



**Metro®**

*One Gateway Plaza, Los Angeles, CA 90012,  
3rd Floor, Metro Board Room*

**Agenda - Final**

**Wednesday, March 20, 2024**

**11:00 AM**

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5647249# (English) or 7292892# (Español)

To give written or live public comment, please see the top of page 4

**Finance, Budget and Audit Committee**

*Kathryn Barger, Chair*

*Tim Sandoval, Vice Chair*

*James Butts*

*Jacquelyn Dupont-Walker*

*Lindsey Horvath*

*Gloria Roberts, non-voting member*

*Stephanie Wiggins, Chief Executive Officer*

## **METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES**

### **(ALSO APPLIES TO BOARD COMMITTEES)**

#### **PUBLIC INPUT**

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

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

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

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

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

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

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

#### **INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD**

Agendas for the Regular MTA Board meetings are prepared by the Board Clerk and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded and is available at <https://www.metro.net> or on CD's and as MP3's for a nominal charge.

## DISCLOSURE OF CONTRIBUTIONS

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

## ADA REQUIREMENTS

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 working hours) in advance of the scheduled meeting date. Please telephone (213) 364-2837 or (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

Requests can also be sent to [boardclerk@metro.net](mailto:boardclerk@metro.net).

## LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 364-2837 or (213) 922-4600. Live Public Comment Instructions can also be translated if requested 72 hours in advance.

Requests can also be sent to [boardclerk@metro.net](mailto:boardclerk@metro.net).



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x2 *Español (Spanish)*

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x4 *한국어 (Korean)*

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

### **Live Public Comment Instructions:**

Live public comment can be given by telephone or in-person.

The Committee Meeting begins at 11:00 AM Pacific Time on March 20, 2024; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 202-735-3323 and enter  
English Access Code: 5647249#  
Spanish Access Code: 7292892#

***Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.***

### **Instrucciones para comentarios publicos en vivo:**

Los comentarios publicos en vivo se pueden dar por telefono o en persona.

La Reunion de la Junta comienza a las 11:00 AM, hora del Pacifico, el 20 de Marzo de 2024. Puedes unirse a la llamada 5 minutos antes del comienso de la junta.

Marque: 202-735-3323 y ingrese el codigo  
Codigo de acceso en ingles: 5647249#  
Codigo de acceso en espanol: 7292892#

***Los comentarios del público se tomaran cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.***

### **Written Public Comment Instruction:**

Written public comments must be received by 5PM the day before the meeting.

Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."

Email: BoardClerk@metro.net

Post Office Mail:

Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012



## CALL TO ORDER

## ROLL CALL

APPROVE Consent Calendar Items: 8 and 9.

Consent Calendar items are approved by one motion unless held by a Director for discussion and/or separate action.

## CONSENT-CALENDAR

8. **SUBJECT: WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES** [2024-0047](#)

### RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 2 to Contract No. PS61721000 with Lien On Me, Inc. for workers' compensation medical bill review services in the amount of \$242,303, increasing the not-to-exceed amount of the four-year base term from \$2,834,674 to \$3,076,977, and exercise the first two-year option in the amount of \$2,083,248, revising the total contract amount from \$3,076,977 to \$5,160,225 and extending the period of performance from July 1, 2024, to June 30, 2026.

Attachments: [Attachment A - Procurement Summary](#)  
[Attachment B - Contract Modification/Change Order Log](#)  
[Attachment C - DEOD Summary](#)

9. **SUBJECT: LICENSE AGREEMENT WITH THE COUNTY OF LOS ANGELES FOR TEMPORARY DEPARTMENT OF PUBLIC HEALTH FACILITIES** [2024-0164](#)

### RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) or their designee, to execute a 33-month license agreement commencing on April 1, 2024, with the County of Los Angeles ("County") for a portion of real property located on parcels numbered (APN) 2350-013-920 and 2350-013-922 ("Property") at a rate of \$24,485 per month for a total license amount of \$808,005 ("License").

Attachments: [Attachment A - Property Location Presentation](#)

## NON-CONSENT

### 10. SUBJECT: INVESTMENT POLICY

[2024-0081](#)

#### **RECOMMENDATION**

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials in Attachment B; and
- C. DELEGATING to the Treasurer or his/her designees, the authority to invest funds for a one-year period, pursuant to California Government Code ("Code") Section 53607.

**Attachments:**      [Attachment A - Investment Policy Redline](#)  
                                 [Attachment B - Financial Institutions Resolution](#)

### 11. SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS

[2024-0110](#)

#### **RECOMMENDATION**

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe LLP (Crowe) as of and for the fiscal year ended June 30, 2023.

