 – Attachment F. Report dated January 27, 2020.</p>
30.00	<p>Has the allocation of the 32 percent for Streets and Roads Projects been made as follows:</p> <ul style="list-style-type: none"> - Regional Capacity Program projects - 10% of Net Revenues? - Regional Traffic Signal Synchronization Program projects - 4% of Net Revenues? - Local Fair Share Program projects - 18% of Net Revenues? 	Att. B, Sec. IV.C.1-3	F & A	Recurring	Done to date	Sean Murdock	<p>Yes. See independent auditor's findings related to applying Agreed-Upon Procedures to the Measure M2 Status Report.</p> <p>Please reference: "OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report" for year ending June 30, 2019 – Attachment F. Report dated January 27, 2020.</p>
31.00	<p>If the percentage basis of the allocation of Net Revenues in any given year is different than required by Sections B and C (except for Local Fair Share Program projects), have the percentage allocations set forth in Sections B and C been achieved during the duration of the Ordinance?</p>	Att. B, Sec. IV.D	F & A	30-year	Not yet required	Sean Murdock	<p>The percentage basis allocation is not an annual requirement but must be achieved during the duration of the Ordinance.</p>
32.00	<p>Have Net Revenues allocated for the Local Fair Share Program pursuant to Att. B, Sec. IV.C been paid to Eligible Jurisdictions within 60 days of receipt by the Authority?</p>	Att. B, Sec. IV.E	F & A	Recurring	Done to date	Sean Murdock	<p>Yes. See General Accounting payments for Local Fair Share funds for FY 2017-18. Also note that Agreed-Upon Procedures to the Measure M2 Status Report.</p> <p>1. 2019 Project Q Local Fair Share Payments.</p>

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							2. "OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report" for year ending June 30, 2019 – Attachment F. Report dated January 27, 2020.
33.00	If the Authority exchanged Net Revenues from a Plan funding category for federal, state or other local funds, has the Authority and the exchanging public agency used the exchanged funds for the same program or project authorized for the use of the funds prior to the exchange, have such federal, state or local funds received by the Authority been allocated to the same Plan funding category that was the source of the exchanged Net Revenues?	Att. B, Sec. IV.F	Planning, F & A	Recurring	Not yet required	Sean Murdock	Not applicable to date because there have been no exchanges.
34.00	Has the Authority followed the requirement that in no event shall an exchange of funds reduce the Net Revenues allocated for Programmatic Mitigation of Freeway Projects?	Att. B, Sec. IV.F	Planning, F & A	Recurring	Not yet required	Sean Murdock	Not applicable to date because there have been no exchanges.
35.00	Has the Authority, upon review and acceptance of any Project Final Report, allocated the balance of Net Revenues, less the interest earned on the Net Revenues allocated for the project?	Att. B, Sec. IV.H	Planning	Recurring	Done to Date	Joe Alcock/ Adriann Cardoso	Yes. As projects are completed, any unused funds from each project are made available for other projects within the same category, as needed. Examples below: Ordinance Amendment 1 , dated November 9, 2012. Ordinance Amendment 3 , dated March 14, 2016. There have been no reallocations across categories (43% Freeway, 32% Streets and Roads, and 25% Transit), in accordance with overall requirements in Att. B, Sec IV.B.
36.00	Requirements Related to All Freeway Projects						
37.00	Have Freeway Projects been planned, designed and constructed with consideration for their aesthetic, historic and environmental impacts on nearby properties and communities?	Att. A, p. 5 Freeway Projects Overview	Capital Programs - Highways	Recurring	Done to Date	Rose Casey	Yes. Freeway Projects are developed with input from Cities, the public, other stakeholders and various interest groups. For example, landscaping and aesthetics are prepared with input from city representatives and the public to ensure that each city is given an opportunity to include its own "theme" while preserving the overall uniformity on the freeways throughout Orange County. Please reference Environmental Documents for each project. For an example, please reference the " Historic Resources Compliance Report HRCR " portion of the Project H Environmental Document, dated December 1, 2008.

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Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
38.00	Has a Master Agreement for environmental and programmatic mitigation of freeway projects between OCLTA and state and federal resource agencies been executed?	Att. A, p.5 Freeway Projects Overview	Planning	One-time, start-up	Done	Dan Phu	Yes. The Memorandum of Agreement and Planning Agreement executed in January 2010, served as the Master Agreement. As a note, the termination date on the Planning Agreement was extended as it took longer than anticipated to complete the NCCP/HCP and EIR/EIS. Please reference: " C-9-0278 Agreement, Environmental Mitigation Program MOA ".
39.00	Has the OCLTA made every effort to maximize Orange County's share of state and federal freeway dollars?	Att. B, Sec. II.A.1	Govt Relations, Planning	Recurring	Done to date	Adriann Cardoso	Yes. Since 2006, OCTA has received and programmed the following amounts, for freeway projects included in the M2 Plan: federal - \$568 million, state - \$948 million, other local - \$10 million. OCTA was also successful in receiving a TIFIA loan for \$629 million (of which ~\$154 million will benefit M2) against future toll revenues for the I-405 from SR-73 to I-605 project. Please reference Attachment B of " Amendment to Cooperative Agreement with the California Department of Transportation for the Interstate 5 High-Occupancy Vehicle Improvement Project Between Pacific Coast Highway and San Juan Creek Road ." Staff Report, dated December 9, 2019.
40.00	Have all major approval actions for Freeway Projects, including project concept, location, and any change in scope, been agreed upon by Caltrans, the Authority, project sponsors, and where appropriate, the FHWA and/or the California Transportation Commission?	Att. B, Sec. II.A.2	Capital Programs - Highways	Recurring	Done to Date	Rose Casey	Yes, coordination with the agencies listed is a constant, and the required approval actions are obtained from the appropriate agencies. Project concept, location and scope are determined when the preferred alternative is selected and identified in the final approved environmental document (FED). The FED is approved by Caltrans, which includes delegated NEPA authority from FHWA. The environmental documents are also provided to the CTC. Scope changes will often require changes to the Cooperative Agreement between OCTA and Caltrans. Design modifications and exceptions to design requirements are coordinated with Caltrans District 12 and Headquarters (Sacramento), which has the delegated authority from FHWA to approve design exceptions. Project Change Requests are required to be approved by both OCTA and Caltrans when a change in scope is large enough to warrant a change in project funding. Approval by the California Transportation Commission may also be required if state funds are requested or a baseline agreement amendment is required.

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41.00	Has the Authority, prior to allocation of Net Revenues for any Freeway Project, obtained written assurances from the appropriate state agency that after the project is constructed to at least minimum acceptable state standards, the State shall be responsible for maintenance and operation?	Att. B, Sec. II.A.3	Capital Programs - Highways	Recurring	Done to Date	Rose Casey	Yes, construction Cooperative Agreements between OCTA and Caltrans include language that assigns maintenance and operations to Caltrans. For an example, please reference Attachment A, article 31 of the "Cooperative Agreement with the California Department of Transportation for the Interstate 5 HOV Improvement Project Between Avenida Pico and Avenida Vista Hermosa," Staff Report, dated December 9, 2013. This agreement (C-3-2080) was executed on May 1, 2014.
42.00	Have Freeway Projects been built largely within existing rights of way using the latest highway design and safety requirements?	Att. B, Sec. II.A.4	Capital Programs - Highways	Recurring	Done to Date	Rose Casey	Yes, keeping generally within existing Right of Way is one of the largest project parameters. For example, elimination of braided ramps on the I-405 Improvement Project was approved in the final EIR/EIS to reduce the full ROW acquisitions while still ensuring that the design meets Caltrans design and safety standards. Keeping the ROW impacts to some partial acquisitions and primarily temporary construction easements while adding 4 lanes to the 405 is a major accomplishment for a \$1.9 billion project, the largest project in the M2 freeway program, highlighting the importance placed on working within ROW constraints. For an example, please reference "I-405 Supplemental Draft Environmental Impact Report/EIS," dated May 2012.
43.00	To the greatest extent possible within the available budget, have Freeway Projects been implemented using Context Sensitive Design? ("Context Sensitive Design features" are further described in the referenced provision.)	Att. B, Sec. II.A.4	Capital Programs - Highways	Recurring	Done to Date	Rose Casey	Yes, freeway projects include many context sensitive design features, from the Planning stages, through Environmental, Design and Construction. The project team, including Public Outreach, coordinates with local cities and other agencies on landscaping, aesthetic and soft/hardscape features. For example, the construction of sound walls requires public input, in the form of a soundwall survey, to determine if soundwalls will be built. Aesthetics of soundwalls, retaining walls and bridges take into account City and community preferences.
44.00	Have Freeway Projects, to the greatest extent possible within the available budget, been planned, designed and constructed using a flexible community-responsive and collaborative approach to balance aesthetic, historic and environmental values with transportation safety, mobility, maintenance and performance goals?	Att. B, Sec. II.A.4	Capital Programs - Highways	Recurring	Done to Date	Rose Casey	Yes, Community Outreach is a constant on all the Freeway Projects. Open Houses, City Council presentations, local agency meetings and other forms of Outreach are deployed in order to obtain community feedback so that modifications are made, where possible, to retain these values. All design features and proposed changes are reviewed and approved by Caltrans to ensure safety, mobility, maintenance and performance goals.

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45.00	Have the Net Revenues allocated to Freeway Projects for use in funding Programmatic Mitigation for Freeway Projects been subject to the following:	Att. B, Sec. II.A.5	Planning		Done	Dan Phu	See items 45.01 - 45.09
45.01	Has a Master Environmental Mitigation and Resource Protection Plan and Agreement (Master Agreement) between the Authority and state and federal resources been developed?	Att. B, Sec. II.A.5.a	Planning	One-time, start-up	Done	Dan Phu	Yes. The Memorandum of Agreement and Planning Agreement executed in January 2010, served as the Master Agreement. As a note, the Planning Agreement was extended as it took longer than anticipated to complete the NCCP/HCP and EIR/EIS. Please reference: " C-9-0278 Agreement, Environmental Mitigation Program MOA. "
45.02	Does the Master Agreement include commitments by the Authority to provide programmatic environmental mitigation of Freeway Projects?	Att. B, Sec. II.A.5.a.(i)	Planning	One-time, start-up	Done	Dan Phu	Yes. The Memorandum of Agreement and Planning Agreement executed in January 2010, served as the Master Agreement. See Item 1 within the Agreement which refers to commitments by OCTA to provide programmatic environmental mitigation of Freeway Projects. As a note, an extension of the termination date on the Planning Agreement was required since it took longer than anticipated to complete the NCCP/HCP and EIR/EIS. Please reference: " C-9-0278 Agreement, Environmental Mitigation Program MOA. "
45.03	Does the Master Agreement include commitments by state and federal agencies to reduce project delays associated with permitting and streamline the process for Freeway Projects?	Att. B, Sec. II.A.5.a.(ii)	Planning	One-time, start-up	Done	Dan Phu	Yes. The Memorandum of Agreement and Planning Agreement executed in January 2010, served as the Master Agreement. See Items 6 and 8 within the Agreement as it relates to commitments by state and federal agencies to reduce project delays associated with permitting and streamline the process for Freeway Projects. As a note, an extension of the termination date on the Planning Agreement was required since it took longer than anticipated to complete the NCCP/HCP and EIR/EIS. Please reference: " C-9-0278 Agreement, Environmental Mitigation Program MOA. "
45.04	Does the Master Agreement include an accounting process for mitigation obligations and credits that will document net environmental benefit from regional, programmatic mitigation in exchange for net benefit in the delivery of transportation	Att. B, Sec. II.A.5.a.(iii)	Planning	One-time, start-up	Done	Dan Phu	Yes. Development of the Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP) set forth the process to meet this provision (Sections 5 and 6). The Final NCCP/HCP was approved by the Board and the Final EIR/EIS was certified by the Board on November 28, 2016. The corresponding state and federal wildlife agency permits were

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	improvements through streamlined and timely approvals and permitting?						<p>received in June 2017. An accounting process is folded into the NCCP/HCP for mitigation obligations and credits. An annual report is required and will document freeway project level impacts as well as mitigation performed for those freeway projects. The first annual report will be finalized in 2019 and will include activities related to the NCCP/HCP from 2011. The future annual reports will only include one year's activities in relation to the NCCP/HCP. Actual impacts will be compared against assumptions made within the NCCP/HCP. Net environmental benefits from the NCCP/HCP are summarized in Table ES-1 of the NCCP/HCP. Biological permits from the wildlife regulatory agencies were issued in advance, therefore streamlining the delivery of the transportation projects.</p> <p>Please reference: "Final Natural Community Conservation Plan/Habitat Conservation Plan and Associated EIR/EIS," Staff Report dated November 28, 2016.</p> <p>"OCTA M2 NCCP-HCP Implementing Agreement with Fed and State Fish-Wildlife and Caltrans, 6-19-2017."</p>
45.05	Does the Master Agreement include a description of the specific mitigation actions and expenditures to be undertaken and a phasing, implementation, and maintenance plan?	Att. B, Sec. II.A.5.a.(iv)	Planning	One-time, start-up	Done	Dan Phu	<p>Yes, the Memorandum of Agreement and Planning Agreement, executed in January 2010, included this provision.</p> <p>Please reference: "C-9-0278 Agreement, Environmental Mitigation Program MOA."</p>
45.06	Does the Master Agreement include appointment by the Authority of a Mitigation and Resource Protection Oversight Committee to make recommendations to the Authority on the allocation of Net Revenues for programmatic mitigation and to monitor implementation of the Master Agreement?	Att. B, Sec. II.A.5.a.(v)	Planning	One-time, start-up	Done	Dan Phu	<p>Yes. The Environmental Oversight Committee makes recommendations to the Authority on the allocation of Net Revenues for programmatic mitigation and also monitors the implementation of the Environmental Mitigation Program which is based on the Master Agreement.</p> <p>Please reference: "C-9-0278 Agreement, Environmental Mitigation Program MOA."</p>
45.07	Was an Environmental Oversight Committee appointed and does it consist of no more than 12 members and is comprised of representatives of the Authority, Caltrans, state and federal resource agencies, non-governmental environmental	Att. B, Sec. II.A.5.a.(v)	Planning, External Affairs	One-time, start-up	Done	Dan Phu & Marissa Espino	<p>Yes. Creation of the EOC occurred in 2007 with applicant scoring and selection for membership by the Transportation 2020 Committee on October 15, 2007. The first EOC meeting took place on November 13, 2007.</p>

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	organizations, the public and the Taxpayer Oversight Committee?						Please reference: "Renewed Measure M Environmental Committees Selection Process," dated October 22, 2007. "EOC Minutes," dated November 13, 2007. "Status Report on Renewed Measure M Environmental Programs," dated August 25, 2008. "EOC Roster 2019"
45.08	Was the Master Agreement developed as soon as practicable following the approval of the ballot proposition by the electors?	Att. B, Sec. II.A.5.b	Planning	One-time, start-up	Done	Dan Phu	Yes, the Memorandum of Agreement and Planning Agreement process began in early 2008.
45.09	Have the Authority and state and federal resource agencies developed the Master Agreement prior to the implementation of Freeway Projects?	Att. B, Sec. II.A.5.b	Planning	One-time, start-up	Done	Dan Phu	Yes. The Memorandum of Agreement and Planning Agreement process began in early 2008 and was fully executed by OCTA and state and federal resources agencies in January 2010. During this timeframe, the Early Action Plan also authorized the project development processes for various M2 freeway projects, which included preliminary engineering, environmental studies, and final design work. The initiation of this work also maximized OCTA's ability to compete for state and federal funds (i.e., CMIA and federal stimulus). With the exception of the eastbound SR-91 lane addition between SR-241 and SR-71 and the State Route 22 access improvements, the rest of the M2 freeway projects did not begin construction until after January 2010. The Eastbound SR-91 lane addition project began construction in late 2009 and utilized primarily American Recover and Reinvestment Act (ARRA) federal stimulus funds and the SR-22 improvements were amended into Measure M1 and completed early in 2007 as a "bonus project" as part of the SR-22 D/B project. Please reference: "C-9-0278 Agreement, Environmental Mitigation Program MOA."
46.00	Requirements Related to Specific Freeway Projects						
47.00	Project A						
48.00	Have Santa Ana Freeway (I-5) improvements between the Costa Mesa freeway (SR-55) and "Orange Crush" (SR-57) described in Project A been built:	Att. A, p. 7, Project A	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The design phase of this project was completed in June 2017 and construction began on December 2018. The project's forecasted construction completion date is April 2021.

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48.01	At the SR-55/I-5 interchange area between the Fourth Street and Newport Boulevard ramps on I-5?	Att. A, p. 7	Capital Programs - Highways	30-year	Not yet required	Rose Casey	Not yet, see notes Item 48.00.
48.02	On SR-55 between Fourth Street and Edinger Avenue?	Att. A, p. 7	Capital Programs - Highways	30-year	Not yet required	Rose Casey	No. Project A improvement limits do not include SR-55 between Fourth Street and Edinger Avenue (agreed to by cities and Caltrans) due to lack of support/consensus between Caltrans and local jurisdictions which is a requirement of M2. There are some improvements included in Project F on SR-55 between I-405 and I-5.
48.03	On I-5 between SR-55 and SR-57?	Att. A, p. 7	Capital Programs - Highways	30-year	Not yet required	Rose Casey	Not yet, see notes Item 48.00.
49.00	Have the Project A improvements, as built, increased capacity and reduced congestion?	Att. A, p. 7, Project A	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The forecasted construction completion date is April 2021. The project will add capacity with a second carpool lane and relieve congestion upon construction completion as identified during the environmental phase.
50.00	Project B						
51.00	Have new lanes been built and interchanges improved on the Santa Ana Freeway (I-5) between the Costa Mesa freeway (SR-55) to El Toro "Y"?	Att. A, p. 7, Project B	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The environmental phase for the project is underway. As of December 2019, it is anticipated to be complete by February 2020. Final design and construction will be segmented into two segments and will directly follow with an anticipated project completion in 2028.
52.00	Have the Project B improvements as built increased capacity and reduced congestion?	Att. A, p. 7, Project B	Capital Programs - Highways	30-year	Not yet required	Rose Casey	See notes Item 51.00. The project will add capacity with one additional general purpose lane in each direction and relieve congestion upon construction completion as identified during the environmental phase.
53.00	Project C						
54.00	Have Santa Ana Freeway (I-5) improvements south of the El Toro "Y" been built with:	Att. A, p. 8, Project C	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>The I-5, Avenida Pico to San Juan Creek Road (including interchange improvement Avenida Pico) was divided into three segments for design and construction. This project added a new HOV lane in both directions of I-5 between PCH and Avenida Pico, reconstruct the Avenida Pico Interchange, and reconstructed on and off ramps along the project area. All three segments are now complete.</p> <p>The I-5, SR-73 to El Toro Road project (including interchange improvements at Avery and La Paz) completed the environmental phase in May 2014. The project was divided into three segments for design and construction. Design on the last segment was completed in May 2019 and construction was initiated on the first segment in April 2019. This</p>

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							project adds a general-purpose lane in each direction, extends the second HOV lane in both directions from El Toro Rd to Alicia Pkwy, reconstruct the La Paz Road and Avery Pkwy interchanges, and add auxiliary lanes where needed. The forecasted construction completion date of the last segment is January 2025.
54.01	New lanes from the vicinity of the El Toro Interchange in Lake Forest to the vicinity of SR-73 in Mission Viejo?	Att. A, p. 8, Project C	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>See notes Item 54.00. New lanes will be added upon construction completion.</p> <p>Segment 1, I-5 between SR-73 and Oso Pkwy (including improvements to Avery Pkwy Interchange), the construction contract was awarded in December 2019 and construction is planned to begin January 2020.</p> <p>Segment 2, I-5 between Oso Pkwy and Alicia Pkwy (including improvements to La Paz Interchange) the construction contract was awarded in March 2019 and construction began in April 2019.</p> <p>Segment 3, I-5 between Alicia Pkwy and El Toro Rd, completed design in May 2019 and is scheduled for construction advertisement in June 2020.</p>
54.02	New lanes between Pacific Coast Highway and Avenida Pico?	Att. A, p. 8, Project C	Capital Programs - Highways	30-year	Done to date	Rose Casey	<p>Yes, new HOV lanes have been added between PCH and Avenida Pico and were broken into three segments. See notes Item 54.00.</p> <p>The I-5, Avenida Pico to Vista Hermosa project (including interchange improvements at Pico) began construction in December 2014 and was completed in August 2018. Please reference: "FC101 Master Schedule Complete," Project Controls Schedule dated October 16, 2018. "Plan Sheets" on the Caltrans' website using Contract No. 12-0F96A4, Invitation for Bids dated September 2, 2014.</p> <p>The I-5, Vista Hermosa to PCH project began construction in July 2014 and was completed in July 2017. Please reference: "FC103 Master Schedule Complete," Project Controls Schedule dated August 17, 2017. "Plan Sheets" on the Caltrans' website using Contract No. 12-0F96C4, Invitation for Bids dated February 3, 2014.</p> <p>The I-5, PCH to San Juan Creek Road project started construction in December 2013 and was completed in July 2018. Please reference:</p>

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							"FC104 Master Schedule Complete," Project Controls Schedule dated September 17, 2018. "Plan Sheets" on the Caltrans' website using Contract No. 12-0F96E4, Invitation for Bids dated August 19, 2013.
54.03	Major improvements at local interchanges as determined in Project D?	Att. A, p. 8, Project C	Capital Programs - Highways	30-year	Not yet required	Rose Casey	Avenida Pico, Avery Parkway and La Paz Parkway are incorporated into project C. (See notes Item 54.00 for main item status which includes these interchanges and notes from 56.00 for remaining interchanges.)
55.00	Have the Project C improvements as built increased capacity and reduced congestion?	Att. A, p. 8, Project C	Capital Programs - Highways	30-year	Not yet required	Rose Casey	See notes Item 54.00. The I-5 HOV Improvement projects (between San Juan Creek Road and Avenida Pico) increased capacity and reduced congestion as identified during the environmental phase. The additional general purpose lane to be added in each direction from SR-73 to El Toro Road will also relieve congestion once constructed.
56.00	Project D						
57.00	Have key I-5 interchanges such as Avenida Pico, Ortega Highway, Avery Parkway, La Paz Road, El Toro Road, and others been updated and improved to relieve street congestion around older interchanges and on ramps?	Att. A, p. 8, Project D	Capital Programs - Highways	30-year	Not yet required	Rose Casey	See item 54.00 for status of Avenida Pico, Avery Parkway and La Paz Road interchanges. Construction of the I-5/Ortega Highway Interchange project was completed in December 2015. The interchange was opened for public use in fall 2015. Please reference: "FD101 Master Schedule Complete" , Project Controls Schedule dated February 19, 2016. "FD101 I-5 Ortega, SR-74 Ortega Highway Plans Sheets" can be found on Caltrans' website using Contract No. 12-0E3104, Invitation for Bids dated June 4, 2012. The I-5/El Toro Road Interchange environmental phase began in April 2017. As of December 2019, the completion of the environmental phase has been stalled due to lack of consensus on an alternative with the stakeholder cities. OCTA, Caltrans and the cities are working together to seek consensus. Without consensus, OCTA will not move forward.
58.00	Project E						
59.00	Have interchange improvements on the Garden Grove Freeway (SR-22) been constructed at the following interchanges:	Att. A, p. 9, Project E	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Yes, completed in 2007. Improvements were made to the three interchanges listed below to reduce freeway and street congestion in the area. The project was completed early as a "bonus project" provided by the original Measure M. Please reference: "F7100 EA 0J9601 SR-22 As Built Plans Approved" , dated November 30, 2006.

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59.01	Euclid Street?	Att. A, p. 9, Project E	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Yes, see notes Item 59.00.
59.02	Brookhurst Street?	Att. A, p. 9, Project E	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Yes, see notes Item 59.00.
59.03	Harbor Boulevard?	Att. A, p. 9, Project E	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Yes, see notes Item 59.00.
60.00	Project F						
61.00	Have new lanes, including merging lanes to smooth traffic been added to the Costa Mesa Freeway (SR-55) between SR-22 and I-405 generally constructed within existing ROW?	Att. A, p. 9, Project F	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The SR-55 project between I-405 and I-5 is currently in the design phase with an expected phase completion by April 2020. As of December 2019, the construction is forecasted to be complete in August 2025. The project will generally be constructed within the existing ROW. The environmental phase for the SR-55 project between I-5 and SR-91 began in January 2017 and as of December 2019 is forecasted to be completed by April 2020. Final design and construction will directly follow with an anticipated project completion by 2026.
62.00	Have operational improvements been made to the SR-55 between SR-91 and SR-22?	Att. A, p. 9, Project F	Capital Programs - Highways	30-year	Not yet required	Rose Casey	See notes Item 61.00. Operations will improve upon construction completion as identified during the environmental phase.
63.00	Have these improvements increased freeway capacity and reduced congestion?	Att. A, p. 9, Project F	Capital Programs - Highways	30-year	Not yet required	Rose Casey	See notes Item 61.00. Capacity will increase and congestion will reduce upon construction completion as identified during the environmental phase.
64.00	Project G						
65.00	Have the following improvements been made to the Orange Freeway (SR-57):	Att. A, p. 10, Project G	Capital Programs - Highways	30-year	Not yet required	Rose Casey	There is a total of five project segments for Project G. Orangewood to Katella, Katella to Lincoln, Orangethorpe to Yorba Linda, Yorba Linda to Lambert and Lambert to the LA County line. Construction of three of the five segments were completed in the 2014 to 2015 timeframe. See below for segment completion date info. The two remaining segments Orangewood to Katella is reading for design and Lambert to LA County line will begin the environmental phase in the near future.

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65.01	A new northbound lane between Orangewood Avenue and Lambert Road?	Att. A, p. 10, Project G	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>See notes Item 65.00. Construction of the SR-57 (NB) Katella to Lincoln project was completed in April 2015, and the SR-57 (NB) Orangethorpe to Lambert segments were completed in May 2014 and November 2014. Please reference:</p> <p>"FG101 Master Schedule Complete," Katella to Lincoln Project Controls Schedule dated May 18, 2015. "FG101 Plans Sheets" which can also be found on Caltrans' website using Contract No. 12-OF0404, Invitation for Bids dated July 18, 2011.</p> <p>"FG102 Master Schedule Complete," Orangethorpe to Yorba Linda Project Controls Schedule dated December 15, 2014. "FG102 SR-57 NB Orangethorpe to Yorba Linda Plans Sheets" can be found on Caltrans' website using Contract No. 12-OF0314, Invitation for Bids dated May 10, 2010.</p> <p>"FG103 Master Schedule Complete," Yorba Linda to Lambert Project Controls Schedule dated June 17, 2014. "FG103 Plans Sheets" can be found on Caltrans' website using Contract No. 12-OF0324, Invitation for Bids dated May 24, 2010.</p> <p>The environmental phase for the project between Orangewood Avenue and Katella Avenue was completed in March 2019. This project is reading for design.</p>
65.02	Improvements to the Lambert Interchange?	Att. A, p. 10, Project G	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>See notes Item 65.00. The lead agency for the Lambert Road interchange project is the City of Brea. The project is currently in construction and anticipated to be complete in late 2021.</p>
65.03	Addition of a northbound truck climbing lane between Lambert Road and Tonner Canyon?	Att. A, p. 10, Project G	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>See notes Item 65.00. The fifth project on SR-57 include improvements to the Lambert Road interchange (see above – 65.02) and a northbound truck climbing lane between Lambert Road and Tonner Canyon. The Environmental phase for this project is anticipated to begin in the near future and once completed, the design and construction schedules will be determined.</p>

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66.00	Have these improvements increased freeway capacity and reduced congestion?	Att. A, p. 10, Project G	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The 3 completed segments of NB lanes on SR-57 from Katella to Lincoln and Orangethorpe to Lambert have increased capacity with the addition of a general purpose lane and reduced congestion as identified during the environmental phase. See notes Item 65.00.
67.00	Project H						
68.00	On the Riverside Freeway (SR-91) from the I-5 to the SR-57:	Att. A, p. 11, Project H	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Implementation of this project provides an additional general purpose lane in the westbound (WB) direction by connecting existing auxiliary lanes through the interchanges within the project limits to create a 4 th continuous westbound general purpose lane. WB auxiliary lanes will be placed or added and exit ramps will be modified to 2-lane exit ramps. Construction began on the new westbound lane in February 2013, and construction was completed in June 2016. Please reference: " FH101 Project Master Schedule Complete ," Project Controls Schedule dated July 19, 2016. "Plan Sheets" on the Caltrans' website using Contract No. 12-0C5704, Invitation for Bids dated October 1, 2012. " FH101 Special Provisions "
68.01	Has capacity been added in the westbound direction?	Att. A, p. 11, Project H	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Yes, capacity was provided in the WB direction as identified during the environmental phase. See notes Item 68.00.
68.02	Have operational improvements been provided at on and off ramps?	Att. A, p. 11, Project H	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Yes, operational improvements were provided at on and off ramps with the addition of auxiliary lanes. See notes Item 68.00.
69.00	Project I						
70.00	On the Riverside Freeway (SR-91) from the SR-57 to the SR-55, has the interchange complex been improved, including nearby local interchanges such as Tustin Avenue and Lakeview?	Att. A, p. 11, Project I	Capital Programs - Highways	30-year	Not yet required	Rose Casey	There are a total of two projects for Project I. The portion of the Project I between SR-55 and Tustin Avenue which is complete and the portion from west of State College Blvd to east of Lakeview Avenue which provides SR-91 freeway mainline widening in the EB direction, and modifications to various interchanges, connectors, ramps, and intersections. This project began the environmental phase in January 2015, with an expected phase completion in June 2020.

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71.00	On the SR-91, has capacity been added between the SR-55 and the SR-57?	Att. A, p. 11, Project I	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>See notes Item 70.00. The portion of Project I between SR-55 and Tustin Avenue added a westbound auxiliary lane from the WB SR-55/ WB SR-91 connector to Tustin Avenue off-ramp and an exit by-pass lane on WB SR-91 to Tustin Avenue off-ramp. This portion of Project I began construction in November 2013 and completed in July 2016. Please reference: "FI102 Project Master Schedule Complete," Project Controls Schedule dated August 16, 2016. "Plan Sheets" on the Caltrans' website using Contract No. 12-OC5604, Invitation for Bids dated June 17, 2013.</p> <p>The portion of the Project I from west of State College Blvd to east of Lakeview Avenue provides the SR-91 freeway mainline widening in the EB direction, and modifications to various interchanges (including major modifications for the WB SR-91 at both SR-57 and from Lakeview Ave to SR-55), connectors, ramps, and intersections. This project began the environmental phase in January 2015 and is expected to be complete in June 2020. The project has been broken down into three segments for the design and construction phases. With the environmental phase concluding soon, the design phase has been initiated and is anticipated to start in 2020. These next phases will be funded using net excess 91 Express Lanes revenue as directed by the Board on November 14, 2016. The 91 Express Lanes revenue accelerates project completion reducing risk and escalation cost.</p> <p>For reference: "Measure M2 Delivery Plan – Next 10" Staff Report dated November 14, 2016. "Measure M2 Updated Next 10 Delivery Plan" Staff Report dated November 13, 2017.</p>
72.00	Project J						
73.00	Have up to four new lanes on SR- 91 between SR-241 and the Riverside County Line been added?	Att. A, p. 12, Project J	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>There is a total of three project segments for Project J. The first project segment between State Route 241 and SR-71 added one eastbound lane and is complete. The second project segment between SR-55 and SR-241 added two lanes - one in each direction - and is also complete.</p> <p>Please reference: "FJ100 Project Master Schedule Complete", Project Controls Schedule dated February 24, 2011.</p>

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							<p>"FJ100 SR-91, SR-241 to SR-71 Complete Plans Sheets" can be found on Caltrans' website using Contract No. 12-OG0404, Invitation for Bids dated June 28, 2009.</p> <p>"FJ101 SR-91, SR-55 to SR-241 Weir Canyon Plans Sheets" which can also be found on Caltrans' website using Contract No. 12-OG3304, Invitation for Bids dated February 22, 2011.</p> <p>"FJ101 Project Master Schedule Complete", Project Controls Schedule dated April 15, 2013.</p> <p>The remaining project segment will add a 6th lane between SR-241 and the County line to match up with an additional lane to be added by the RCTC from the County line to SR-71. OCTA and RCTC are working together ensuring synchronization between the two counties. See item 75.00 for a link to the latest 91 Implementation Plan. Plans are underway for the advancement of the 6th lane in the WB direction between Green River and SR-241 anticipated to be complete in 2021. A study of the eastbound direction is also planned in early 2020 to better understand improvements possible given the difficult topography.</p>
74.00	Was the following taken into consideration: Making best use of available freeway property, adding reversible lanes, building elevated sections, and improving connections to SR-241?	Att. A, p. 12, Project J	Capital Programs - Highways	30-year	Not yet required	Rose Casey	When a project goes through the environmental phase, all viable alternatives are considered, and the best alternative is determined at that time. This is true for this project. OCTA is also working with the TCA, who is the named lead on the design and construction of the SR-91/SR-241 Direct Connector Project . Report dated October 28, 2019.
75.00	Were the projects constructed with similar coordinated improvements in Riverside County extending to I-15 with the funding for those in Riverside county paid for from other sources?	Att. A, p. 12, Project J	Capital Programs - Highways	30-year	Not yet required	Rose Casey	<p>The 91 Implementation Plan, required by the state legislature to be updated annually, requires coordination between the two counties. Orange County and Riverside County are working cooperatively on all SR-91 projects. Project improvements within Riverside County limits are not paid for by Measure M.</p> <p>Please reference: "2019 SR-91 Implementation Plan" dated July 8, 2019.</p>
76.00	Also, was one new lane added in each direction on SR-91 between SR-241 and SR-55 and were the interchanges improved?	Att. A, p. 12, Project J	Capital Programs - Highways	30-year	Done to Date	Rose Casey	Yes. This project is complete. Improvements to Lakeview Interchange, Imperial Highway and Weir Canyon were included in this project. See Item 73.00 notes.
77.00	Project K						

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78.00	Have new lanes been added to the San Diego Freeway (I-405) between the I-605 and the SR-55?	Att. A, p. 13, Project K	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The environmental phase was completed in May 2015. OCTA is implementing the preferred alternative from the EIR/EIS using the design-build delivery method and will acquire all necessary ROW. The addition of one general purpose lane in each direction is M2 Project K. The addition of a second lane in the median, which when combined with the existing HOV lane, becomes the two-lane Express facility in each direction, will be funded with non-M2 funding sources. The Board awarded the DB construction contract in November 2016. Construction began in January 2017 and as of December 2019, construction completion is forecasted for May 2023.
79.00	Has the project made best use of available freeway property, updated interchanges and widened all local overcrossings according to city and regional master plans?	Att. A, p. 13, Project K	Capital Programs - Highways	30-year	Not yet required	Rose Casey	Yes, the majority of the ROW needed are temporary construction easements and some partial fee acquisitions. Local interchanges and overcrossings will be improved and widened according to city and regional master plans. Design of the local facilities has been closely coordinated with each corridor city.
80.00	Have the improvements been coordinated with other planned I-405 improvements in the I-405/SR-22/I-605 interchange area to the north and I-405/SR-73 improvements to the south?	Att. A, p. 13, Project K	Capital Programs - Highways	30-year	Not yet required	Rose Casey	Yes, the 405 improvements have been coordinated with the West County Connector improvements at the 405/22/605 interchange that have been completed. There will be a direct connector linking the 405 Express Lanes with SR-73 to the south.
81.00	Have the improvements adhered to recommendations of the Interstate 405 Major Investment Study adopted by the OCTA Board of Directors on October 14, 2005?	Att. A, p. 13, Project K	Capital Programs - Highways	30-year	Not yet required	Rose Casey	Yes, the improvements will add one general purpose lane in each direction as recommended in the 405 MIS.
82.00	Project L						
83.00	Have new lanes been added to the San Diego Freeway (I-405) between the SR-55 and the I-5?	Att. A, p. 14, Project L	Capital Programs - Highways	30-year	Not yet required	Rose Casey	A project study report was completed in 2013. The environmental phase began in December 2014 and was completed in August 2018. The project is ready to move into design and construction but per OCTA Board direction to avoid planned construction of the parallel project (Project B/I-5) to prevent unnecessary burden on the travelling public. Please reference: "Measure M2 Delivery Plan – Next 10" dated November 14, 2016. "Measure M2 Updated Next 10 Delivery Plan" dated November 13, 2017.

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							"Measure M2 2018 Update: Next 10 Delivery Plan" dated September 10, 2018. "Measure M2 2019 Update: Next 10 Delivery Plan" dated November 11, 2019.
84.00	Have chokepoints at interchanges been improved and merging lanes added near on/off ramps such as Lake Forest Drive, Irvine Center Drive and SR-133 to improve the overall freeway operations in the I405/I-5 El Toro "Y" area?	Att. A, p. 14, Project L	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The project includes on and off ramps realignment at various locations, as well as auxiliary lanes between on and off ramps where required. See notes Item 83.00.
85.00	Project M						
86.00	Have freeway access and arterial connections to I-605 serving the communities of Los Alamitos and Cypress been improved?	Att. A, p. 15, Project M	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The project study report was approved. The environmental phase began in August 2016 and was completed in October 2018. Design is planned to begin in 2020 and construction will follow.
87.00	Has the project been coordinated with other planned improvements to the SR-22 and SR-405?	Att. A, p. 15, Project M	Capital Programs - Highways	30-year	Not yet required	Rose Casey	The project takes into consideration the I-405 DB construction project and other projects as identified during the environmental phase.
88.00	Project N						
89.00	Are basic freeway service patrols available Monday through Friday during peak commute hours?	Att. A, p. 15, Project N	Transit	30-year	Done to date	Patrick Sampson	Yes, FSP service, divided into 10 service areas, is available during peak commute hours on all freeways. Two service areas are under contract through December 3, 2021. Four services areas are under contract through December 1, 2023. Four services areas are under contract through December 1, 2023. M2-funded construction FSP service for the widening of I-405 started in July 2018. Midday and weekend service funded by M2 was approved by the Board on May 14, 2012 and began service on June 2, 2012. An M2 funded CHP dispatch position was filled in May 2013. Benefit/cost analysis of fiscal year 2017-18 service was completed in May 2019 and the results of the study will be incorporated into future service planning. A staff report was provided to the Board on February 11, 2019, Service Authority for Freeway Emergencies Annual Report for Fiscal Year 2017-18 .
90.00	Requirements for Eligible Jurisdictions						
91.00	In order to be eligible to receive Net Revenues, has each jurisdiction satisfied the following requirements?	Att. B, Sec. III.A	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	See below for more on each eligibility items conclusions, listed under Item 91.

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91.01	Complied with the conditions and requirements of the Orange County Congestion Management Program (CMP)?	Att. B, Sec. III.A.1	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. Required odd years only. This requirement was submitted to OCTA and will be presented to the Board on December 9, 2019 as part of the Annual Eligibility Review. The next submittal is due in 2021. Please reference " Fiscal Year 2019-20 Eligibility Review ," Staff Report Dated December 9, 2019.
91.02	Assessed traffic impacts of new development and required new development to pay a fair share of improvements attributable to it?	Att. B, pp B-7 to 10, Sec. III.A.2	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. This is required biennially except when there is an updated mitigation fee program. This requirement was submitted to OCTA and was presented to the Board on December 9, 2019 as part of the Annual Eligibility Review. The next submittal is due in 2021 unless there is an updated mitigation fee program. Please reference " Fiscal Year 2019-20 Eligibility Review ," dated December 9, 2019.
91.03	Adopted and maintained a Circulation Element of its General Plan consistent with the MPAH?	Att. B, Sec. III.A.3	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. This is required biennially. This requirement was submitted to OCTA and was presented to the Board on December 9, 2019 as part of the Annual Eligibility Review. The next submittal is due in 2021. Please reference " Fiscal Year 2019-20 Eligibility Review ," dated December 9, 2019.
91.04	Adopted and updated biennially a Capital Improvement Program that includes all capital transportation projects?	Att. B, Sec. III.A.4	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. OCTA is requiring an annual 7-year CIP. This requirement was submitted to OCTA and was presented to the Board on December 9, 2019 as part of the Annual Eligibility Review. Please reference " Fiscal Year 2019-20 Eligibility Review ," dated December 9, 2019.
91.05	Participated in Traffic Forums as described in Attachment B?	Att. B, Sec. III.A.5	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. This is an annual requirement. Local agencies have to attend at least one traffic forum on an annual basis to remain eligible for M2 net revenues. This requirement was presented to the Board on December 9, 2019 as part of the Annual Eligibility Review. Please reference " Fiscal Year 2019-20 Eligibility Review ," dated December 9, 2019.

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91.06	Adopted and maintained a Local Traffic Signal Synchronization Plan that identifies signalization street routes and signals; a three-year plan showing costs, available funding and phasing of capital, operations and maintenance of the street routes and traffic signals; and included information on how the street routes and signals may be synchronized with signals and routes in adjoining jurisdictions; and is consistent with the Traffic Signal Synchronization Master Plan?	Att. B, Sec. III.A.6	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. This is required every three years. This requirement was adopted by local agency governing bodies and was presented to the Board on December 11, 2017 as part of the Annual Eligibility Review. The next submittal is due in 2020. Please reference: " Fiscal Year 2017-18 Measure M2 Annual Eligibility Review " Staff Report Dated December 11, 2017.
91.07	Adopted and updated biennially a Pavement Management Plan (PMP) and issued, using a common format approved by the Authority, a report every two years regarding the status of road pavement conditions and implementation of the Pavement Management Plan?	Att. B, Sec. III.A.7	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. 14 agencies update PMPs on odd-year cycle, while 21 agencies update on an even-year cycle as part of the Measure M2 Annual Eligibility Review. Odd-year cycle reports were presented to the Board on December 9, 2019. Even-year cycle reports were presented to the Board on December 10, 2018 as part of the Fiscal Year 2018-19 Measure M2 Annual Eligibility Review. All prior reports to date have been submitted and approved per the requirements and noted in the previous year's tracking matrix. Please reference: " Fiscal Year 2018-19 Measure M2 Annual Eligibility Review " Staff Report Dated December 10, 2018 (for even year agencies) and Please reference " Fiscal Year 2019-20 Eligibility Review ," Staff Report Dated December 9, 2019 (for odd-year agencies).
91.08	Included in its PMP: -Current status of pavement on roads -Six-year plan for road maintenance and rehabilitation, including projects and funding -Projected road conditions resulting from the maintenance and rehabilitation plan -Alternative strategies and costs necessary to improve road pavement conditions	Att. B, Sec. III.A.7.b-c	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, all local agencies have adopted PMPs fully compliant with Att. B, Sec. III. A. 7. a. b. c., inclusive. All prior reports to date have been submitted and approved per the requirements and noted in previous year tracking matrix. Please reference: " Fiscal Year 2018-19 Measure M2 Annual Eligibility Review " Staff Report Dated December 10, 2018 (for even year agencies) and

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							Please reference " Fiscal Year 2019-20 Annual Eligibility Review ," Staff Report Dated December 9, 2019 (for odd-year agencies).
91.09	Adopted an annual Expenditure Report to account for Net Revenues, developer/traffic impact fees, and funds expended by the Eligible Jurisdiction which satisfy the Maintenance of Effort requirements?	Att. B, Sec. III.A.8	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, the Board was presented with the Annual Expenditure Reports for FY 2017-2018 on July 08, 2019 for all local agencies excluding the cities of Santa Ana and Stanton. Please reference: " Measure M2 Eligibility Review Recommendations for Fiscal Year 2017-2018 Expenditure Reports ," Dated July 8, 2019.
91.10	Submitted the Expenditure Report by the end of six months following the end of the jurisdiction's fiscal year and included all Net Revenue fund balances and interest earned, and expenditures identified by type and program and project?	Att. B, Sec. III.A.8	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, all local agencies have submitted the expenditure reports by the end of six months following the end of the jurisdiction's fiscal year. The Board was presented with the Annual Expenditure Reports for FY 2017-2018 on July 1, 2019. Also, Expenditure Reports for Fiscal Year 2018-19 appear to be on track for submittal to OCTA by Dec 31, 2019.
91.11	Provided the Authority with a Project Final Report within six months following completion of a project funded with Net Revenues?	Att. B, Sec. III.A.9	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, an ongoing monitoring report is tracked frequently and uploaded to M2 Document Center. Please reference: " M2 Eligibility Compliance - 180 Day Tracking Report "
91.12	Agreed that Net Revenues for Regional Capacity Program projects and Traffic Signal Synchronization Program projects shall be expended or encumbered no later than the end of the fiscal year for which the Net Revenues are programmed, subject to extensions?	Att. B, Sec. III.A.10.a	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, net revenues are being expended and encumbered as required. They are monitored through the M2 Master Tracker Database and the Semi-Annual Review Process. Note: No encumbrance delays were requested during the September 2019 Semi-Annual Review process.
91.13	Any requests for extensions of the encumbrance deadline for no more than 24 months were submitted to the Authority no less than 90 days prior to the deadline?	Att. B, Sec. III.A.10.a	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, net revenues are being expended and encumbered as required. They are monitored through the M2 Master Tracker Database and the Semi-Annual Review Process. Note: No encumbrance delays were requested during the September 2019 Semi-Annual Review process.

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91.14	Agreed that Net Revenues for any program or project other than Regional Capacity Program projects or Traffic Signal Synchronization Program projects shall be expended or encumbered within three years of receipt, subject to extension?	Att. B, Sec. III.A.10.b	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, net revenues are being encumbered and expended consistent with these requirements. They are monitored through the M2 Master Tracker Database and the Semi-Annual Review Process. Note: No encumbrance delays were requested during the September 2019 Semi-Annual Review. However, two CTFP and nine LFS project expenditure delay (i.e. timely use of funds extension requests) were approved by the Board on December 9, 2019. Please reference: Comprehensive Transportation Funding Programs Semi-Annual Review - September 2019 dated December 9, 2019.
91.15	Agreed that if the above time limits were not satisfied, to return to the Authority any retained Net Revenues and interest earned on them to be available for allocation to any project within the same source?	Att. B, Sec. III.A.10.c	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. Local agencies that did not meet the three-year expenditure deadline were not paid for expenditures incurred beyond the expenditure deadline. This is continuously monitored via Local Program's payment processes and also documented in the M2 Master Tracker Database.
91.16	Annually certified Maintenance of Effort requirements of Ordinance No. 3, Sec. 6?	Att. B, Sec. III.A.11	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes for 33 of the 35 Agencies. The Board approved the annual expenditure reports for 33 agencies on July 8, 2019 in the item titled: Measure M2 Eligibility Review Recommendations for Fiscal Year 2017-18 Expenditure Reports . However, due to audit findings, the cities of Stanton and Santa Ana were found ineligible to receive net M2 Revenues based upon failing to meet and/or substantiate MOE requirements for fiscal year 2017-2018. Please reference: " Measure M2 Eligibility for the City of Santa Ana " and " Measure M2 Eligibility for the City of Stanton ," dated May 13, 2019. Consistent with Board action in these staff reports, these cities need to execute items identified in settlement agreements with OCTA. Once these actions have occurred, the Board will re-evaluate Stanton and Santa Ana's eligibility to receive to Net M2 Revenues. A date has not yet been established for the Board to reconsider these cities' M2 Eligibility status. The Expenditure reports for all local agencies for FY 2018-19 which includes a report for actual MOE expenditures are expected to be approved in June, 2020.

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91.17	Agreed that Net Revenues were not used to supplant developer funding which has or will be committed for any transportation project?	Att. B, Sec. III.A.12	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. This is required annually. This was presented to the Board for approval on December 9, 2019 as part of the Annual Eligibility Review. Please reference: " Fiscal Year 2019-20 Annual Eligibility Review ," dated December 9, 2019.
91.18	Considered as part of its General Plan, land use planning strategies that accommodate transit and non-motorized transportation?	Att. B, Sec. III.A.13	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. This is required annually. This was presented to the Board for approval on December 9, 2019 as part of the Annual Eligibility Review. Please reference: " Fiscal Year 2019-20 Annual Eligibility Review ," dated December 9, 2019.
92.00	Has the Authority, in consultation with the Eligible Jurisdictions, defined a countywide management method to inventory, analyze and evaluate road pavement conditions and a common method to measure improvement of road pavement conditions?	Att. B, Sec. III.A.7.a	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, the Countywide Pavement Management Program Guidelines which implement Att. B, Sec. III. A.7.a. b. and c. were developed by OCTA staff in consultation with the Technical Advisory Committee and approved by the Board of Directors May 24, 2010. The PMP guidelines were last revised and approved by the Board on April 9, 2018. Please reference: " Fiscal Year 2018-19 Measure M2 Eligibility and Countywide Pavement Management Plan Guidelines and City of Placentia's Maintenance of Effort Benchmark " dated April 9, 2018. These Guidelines are anticipated to be updated again in Spring, 2020 as part of general updates to the M2 Eligibility Guidelines. This item is currently scheduled for the April 13, 2020 Board meeting.
93.00	Requirements Related to Specific Streets and Roads Projects						
94.00	Project O - Regional Capacity Program						
95.00	Prior to the allocation of Net Revenues for any Street and Road Project, has the Authority, in cooperation with affected agencies, determined the entity(ies) to be responsible for the maintenance and operation thereof, utilizing maintenance and operating agreements with each agency receiving streets and roads funding?	Att. B, Sec. II.C	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. OCTA relies on California Streets and Highways Code Sections 900-909 and 1800-1813 for Counties and Cities, respectively, which establishes the authority and obligations of local agencies to construct, maintain, and operate local streets and roads. For road projects implemented by OCTA on behalf of local agencies (e.g. select grade separations), OCTA enters cooperative agreements for construction and maintenance prior to implementation.

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96.00	Has each eligible jurisdiction contributed local matching funds equal to 50 percent of Project O project or program costs?	Att. A, p. 18, Project O and Att. B, p. B-12, Sec. V.A.1	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, except when a match reduction has been approved for Project O funding recommendations for 2019 Call for Projects were approved by the Board on June 10, 2019. Additional information on each fund source and percentage is available online on OCFUNDTRACKER. Please reference: "Comprehensive Transportation Funding Programs – 2019 – Call for Projects Programming Recommendations," dated June 10, 2019.
97.00	Alternatively, jurisdictions qualified for a ten- and/or five-percent reductions as provided in Attachment B have met those reduced match levels?	Att. A, p. 18, Project O and Att. B, Sec. V.A.1.a-c	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. Funding Recommendations for 2019 Call for Projects was approved by the Board on June 10, 2019. Additional information on each fund source and percentage is available online on OCFUNDTRACKER. Please reference: "Comprehensive Transportation Funding Programs – 2019 – Call for Projects Programming Recommendations," dated June 10, 2019.
98.00	Has a countywide competitive procedure for Project O been adopted by the Authority?	Att. B, Sec. V.A.2	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. The OCTA Board approved the revised CTFP Guidelines and issued the 2020 CTFP Annual Calls for Projects on August 12, 2019. Please reference: "Measure M2 Comprehensive Transportation Funding Programs - 2020 Annual Calls for Projects" dated August 12, 2019.
99.00	Have eligible Jurisdictions been consulted by the Authority in establishing criteria for determining priority for Project O allocations?	Att. B, Sec. V.A.2	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	The Technical Advisory Committee (TAC) recommended approval of modifications to the 2020 CTFP Guidelines on March 21, 2019, prior to the Board's action. TAC Meeting Minutes were approved at the following meeting on May 22, 2019: "TAC Meeting Minutes – March 27, 2019"
100.00	Has funding under Project O been provided for construction of railroad over or underpass grade separations where high volume streets are impacted by freight trains along the Burlington Northern Santa Fe Railroad in northern Orange County?	Att. A, p. 18, Project O	Capital Programs, Planning	30-year	Done	Rose Casey & Adriann Cardoso	Yes, the Board authorized use of \$144.5 million in M2 funds as match for TCIF funding for seven Grade Separation projects. Please reference: "OC Bridges Railroad Grade Separation Program Cost to Complete Update" dated August 8, 2016. "OC Bridges Railroad Grade Separation Program Funding Plan Update" dated November 14, 2016. All seven grade separations have been opened to traffic and completed. Please reference:

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							<p>"OC Bridges Railroad Grade Separation Completion", Staff presentation dated December 11, 2017.</p> <p>And the "Capital Programming Update" dated November 26, 2018. As part of the "Capital Programming Update," Staff report dated June 10, 2019, the Board authorized replacing \$3.1 million in M2 funds with State funds. However, as the projects are closed out in 2020 the original \$144.5 million in committed M2 would likely be needed for the projects. Additional funds over this initial programming amount would return to the Board for confirmation/approval in 2020.</p>
101.00	Project P - Regional Traffic Signal Synchronization Program						
102.00	Have the Cities, the County of Orange and Caltrans, as required, worked together to prepare a common Traffic Signal Synchronization Master Plan and the necessary governance and legal arrangements before receiving funds, and has the Authority adopted and maintained the Master Plan which was a part of the MPAH?	Att. A, p. 19, Project P and Att. B, Sec. V.B.1	Planning	One-time, start-up	Done	Anup Kulkarni	Yes. Please reference: "Fiscal Year 2017-18 Measure M2 Maintenance of Effort Adjustment and Updates to the Eligibility and Local Signal Synchronization Plan Guidelines" dated April 10, 2017.
103.00	Does the Master Plan include synchronization of street routes and traffic signals within and across jurisdictional boundaries and the means of implementing, operating and maintaining the programs and projects including necessary governance and legal arrangements?	Att. A, p. 19, Project P and Att. B, V.B.1	Planning	One-time, start-up	Done	Anup Kulkarni	Yes. Please reference: "Fiscal Year 2017-18 Measure M2 Maintenance of Effort Adjustment and Updates to the Eligibility and Local Signal Synchronization Plan Guidelines" dated April 10, 2017.
104.00	Has a countywide, competitive procedure been adopted by the Authority in consultation with eligible jurisdictions in establishing criteria for determining priority for allocations?	Att. B, Sec. V.B.2.a	Planning	Recurring	Done to date	Anup Kulkarni	Yes. Procedures are developed by staff in consultant with the local jurisdictions and then approved by the Board for each Call for Projects with the priority for allocation updated as well. Please reference: "Measure M2 Comprehensive Transportation Funding Programs –2020 Annual Call for Projects," dated August 12, 2019, see "Comprehensive Transportation Funding Program Guidelines," chapter 8.
105.00	Has the Authority given priority to programs and projects which include two or more jurisdictions?	Att. B, Sec. V.B.2.b	Planning	Recurring	Done to date	Anup Kulkarni	Yes. Please reference: "Measure M2 Comprehensive Transportation Funding Programs –2020 Annual Call for Projects," dated August 12, 2019, see "Comprehensive Transportation Funding Program Guidelines – 2020 Call for Projects," chapter 8, page 8-15.
106.00	Has the Authority encouraged the State to participate in the Regional Traffic Signal Synchronization Program and given	Att. B, Sec. V.B.2.c	Planning	Recurring	Done to date	Anup Kulkarni	Yes. Project P allows state participation and allows for match to be fulfilled with both in-kind and cash. Match beyond 20% (including State discretionary funds) is provided additional priority in the evaluation.

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	priority to use of transportation funds as match for the State's discretionary funds used for implementing Project P?						Please reference: " Measure M2 Comprehensive Transportation Funding Programs –2020 Annual Call for Projects ," dated August 12, 2019, see "Comprehensive Transportation Funding Program Guidelines – 2020 Call for Projects," chapter 8, page 8-17.
107.00	Has each local jurisdiction contributed matching local funds equal to 20 percent of the program or project cost? (May be satisfied all or in part with in-kind services provided by the Eligible Jurisdiction including salaries and benefits)	Att. A, p. 19, Project P and Att. B,V.B.3	Planning	Recurring	Done to date	Anup Kulkarni	Yes. Project P requires a minimum 20% match. Please reference: " Measure M2 Comprehensive Transportation Funding Programs –2020 Annual Call for Projects ," dated August 12, 2019, see "Comprehensive Transportation Funding Program Guidelines – 2020 Call for Projects," chapter 8, page 8-16.
108.00	Has the project provided funding for ongoing maintenance and operation of the synchronization plan?	Att. A, p. 19, Project P	Planning	Recurring	Done to date	Anup Kulkarni	Yes. Project P requires ongoing maintenance and monitoring of the synchronization and provides funding for this task. Please reference: " Measure M2 Comprehensive Transportation Funding Programs –2020 Annual Call for Projects ," dated August 12, 2019, see "Comprehensive Transportation Funding Program Guidelines – 2020 Call for Projects", chapter 8, page 8-2.
109.00	Have local jurisdictions publicly reported on the status and performance of their signal synchronization efforts at least every three years?	Att. A, p. 19, Project P and Att. B, Sec. V.B.4	Planning	Recurring	Done to date	Anup Kulkarni	Yes. Status and performance of their signal synchronization efforts were reported in the Local Signal Synchronization Plan Updates that were completed June 30, 2017. The next submittal is due June 2020. Please reference: " Fiscal Year 2017-18 Measure M2 Annual Eligibility Review ," dated December 11, 2017.
110.00	Has signal equipment to give emergency vehicles priority at intersections been an eligible expense for projects implemented as part of this program?	Att. A, p. 19, Project P	Planning	Recurring	Done to date	Anup Kulkarni	Yes. Project P includes signal equipment to give emergency vehicles priority at intersections as an eligible expense. Please reference: " Measure M2 Comprehensive Transportation Funding Programs –2020 Annual Call for Projects ," dated August 12, 2019, see "Comprehensive Transportation Funding Program Guidelines – 2020 Call for Projects," chapter 8, page 8-11.
111.00	Have eligible jurisdictions and Caltrans, with the County of Orange and the Orange County Division of League of Cities, established boundaries for Traffic Forums?	Att. B, Sec. III.A.5	Planning	Recurring	Done to date	Anup Kulkarni	Yes. See the guidelines for the preparation of the original Local Signal Synchronization Plans that went to the Board on July 26, 2010, and also see the latest annual eligibility guidelines from April 10, 2017. Please reference: " Guidelines for the Preparation of the Local Signal

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							Synchronization Plans ," Staff Report dated July 26, 2010, and " Fiscal Year 2017-18 Measure M2 Maintenance of Effort Adjustment and Updates to the Eligibility and Local Signal Synchronization Plan Guidelines ," Staff Report dated April 10, 2017.
112.00	Project Q - Local Fair Share Program						
113.00	<p>Are Local Fair Share funds distributed by a formula that accounts for the following factors and weightings:</p> <ul style="list-style-type: none"> - Population - 50%? - Street mileage - 25%? - Amount of sales tax collection in each jurisdiction - 25%? 	Att. A, p. 20, Project Q Att. B, Sec. 5.C.1-3	Planning, F&A	Recurring	Done to date	Sean Murdock	Yes. See General Accounting payments for Local Fair Share funds for FY 2019. Also see the Agreed-Upon Procedures to the Measure M2 Status Report for FY 2019 related to Local Fair Share disbursements. Note that May and July payments for the cities of Santa Ana and Stanton were withheld due to the cities being deemed ineligible for M2 funds. Please reference: 1. 2019 Project Q Local Fair Share Payments 2. " OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report " for FY 2019 – Attachment F. Staff report dated January 27, 2020.
114.00	General Requirements Related to Transit Projects						
115.00	Have Metrolink extensions been evaluated against well-defined and well-known criteria detailed in the Renewed Measure M Transportation Investment Plan?	Att. A, p.23, Project S	Operations (for Project S)	Recurring	Done to date	Jennifer Bergener, Jim Beil & Joe Alcock/ Adriann Cardoso	Yes. The Board approved Project S funding guidelines for fixed guideway projects on September 13, 2010. Project S guidelines for Bus and Station Van Extension projects were approved by the Board on December 12, 2011. Please reference: " Measure M2 Project S Funding Guidelines for Preliminary Engineering (Guideways Only) ," Staff Report dated September 13, 2010. " Project S 2012 Guidelines for Bus and Station Van Extension Projects ," Staff Report dated December 12, 2011.
116.00	Has the Authority made every effort to maximize state and federal transit dollars?	Att. B, Sec. II.B.1	Planning	Recurring	Done to date	Adriann Cardoso	Yes. Consistent with Board of Directors approved programming policies, OCTA has maximized state and federal transit dollars for rail capital projects, as well as rail rehab projects. To date, OCTA has programmed \$341 million in state, \$740 million in federal and \$89 million in other local funds which will be used for rail capital projects in place of M2 funds. A regular review of project funding and status occurs monthly and

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							all programming actions are made in accordance with the Board policies to maximize state and federal funding. Please reference the " Federal Transit Administration Sections 5307, 5310, 5337, and 5339 Program of Projects for Federal Fiscal Year 2019-20 ," dated October 10, 2019.
117.00	Prior to the allocation of Net Revenues for a Transit Project, has the Authority obtained a written agreement from the appropriate jurisdiction that the project will be constructed, operated and maintained to minimum standards acceptable to the Authority?	Att. B, Sec. II.B.2	Operations & Capital Programs (for Project V)	Recurring	Done to date	Jennifer Bergener & Joe Alcock/ Adriann Cardoso	Yes. As transit projects are approved for development and/or funding by the OCTA Board to be implemented or in any way augmented by OCTA or OCTA Board-approved funding, or in any way augmented by OCTA or OCTA Board-approved funding, necessary agreements are entered into with each jurisdiction to define roles and responsibilities during project phases as well as post-completion. At any given time, there are multiple agreements in place for projects. At the present time, there are active agreements in place for all funded capital projects. See example such as the Orange Transportation Center Parking Structure contract C-3-2065 . Agreements for all transit projects can be found in the M2 Document Center.
118.00	Requirements Related to Specific Transit Projects						
119.00	Has a series of new, well-coordinated, flexible transportation systems, each one customized to the unique transportation vision the station serves, been developed?	Att. A, p. 21 - General Transit, Att. A, p. 23, Project S	Capital Programs & Operations (for Project S)	30-year	Not yet required	Jim Beil & Joe Alcock/ Adriann Cardoso	Yes. The Board approved the Project S funding guidelines on September 13, 2010 and December 12, 2011 (See Item 115 notes). On November 22, 2010, the Board evaluated and awarded Project S funds to the City of Anaheim and the City of Santa Ana for preliminary engineering of fixed-guideway projects. However, on June 27, 2016, the Board approved an amendment to Agreement (C-1-3115) with City of Anaheim to conclude all planning efforts on their fixed-guideway project. The Santa Ana-Garden Grove OC Streetcar project has an executed full Funding Grant Agreement with FTA and is in the construction phase. On July 23, 2012, four rubber-tire projects were approved for the first Call for Projects. Two of the projects have implemented service but as of now only one (in the City of Anaheim) remains in operation. Please reference: " Measure M2 Project S Programming Recommendations ", Staff Report dated November 22, 2010.

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							"Anaheim Rapid Connection and Future Transit Connectivity to OC Streetcar," Staff Report dated June 27, 2016. "Project S Bus and Station Van Extension – 2012 Call for Projects Programming Recommendations," Staff Report dated July 23, 2012. "Comprehensive Transportation Funding Programs Semi-Annual Review – September 2015," Staff Report dated December 14, 2015.
120.00	Project R - High Frequency Metrolink Service						
121.00	Has Project R increased rail services within the county and provided frequent Metrolink service north of Fullerton to Los Angeles?	Att. A, p. 23, Project R	Operations	30-year	Done to date	Jennifer Bergener	<p>Yes, through the completion of the MSEP capital activities, additional service has been added, providing more intra-county trains. MSEP improvements have added infrastructure to support as many as 76 trains a day, but the Comprehensive Business Plan currently shows that only 59 are sustainable based on projected revenues and operating funds, and that number has been added over the past several years. Ten intra-county trains and two Inland Empire-OC trains have been added since July 2011.</p> <p>OCTA continues to work with partners at Metrolink, Metro, RCTC, BNSF to advance the discussion of additional train service between Orange County and Los Angeles. Effective October 14, 2019, two of the existing MSEP trains currently serving Laguna Niguel to Fullerton will be extended to serve Los Angeles.</p> <p>Please reference: "Metrolink Service Expansion Program Update", Staff Report dated November 26, 2012.</p>
122.00	Has Project R provided for track improvements, more trains, and other related needs to accommodate the expanded service?	Att. A, p. 23, Project R	Capital Programs - Rail	30-year	2019	Jim Beil	<p>Yes, Project R has made numerous improvements to passenger rail infrastructure, with more on the way. This is an ongoing program of improvements as needed, based on available Project R and state and federal funding. Current projects include track, signal, and rail crossing improvements to enhance rail operations and safety. Projects include construction of the Laguna Niguel to San Juan Capistrano passing siding, and environmental clearance work for the Orange County Metrolink Maintenance Facility Station, design for replacement of the San Juan Creek railroad bridge, various safety and security improvements, and beginning a south County rail corridor climate change assessment.</p>

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							<p>Project development has also began on numerous Metrolink Southern California Optimized Rail Service (SCORE) project in Orange County which include numerous track and signal improvements to increase rail operations capacity.</p> <p>For 2019 status of Project R improvements, please reference: "Capital Programs Division – First Quarter Fiscal Year 2019-20 Capital Action Plan Performance Metrics," dated November 11, 2019.</p>
123.00	Has the service included upgraded stations and added parking capacity; safety improvements and quiet zones along the tracks; and frequent shuttle service and other means to move arriving passengers to nearby destinations?	Att. A, p. 23, Project R	Capital Programs - Rail	30-year	Done to date	Jim Beil/Dinah Minter	Construction has been completed on the Orange Metrolink Station parking structure (February 2019), pedestrian access improvements to the undercrossing at Laguna Niguel/Mission Viejo (LN/MV) Station (September 2017), a new second elevator at the Fullerton Station (May 2019) and lighting enhancements at San Clemente Pier (March 2017). Project development is underway on a new Metrolink station in the City of Placentia, additional passenger platforms and station track at Anaheim Canyon Station, and scoping of the Irvine Station reconfiguration as part of the Metrolink SCORE program.
124.00	Has Project R included funding for improving grade crossings and constructing over or underpasses at high volume streets that cross Metrolink tracks?	Att. A, p. 23, Project R	Capital Programs - Rail	30-year	2019	Jason Lee/Jim Beil	Grade separation environmental documents are completed for the 17th Street grade separation project in Santa Ana, and State College in Anaheim. There are 5 other grade separations with PSR or PSR equivalents completed and awaiting funding to proceed further.
125.00	Project S - Transit Extensions to Metrolink						
126.00	Has a competitive program been established for local jurisdictions to broaden the reach of the rail system to other activity centers and communities?	Att. A, p. 23, Project S	Planning	30-year	Done to date	Joe Alcock/Adriann Cardoso	<p>Yes. Project S Guidelines were developed for both fixed guideway and rubber tire projects and are included in OCTA's Comprehensive Funding Program (CTFP) Guidelines which specifies the criteria for projects to be evaluated when competing for funding. The CTFP Guidelines are updated annually, with the last update in August 2019.</p> <p>Please reference: "Measure M2 Comprehensive Transportation Funding Programs – 2020 Annual Call for Projects," Staff Report dated August 12, 2019.</p>

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127.00	<p>Have proposals for extensions been developed and supported by local jurisdictions and evaluated against well-defined and well-known criteria as follows:</p> <ul style="list-style-type: none"> -Traffic congestion relief? -Project readiness with priority to projects that can be implemented within the first five years of the Plan? -Local funding commitments and the availability of right of way? -Proven ability to attract other financial partners, both public and private? -Cost-effectiveness? -Proximity to jobs and population centers? -Regional as well as local benefits? -Ease and simplicity of connections? -Compatible, approved land uses? -Safe and modern technology? -A sound, long-term operating plan? 	Att. A, p. 23, Project S	Planning	30-year	Done to date	Joe Alcock/ Adriann Cardoso	<p>Yes. Following the criteria identified in the Ordinance as well as the guidelines specified for Project S in the CTFP Guidelines adopted by the Board, the first round of applications for fixed guideway funding were evaluated on November 22, 2010. The same process was followed for the Rubber Tire call for projects under Project S. The Board approved the Project S Guidelines for the Bus and Station Extension Projects Linking to the Metrolink Corridor on December 12, 2011. All projects recommended to move forward and not recommended to move forward are presented to the Board as part of Call for Project Programming Recommendations Staff Reports. On June 27, 2016, the Board approved an amendment to Agreement C-1-3115 with City of Anaheim to conclude all planning efforts on their fixed-guideway project.</p> <p>Please reference the following Staff Reports: "Measure M2 Project S Funding Guidelines for Preliminary Engineering (Guideways Only)," dated September 13, 2010. "Project S 2012 Guidelines for Bus and Station Van Extension Projects," dated December 12, 2011. "Santa Ana/Garden Grove Fixed-Guideway Proposed Financial and Implementation Plans," dated August 11, 2014. "Fixed-Guideway Policy Decisions Overview," dated May 12, 2014. "Santa Ana/Garden Grove Fixed-Guideway Project Approval and Memorandum of Understanding," dated July 9, 2015. "Anaheim Rapid Connection and Future Transit Connectivity to OC Streetcar," dated June 27, 2016.</p>
127.01	<p>Has Project S, as required, not been used to fund transit routes that are not directly connected to or that would be redundant to the core rail service on the Metrolink corridor?</p>	Att. A, p. 23, Project S	Planning	30-year	Done to date	Joe Alcock/ Adriann Cardoso	<p>Yes, any Project S funds that have been approved by the Board have been consistent with the program guidelines and as such have only been made available for guideway projects and rubber tire projects that directly connect to an existing Metrolink station. On August 11, 2014, the Board approved the use of Project S funds for operations of fixed-</p>

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							<p>guideway projects. The OC Streetcar Project funding plan (revised) was approved by the OCTA Board on July 9, 2018.</p> <p>Please reference the following staff reports for documentation of compliance: "Measure M2 Project S Programming Recommendations", dated November 22, 2010. "M2 Project S Cooperative Agreements with Cities of Anaheim and Santa Ana for Funding the Preliminary Engineering Phase of Proposed Fixed-Guideway Systems", dated March 14, 2011. "Project S Bus and Station Van Extension - 2012 Call for Projects Programming Recommendations", dated July 23, 2012. "Santa Ana/Garden Grove Fixed-Guideway Proposed Financial and Implementation Plans", dated August 11, 2014. "OC Streetcar Project Revised Funding Plan", Staff Report dated July 9, 2018.</p>
127.02	<p>Has the emphasis been on expanding access to the core rail system and on establishing connections to communities and major activity centers that are not immediately adjacent to the Metrolink corridor?</p>	Att. A, p. 23, Project S	Planning	30-year	Done to date	Joe Alcock/ Adriann Cardoso	<p>Yes. Planning activities completed to date have been done with an emphasis on expanding access to the core rail system and establishing connections to communities and major activity centers. The OC Streetcar alignment fits this criterion. A key aspect of that evaluation includes detailed study on passengers making connections at the existing stations.</p>
127.03	<p>Have multiple transit projects been funded with no single project being awarded all the funding under this project?</p>	Att. A, p. 23, Project S	Planning	30-year	Done to date	Joe Alcock/ Adriann Cardoso	<p>Yes, there have been two fixed guideway projects and four rubber tire projects awarded funding by the Board. Currently one fixed guideway project concept is advancing through the program (OC Streetcar), and one rubber tire project (Anaheim Canyon Metrolink Station Bus Connection) is in operation.</p> <p>Please reference the following staff reports for documentation of compliance: "Measure M2 Project S Programming Recommendations," dated November 22, 2010.</p>

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							"Project S Bus and Station Van Extension - 2012 Call for Projects Programming Recommendations," dated July 23, 2012.
128.00	<p>Have Eligible Jurisdictions, in order to be eligible to receive Net Revenues for Transit Extensions, executed written agreements between the Authority and eligible jurisdictions regarding the respective roles and responsibilities pertaining to construction, ownership, operation and maintenance of the Transit Extensions to Metrolink?</p>	Att. B, Sec. VI.A.2	Planning & Capital Programs - Rail	Recurring	Done to date	Joe Alcock/Adriann Cardoso	<p>Yes, upon each award of funding from the Board, a cooperative agreement has been executed with each agency to define roles, responsibilities and terms of funding.</p> <p>On March 14, 2011, and May 20, 2011, respectively, agreements were executed with the Cities of Anaheim (C-1-2448) and Santa Ana (C-1-2447) to define roles and responsibilities related to funding the preliminary engineering phase of their respective proposed fixed-guideway projects (Anaheim Rapid Connection [ARC] and OC Streetcar).</p> <p>On August 11, 2014, the Board authorized the CEO to negotiate and execute a cooperative agreement with the Cities of Santa Ana and Garden Grove to define roles and responsibilities for project development through construction of the OC Streetcar (Santa Ana/Garden Grove Fixed-Guideway Project). Effective August 1, 2015 and May 9, 2016, OCTA entered into agreements with the cities of Santa Ana (C-5-3583) and Garden Grove (C-5-3807) to define roles for the design phase of the OC Streetcar project. On January 23, 2017 the OCTA Board approved an agreement with the City of Santa Ana (C-6-1433) for use of public right-of-way for the construction, operations and maintenance of the OC Streetcar Project. On March 27, 2017 the OCTA Board approved agreements with the cities of Santa Ana (C-6-1516) and Garden Grove (C-7-1556) to define roles for the construction phase of the OC Streetcar Project. On April 24, 2017, the OCTA Board amended and restated an agreement with the City of Santa Ana (C-94-859) for the Santa Ana Regional Transportation Center and the OC Streetcar.</p> <p>On June 27, 2016, the Board approved an amendment to Anaheim's contract, concluding all planning efforts on the ARC fixed-guideway</p>

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							project, and to determine OCTA would serve as the lead agency for any future phases of the project (C-1-3115). For the Rubber Tire Program, Cooperative Agreements have been established in 2012 with City of Anaheim (C-2-1668) and City of Lake Forest (C-2-1667). As of 2018, only one project in Anaheim is in operation.
129.00	Has a countywide competitive procedure for Project S been prepared in consultation with eligible jurisdictions and adopted by the Authority which included an evaluation process and methodology applied equally to all candidate projects?	Att. B, Sec. VI.B.3	Planning	One-time	Done to date	Joe Alcock/Adriann Cardoso	On September 13, 2010, the Board approved Project S funding guidelines which were developed by staff in consultation with local jurisdictions, and on November 22, 2010, the Board evaluated and awarded Project S funds to Anaheim and Santa Ana for preliminary engineering of fixed-guideway projects. Please reference: "Measure M2 Project S Funding Guidelines for Preliminary Engineering (Guideways Only)," Staff Report dated September 13, 2010. "Measure M2 Project S Programming Recommendations," Staff Report dated November 22, 2010.
130.00	Project T - Convert Metrolink Stations to Regional Gateways						
131.00	Has the program provided local improvements necessary to connect planned future high speed rail systems to stations on the Orange County Metrolink route?	Att. A, p. 24, Project T	Planning & Capital Programs - Rail	30-year	Done to date	Jim Beil & Joe Alcock/Adriann Cardoso	ARTIC, designed to accommodate future High-Speed rail service and will serve as the southern terminus for the California High Speed Rail in Orange County, opened in December 2014. Upon completion, the OCTA Board moved the remainder of Project T funding to Project U. Please Reference: "Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan Amendment Update," dated March 14, 2016.
132.00	Have eligible Jurisdictions, in order to be eligible to receive Net Revenues, executed written agreements with the Authority regarding the respective roles and responsibilities pertaining to	Att. B, Sec. VI.B.2	Capital Programs - Rail	Recurring	Done to date	Jim Beil/Dinah Minter	Yes, as part of each project's development process, OCTA enters into cooperative agreements with host cities. These agreements define roles

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	construction, ownership, operation and maintenance of the facilities?						and responsibilities for the representative phase as well as ongoing maintenance of improvements.
133.00	Has a countywide competitive procedure for Project T been prepared in consultation with eligible jurisdictions and adopted by the Authority which included an evaluation process and methodology applied equally to all candidate projects?	Att. B, Sec. VI.B.3	Planning	One-time	Done	Joe Alcock/Adriann Cardoso	<p>Yes, a Call for Projects was issued in consultation with local jurisdictions and funds were awarded based on OCTA Board-approved criteria on January 26, 2009. Please reference: "Renewed Measure M Project T Funding Guidelines and Attachments,"</p> <p>Staff Report dated January 26, 2009. These guidelines were modified on February 14, 2011. Please reference: "Measure M2 Project T Program Guideline Modifications."</p> <p>On December 14, 2015, an Ordinance Amendment was approved by the Board to closeout Project T. Please reference: "Public Hearing to Amend the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan for the Transit Program," dated December 14, 2015.</p>
134.00	Project U - Expand Mobility Choices for Seniors and Persons with Disabilities						
135.00	Has one percent of Net Revenues been allocated to the County to augment existing senior non-emergency medical transportation services funded with Tobacco Settlement funds?	Att. B, Sec. VI.C.3.a	F&A	Recurring	Done to date	Sean Murdock & Joanne Jacobsen	<p>Yes. See General Accounting payments for SNEMT funds for FY 2019. Also see the Agreed-Upon Procedures to the Measure M2 Status Report for FY 2019 related to Senior Non-Emergency Medical Transportation.</p> <p>Please reference:</p> <ol style="list-style-type: none"> 2019 Project U SNEMT Payments "OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report" for FY 2019 – Attachment F. Report dated January 27, 2020.

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136.00	Has the County continued to fund these services in an amount equal to the same percentage of the total annual Tobacco Settlement funds received by the County?	Att. B, Sec. VI.C.3.a	F&A	Recurring	Done to Date	Sean Murdock & Joanne Jacobsen	Yes. The County is required to allocate at least 5.27% of Tobacco Settlement Revenue (TSR) funds to meet their MOE obligation under M2. The County allocation for FY 2019 was 5.27%. See supporting documentation from the County showing Measure H Tobacco Settlement Revenues allocated to SNEMT. Please reference: " FY19 SNEMT MOE Verification ," correspondence dated January 10, 2019.
137.00	Have Net Revenues been annually allocated to the County in an amount no less than the Tobacco Settlement funds annually expended by the County for these services and no greater than one percent of Net Revenues plus any accrued interest?	Att. B, Sec. VI.C.3a	F&A	Recurring	Done to date	Sean Murdock & Joanne Jacobsen	Yes, the M2 SNEMT funding allocation to the County for FY 2019 of \$3,192,611.02 exceeded TSR funding of \$1,628,433. Therefore, the M2 funding is no less than the TSR funding, and no more than 1% of net revenue as required under the Ordinance. Please reference: " FY19 SNEMT MOE Verification ," correspondence dated January 10, 2019. " 2019 M2 Project U SNEMT Payments "
138.00	Has one percent of Net Revenues been allocated to continue and expand the Senior Mobility Program provided by the Authority in 2006 with allocations determined pursuant to criteria and requirements as adopted by the Authority?	Att. B, Sec. VI.C.3.b	F&A, Transit	Recurring	Done to date	Sean Murdock & Joanne Jacobsen	Yes. See General Accounting payments for SMP funds for FY 2018. Also see the Agreed-Upon Procedures applied to the FY 2018 Measure M2 Status Report. Note that May and July payments for the cities of Santa Ana and Stanton were withheld due to the cities being deemed ineligible for M2 funds. Please reference: 1. 2019 Project U SMP Payments 2. " OCLTA Report on Agreed-Upon Procedures Applied to Measure M2 Status Report " for FY 2019 – Attachment F. Staff Report dated January 27, 2020.
139.00	Has one and forty-seven hundreds percent (Ordinance amendment on 12/14/15 to increase allocation from 1% to 1.47%) of Net Revenues been allocated to partially fund bus and ACCESS fares for seniors and persons with disabilities in an amount equal to the percentage of funding as of the effective	Att. B, Sec. VI.C.3.c	F&A, Transit	Recurring	Done to date	Sean Murdock & Joanne Jacobsen	Yes. See General Accounting Fare Stabilization Revenue Allocation chart. In addition to the 1%, the Board approved an amendment to the M2 Ordinance No. 3 on December 14, 2015 (updated on March 14, 2016), which increased the Fare Stabilization allocation from 1% to 1.47% of Net Revenues. Note that May and July payments for the cities of Santa

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	date of the Ordinance and to partially fund train and other transit fares for seniors and persons with disabilities as determined by the Authority?						Ana and Stanton were withheld due to the cities being deemed ineligible for M2 funds. Please reference: 1. "M2 Fare Stabilization Cash Flow", Attachment A of " Measure M2 Fare Stabilization Update ", Staff Report dated June 23, 2014. 2. " Measure M2 Fare Stabilization Update ", Staff Report dated September 28, 2015. " Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan Amendment Update ", Staff Report dated March 14, 2016. 3. 2019 M2 Fare Stabilization Payments
140.00	Project V - Community Based Transit/Circulators						
141.00	Have all such projects [within Project V], in order to be considered for funding, met performance criteria for ridership, connection to bus and rail services, and financial viability?	Att. A, p. 25, Project V	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. Per the Project V Guidelines, with the most recent guidelines adopted by the OCTA Board on October 14, 2019, performance criteria for ridership, connections to bus and rail services and financial viability are specifically required to be defined as part of the application process prior to competing and receiving funding. Please reference: " 2020 Project V Community-Based Transit Circulators Program Guidelines and Call for Projects ," Transit Committee staff report dated October 10, 2019.
142.00	Have all such projects been competitively bid?	Att. A, p. 25, Project V	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. Per the 2013, 2015, 2018 and 2020 Project V Guidelines adopted by the OCTA Board on November 26, 2012, November 23, 2015, February 12, 2018, and October 14, 2019, projects are required to follow competitive procedures including procurement. Local Agencies followed the procedures where applicable to their projects and nature of procurement. Please reference: " 2020 Project V Community-Based Transit Circulators Program Guidelines and Call for Projects " Transit Committee staff report dated October 14, 2019.

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143.00	As a condition of being funded, have such projects been determined not to duplicate or compete with existing transit services?	Att. A, p. 25, Project V	Planning, Transit	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, OCTA staff evaluated all project applications before preparing final recommendations for the Board to ensure that proposed services will either expand or provide new services and not supplant the existing transit services. OCTA Board approved project allocations on June 25, 2018. OCTA staff will continue to monitor the projects to ensure that services funded with Project V do not duplicate existing transit services. Please reference: "2018 Measure M2 Community-Based Transit Circulators (Project V) Call for Projects Programming Recommendations," Transit Committee staff report dated June 14, 2018. A call is currently underway with programming recommendations anticipated in Spring of 2020.
144.00	For any of its projects to be eligible for funding, has the Eligible Jurisdiction executed a written agreement with the Authority regarding the respective roles and responsibilities pertaining to construction, ownership, operation and maintenance of the project?	Att. B, Sec. VI.D.2	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. OCTA executed Cooperative Funding Agreements with each local agency and identified roles and responsibilities pertaining to operation, construction, maintenance and uses of the facilities and vehicles. All M2 funding agreements and Letter agreements are available in the M2 Document Center. A list of the corresponding contract numbers with Anaheim, Costa Mesa, County of Orange, Dana Point, Huntington Beach, Irvine, La Habra, Lake Forest, Laguna Beach, Mission Viejo, Newport Beach, San Clemente, San Juan Capistrano, and Westminster can be found here in the Document Center. Please reference: "Project V List of Contract Numbers" , dated March 21, 2019.
145.00	Have any allocations of Net Revenues to such projects been determined pursuant to a countywide competitive procedure adopted by the Authority?	Att. B, Sec. VI.D.3	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes, OCTA Board approved updated Project V Guidelines on October 14, 2019 and also issued a call for projects on that date. Please reference: "2020 Project V Community-Based Transit/Circulators Program Guidelines and Call for Projects" Transit Committee staff report dated October 10, 2019.
146.00	Does the competitive procedure include an evaluation process and methodology applied equally to all candidate Community Based Transit/Circulator projects?	Att. B, Sec. VI.D.3	Planning	Recurring	Done to date	Joe Alcock/ Adriann Cardoso	Yes. See 2020 Project V Guidelines adopted by the OCTA Board on October 14, 2019. Please reference: "2020 Project V Community-Based Transit/Circulators Program Guidelines and Call for Projects" Transit Committee staff report dated October 10, 2019.

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147.00	Have Eligible Jurisdictions been consulted by the Authority in the development of the evaluation process and methodology?	Att. B, Sec. VI.D.3	Planning	One-time	Done to date	Joe Alcock/ Adriann Cardoso	Yes. Typically, OCTA has requested letters of interest prior to Project V calls for projects and holds workshops with interested parties to discuss potential changes to the guidelines prior to taking those guidelines to the Board. In the most recent cycle, two workshops were conducted in the Fall of 2019 (9/16/2019 and 11/5/2019). The first workshop was to further gauge county-wide level of interest in applying for a 2020 call, in addition to letters of interest received, and to gather feedback on potential CTFP Guidelines revisions. The second workshop was focused upon providing guidance to local agencies to help them understand CTFP Guidelines revisions and provide feedback regarding application development, evaluation process and methodology.
148.00	Project W - Safe Transit Stops						
149.00	Have amenities been provided at the 100 busiest transit stops across the County? Were they designed to ease transfer between bus lines and provide amenities such as improved shelters, lighting, current information on bus and train timetables and arrival times, and transit ticket vending machines?	Att. A, p. 25, Project W	Planning	30-year	Done to date	Joe Alcock/ Adriann Cardoso	<p>The OCTA Board approved Project W CTFP Guidelines revisions and also approved the issuance of 2019 Project W call for projects, in order to allocate funds for the Top 100 Busiest Stops in Orange County. On June 24, 2019, OCTA Board approved Project W funds for 36 stops. Project W funding is eligible for projects that install new transit shelters at locations where there are no shelters at present, and replace aging shelters, shade, and amenities that have become run down over time. The City of Santa Ana was not awarded funds for 36 of its stops, due to its ineligibility to receive new M2 revenues. However, the Board has directed staff to issue an expedited call in the future to again consider the needs at the 100 busiest bus stops in order to ensure that all eligible entities have another opportunity to apply for funding and improve bus stops.</p> <p>Please reference: "Measure M2 Project W Safe Transit Stops," dated March 10, 2014. "Measure M2 Project W Safe Transit Stops – 2014 Programming Recommendations," dated July 14, 2014. "Comprehensive Transportation Funding Programs Semi-Annual Review – March 2016," dated June 13, 2016. "2019 Project W Safe Stops Call for Projects," dated October 22, 2018.</p>

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							"Measure M2 Project W Safe Transit Stops – 2019 Programming Recommendations," dated June 24, 2019.
150.00	Requirements Related to Project X						
151.00	Have Environmental Cleanup funds been used on a countywide, competitive basis to meet federal Clean Water Act standards for controlling transportation-generated pollution as called for in Attachment A?	Att. A, p. 27, Project X	Planning	30-year	Done to date	Dan Phu	<p>Yes, the OCTA Board has authorized several countywide competitive calls for projects for both a Tier 1 and Tier 2 environmental cleanup program providing funding to improve water quality. To date, nine rounds of funding under the Tier 1 grants program have been awarded by the Board. A total of 177 projects in the amount of just over \$24 million have been awarded since 2011. There have been two rounds of funding under the Tier 2 grants program. A total of 22 projects in the amount of \$27.89 million have been awarded by the OCTA Board since 2013. To date, all Orange County cities plus the County of Orange have received funding under this program. The next Tier 1 Call for Projects is anticipated in spring 2020. As OCTA continues coordination efforts with the County to assist local jurisdictions in further developing Tier 2-type projects, it is anticipated that there may be sufficient funds to issues two calls during the next decade (potentially 2021 and 2025). Staff anticipates the next Tier 2 call in 2021, dependent on projected cash flow and local jurisdictions' interest in potential viable Tier 2 projects.</p> <p>For the most recent Tier 1 and Tier 2 guidelines, please reference: "Measure M2 Environmental Cleanup Allocation Program - Tier 1 Grant Program Call for Projects" dated March 11, 2019. "Measure M2 Environmental Cleanup Allocation Program – Funding Program Guidelines Revisions and Tier 2 Grant Program Call for Projects" dated June 10, 2013.</p>
152.00	Does the program augment, not replace existing transportation related water quality expenditures and emphasize high impact capital improvements over local operations and maintenance costs?	Att. A, p. 27, Project X	Planning	30-year	Done to date	Dan Phu	<p>Yes. Requirement is specified in Chapter 11 of the Comprehensive Transportation Funding Guidelines. As a note, Chapter 11 of the CTFP guidelines gets periodic updates to improve on the process.</p> <p>Please reference: "2019 Measure M2 Environmental Cleanup Program Call for Projects," dated March 11, 2019, see attached Guidelines Chapter 11.</p>

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
153.00	Has a comprehensive countywide capital improvement program for transportation related water quality improvements been developed?	Att. A, p. 27, Project X	Planning	One-time, start-up	Done	Dan Phu	Yes, the OCTA Board approved a two-tiered funding program for water quality improvement projects. These guidelines are incorporated into Chapter 11 of the Comprehensive Transportation Funding Programs guidelines. To date nine rounds of funding under the Tier 1 program and two rounds under the Tier 2 have been allocated for these purposes. Please reference: See Item 151 for Tier 1 and Tier 2 Guideline Revisions and Call for Projects Staff Reports. Measure M2 Environmental Cleanup Program – A Two-Tier Grant Funding Approach ,” dated May 24, 2010. “2019 Measure M2 Environmental Cleanup Program Call for Projects,” dated March 11, 2019, see attached Guidelines chapter 11.
154.00	Has a competitive grant process to award funds to the highest priority, most cost-effective projects been developed?	Att. A, p. 27, Project X	Planning	One-time, start-up	Done	Dan Phu	Yes. The Tier 1 and Tier 2 project evaluation criteria were adopted by the OCTA Board and integrated as Chapter 11 of the Comprehensive Transportation Funding Guidelines. Project X Tier 1 and Tier 2 Guidelines were moved to Chapter 11 in 2018. As a note, Chapter 11 of the CTFP guidelines gets periodic updates to improve on the process. Please reference: “2019 Measure M2 Environmental Cleanup Program Call for Projects,” Staff Report dated March 11, 2019, see attached Guidelines chapter 11.
155.00	Has a matching requirement to leverage federal, state and local funds for water quality improvement been established?	Att. A, p. 27, Project X	Planning	One-time, start-up	Done	Dan Phu	Yes. The Tier 1 and Tier 2 project evaluation criteria were adopted by the OCTA Board and integrated as Chapter 11 of the Comprehensive Transportation Funding Guidelines. Project X Tier1 and Tier 2 Guidelines were moved to Chapter 11 in 2018. As a note, Chapter 11 of the CTFP guidelines gets periodic updates to improve on the process. Please reference: “Measure M2 Comprehensive Transportation Funding Programs – 2020 Annual Call for Projects,” Staff Report dated August 12, 2019, see attached Guidelines chapter 11.
156.00	Has a maintenance of effort requirement been established to ensure that funds augment, not replace existing water quality programs?	Att. A, p. 27, Project X	Planning	One-time, start-up	Done	Dan Phu	Yes, these are specified in Chapter 11 of the Comprehensive Transportation Funding Guidelines. Also, this becomes part of the evaluation process for candidate projects.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
							Please reference: " 2019 Measure M2 Environmental Cleanup Program Call for Projects ," Staff Report dated March 11, 2019, see attached Guidelines chapter 11.
157.00	Has there been annual reporting on actual expenditures and assessment of water quality benefits provided?	Att. A, p. 27, Project X	Planning, External Affairs	Recurring	Done to date	Dan Phu & Marissa Espino	Yes. Reports have occurred through the Semi-Annual Review Process, which ended in September 2016. Please reference: " Comprehensive Transportation Funding Programs Semi-Annual Review - September 2019 ", Staff Report dated December 9, 2019.
158.00	If there has been any misuse of these funds, have penalties been imposed?	Att. A, p. 27, Project X	Planning	Recurring	Done to date	Dan Phu	Not applicable because there has been no finding of misuse of funds to-date. Assessment of appropriate use occurs through the initial and final payment processes and Semi-Annual Review process.
159.00	Has an Environmental Cleanup Allocation Committee (ECAC), including the following 12 voting members, but not including any elected public officer, been established: <ul style="list-style-type: none"> - One representative of the County of Orange? - Five representatives of cities (one per supervisorial district)? - One representative of the Caltrans? - Two representatives of water or wastewater public entities? - One representative of the development industry? - One representative of private or non-profit organizations involved in water quality protection/enforcement matters? 	Att. B, Sec. VII.B.1.i-vii	Planning, External Affairs	Recurring	Done to date	Dan Phu & Marissa Espino	Yes. Creation of ECAC occurred in 2008. The initial roster was presented to the Board on August 25, 2008 as Attachment B to the Staff Report. ECAC members are recruited following the requirements upon any vacancies. Member rosters for each year are saved in the M2 Document Center. Please reference: " Status Report on Renewed Measure M Environmental Programs ," Staff Report dated August 25, 2008. " ECAC Roster 2019 " dated December 31, 2019.
160.00	Does the ECAC also include one representative of the Santa Ana Regional Water Quality Control Board and one representative of the San Diego Regional Water Quality Control Board as non-voting members?	Att. B, Sec. VII.B.1.i-vii	Planning, External Affairs	Recurring	Done	Dan Phu	Yes. Creation of ECAC occurred in 2008. The initial roster was presented to the Board on August 25, 2008 as Attachment B to the Staff Report. Member rosters for each year are saved in the M2 Document Center. Please reference: " Measure M2 Environmental Cleanup Program Updates and Next Steps " dated December 11, 2017. " ECAC Roster 2019 " dated December 31, 2019.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
161.00	Has the Environmental Cleanup Allocation Committee recommended to the Authority for the Authority's adoption the following:	Att. B, Sec. VII.B.2.	Planning	One-time, start-up	Done	Dan Phu	See items 161.01 - 161.04
161.01	A competitive grant process for the allocation of Environmental Cleanup Revenues as set forth in Attachment B.	Att. B, Sec. VII.B.2.a	Planning	One-time, start-up	Done	Dan Phu	Yes, the Environmental Cleanup Allocation Committee (ECAC) created guidelines that were approved by the Board on February 14, 2011. This is also included in Chapter 11 of the CTFP. Please reference: "Measure M2 Environmental Cleanup Allocation Program - Incorporation into the Comprehensive Transportation Funding Program and Tier 1 Grant Program 2011 Call for Projects" , Staff Report dated February 14, 2011. "2019 Measure M2 Environmental Cleanup Program Call for Projects" dated March 11, 2019, see attached Guidelines chapter 11.
161.02	A process requiring that allocated Environmental Cleanup Revenues supplement and not supplant other applicable funding sources.	Att. B, Sec. VII.B.2.b	Planning	One-time, start-up	Done	Dan Phu	Yes, the ECAC ensures that as part of the application process that projects meet the criteria specified in the Ordinance. This is part of the guidelines which are included in Chapter 11 of the CTFP. Please reference: "2019 Measure M2 Environmental Cleanup Program Call for Projects" dated March 11, 2019, see attached Guidelines chapter 11.
161.03	Allocation of Environmental Cleanup Revenues for proposed projects and programs.	Att. B, Sec. VII.B.2.c	Planning	Recurring	Done to date	Dan Phu	Yes, the ECAC reviews applications and makes recommendations on funding allocation, which is then approved by the Board. Please reference: "2019 Project X - Tier 1 Call for Projects Programming Recommendations" dated September 9, 2019.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
161.04	An annual reporting procedure and method to assess water quality benefits provided by the projects and programs.	Att. B, Sec. VII.B.2.d	Planning, External Affairs	Recurring	Done to date	Dan Phu	Yes, the ECAC has developed a database to estimate the trash removed by the funded Tier 1 and Tier 2 projects to report on benefits of the program. This is an ongoing process. Updates have been provided to the ECAC and then to the Board on December 11, 2017. Please reference: "ECAC Agenda 12-11-2014" "OCTA Measure M2 Tier 1 and Tier 2 – Potential Water Resources Benefits of Funded Projects Memo from Geosyntec Consultants 4-22-2015" "Measure M2 Environmental Cleanup Program Updates and Next Steps," dated December 11, 2017.
162.00	Safeguards and Audits						
163.00	The requirements listed in Attachment A page 28-29 are covered in other areas of the matrix as they relate to quarterly and annual reporting.	Att. A, p.28-29					
164.00	Requirements Related to the Taxpayers Oversight Committee (TOC)						
165.00	Was a Taxpayers Oversight Committee established for the purpose of overseeing compliance with the Ordinance as specified in Attachment B, Section IV and organized and convened before any Revenues were collected or spent pursuant to the Ordinance?	Att. C, Sec. I	External Affairs	One-time, start-up	Done	Alice Rogan	Yes. The TOC updated the former procedures from the M1 Citizens Oversight Committee to accommodate additional responsibilities under M2 in August 2007. Please reference: "TOC Agenda Packet" , dated August 28, 2007.
166.00	Has the TOC been governed by its 11 members and the provisions relating to membership (including initial and ongoing appointment, geographic balance, terms, resignation, removal, reappointment, and vacancies) consistent with Attachment C of the Ordinance been followed?	Att. C, Secs. II, and III	External Affairs	Recurring	Done to date	Alice Rogan	Yes, the TOC is governed by its 11 members and the provisions relating to membership (including initial and ongoing appointment, geographic balance, terms, resignation, removal, reappointment, and vacancies), consistent with Attachment C of the Ordinance. Please reference: "TOC Member Terms Roster History (1997-2019)," dated September 25, 2019.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
167.00	Has the Committee carried out the following duties and responsibilities:	Att. C, Sec. IV	External Affairs	Recurring		Alice Rogan	See Items 167.01-167.11 below.
167.01	Did the initial Members of the TOC adopt procedural rules and regulations as are necessary to govern the conduct of Committee meetings as described in Attachment C?	Att. C, Sec. IV.A	External Affairs	One-time, start-up	Done	Alice Rogan	Yes. The TOC updated the former procedures from the M1 Citizens Oversight Committee to accommodate additional responsibilities under M2 in August 2007. Please reference: " TOC Agenda Packet ," dated August 28, 2007. On June 14, 2016, the TOC updated the committee's Mission Statement and Policies and Procedures to remove responsibilities due to the close-out of M1. Please reference TOC Meeting Minutes in " TOC Agenda Packet ," dated August 9, 2016.
167.02	Did the Committee approve by a vote of not less than 2/3 of all Committee members, any amendments to the Plan which changed the funding category, programs or projects identified on page 31 of the Plan?	Att. C, Sec. IV.B	External Affairs	Recurring	Done to date	Alice Rogan	Yes. The TOC approved the first amendment to the M2 Transportation Investment Plan on October 9, 2012 and the third amendment on November 10, 2015. The second amendment did not require TOC approval. Please reference: " TOC M2 Amendment No. 1 Approval Memo ," dated October 9, 2012. " TOC M2 Amendment No. 2 Public Hearing ," Staff Report dated November 25, 2013. " TOC M2 Amendment No. 3 Approval Memo ," dated November 10, 2015.
167.03	Did the TOC receive and review, as a condition of eligibility for M2 funds, from each jurisdiction the following documents as defined in Att. B, Sec. I?	Att. C, Sec. IV.C and	Planning, External Affairs	Recurring	Done to date	Alice Rogan & Joe Alcock	The Annual Eligibility Review Subcommittee reviewed applicable eligibility requirements on September 26, 2019, and the full TOC approved them on October 8, 2019. Also see Items 167.04-167.08 below. Please reference: " TOC Agenda Packet ," dated October 8, 2019.
167.04	Congestion Management Program?	Att. C, Sec. IV.C.1 and Att. B, Sec. III.A.1	Planning, External Affairs	Recurring	Done to date	Alice Rogan & Joe Alcock	This is required on odd numbered years. The TOC reviewed the Congestion Management Program on October 8, 2019. Eligibility determination was presented to the Board on December 9, 2019 as part of the Fiscal Year 2019-20 Measure M2 Annual Eligibility Review. The next submittal is due in 2021.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
							Please reference: "Fiscal Year 2019-20 Measure M2 Annual Eligibility Review," Staff Report dated December 9, 2019. "TOC Agenda Packet," dated October 8, 2019.
167.05	Mitigation Fee Program?	Att. C, Sec. IV.C.2 and Att. B, Sec. III.A.2	Planning, External Affairs	Recurring	Done to date	Alice Rogan & Joe Alcock	This is required on a biennial basis. The TOC reviewed the Mitigation Fee Program on October 8, 2019. Eligibility determination was presented to the Board on December 9, 2019 as part of the Fiscal Year 2019-20 Measure M2 Annual Eligibility Review. The next submittal is due in 2021. Please reference: "Fiscal Year 2019-20 Measure M2 Annual Eligibility Review," dated December 9, 2019. "TOC Agenda Packet," dated October 8, 2019.
167.06	Expenditure Report?	Att. C, Sec. IV.C.3 and Att. B, Sec. III.8	Finance and Administration, External Affairs	Recurring	Done to date	Alice Rogan & Sean Murdock	Yes. The TOC reviewed the FY 2017-18 Expenditure Reports on August 13, 2019 for all 35 local agencies. Eligibility determination was presented to the Board of Directors upon final submittal of expenditure reports by local jurisdictions. All local agencies (excluding the cities of Santa Ana and Stanton) were found conditionally eligible to receive net Measure M2 revenues for fiscal year 2018-19. Please reference: June 11, 2019 Meeting Minutes portion of "TOC Agenda Packet," dated August 13, 2019. "Measure M2 Eligibility Review Recommendations for Fiscal Year 2017-18 Expenditure Reports," dated July 8, 2019.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
167.07	Local Traffic Synchronization Plan?	Att. C, Sec. IV.C.4 and Att. B, Sec. III.A.6	Planning, External Affairs	Recurring	Done to date	Alice Rogan & Joe Alcock/ Adriann Cardoso	<p>This is required every three years. The last Local Signal Synchronization Plan review was received and reviewed by the TOC on October 10, 2017, and presented to the Board on December 11, 2017, as part of the Fiscal Year 2017-18 Measure M2 Annual Eligibility Review. The next submittal is due in 2020.</p> <p>Please reference: "Fiscal Year 2017-18 Measure M2 Annual Eligibility Review," Staff Report dated December 11, 2017. "TOC Agenda Packet", dated October 10, 2017.</p>
167.08	Pavement Management Plan?	Att. C, Sec. IV.C.5 and Att. B, Sec. III.7	Planning, External Affairs	Recurring	Done to date	Alice Rogan & Joe Alcock/ Adriann Cardoso	<p>Yes. 14 agencies update PMPs on odd-year cycle, while 21 agencies update on even-year cycle as part of the Annual Eligibility Review. The TOC reviewed the Pavement Management Plans for even-year agencies on October 9, 2018. Even-year cycle reports were presented to the Board on December 10, 2018 as part of the Fiscal Year 2018-19 Measure M2 Annual Eligibility Review. The TOC reviewed the Pavement Management Plans for odd-year agencies on October 8, 2019. Eligibility determination was presented to the Board on December 9, 2019 as part of the Fiscal Year 2019-20 Measure M2 Annual Eligibility Review.</p> <p>Next approval for agencies on the even-year cycle will be considered for TOC review in October 2020 and Board approval by December 2020.</p> <p>Please reference: "Fiscal Year 2018-19 Measure M2 Annual Eligibility Review" Staff Report Dated December 10, 2018. "Fiscal Year 2019-20 Measure M2 Annual Eligibility Review" Staff Report Dated December 9, 2019. "TOC Agenda Packet," dated October 9, 2018. "TOC Agenda Packet," dated October 8, 2019.</p>

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Ordinance Tracking Matrix - Ordinance No. 3
For Period Ending December 31, 2019

Item	Description	Citation	Division Responsible	Timeframe	Status	Responsible Person (POC)	2019 Response
167.09	Has the Committee reviewed yearly audits and held an annual hearing to determine whether the Authority is proceeding in accordance with the Plan?	Att. C, Sec. IV.D	External Affairs	Recurring	Done to date	Alice Rogan	Yes. The last Annual Hearing and Compliance Review was completed on June 11, 2019. Please reference: " TOC Agenda Packet ," dated June 11, 2019.
167.10	Has the Chair annually certified whether the Revenues have been spent in compliance with the Plan?	Att. C, Sec. IV.D	External Affairs	Recurring	Done to date	Alice Rogan	Yes. The last Annual Hearing and Compliance Review was completed on June 11, 2019. A memo from the TOC Chairman was presented to the Board on June 24, 2019. Please reference page 251 of the Board of Directors Agenda Packet titled: " Taxpayer Oversight Committee Measure M Annual Public Hearing Results and Compliance Findings ," Staff Report dated June 24, 2019.
167.11	Has the Committee received and reviewed the performance assessment conducted by the Authority at least once every three years to review the performance of the Authority in carrying out the purposes of the Ordinance?	Att. C, Sec. IV.E	External Affairs	Recurring	Done to date	Alice Rogan	Yes. The TOC has received and reviewed the performance assessments conducted by the Authority at least once every three years to review the performance of the Authority in carrying out the purposes of the Ordinance. Assessments have been reviewed by the TOC on December 14, 2010, April 9, 2013, June 14, 2016, and April 9, 2019. Please reference: "TOC Agenda Packet," dated December 14, 2010. "TOC Agenda Packet," dated April 9, 2013. "TOC Agenda Packet," dated June 14, 2016. "TOC Agenda Packet," dated April 9, 2019.



March 11, 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 Maintenance of Effort, Agreed-Upon Procedures Report, City of Santa Ana, Year Ended June 30, 2019

Overview

Eide Bailly LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Maintenance of Effort expenditures by the City of Santa Ana for the fiscal year ended June 30, 2019. Based on the audit, the City of Santa Ana spent sufficient funds to meet the required minimum expenditures as outlined in a settlement agreement between the City of Santa Ana and the Orange County Transportation Authority.

Recommendation

Direct staff to develop recommendation(s) for Board of Directors' action related to the status of the City of Santa Ana's Measure M2 eligibility.

Background

On May 13, 2019, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Santa Ana (City) ineligible to receive Measure M2 revenues after an audit found that the City had not met the minimum Maintenance of Effort (MOE) requirement of the Measure M2 Ordinance. In addition, the Board directed staff to conduct audits of the City for the fiscal years (FY) ending June 30, 2019 and June 30, 2020, to assess full (100 percent) compliance with MOE requirements and to increase the MOE requirement for FY 2018-19 by the shortfall amount identified in the FY 2017-18 audit.

A written settlement agreement, dated October 22, 2019, was executed between OCTA and the City which outlined requirements for the City to re-establish

eligibility. Among other items, the settlement agreement required the City to undergo, and pay for, audits for FY 2018-19 and 2019-20, to determine compliance with MOE requirements.

Discussion

Eide Bailly LLP (auditors), tested MOE expenditures representing 100 percent of the City's minimum required expenditures and found it met the minimum required expenditures per the settlement agreement with OCTA.

Minimum required MOE expenditures totaled \$8,018,429, per the settlement agreement. The City spent a total of approximately \$10.7 million per its expenditure report and detailed general ledger. Of the amount spent, the auditors tested \$8,761,215 and, after removing ineligible and questioned expenditures, found that the City met the minimum required expenditures.

The detailed audit report can be found at Attachment A.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 MOE expenditures for the City for FY ended June 30, 2019.

Attachment

- A. Measure M2 Maintenance of Effort Agreed-Upon Procedures Report
Year Ended June 30, 2019 Orange County Local Transportation
Authority – City of Santa Ana

Prepared by:



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



Measure M2 Maintenance of Effort
Agreed-Upon Procedures Report
Year Ended June 30, 2019

**Orange County
Local Transportation Authority –
City of Santa Ana**



**Independent Accountant's Report on Applying
Agreed-Upon Procedures — City Santa Ana, California**

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

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Santa Ana's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 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 OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

1. We obtained the Settlement Agreement between OCTA and the City and identified the required minimum amount to be spent on MOU expenditures.

Findings: The City was required to spend \$8,018,429 in MOE expenditures during the fiscal year ended June 30, 2019, which included \$7,755,107 for 2018-19 MOE expenditures and \$263,322 of MOE shortfall from fiscal year 2017-18. No exceptions were found as a result of this procedure.

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

Findings: All MOE expenditures were tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund under the following accounting units: Roadway Markings/Signs (AU 01117625), Street Light Maintenance (AU 01117630), Street Trees (AU 01117643), Street Lights (AU 05117620), Traffic/Transportation Engineering (AU 01117620), and Graffiti Abatement Program (AU 01117642). No exceptions were found as a result of this procedure.

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

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$10,738,892 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$10,738,892 to the amount reported on the City's Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

4. We tested MOE expenditures representing 100 percent of the City's minimum required expenditures, from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation. For indirect charges, we reviewed supporting documentation for reasonableness and appropriate methodology.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$8,761,215, representing approximately 109% of the minimum required for the fiscal year ended June 30, 2019. Of the total tested, we identified the following exceptions:

- \$341,070 of expenditures were not allowable per the Ordinance, as they were not local street and road expenditures.
- \$71,864 of expenditures were questioned due to lack of support demonstrating that the expenditures were eligible local street and road expenditures.
- \$225,000 in graffiti removal expenditures were questioned after testing of the City's methodology for allocating these costs and identified a 35% error rate.

After removing \$637,934 from total MOE expenditures, the City continued to meet the minimum MOE requirement, with \$8,123,281 in expenditures tested, or 101% of the MOE benchmark. 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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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


Laguna Hills, California
February 28, 2020

Orange County Local Transportation Authority
 Schedule of Measure M2 Maintenance of Effort Expenditures (Unaudited)
 City of Santa Ana, California
 Year Ended June 30, 2019

Schedule A

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Lights & Traffic Signals - Schedule 3, line 13	\$ 5,369,845
Other Street Purpose Maintenance - Schedule 3, line 15	2,991,125

Construction:

Signals, Safety Devices & Street Lights - Schedule 3, line 4	1,719,634
Indirect and/or Overhead - Schedule 3, line 1	658,288
Total MOE expenditures	<u>10,738,892</u>

MOE Benchmark 2018-19	\$ 7,755,107
MOE Shortfall 2017-18	263,322
Total required MOE expenditures	<u>8,018,429</u>

Direct MOE expenditures tested	\$ 8,102,927
Indirect MOE expenditures tested	658,288
Total MOE expenditures Tested	<u>8,761,215</u>

Ineligible costs identified	341,070
Questioned costs identified (non-graffiti removal)	71,864
Questioned costs identified (graffiti removal)	225,000
Total exceptions	<u>637,934</u>
Total allowable MOE expenditures tested	\$ 8,123,281

% allowable tested of required MOE expenditure total	101%
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Note:

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

MAYOR
Miguel A. Pulido
MAYOR PRO TEM
Juan Villegas
COUNCILMEMBERS
Phil Bacerra
Cecilia Iglesias
David Penalzoa
Vicente Sarmiento
Jose Solorio



EXHIBIT 1
CITY MANAGER
Kristine Ridge
CITY ATTORNEY
Sonia R. Carvalho
CLERK OF THE COUNCIL
Daisy Gomez

CITY OF SANTA ANA

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Santa Ana, California 92702
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February 28, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Santa Ana as of and for the fiscal year ended June 30, 2019.

Procedure #4

We tested MOE expenditures representing 100 percent of the City's minimum required expenditures, from the City's general ledger expenditure detail. For each item selected, we performed the following:

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

Findings: MOE expenditures tested totaled \$8,761,215, representing approximately 109% of the minimum required for the fiscal year ended June 30, 2019. Of the total tested, we identified the following exceptions:

- \$341,070 of expenditures were not allowable per the Ordinance, as they were not local street and road expenditures.
- \$71,864 of expenditures were questioned due to lack of support demonstrating that the expenditures were eligible local street and road expenditures.
- \$225,000 in graffiti removal expenditures were questioned after testing of the City's methodology for allocating these costs and identified a 35% error rate.

SANTA ANA CITY COUNCIL

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Cecilia Iglesias
Ward 6
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After removing \$637,934 from total MOE expenditures, the City continued to meet the minimum MOE requirement, with \$8,123,281 in expenditures tested, or 101% of the MOE benchmark. No other exceptions were found as a result of this procedure.

City's Response:

- The Public Works Agency (PWA), with the assistance of the Finance and Management Services Agency, will update its department procedures to properly identify and code Maintenance of Effort (MOE) expenditures to ensure only eligible costs associated with Right-of Way are included in the General Fund accounting units identified for MOE.
- The City will review internal charges to ensure that MOE eligible expenditures are properly supported. MOE employee labor hours will be supported by daily timesheets and/or crew logs.
- PWA will review procedures related to graffiti services and explore the possibility of adding additional categories under the graffiti tracking system to improve the allocation process for MOE eligible expenditures.

With the implementation of procedures noted above, the City will continue to meet its MOE requirements.

Sincerely,



Kristine Ridge, City Manager



Kathryn Downs, Executive Director
Finance and Management Services
Agency



Nabil Saba, Acting Executive
Director of Public Works

SANTA ANA CITY COUNCIL

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Ward 6
ciglesias@santa-ana.org



March 11, 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 Maintenance of Effort, Agreed-Upon Procedures Report, City of Stanton, Year Ended June 30, 2019

Overview

Eide Bailly LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Maintenance of Effort expenditures by the City of Stanton for the fiscal year ended June 30, 2019. Based on the audit, the City of Stanton spent sufficient funds to meet the required minimum expenditures as outlined in a settlement agreement between the City of Stanton and the Orange County Transportation Authority.

Recommendation

Direct staff to develop recommendation(s) for Board of Directors' action related to the status of the City of Stanton's Measure M2 eligibility.

Background

On May 13, 2019, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Stanton (City) ineligible to receive Measure M2 revenues after an audit found that the City had not met the minimum Maintenance of Effort (MOE) requirement of the Measure M2 Ordinance (Ordinance). In addition, the Board directed staff to conduct an audit of the City for the fiscal year (FY) ending June 30, 2019, to assess compliance with MOE requirements and to increase the MOE requirement for FY 2018-19 by the shortfall amount identified in the FY 2017-18 audit.

A written settlement agreement, dated July 22, 2019, was executed between OCTA and the City which outlined requirements for the City to re-establish eligibility. Among other items, the settlement agreement required the City to

undergo, and pay for, an audit of FY 2018-19 to determine compliance with MOE requirements.

Discussion

Eide Bailly LLP (auditors), tested a sample of MOE expenditures for FY 2018-19, and found the City met the minimum required expenditures per the settlement agreement with OCTA.

Per the settlement agreement, the City was required to spend \$252,775 in MOE. The City reported total MOE expenditures of \$303,195, and the auditors tested \$163,627, or 54 percent, for compliance with the Ordinance. After removing \$12,413 in ineligible expenditures, the City still met the minimum requirement.

The detailed audit report can be found at Attachment A.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 MOE expenditures for the City for FY ended June 30, 2019.

Attachment

- A. Measure M2 Maintenance of Effort Agreed-Upon Procedures Report Year Ended June 30, 2019 Orange County Local Transportation Authority – City of Stanton

Prepared by:



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



Measure M2 Maintenance of Effort
Agreed-Upon Procedures Report
Year Ended June 30, 2019

Orange County
Local Transportation Authority –
City of Stanton



**Independent Accountant’s Report on Applying
Agreed-Upon Procedures — City of Stanton, California**

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

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Stanton’s (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 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 OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

1. We obtained the Settlement Agreement between OCTA and the City and identified the required minimum amount to be spent on MOU expenditures.

Findings: The City was required to spend \$252,775 in MOE expenditures during the fiscal year ended June 30, 2019, which included \$245,213 for FY 2018-19 MOE expenditures and \$7,562 of MOE shortfall from fiscal year 2017-18. No exceptions were found as a result of this procedure.

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

Findings: All MOE expenditures were tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101) under the Street Maintenance Department (3500). No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City’s Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City’s MOE expenditures for the fiscal year ended June 30, 2019 were \$303,195 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$303,195 to the amount reported on the City’s Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

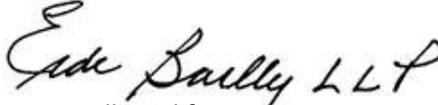
4. We haphazardly selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor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

Findings: MOE expenditures tested totaled \$163,627, representing approximately 54% of total MOE expenditures for the fiscal year ended June 30, 2019. We identified eleven expenditures, totaling \$12,413 that were not properly classified as local street and road expenditures, nor were the costs 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.

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

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

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


Laguna Hills, California
March 4, 2020

Orange County Local Transportation Authority
 Schedule of Measure M2 Maintenance of Effort Expenditures (Unaudited)
 City of Stanton, California
 Year Ended June 30, 2019

Schedule A

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Other Street Purpose Maintenance - Schedule 3, line 15	\$ 122,846
Indirect and/or Overhead - Schedule 3, line 1	180,349
Total MOE expenditures	303,195

MOE Benchmark 2018-19	\$ 245,213
MOE Shortfall 2017-18	7,562
Total required MOE expenditures	252,775

Direct MOE expenditures tested	\$ 106,124
Indirect MOE expenditures tested	57,503
Total MOE expenditures tested	163,627

% tested of total MOE expenditures 54%

Ineligible costs identified	12,413
Total Allowable MOE expenditures Tested	\$ 151,214

% allowable tested of required MOE expenditure total 60%

Note:

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



David J. Shawver
Mayor

Carol Warren
Mayor Pro Tem

Gary Taylor
Council Member

Hong Alyce Van
Council Member

Rigoberto A. Ramirez
Council Member

Jarad L. Hildenbrand
City Manager

March 4, 2020

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

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

Procedure #4

We haphazardly selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

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

Findings: MOE expenditures tested totaled \$163,627, representing approximately 54% of total MOE expenditures for the fiscal year ended June 30, 2019. We identified twelve expenditures, totaling \$12,413 that were not properly classified as local street and road expenditures, nor were the costs 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:

Management has reviewed the types of expenditures that were disallowed by the auditors with the Public Works Department's staff who are responsible for coding vendor invoices to inform them of the appropriate division these expenditures should be coded to in the future. For fiscal year 2019-20, Finance Department staff is working with Public Works Department staff to scan the expenditure detail to reclassify similar costs that may have been incorrectly coded to the street maintenance division before the completion of the Measure M2 audit.

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Page Two

Sincerely,



Jarad Hildenbrand, City Manager



Michelle Bannigan, Director of Finance



Allan Rigg, Director of Public Works

Orange County Local Transportation Authority
(A Component Unit of the Orange
County Transportation Authority)

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Year Ended June 30, 2019

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Audited Financial Statements

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Local Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of OCLTA as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCLTA's basic financial statements. The budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, on our consideration of OCLTA's internal control over financial reporting and our on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCLTA's internal control over financial reporting and compliance.


Crowe LLP

Costa Mesa, California
October 29, 2019

Orange County Local Transportation Authority
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2019

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year (FY) ended June 30, 2019. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net position of the OCLTA was \$625,919 as of June 30, 2019. The net position of the OCLTA is restricted for transportation projects, Environmental Mitigation Program and debt service.
- Net position increased by \$62,963 during FY 2018-19. This increase was primarily due to general and program revenues exceeding program expenses. In FY 2018-19, sales tax revenue increased by \$11,735 compared to FY 2017-18. In addition, operating grants and contributions increased by \$57,709, or 67.5 percent, compared to the prior FY.
- OCLTA's governmental funds reported combined ending fund balances of \$1,303,547 reflecting an increase of \$457,779 from the prior FY. The increase is primarily due to the issuance of sales tax revenue bonds. For more information related to this bond issuance, refer to note 7.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCLTA's basic financial statements, which are comprised of three components including government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Because the OCLTA is a governmental activity of the Orange County Transportation Authority (OCTA), governmental funds are used to account for its Measure M program activities. The basic financial statements include only the activities of the OCLTA.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the OCLTA's finances using the accrual basis of accounting, in a manner similar to a private-sector business.

The statement of net position presents information on all of the OCLTA's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in

Orange County Local Transportation Authority Management's Discussion and Analysis

net position may serve as a useful indicator of whether the financial position of the OCLTA is improving or deteriorating.

The statement of activities presents information showing how the OCLTA's net position changed during the FY. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with Measure M finance-related legal requirements. The OCLTA uses governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental funds financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the FY. Such information may be useful in evaluating the OCLTA's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the OCLTA's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The OCLTA maintains two individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the OCLTA's major governmental funds.

The governmental funds financial statements and related reconciliations to governmental activities can be found on pages 12-15 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-32 of this report.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 33 and the LTA debt service fund as other supplementary information on page 35 to demonstrate compliance with the annual appropriated budget.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2019, the OCLTA's assets and deferred outflows of resources exceeded liabilities by \$625,919, a \$62,963 increase from June 30, 2018. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

Table 1
Orange County Local Transportation Authority
Net Position

	Governmental Activities	
	2019	2018
Current and other assets	\$1,428,831	\$ 964,182
Assets held for resale	371	1,095
Total assets	1,429,202	965,277
Deferred outflows of resources		
Deferred charge on refunding	1,499	-
Current liabilities	100,688	90,881
Long-term liabilities	704,094	311,440
Total liabilities	804,782	402,321
Total net position	\$ 625,919	\$ 562,956

Total assets increased by \$463,925, or 48.1 percent, from June 30, 2018. This increase is primarily due to an increase in cash and investments, which resulted primarily from the issuance of sales tax revenue bonds.

Total liabilities increased by \$402,461, or 100 percent, from June 30, 2018. This increase is primarily due to the issuance of sales tax revenue bonds.

Total net position from governmental activities changed from \$562,956 at June 30, 2018 to \$625,919 at June 30, 2019. This increase was primarily due to increased operating grants and contributions, sales tax revenues and investment earnings, offset by lower program expenses such as infrastructure.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Table 2
Orange County Local Transportation Authority
Changes in Net Position

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 454	\$ 733
Operating grants and contributions	143,173	85,464
General revenues:		
Sales taxes	333,187	321,452
Unrestricted investment earnings	46,824	11,592
Other miscellaneous revenue	110	-
Total revenues	<u>523,748</u>	<u>419,241</u>
Measure M program expenses	<u>460,785</u>	<u>474,219</u>
Change in net position	62,963	(54,978)
Net position - beginning	562,956	617,934
Net position - end of year	<u>\$ 625,919</u>	<u>\$ 562,956</u>

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2019	2018
Supplies and services	\$ 92,893	\$ 93,194
Contributions to other local agencies	109,443	106,863
Bond issuance	826	-
Infrastructure	184,048	239,570
Interest expense	24,253	20,312
Contributions to other OCTA funds	49,322	14,280
Total expenses	<u>\$ 460,785</u>	<u>\$ 474,219</u>

Governmental activities increased the OCLTA's net position by \$62,963.

Total revenues increased by \$104,507, or 24.9 percent, from FY 2017-18 primarily due to an increase in operating grants and contributions for freeway projects including the I-405 Improvement Project. Also, investment earnings increased by \$35,232 due to market performance. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, increased by \$11,735 from the prior year as a result of continued improvement in the economy.

Program expenses decreased by \$13,434 primarily due to a decrease in expenses related to the I-405 Improvement Project.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Financial Analysis of the OCLTA's Funds

As of June 30, 2019, the OCLTA's governmental funds reported combined ending fund balances of \$1,303,547, an increase of \$457,779 compared to FY 2017-18. The majority of fund balances, 96.5 percent, are restricted for transportation projects funded by the Measure M Program. The remaining fund balances are restricted for the Environmental Mitigation Program and for debt service on M2 sales tax revenue bonds issued to accelerate funding for transportation projects.

OCLTA's major governmental funds include the following significant changes:

The LTA fund balance increased by \$444,900 primarily due to the issuance of sales tax revenue bonds.

The LTA Debt Service fund balance increased by \$12,879, due to interest earned and transfers received from the LTA fund in excess of debt service payments.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the OCLTA had \$0 net of accumulated depreciation invested in capital assets including improvements and machinery.

A summary of the OCLTA's capital assets, net of depreciation, follows:

	Governmental Activities	
	2019	2018
Machinery	\$ 21	\$ 32
Total capital assets	21	32
Less accumulated depreciation	(21)	(32)
Total capital assets, net	\$ -	\$ -

More detailed information about the OCLTA's capital assets is presented in note 6 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$750,499 for the I-405 Improvement Project, \$47,739 for the I-5 Improvement Project, and \$16,952 for the Laguna San Juan Project.

Debt Administration

As of June 30, 2019, the OCLTA had \$635,220 in sales tax revenue bonds compared to \$310,235 as of the prior FY.

Orange County Local Transportation Authority Management's Discussion and Analysis

The OCLTA maintains an "AA+" rating from Standard & Poor's Corporation (S&P), an "AA+" rating from Fitch Ratings (Fitch) and an "Aa2" rating from Moody's Investors Services (Moody's) for its 2010 M2 Sales Tax Revenue Bonds. The 2019 M2 Sales Tax Revenue Bonds have an "AA+" rating from S&P and an "AA+" from Fitch.

Additional information on the OCLTA's long-term debt can be found in note 7 to the financial statements.

Economic and Other Factors

The OCLTA is responsible for administering Measure M, the half-cent transportation sales tax, which originally passed in 1990 and was delivered as promised to the residents of Orange County, with over \$4 billion invested in improvements to freeways, streets and roads and transit services. Measure M1 (M1) ended in March 2011, and collection of sales tax under Measure M2 (M2) began in April 2011. M2 was overwhelmingly approved by the voters of Orange County in 2006 because of the tangible results that were realized through M1. The passage of M2 has allowed for the continuation of transportation improvements through March 31, 2041. Allocation of M2 funds remains the same as the original M1 with 43 percent slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs.

Although revenue collection for M2 projects did not begin until April 2011, OCTA began delivering projects early based on the five-year M2 Early Action Plan (EAP) adopted in 2007 and subsequent M2020 Plan adopted in 2012. Both delivery plans were developed to accelerate M2 freeway, streets and roads, transit, and environmental projects. In response to lower actual sales tax revenue, a new forecasting methodology was adopted in March 2016. This prompted the need to revisit the assumptions built into the M2020 plan. A new program/project delivery framework for the next ten years, called the Next 10 Plan, was adopted by the Board of Directors on November 14, 2016 and was updated and re-adopted by the Board of Directors on September 10, 2018.

Based on the forecast provided by MuniServices, LLC, the estimated sales tax growth rate for FY 2019-20 is 4.3 percent for M2. Sales tax for the M2 Program is estimated to be \$13.4 billion over the life of the measure.

The OCLTA adopted its FY 2019-20 annual budget on June 10, 2019. Approximately \$664 million in M2 funds are budgeted to improve transportation within Orange County. These funds will provide improvements to freeways and streets and roads throughout Orange County, as well as fund rail and bus transit programs. These funds include \$366 million to make improvements along Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91. Approximately \$159 million is budgeted to improve streets and roads, including \$58 million to fund the Local Fair Share Program, \$57 million for the Regional Capacity Program, and \$34 million for Regional Traffic Signal Synchronization. In addition, the M2 transit budget consists of \$110 million in bus and rail projects, including \$49 million to continue the OC Streetcar project.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Contacting the OCLTA's Management

This financial report is designed to provide a general overview of the OCLTA's finances for all those with an interest in the OCLTA's finances and to demonstrate OCLTA accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division of the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2019

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 1,288,440
Receivables:	
Interest	4,847
Operating grants	9,876
Other	1,290
Due from other OCTA funds	1,787
Due from other governments	95,603
Condemnation deposits	9,284
Note receivable	3,862
Restricted investments	9,534
Other assets	4,308
Assets held for resale	371
Total Assets	1,429,202
Deferred Outflows of Resources	
Deferred charge on refunding	1,499
Total Deferred Outflows of Resources	1,499
Liabilities	
Accounts payable	54,906
Accrued interest payable	12,920
Due to other OCTA funds	13,151
Due to other governments	11,746
Unearned revenue	6,839
Other liabilities	17
Advance from other OCTA funds	1,109
Noncurrent liabilities:	
Due within one year	8,530
Due in more than one year	695,564
Total Liabilities	804,782
Net Position	
Restricted for:	
Transportation projects	580,367
Debt service	36,018
Environmental Mitigation Program	9,534
Total Net Position	\$ 625,919

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Activities
Year Ended June 30, 2019

<i>(amounts expressed in thousands)</i>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Program governmental activities:				
Measure M program	\$ 460,785	\$ 454	\$ 143,173	\$ (317,158)
	General revenues:			
				333,187
				46,824
				110
				380,121
				62,963
				562,956
				\$ 625,919

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Balance Sheet - Governmental Funds
June 30, 2019

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 1,254,613	\$ 33,827	\$ 1,288,440
Receivables:			
Interest	4,790	57	4,847
Operating grants	9,876	-	9,876
Other	1,290	-	1,290
Due from other OCTA funds	1,787	-	1,787
Due from other governments	93,469	2,134	95,603
Condemnation deposits	9,284	-	9,284
Note receivable	3,862	-	3,862
Restricted investments	9,534	-	9,534
Other assets	4,308	-	4,308
Total Assets	\$ 1,392,813	\$ 36,018	\$ 1,428,831
Liabilities			
Accounts payable	\$ 54,906	\$ -	\$ 54,906
Due to other OCTA funds	13,151	-	13,151
Due to other governments	11,746	-	11,746
Unearned revenue	6,839	-	6,839
Other liabilities	17	-	17
Advance from other OCTA funds	1,109	-	1,109
Total Liabilities	87,768	-	87,768
Deferred Inflows of Resources			
Unavailable revenue - grant reimbursements	22,460	-	22,460
Unavailable revenue - reimbursements from others	15,056	-	15,056
Total Deferred Inflows of Resources	37,516	-	37,516
Fund Balances			
Nonspendable:			
Condemnation deposits	9,284	-	9,284
Other assets - prepaids	4,308	-	4,308
Restricted for:			
Debt service	-	36,018	36,018
Environmental Mitigation Program	9,534	-	9,534
Transportation projects	1,244,403	-	1,244,403
Total Fund Balances	1,267,529	36,018	1,303,547
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,392,813	\$ 36,018	\$ 1,428,831

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Position (page 10) are different because:

Total fund balances (page 12)	\$	1,303,547
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		371
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		37,516
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(12,920)
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,499
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(704,094)</u>
Net position of governmental activities (page 10)	\$	<u><u>625,919</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales taxes	\$ 338,666	\$ -	\$ 338,666
Contributions from other agencies	59,492	-	59,492
Contributions from other OCTA funds	75,649	-	75,649
Interest	40,024	6,800	46,824
Miscellaneous	456	-	456
Total Revenues	514,287	6,800	521,087
Expenditures			
Current:			
General government:			
Supplies and services	92,893	-	92,893
Transportation:			
Contributions to other local agencies	109,443	-	109,443
Contributions to other OCTA funds	49,322	-	49,322
Capital outlay	182,952	-	182,952
Debt service:			
Principal payments on long-term debt	-	8,165	8,165
Interest	47	20,630	20,677
Bond issuance costs	826	-	826
Total Expenditures	435,483	28,795	464,278
Excess (deficiency) of revenues over (under) expenditures	78,804	(21,995)	56,809
Other financing sources (uses)			
Transfers in	-	34,874	34,874
Transfers out	(34,874)	-	(34,874)
Bond issuance	376,690	-	376,690
Bond premium	69,342	-	69,342
Payment to refunded bond escrow agent	(45,062)	-	(45,062)
Total other financing sources (uses)	366,096	34,874	400,970
Net change in fund balances	444,900	12,879	457,779
Fund balances - beginning	822,629	23,139	845,768
Fund balances - ending	\$ 1,267,529	\$ 36,018	\$ 1,303,547

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019**

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14)	\$	457,779
The transfer of land to private party is a decrease to net position.		(1,095)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		2,660
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(396,381)
Change in net position of governmental activities (page 11)	\$	62,963

See accompanying notes to the financial statements.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Notes to The Financial Statements

Year Ended June 30, 2019

(in thousands)

1. Summary of Significant Accounting Policies

Reporting Entity

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program. The original Measure M Program (M1) commenced on April 1, 1991 for a period of 20 years.

On November 7, 2006, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M (M2) allocates funds to freeway, street and road, transit, and environmental improvements.

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of the OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and one non-voting member and also serves as the OCLTA governing board. Measure M requires that an 11-member Taxpayer's Oversight Committee (TOC) monitor the use of Measure M funds and ensure that all revenues collected from Measure M are spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of the OCTA.

Basis of Presentation

The OCLTA's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Statements: The statement of net position and the statement of activities report information on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct and indirect expenses, which are identifiable with Measure M. Interest expense related to the sales tax revenue bonds is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the fiscal year ended June 30, 2019, interest expense of \$24,253 was included in Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes, investment earnings and other items are not reported as program revenues and instead are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds. They are comprised of the following:

- *Local Transportation Authority (LTA) Fund* - This special revenue fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing is provided by a one-half percent sales and use tax assessed for 20 years pursuant to Measure M, which became effective April 1, 1991, and was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.
- *LTA Debt Service Fund* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the OCLTA.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCLTA considers revenues to be available if they are collected within 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt of governmental funds are recorded only when payment is due.

Year Ended June 30, 2019
(in thousands)

Those revenues susceptible to accrual are sales taxes collected and held by the state at year-end on behalf of the OCLTA, intergovernmental revenues and interest revenue. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the OCLTA; therefore, revenues are recognized based upon the expenditures incurred and availability criteria met. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended June 10, 2019. The Policy complies with, or is more restrictive than, the California Government Code (Code). Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs.

OCLTA participates in the OCTA comingled investment pool which invests in U.S. government and U.S. agency securities, medium term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities, and corporate notes which are carried at fair value based on quoted prices of similar assets. In addition, OCLTA invests in money market and mutual funds and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, State of California and local agency obligations, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other mutual funds, mortgage or asset-backed securities, LAIF, OCIP, variable and floating rate securities and bank deposits.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

Investment of debt proceeds held by trustees are governed by provisions of the indentures for each obligation, rather than the general provisions of the California Government Code or OCTA's investment policy. The investment of these debt proceeds is in accordance with the Permitted Investments section and applicable account restrictions outlined in the indenture of each debt obligation. Under certain indentures, guaranteed investment contracts are allowed. OCTA's investment in a guaranteed investment contract is carried at fair value.

In addition, OCTA has restricted investments held by the California Community Foundation (CCF). The amount invested in the CCF investment pool is a restricted asset as approved for funding by the OCTA Board of Directors in October of 2014. The CCF is headquartered in Los Angeles, California. The CCF is a community foundation and holds a 501 (c) 3 status, which meets California State Government Code requirements for community foundations. Legislation providing for OCTA to use a qualified organization to hold and manage the endowment is provided in Government Code §§65965-65968. An investment committee of 14 members has full discretion over investment decisions. The Endowment Pool is a diversified pool invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps the pace with inflation over time. The target asset allocation is approximately 50 percent equities, 14 percent alternative investments, 14 percent real assets and 22 percent fixed income.

The purpose of the agreement between CCF and OCTA is to provide for the establishment of a fund within the CCF to receive and hold M2 Environmental Mitigation Program contributions made by OCTA during the endowment funding period for use in establishing the permanent endowment pursuant to the conservation plan. OCTA is the beneficiary of the fund and, therefore, has reported a restricted asset in the financial statements.

The CCF shall hold, administer, invest, and reinvest the fund in accordance with the CCF's proposal and the objectives set forth in the Scope of Work of the Request for Proposal, each of which is incorporated into the agreement by reference, and in compliance with all applicable state and federal laws, including, but not limited to, Sections 65965, 65966, 69667, and 65968 of the California Government Code and the Uniform Prudent Management of Institutional Funds Act, California Probate Code Section 18501 et seq. The agreement shall remain in place in full force and effect through December 31, 2029.

The fair value of OCTA's investment in this pool is reported in the accompanying financial statements at amounts based upon OCTA's pro-rata share of the fair value provided by the CCF for the entire CCF portfolio (in relation to the amortized cost of that portfolio).

Due To/From Other OCTA Funds

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered and transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances are reported as due to/from other funds. Any residual balances outstanding between the Measure M Program governmental activities and other OCTA funds are reported in the government-wide financial statements as due to/from other OCTA funds.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

Contributions To/From Other OCTA Funds

Transfers between OCLTA and other OCTA funds are reported as program expenses and revenues in the statement of activities and as revenues and expenditures in the statement of revenues, expenditures and changes in fund balances.

Administrative Services Costs

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2018-19, \$21,209 of administrative services were charged to the OCLTA and are reported as general government expenditures in the statement of revenues, expenditures and changes in fund balances and as program expenses in the statement of activities.

Assets Held for Resale

OCLTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCLTA. These assets are reported as assets held for resale in the governmental activities column in the government-wide financial statements except in cases in which OCLTA has entered into a sales contract prior to the issuance of the financial statements. In these cases, the assets held for resale are reported in the governmental funds financial statements. Proceeds received will be reimbursed to the fund in which the initial expenditure was recorded.

Capital Assets

Capital assets including land, right-of-way improvements, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than \$5 and a useful life exceeding one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (Caltrans), are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where the OCLTA does not intend to maintain or operate the property when complete.

Right-of-way improvements and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Useful Life</u>
Right-of-way improvements	10-30 years
Machinery and equipment	3-10 years

Year Ended June 30, 2019
(in thousands)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

OCLTA has one item reported as deferred outflow of resources. This item is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This item is reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. OCLTA has one type of deferred inflow, unavailable revenue which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for grant reimbursements and reimbursements from others. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Contributions to Other Agencies

Contributions to other agencies primarily represent sales tax revenues received by the OCLTA and disbursed to cities for competitive projects, the local fair share program, and the senior mobility program, and to other agencies for projects which are in accordance with the Measure M ordinance.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is classified into three categories:

- *Net investment in capital assets* - This balance reflects the net position of the OCLTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted net position* - This balance represents net position that is not accessible for general use because use is subject to restrictions enforceable by third parties. The OCLTA government-wide statement of net position reports net position restricted for debt service, Environmental Mitigation Program and transportation projects funded by the Measure M Program.
- *Unrestricted net position* - This balance represents the net position that is available for general use.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the OCLTA is bound to honor constraints on the specific purposes for which amounts can be spent.

The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. As of June 30, 2019, OCLTA reported nonspendable balance for condemnation deposits and other assets - prepaids.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of June 30, 2019, OCLTA reported restricted fund balance for debt service, Environmental Mitigation Program and transportation projects.
- *Committed* - amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or modifies the use through the adoption of a subsequent resolution.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This classification also includes residual amounts assigned for specific projects. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balance.

When both restricted and unrestricted resources are available for use, it is the OCLTA’s policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, the OCLTA applies the default established by GASB 54, whereby the committed amounts would be reduced first followed by the assigned amounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. As such, actual results could differ from those estimates.

Reclassifications

Prior year amounts were reclassified to conform to current year presentation. Fund balance did not change due to these reclassifications.

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$(704,094) difference are as follows:

Bonds payable	\$ (635,220)
Plus unamortized bond issuance premium (to be amortized to interest expense)	<u>(68,874)</u>
Net adjustment to decrease fund balances - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (704,094)</u></u>

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and change in net position - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation states that “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.”

The details of this \$(396,381) difference are as follows:

Bond issuance	\$ (376,690)
Bond premium	(69,342)
Payment to refunded bond escrow agent	45,062
Principal repayments	8,165
Change in accrued interest	(5,226)
Amortization of premium and deferred charge on refunding	1,650
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ (396,381)</u></u>

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2019:

Investments:	
With OCTA Commingled Investment Pool	\$ 798,836
With Trustee	489,604
With CA Community Foundation	9,534
Total Cash and Investments	<u><u>\$ 1,297,974</u></u>

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	\$ 1,288,440
Restricted Cash and Investments	9,534
Total Cash and Investments	<u><u>\$ 1,297,974</u></u>

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

As of June 30, 2019, OCLTA had the following investments:

Investment	Fair Value	Interest Rate	Yield	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$798,836	*	*	*	*
Money Market Funds **	122,904	Various	1.93%-2.28	7/1/19	1 Day
Guaranteed Investment Contract	366,700	2.02%	0.00%	4/1/21	1.756
CA Community Foundation Investment Fund	<u>9,534</u>	N/A	N/A	N/A	N/A
Total Investments	<u>\$1,297,974</u>				

* Refer to the OCTA Comprehensive Annual Financial Report (CAFR) for information related to the OCTA Commingled Investment Pool.

** Money Market Funds are measured at amortized cost which approximates fair value.

The Portfolio Weighted Average Maturity is 2.53 years.

As of June 30, 2019, OCLTA had \$798,836 invested in the OCTA's Commingled Investment Pool (CIP). Refer to the OCTA's CAFR for details on valuation techniques and fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk. Deposits and withdrawals in OCTA's CIP are made on the basis of \$1.00 (absolute dollars) and not fair value. Accordingly, the OCLTA's investment in OCTA's CIP at June 30, 2019 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2019, OCLTA had \$9,534 invested in the CA Community Foundation (CCF) investment fund. The amount invested is valued using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

As of June 30, 2019, OCLTA had \$366,700 invested in a guaranteed investment contract. This investment is valued using quoted prices of similar assets and, therefore, classified as Level 2.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: S&P, Moody's, and Fitch. For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2019. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S&P	Moody's	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	61.54%
CA Community Foundation	NR	NR	0.74%
Held by Trustee:			
Money Market Funds	AAA	Aaa	9.47%
Guaranteed Investment Contract	A	Aa	28.25%
			100.00%
Total			100.00%

4. Due From/To Other Governments

Amounts due from other governments as of June 30, 2019 in the fund financial statements are \$95,603 and are comprised of \$60,576 of sales taxes, \$32,893 of project reimbursements and \$2,134 representing the interest receivable on Build America Bonds.

Amounts due to other governments as of June 30, 2019 are \$11,746 and are comprised of \$11,545 for transportation projects and \$201 for other miscellaneous transactions.

5. Related Party Transactions and Interfund Transfers

Related party transactions:

As of June 30, 2019, OCLTA has \$1,787 receivable from other OCTA funds. \$203 is due from the 91 Express Lanes fund for the SR-91 Improvement project and \$1,584 is due from the Service Authority for Freeway Emergencies fund for project expenditures.

As of June 30, 2019, OCLTA owes \$13,151 to other OCTA funds as follows:

	Amount	Explanation
General Fund	\$ 593	Placentia Rail Station and ARTIC
OCUTT	48	Local Fair Share funds withheld from City of Placentia
General Capital Project	11,966	OC Streetcar project
OCTD	544	Mission Viejo Transit Circle & iShuttle operations
Total	\$ 13,151	

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

OCTA advanced monies to OCLTA to cover expenditures such as election costs, administrative costs, and accrued interest. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (2.39 percent for fiscal year 2018-19). As of June 30, 2019, OCLTA owes OCTA \$1,109. OCLTA began repaying OCTA when Measure M funds were collected.

Contributions from Other OCTA Funds:

During fiscal year 2018-19, OCLTA received \$70,243 from the I-405 EL Fund for the I-405 Improvement project. In addition, OCLTA received \$659 from the 91 EL Fund for freeway improvements and \$4,747 from OCTA for the sale of land related to the Measure M Program.

Contributions to Other OCTA Funds:

During fiscal year 2018-19, OCLTA made contributions to the following funds:

- \$10 to the General Fund for the Placentia Rail Station.
- \$36,409 to the General Capital Projects Fund for the OC Streetcar project.
- \$396 to the OC Streetcar Fund for the OC Streetcar project.
- \$12,507 to the OCTD Fund for La Habra service, Irvine Shuttle, Commuter Rail, Fare Stabilization and Senior Mobility Program.

Interfund Transfers:

During fiscal year 2018-19, the LTA Fund transferred \$34,874 to the LTA Debt Service Fund for debt service payments.

6. Capital Assets

Capital assets activity for the OCLTA governmental activities for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 32	\$ -	\$ (11)	\$ 21
Total capital assets, being depreciated	32	-	(11)	21
Less accumulated depreciation for:				
Machinery and equipment	(32)	-	11	(21)
Total accumulated depreciation	(32)	-	11	(21)
Total capital assets, being depreciated, net	-	-	-	-
Total governmental activities capital assets, net	\$ -	\$ -	\$ -	\$ -

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

7. Long-Term Debt

Sales Tax Revenue Bonds

On December 9, 2010, OCLTA issued \$293,540 in Measure M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. A reserve fund is not required in connection with the 2010 Series Bonds per the bond indenture. The transaction closed on December 23, 2010. A total of \$75,000 was used to refund outstanding TECP. The Measure M sales tax is the source of revenue for repaying this debt.

On February 12, 2019, OCLTA issued \$376,690 in Measure M2 Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2019 (the "Series 2019 Bonds"), i) to refinance costs of certain transportation projects located in Orange County, consisting of the general purpose lanes of the I-405 Improvement Project; ii) to refund and defease \$43,540 of the 2010 Series A Bonds, which resulted in gross cumulative cash flow savings of approximately \$2,867 and net present value cumulative savings of approximately \$2,584; and to fund costs of issuance related to the Series 2019 Bonds. A reserve fund is not required in connection with the Series 2019 Bonds per the bond indenture. The transaction closed on February 26, 2019.

The OCLTA's outstanding debt obligations related to M2 Sales Tax Revenue Bonds contain a provision that in the event of default, bondholders have the right to sue in order to force the OCLTA to cure the event of default, which may result in financial related consequences.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)	2019 Series B (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10	2/12/19
Original issue amount	\$ 293,540	\$ 59,030	\$ 376,690
Original issue premium	-	6,023	69,342
Net Bond Proceeds	\$ 293,540	\$ 65,053	\$ 446,032
Issuance costs	\$ 1,905	\$ 274	\$ 970
Interest rates	5.56%-6.91%	3.00%-5.00%	3.00%-5.00%
Maturity range	2021-2041	2014-2020	2021-2041
Final maturity	2041	2020	2041
Bonds outstanding	\$ 250,000	\$ 8,530	\$ 376,690
Plus unamortized premium	-	602	68,272
Total	\$ 250,000	\$ 9,132	\$ 444,962

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 8,530	\$ 35,592
2021	8,065	35,774
2022	8,455	35,371
2023	19,935	34,949
2024	20,920	33,952
2025-2029	123,440	151,202
2030-2034	156,585	111,323
2035-2039	197,110	61,479
2040-2041	92,180	8,146
Total	\$ 635,220	\$ 507,788

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Measure M program activities:					
Sales tax revenue bonds	\$ 310,235	\$ 376,690	\$ (51,705)	\$ 635,220	\$ 8,530
Unamortized premium	1,205	69,342	(1,673)	68,874	-
Total Measure M program activities long-term liabilities	\$ 311,440	\$ 446,032	\$ (53,378)	\$ 704,094	\$ 8,530

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2019, debt service payments in relation to the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 258,085	\$ 28,795	8.96

Line of Credit

On July 26, 2017, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a TIFIA loan of up to \$628,930 for eligible project costs for the I-405 Improvement Project. The Bureau required OCTA to secure a \$900,000 line of credit

Year Ended June 30, 2019
(in thousands)

secured by future M2 debt issuances to be committed at the time of closing on the TIFIA loan. The OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a \$900,000 line of credit to meet the Bureau's requirement. The line of credit was set up as two separate Credit and Fee Agreements, one with a 2019 maturity in the amount of \$450,000 and the other with a 2021 maturity, also in the amount of \$450,000. The cost for the BANA Line is 26 basis points per year for the 2019 maturity and 36 basis points per year for the 2021 maturity. The two Credit and Fee Agreements were also executed on July 26, 2017. There were no amounts drawn on the line of credit as of June 30, 2019. The 2019 Credit and Fee Agreement line of credit matured in early 2019. Therefore, the unused balance is \$450,000.

The payment obligations owed to BANA under the Credit and Fee Agreements is payable and secured by a pledge of, lien on, and security interest in the M2 sales tax revenues, including earnings on such amounts, subject only to the provisions of the Master Indenture. The pledge, lien, and security interest shall be junior and subordinate only to the pledge of M2 sales tax revenues in favor of the Senior Lien Debt pursuant to the express terms of the Master Indenture.

8. Commitments and Contingencies

Purchase Commitments

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2019, were \$1,150,140, the majority of which relate to the expansion of Orange County's freeway and road systems.

Federal Grants

The OCLTA receives federal grants for transportation projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on the OCLTA's financial position or changes in financial position.

9. Effect of New Pronouncements

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

This Statement is effective for OCLTA's fiscal year ending June 30, 2019. OCLTA has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for OCLTA's fiscal year ending June 30, 2020. OCLTA has not determined the effect of this Statement.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for OCLTA's fiscal year ending June 30, 2021. OCLTA has not determined the effect of this Statement.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for OCLTA's fiscal year ending June 30, 2019. See note 7.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for OCLTA's fiscal year ending June 30, 2021. OCLTA, however, has early implemented this Statement in this fiscal year. OCLTA has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for OCLTA's fiscal year ending June 30, 2020. OCLTA has not determined the effect of this Statement.

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for OCTA's fiscal year ending June 30, 2022. OCLTA has not determined the effect of this Statement.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Required Supplementary Information
Budgetary Comparison Schedule - LTA Fund (Budgetary Basis)
Year Ended June 30, 2019

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 332,170	\$ 332,170	\$ 338,666	\$ 6,496
Contributions from other agencies	60,646	60,646	106,488	45,842
Contributions from other OCTA funds	14,521	14,521	75,649	61,128
Interest	7,470	7,470	40,024	32,554
Miscellaneous	4,665	4,665	456	(4,209)
Total revenues	419,472	419,472	561,283	141,811
Expenditures:				
Current:				
General government - supplies and services	169,600	168,819	110,311	58,508
Transportation:				
Contributions to other local agencies	175,551	175,517	109,552	65,965
Contributions to other OCTA funds	51,405	51,405	49,322	2,083
Capital outlay	972,401	972,401	842,762	129,639
Debt service:				
Interest	-	-	47	(47)
Bond issuance costs	-	1,000	826	174
Total expenditures	1,368,957	1,369,142	1,112,820	256,322
Excess (deficiency) of revenues over (under) expenditures	(949,485)	(949,670)	(551,537)	398,133
Other financing sources (uses):				
Transfers in	17,624	17,624	-	(17,624)
Transfers out	(48,535)	(48,535)	(34,874)	13,661
Bond issuance	-	-	376,690	376,690
Bond premium	-	-	69,342	69,342
Payment to refunded bond escrow agent	-	-	(45,062)	(45,062)
Total other financing uses	(30,911)	(30,911)	366,096	397,007
Net change in fund balance	\$ (980,396)	\$ (980,581)	\$ (185,441)	\$ 795,140
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ (185,441)	
Less: Estimated revenues for encumbrances outstanding at June 30			46,996	
Add: Current year encumbrances outstanding at June 30			677,337	
Net change in fund balance (GAAP basis)			\$ 444,900	

See accompanying notes to the required supplementary information.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Notes to Required Supplementary Information

Year Ended June 30, 2019

(in thousands)

1. Budgetary Data

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA and the debt service governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2019 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

There were no excess of expenditures over appropriations for fiscal year 2018-19.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Other Supplementary Information
Budgetary Comparison Schedule - LTA Debt Service Fund (Budgetary Basis)
Year Ended June 30, 2019

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest	\$ 6,726	\$ 6,726	\$ 6,800	\$ 74
Total revenues	6,726	6,726	6,800	74
Expenditures:				
Debt service:				
Principal payments on long-term debt	11,279	11,279	8,165	3,114
Interest on long-term debt	33,086	33,086	20,630	12,456
Total expenditures	44,365	44,365	28,795	15,570
Deficiency of revenues under expenditures	(37,639)	(37,639)	(21,995)	15,644
Other financing sources:				
Transfers in	37,638	37,638	34,874	(2,764)
Transfers out	(6,726)	(6,726)	-	6,726
Total other financing sources	30,912	30,912	34,874	3,962
Net change in fund balance	\$ (6,727)	\$ (6,727)	\$ 12,879	\$ 19,606

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCLTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCLTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCLTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCLTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Crowe LLP

Costa Mesa, California
October 29, 2019

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2019

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2019

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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 Orange County Local Transportation Authority ("OCLTA" or "Authority") and the Taxpayers' Oversight Committee of the Authority ("TOC") (the specified parties), on the Measure M2 Status Report of the Authority. The Authority and the TOC are responsible for the Measure M2 Status Report. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are included in Appendix A.

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 Measure M2 Status Report. 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. The Notes to the Measure M2 Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

This report is intended solely for the information and use of OCLTA's management, the Board of Directors, and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California
December 19, 2019

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

The procedures and associated findings are as follows:

The Measure M2 Status Report is separated into three sections: Section A describes the procedures applied to Schedule 1; Section B describes the procedures applied to Schedule 2; and Section C describes the procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared year to date June 30, 2019 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund (Fund 17) and the OCLTA Debt Service Fund (Fund 72) and additional detailed information from the underlying accounting records.
2. Compared Period from Inception through June 30, 2019 amounts (Column B) by adding the prior year's Period from Inception through June 30, 2018 amounts with year to date June 30, 2019 amounts (Column A).
3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared year ended June 30, 2019 (Columns C.1 and C.2) to Schedule 1, Column A. For professional services, non-project related amounts, we compared the sum of this caption allocated to Revenues and to Bond Revenues at June 30, 2019 (C.1 and C.2) to Schedule 1, Column A. For Environmental Cleanup, we agreed this amount to the project job ledger.
2. Compared Period from Inception through June 30, 2019 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Revenues and to Bond Revenues at June 30, 2019 (D.1 and D.2) to Schedule 1, Column B. For Environmental Cleanup, we agreed this amount to the project job ledger.
3. Compared forecast amounts (Column E.1 and E.2) to Measure M2 Forecast Model Schedule.
4. Re-computed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Revenues through June 30, 2019 (Column H) and total net revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Revenues (Totals), respectively.
2. Recalculated Net Revenues through June 30, 2019 (Column H) and Total Net Revenues (Column I) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).
3. Reconciled Expenditures through June 30, 2019 (Column J) to Schedule 1, Column B. Agreed Environmental Cleanup to Schedule 2, Column D.1. Agreed Oversight and Annual Audits to the summary of Measure M2 administrative costs through June 30, 2019. Agreed Column J, by project description, to the project job ledger by fiscal year.

(Continued)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

4. Selected a sample of 40 expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.
5. Agreed Reimbursements through June 30, 2019 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs through June 30, 2019.
6. Agreed Column K to the supporting revenue summary by project and fiscal year. Selected a sample of 40 reimbursements from Column K and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly calculated.
7. Recalculated the net M2 cost (Column L) by subtracting Column K from Column J.
8. Recalculated revenues through June 30, 2019 (Column H.1) and the Total Revenues (Column I.1) for Environmental Cleanup (2% of revenues) and Oversight and Annual Audits (1% of revenues) by multiplying sales taxes and operating interest per Schedule 2, Column D.1 and Column F.1 by 2% and 1%, respectively.
9. Recalculated Revenues through June 30, 2019 (Column H.1) and Total Revenues (Column I.1) for Collect Sales Taxes (1.5% of sales taxes) by multiplying Sales Taxes per Schedule 2, Column D.1 and Column F.1 by 1.5%.
10. Re-computed total and subtotals.

Results: No exceptions were found as a result of these procedures.

(Continued)

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2019
(Unaudited)

<i>(\$ in thousands)</i>	Year to Date June 30, 2019 (A)	Period from Inception to June 30, 2019 (B)
Revenues:		
Sales taxes	\$ 338,666	\$ 2,413,729
Other agencies' share of Measure M2 costs:		
Project related	43,475	667,785
Non-project related	-	454
Interest:		
Operating:		
Project related	636	1,228
Non-project related	29,244	52,356
Bond proceeds	10,169	61,487
Debt service	506	813
Commercial paper	-	393
Right-of-way leases	30	941
Proceeds on sale of assets held for resale	-	12,201
Donated assets held for resale:		
Project related	2,071	2,071
Non-project related	(2,071)	-
Miscellaneous:		
Project related	-	270
Non-project related	-	100
Total revenues	<u>422,726</u>	<u>3,213,828</u>
Expenditures:		
Supplies and services:		
Sales tax administration fees	3,473	26,292
Professional services:		
Project related	36,692	381,802
Non-project related	4,784	26,785
Administration costs:		
Project related	10,088	73,269
Non-project related:		
Salaries and Benefits	2,574	25,107
Other	5,302	42,015
Other:		
Project related	86	5,027
Non-project related	908	4,915
Payments to local agencies:		
Project related	107,923	945,857
Capital outlay:		
Project related	169,281	1,025,983
Non-project related	-	31
Debt service:		
Principal payments on long-term debt	8,165	50,500
Interest on long-term debt and commercial paper	20,676	178,614
Total expenditures	<u>369,952</u>	<u>2,786,197</u>
Excess of revenues over expenditures	<u>52,774</u>	<u>427,631</u>
Other financing sources (uses):		
Transfers out:		
Project related	(166,072)	(204,679)
Transfers in:		
Project related	75,770	158,470
Bond proceeds	446,032	804,625
Payment to refunded bond escrow agent	(45,062)	(45,062)
Total other financing sources (uses)	<u>310,668</u>	<u>713,354</u>
Excess of revenues over expenditures and other sources (uses)	<u>\$ 363,442</u>	<u>\$ 1,140,985</u>

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2019
(Unaudited)

<i>(\$ in thousands)</i>	Year to Date June 30, 2019 (actual) <i>(C.1)</i>	Period from Inception through June 30, 2019 (actual) <i>(D.1)</i>	Period from July 1, 2019 through March 31, 2041 (forecast) <i>(E.1)</i>	Total <i>(F.1)</i>
Revenues:				
Sales taxes	\$ 338,666	\$ 2,413,729	\$ 10,657,522	\$ 13,071,251
Operating interest	29,244	52,356	139,989	192,345
Subtotal	<u>367,910</u>	<u>2,466,085</u>	<u>10,797,511</u>	<u>13,263,596</u>
Other agencies share of M2 costs	-	454	-	454
Miscellaneous	-	100	-	100
Total revenues	<u>367,910</u>	<u>2,466,639</u>	<u>10,797,511</u>	<u>13,264,150</u>
Administrative expenditures:				
Sales tax administration fees	3,473	26,292	123,125	149,417
Professional services	4,784	23,010	97,884	120,894
Administration costs:				
Salaries and Benefits	2,574	25,107	113,436	138,543
Other	5,302	42,015	185,485	227,500
Other	82	1,914	8,546	10,460
Capital outlay	-	31	-	31
Environmental cleanup	7,118	41,865	213,116	254,981
Total expenditures	<u>23,333</u>	<u>160,234</u>	<u>741,592</u>	<u>901,826</u>
Net revenues	<u>\$ 344,577</u>	<u>\$ 2,306,405</u>	<u>\$ 10,055,919</u>	<u>\$ 12,362,324</u>
	<i>(C.2)</i>	<i>(D.2)</i>	<i>(E.2)</i>	<i>(F.2)</i>
Bond revenues:				
Proceeds from issuance of bonds	\$ 446,032	\$ 804,625	\$ 1,425,000	\$ 2,229,625
Interest revenue from bond proceeds	10,169	61,487	94,619	156,106
Interest revenue from debt service funds	506	813	4,685	5,498
Interest revenue from commercial paper	-	393	-	393
Total bond revenues	<u>456,707</u>	<u>867,318</u>	<u>1,524,304</u>	<u>2,391,622</u>
Financing expenditures and uses:				
Professional services	-	3,775	4,988	8,763
Payment to refunded bond escrow	45,062	45,062	-	45,062
Bond debt principal	8,165	50,500	2,060,220	2,110,720
Bond debt and other interest expense	20,676	178,614	932,293	1,110,907
Other	826	3,001	-	3,001
Total financing expenditures and uses	<u>74,729</u>	<u>280,952</u>	<u>2,997,501</u>	<u>3,278,453</u>
Net bond revenues (debt service)	<u>\$ 381,978</u>	<u>\$ 586,366</u>	<u>\$ (1,473,197)</u>	<u>\$ (886,831)</u>

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2019
(Unaudited)

Project	Description	Net Revenues through June 30, 2019	Total Net Revenues	Expenditures through June 30, 2019	Reimbursements through June 30, 2019	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	
(\$ in thousands)						
Freeways (43% of Net Revenues)						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 90,907	\$ 487,263	\$ 7,486	\$ 7,101	\$ 385
B	I-5 Santa Ana/SR-55 to El Toro	58,065	311,226	9,601	6,515	3,086
C	I-5 San Diego/South of El Toro	121,274	650,029	143,362	46,689	96,673
D	I-5 Santa Ana/San Diego Interchange Upgrades	49,902	267,476	2,179	527	1,652
E	SR-22 Garden Grove Freeway Access Improvements	23,211	124,407	4	-	4
F	SR-55 Costa Mesa Freeway Improvements	70,792	379,442	27,830	14,200	13,630
G	SR-57 Orange Freeway Improvements	50,038	268,202	51,174	12,071	39,103
H	SR-91 Improvements from I-5 to SR-57	27,079	145,142	34,792	824	33,968
I	SR-91 Improvements from SR-57 to SR-55	80,559	431,798	23,265	6,782	16,483
J	SR-91 Improvements from SR-55 to County Line	68,122	365,136	6,937	5,294	1,643
K	I-405 Improvements between I-605 to SR-55	207,501	1,112,203	488,526	104,049	384,477
L	I-405 Improvements between SR-55 to I-5	61,836	331,442	9,163	6,941	2,222
M	I-605 Freeway Access Improvements	3,868	20,735	2,106	16	2,090
N	All Freeway Service Patrol	29,013	155,509	2,379	-	2,379
	Freeway Mitigation	49,588	265,790	53,421	2,935	50,486
	Subtotal Projects	991,755	5,315,800	862,225	213,944	648,281
	Net (Bond Revenue)/Debt Service	-	-	44,913	-	44,913
	Total Freeways	\$ 991,755	\$ 5,315,800	\$ 907,138	\$ 213,944	\$ 693,194
	%					37.0%
Street and Roads Projects (32% of Net Revenues)						
O	Regional Capacity Program	\$ 230,643	\$ 1,236,248	\$ 742,532	\$ 461,670	\$ 280,862
P	Regional Traffic Signal Synchronization Program	92,253	494,477	60,311	4,950	55,361
Q	Local Fair Share Program	415,153	2,225,218	401,621	77	401,544
	Subtotal Projects	738,049	3,955,943	1,204,464	466,697	737,767
	Net (Bond Revenue)/Debt Service	-	-	49,885	-	49,885
	Total Street and Roads Projects	\$ 738,049	\$ 3,955,943	\$ 1,254,349	\$ 466,697	\$ 787,652
	%					42.0%

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2019
(Unaudited)

Project	Description	Net Revenues through June 30, 2019	Total Net Revenues	Expenditures through June 30, 2019	Reimbursements through June 30, 2019	Net M2 Cost
(G)		(H)	(I)	(J)	(K)	(L)
	<i>(\$ in thousands)</i>					
Transit Projects (25% of Net Revenues)						
R	High Frequency Metrolink Service	\$ 217,441	\$ 1,232,958	\$ 290,390	\$ 98,736	\$ 191,654
S	Transit Extensions to Metrolink	203,602	1,091,307	56,858	2,133	54,725
T	Metrolink Gateways	30,144	63,187	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	74,208	428,665	71,627	88	71,539
V	Community Based Transit/Circulators	46,116	247,181	9,875	94	9,781
W	Safe Transit Stops	5,090	27,283	1,093	26	1,067
	Subtotal Projects	576,601	3,090,581	528,063	162,033	366,030
	Net (Bond Revenue)/Debt Service	-	-	27,899	-	27,899
	Total Transit Projects	\$ 576,601	\$ 3,090,581	\$ 555,962	\$ 162,033	\$ 393,929
	%					21.0%
	Measure M2 Program	\$ 2,306,405	\$ 12,362,324	\$ 2,717,449	\$ 842,674	\$ 1,874,775

Project	Description	Revenues through June 30, 2019	Total Revenues	Expenditures through June 30, 2019	Reimbursements through June 30, 2019	Net M2 Cost
(G)		(H.1)	(I.1)	(J)	(K)	(L)
	<i>(\$ in thousands)</i>					
Environmental Cleanup (2% of Revenues)						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 49,322	\$ 265,272	\$ 41,865	\$ 292	\$ 41,573
	Net (Bond Revenue)/Debt Service	-	-	-	-	-
	Total Environmental Cleanup	\$ 49,322	\$ 265,272	\$ 41,865	\$ 292	\$ 41,573
	%					1.7%

Taxpayer Safeguards and Audits						
	Collect Sales Taxes (1.5% of Sales Taxes)	\$ 36,206	\$ 196,069	\$ 26,292	\$ -	\$ 26,292
	%					1.1%
	Oversight and Annual Audits (1% of Revenues)	\$ 24,661	\$ 132,636	\$ 25,107	\$ 446	\$ 24,661
	%					1.0%

See Notes to Measure M2 Status Report (Unaudited)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Measure M2 Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County for 20 years. On November 7, 2006, Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the Orange County Local Transportation Authority Board of Directors approved the M2 Early Action Plan to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. The M1 sales tax program was completed and closed out in June 2015.

Demonstrating accountability for the receipt and expenditure of M2 funds is accomplished through the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2019 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M2 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2019 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the fiscal year ended June 30, 2019. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of \$363,442 agrees with the combined change in fund balances of \$350,563 in the M2 special revenue fund and \$12,879 in the M2 debt service fund in the trial balance for the year ended June 30, 2019.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Period from Inception through June 30, 2019 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the period from inception through June 30, 2019. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$1,140,985 agrees with the combined ending fund balances of \$1,104,967 in the M2 special revenue fund and \$36,018 in the M2 debt service fund, as presented in the trial balance for the year ended June 30, 2019.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues and other financing sources are presented as "Reimbursements" (Column K) in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" (Column J) in Schedule 3.

Schedule 2—Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)

This schedule presents calculations of net revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Orange County Transportation Investment Plan (Investment Plan). Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from non-project related amounts on Schedule 1. Environmental cleanup expenditures were obtained from the project job ledger. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years going forward, and for the combined total of actual and forecast amounts for the period from inception going forward.

Calculation of Net Revenues

Year Ended June 30, 2019 (actual) (Column C.1)

This column presents net revenues, consisting of total revenues less total administrative expenditures, capital outlay, and environmental cleanup, for year ended June 30, 2019. Revenues, administrative expenditures, and capital outlay for the year ended June 30, 2019 were obtained from Column A in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, and other agencies' share of M2 costs. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Period from Inception through June 30, 2019 (actual) (Column D.1)

This column presents net revenues, consisting of total cumulative revenues less total cumulative administrative expenditures, capital outlay, and environmental cleanup, for the period from inception through June 30, 2019. Revenues, administrative expenditures, and capital outlay for the period from inception through June 30, 2019 were obtained from Column B in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Total net revenues for the period from inception through June 30, 2019 are presented in Schedule 3 as "Net Revenues through June 30, 2019" (Column H). Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, other agencies' share of M2 costs, and miscellaneous revenue. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2019 through March 31, 2041 (forecast) (Column E.1)

This column presents net revenues, consisting of total projected revenues less total projected administrative expenditures and environmental cleanup expenditures, for subsequent years from July 1, 2019 through March 31, 2041. Revenues and administrative expenditures for subsequent years from July 1, 2019 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model, which is updated quarterly. Revenues and administrative expenditures utilized in the calculation of net revenues for subsequent years from July 1, 2019 through March 31, 2041 are non-project and non-financing related. Revenues consist of projected sales taxes and operating interest. Administrative expenditures consist of projected sales tax administration fees, professional services, administration costs, and other expenditures.

Total (Column F.1)

This column presents total net revenues, calculated as the sum of columns D.1 and E.1. Total net revenues are presented in Schedule 3 as "Total Net Revenues" (Column I).

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2019 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2019. Bond revenues and financing expenditures and uses for the year ended June 30, 2019 were obtained from Column A in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of interest revenue from bond proceeds and debt service funds.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from Inception through June 30, 2019 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2019. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2019 were obtained from Column B in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds, debt service funds, and commercial paper. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2019 through March 31, 2041 (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2019 through March 31, 2041. Bond revenues and financing expenditures and uses for subsequent years from July 1, 2019 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of bond debt principal and bond debt and other interest expense.

Total (Column F.2)

This column presents total net bond revenues (debt service), calculated as the sum of columns D.2 and E.2.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures, by mode and project description, as specified in the Investment Plan. Total M2 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

This column presents project descriptions by mode in accordance with the Investment Plan.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Net Revenues through June 30, 2019 (Column H)

This column presents total M2 program net revenues for the period from inception through June 30, 2019, which agrees with net revenues in Column D.1 in Schedule 2. Such net revenues are allocated to each of the three modes based on the allocation percentages specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Total Net Revenues (Column I)

This column presents total actual and projected net revenues (total net revenues) during the life of M2, which agree with total net revenues in Column F.1 in Schedule 2. Such total net revenues are allocated to each of the three modes based on the allocations specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Expenditures through June 30, 2019 (Column J)

This column presents total expenditures plus net (bond revenue)/debt service. Total expenditures, excluding oversight and annual audit expenditures, agree with the sum of project related expenditures including transfers out from Column B in Schedule 1. Oversight and annual audit expenditures agree with the administrative costs for salaries and benefits derived from the annual cost allocation plan. Total net (bond revenue)/debt service agrees with the total net bond revenue (debt service) expenditures from Column D.2 in Schedule 2. Project related expenditures are comprised of professional services, administration costs, other expenditures, payments to local agencies, capital outlay, and transfers out. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger.

Reimbursements through June 30, 2019 (Column K)

This column presents total reimbursements for the period from inception through June 30, 2019, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M2 costs, right-of-way leases, proceeds on sale of assets held for resale, donated assets held for resale, transfers in and miscellaneous revenue. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger. Reimbursements for oversight and annual audits agree with the principal balance of the amount advanced from the Orange County Unified Transportation Trust (OCUTT) to cover administrative costs for salaries and benefits exceeding more than one percent of revenues.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Net M2 Cost (Column N)

Net M2 cost is a calculation of Column J minus Column K. For each mode, a percentage is calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Revenues through June 30, 2019 (Column H.1)

The total environmental cleanup revenue for the period from inception through June 30, 2019, represents two percent (2%) of revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total oversight and annual audits revenues for the period from inception through June 30, 2019, represent one percent (1%) of the revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total collect sales taxes revenue for the period from inception through June 30, 2019, represents one and one-half percent (1.5%) of the sales tax revenues in Column D.1 in Schedule 2.

Total Revenues (Column I.1)

The total environmental cleanup actual and projected revenues during the life of M2 represent 2% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2. The total collect sales taxes actual and projected revenues during the 30-year life of M2 represent 1.5% of sales tax revenues found in Column F.1 in Schedule 2. The total oversight and annual audits actual and projected revenues during the 30-year life of M2 represent 1% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED
TO ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION
For the fiscal year ended June 30, 2019

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Local Transportation Authority (OCLTA), to the Appropriations Limit Calculation of OCLTA, prepared in accordance with Section 1.5 of Article XIII-B of the California Constitution for the fiscal year ended June 30, 2019. OCLTA's management is responsible for the Appropriations Limit Calculation. The sufficiency of these procedures is solely the responsibility of OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCLTA's appropriations limit and compared the 2018-2019 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2018-2019 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

(Continued)

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 Appropriations Limit Calculation. 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. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of OCLTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.


Crowe LLP

Costa Mesa, California
October 17, 2019

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPROPRIATIONS LIMIT CALCULATIONS
Year ended June 30, 2019

	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 1,675,556,032	
B. Adjustment factors:		
1. Population change	1.0367	State Finance
2. Per capital change	1.0069	State Finance
Total adjustments [(B.1 x B.2) - 1.0]	0.04390	
C. Annual adjustment	<u>73,556,910</u>	A x B
D. This year's limit	<u>\$ 1,749,112,942</u>	A + C



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

City	Result	City Management Response
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.

(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.

(Continued)

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)

	SCHEDULE A
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-Parkglen)	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.



Rudy Emami, Director of Public Works



Deborah Moreno, Finance Director/City Treasurer



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.

(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



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.



A handwritten signature in blue ink, appearing to read "Mark Denny", is written above a horizontal line.

Mark Denny, City Manager

A handwritten signature in blue ink, appearing to read "Michael Killebrew", is written above a horizontal line.

Michael Killebrew, Director of Finance

A handwritten signature in blue ink, appearing to read "Matt Sinacori", is written above a horizontal line.

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.

(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.

(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 \$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

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

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.

(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.

(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 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.

(Continued)

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

	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.



Dahle Bulosan, Acting Chief Financial Officer



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.

(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.

(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 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.

(Continued)

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

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:

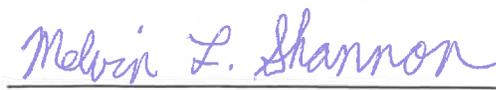
The duties performed by the City's Public Works Senior Civil Engineer and later by the Principal Engineer were deemed to be administrative indirect costs which were allowable per the Ordinance and not direct costs. These charges have no effect on the total expenditures but the City acknowledges that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



James D. Sadro
City Manager



Elias Saykall
Director of Public Works



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.

(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)

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.

(Continued)



City of Mission Viejo

Administrative Services Department

Brian Goodell
Mayor

Trish Kelley
Mayor Pro Tem

Wendy Bucknum
Council Member

Greg Raths
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 Raths
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.

(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.

(Continued)

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 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.

(Continued)

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 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2019
(Unaudited)

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.



Robert Dunek, City Manager



Erik Sund, Assistant City Manager/Director of
Administrative Services



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.

(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.

(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. 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
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)

	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.

(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.

(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 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.

(Continued)

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

(Continued)

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

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
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>
Total MOE and Measure M2 Local Fair Share Expenditures	\$ <u>5,232,673</u>

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

(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

SHERRY 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.



Sherry Johnson, Interim City Manager



Marwan Youssef, Public Works Director



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.

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.

(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)

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

City	Result	City Management Response
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.

(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.

(Continued)

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)

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.

(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 \$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.

(Continued)

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.

(Continued)

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)

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.

(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 \$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.

(Continued)

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.

(Continued)

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)

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.

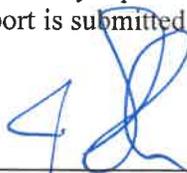
Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted within 30 days of month end to OCLTA. OCLTA staff confirmed that reports were received on the following dates:

<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:

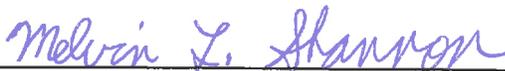
The City is aware that all summary reports should be submitted within 30 days of month end to OCLTA. We will set up additional review procedures to ensure all summary reports are submitted within 30 days of month end with particular emphasis that the November report is submitted before our Christmas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

(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 \$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.

(Continued)

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.

(Continued)

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
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)

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.

(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. 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.

(Continued)

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

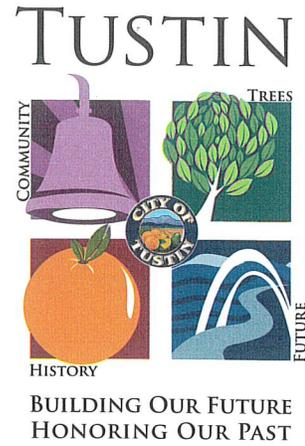
CITY OF TUSTIN, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2019
(Unaudited)

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

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

8D75CC0AF0CB4AE...

Jason Al-Imam
Director, Finance

DocuSigned by:

Matthew S. West

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Matthew S. West
City Manager

TAXPAYER OVERSIGHT COMMITTEE AUDIT SUBCOMMITTEE

AUDIT CHARTER May 2020

The Audit Subcommittee (Subcommittee) of the Taxpayer Oversight Committee (TOC) is established to assist the TOC in fulfilling its oversight responsibilities regarding the Measure M ordinance approved by the voters of Orange County. Specifically, the Subcommittee will have responsibilities in matters related to internal and independent audits of the Measure M programs, projects, and financial records.

In providing assistance to the TOC, the Subcommittee will assume the role of an audit committee as provided herein and recommend action on all audit related matters to the full TOC. Recognizing that the Finance and Administration Committee (Committee) of the Board of Directors (Board) of the Orange County Transportation Authority (OCTA) serves as OCTA's audit committee with audit oversight of Measure M projects, programs, and financial records, the role of the Subcommittee is to augment the Committee's audit oversight as it relates specifically to Measure M projects, programs, and financial records.

All members of the Subcommittee will participate in fulfilling these responsibilities. At least one member of the Subcommittee will have financial experience sufficient to provide guidance and assistance to other Subcommittee members on matters related to government accounting, auditing, budgeting, and finance.

In fulfilling its audit responsibilities, the Subcommittee will have prompt and unrestricted access to all relevant OCTA documents, records, and staff. Requests by the Subcommittee for financial or other resources sufficient to fulfill these responsibilities, and beyond that already existing in the OCTA's adopted budget, will be directed, through the full TOC, to the OCTA's Chairman of the Board.

Members of the Subcommittee will be independent of OCTA, its contractors, consultants, and agents, in both fact and appearance, and will consult with the Chairman of the TOC concerning any circumstances which may compromise their ability to meet this standard. Members of the Subcommittee will comply with all applicable state and federal laws in the performance of their duties under this audit charter.

Responsibilities of the Subcommittee will include, but may not be limited to, the following:

Independent Financial Statements Audits

1. Review with management and the independent financial statement auditors:
 - a. The annual financial statements of the Orange County Local Transportation Authority and related footnotes, schedules, and unadjusted differences, including

the accounting principles used, and significant estimates or judgments made, by management.

- b. The management letter issued by the independent auditors in relation to their audit of OCTA and all its legal entities.
 - c. Any other independent audit reports the Subcommittee believes may be relevant to the exercise of its duties.
2. Discuss with the independent financial statement auditors any difficulties encountered during the course of their work, disagreements with management, or restrictions or limitations placed upon them.
 3. Assist OCTA in the selection, retention, or discharge of its independent auditor. This assistance may be provided through:
 - a. Participation on the independent auditor procurement selection panel.
 - b. In coordination with the full TOC, provide performance feedback regarding the independent auditor to OCTA's Board and Internal Audit Department (Internal Audit).
 4. Inquire of the auditors as to their independence, their compliance with Government Auditing Standards, and applicable accounting and auditing guidance issued by the Government Accounting Standards Board, the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, and other standard-setting bodies.

Agreed Upon Procedures

1. Review with the independent auditors the results of agreed-upon procedures performed at the direction of the Subcommittee and/or the Board of OCTA.
2. Design procedures to provide assurance that Measure M2 funds are used in compliance with the ordinance and expenditures are reported accurately.
3. Periodically evaluate the sufficiency and applicability of the procedures.
4. In coordination with the full TOC, provide management and OCTA's Board with recommendations based on the results of the procedures.
5. Review relevant city/county data and select a sample of jurisdictions for annual audit to determine the level of compliance with the Measure M2 ordinance.

Triennial Performance Assessment

1. Participate in the development of a scope of work for the triennial performance assessment required by Measure M2.
2. Participate in the selection of the independent consultant.
3. Review the results of the triennial performance assessment, including management responses. Monitor the implementation of all recommendations.
4. In coordination with the full TOC, provide feedback to OCTA's Board on the performance of the independent consultant, the adequacy of management's responses, and/or the sufficiency of corrective action planned in response to audit recommendations.

Internal Audit and Internal Controls

1. Receive and review the annual Internal Audit plan and quarterly updates of audit activity.
2. Review internal audit reports that have Measure M2 implications, including management responses and planned corrective action.
3. Consider the effectiveness of OCTA's system of internal controls, including controls over financial reporting.
4. Inquire of Internal Audit as to restrictions or limitations placed upon it by management or the Board.
5. Review the results of Internal Audit's triennial quality assurance (or "peer") review and confirm that Internal Audit has been found independent as defined by Government Auditing Standards.
6. In coordination with the full TOC, provide OCTA's Board feedback or recommendations related to audit findings, internal controls, or the performance of the internal audit function.

Other

1. Review this Audit Charter annually to assess its adequacy and recommend changes.
2. Provide updates to the TOC on actions taken, communications by, or recommendations made by the Subcommittee.
3. Inquire annually of the Chairman of the Committee as to any concerns the Committee has regarding OCTA's internal controls, its internal audit function, its independent auditors, Measure M projects, programs or financial records, or other matters and report to the full TOC.