**Attachments:**      [Attachment A - SAS 114 Letter Covering Required Communications](#)  
                                 [Attachment B - Single Audit Report](#)  
                                 [Attachment C - Fed. Funding Allocation Data for the Transpo. Op. Agency \(ID# 1](#)  
                                 [Attachment D - Transportation Development Act Operations Agency](#)  
                                 [Attachment E - Trans. Dev. Act Sch. of Rev., Expenditures, & Changes in Fund](#)  
                                 [Attachment F - State Transit Assist. Spc. Rev. Fund's Financial Statements](#)  
                                 [Attachment G - Service Authority for Freeway Emrgy Fin. Statements](#)  
                                 [Attachment H - LCTOP and Report on Internal Control over Compliance](#)  
                                 [Presentation](#)

**12. SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT STATUS  
UPDATE**

[2024-0080](#)

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2025 (FY25) Budget Development Status Update.

**Attachments:**      [Attachment A - Transit Infrastructure Development Project](#)  
                                 [Attachment B - Highway Multimodal Development Project](#)  
                                 [Attachment C - FY25 Budget Outreach](#)

**SUBJECT: GENERAL PUBLIC COMMENT**

[2024-0140](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

**COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S  
SUBJECT MATTER JURISDICTION**

**Adjournment**



## Board Report

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**File #:** 2024-0047, **File Type:** Contract**Agenda Number:** 8.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
MARCH 20, 2024****SUBJECT: WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute Modification No. 2 to Contract No. PS61721000 with Lien On Me, Inc. for workers' compensation medical bill review services in the amount of \$242,303, increasing the not-to-exceed amount of the four-year base term from \$2,834,674 to \$3,076,977, and exercise the first two-year option in the amount of \$2,083,248, revising the total contract amount from \$3,076,977 to \$5,160,225 and extending the period of performance from July 1, 2024, to June 30, 2026.

**ISSUE**

Since 2019, Metro's Workers' Compensation division has experienced an increase in the average number of workers' compensation claims filed monthly, resulting in an increase in medical bills received and processed. Approval of the recommendation is required to ensure Metro pays various medical services in accordance with the State of California approved fee schedules and pre-established rates contracted with Preferred Provider Organization (PPO) providers. Additionally, this action authorizes the exercise of the two-year option term to continue providing medical bill review services through June 30, 2026.

**BACKGROUND**

The review of medical bills is consistent with industry best practice and is one of a variety of techniques government agencies and private entities employ to lower workers' compensation related medical expenditures. Bill review service providers take gross medical billings from physicians, hospitals, pharmacies, and other medical service providers and recommend reductions in conformance with the State of California Fee Schedule and negotiated rates between service providers (PPO contracts). Bill review service providers have custom dedicated software that applies the bill review reduction in accordance with the California Fee Schedule and detects duplicate billings at the line level.

In addition to reviewing bills, bill review service providers have the ability to integrate PPO networks with their bill review system to determine the highest level of savings per line item and maintain the

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appropriate software to facilitate submission of California regulatory reporting requirements via Electronic Data Interchange (EDI) with the California Workers' Compensation Information System (WCIS). Bill review vendors represent Metro in legal proceedings involving bill payment disputes with service providers. The review of medical bills is consistent with industry best practices and is one of a variety of techniques to lower medical expenditures.

On October 24, 2019, the Metro Board of Directors awarded the eight-year (inclusive of two, two-year options) firm fixed unit rate Contract No. PS61721000 to Lien On Me, Inc. (LOM) for workers' compensation medical bill review services. Metro's average realized savings through this contract are \$2.1 million per month.

## **DISCUSSION**

Increasing the not to exceed amount reflects current medical bills' volume and factors in an increased margin for future contract years. The 2019 RFP estimate of medical bills' volume estimated an average of 2018 data and did not factor in an increase in volume for future years. The contract was based on a 2018 monthly average of 2,902 medical bills; however, recent experience reflects medical bills volume at an average of 3,400 per month. The increase is attributed to a 32% rise in open WC claims inventory from the start of FY21 to FY24. Risk Management has implemented and is actively working to further implement various mitigation strategies to reduce WC claims and costs. Mitigative measures include bolstering Metro's Return to Work program, implementation of Bus Riding Teams by System Security and Law Enforcement, de-escalation training and partnering with Operations to enhance claims investigations. LOM provides excellent services and averages 62% medical expenditure savings. Due to the savings results and excellence in the delivery of services, Metro staff recommends that the first two-year option period be exercised.

## **DETERMINATION OF SAFETY IMPACT**

Approval of this recommendation will not impact the safety of Metro's riders or employees.

## **FINANCIAL IMPACT**

The FY24 Budget includes \$2.6 million for the services in Project 100004, PRMA- Workers Compensation (W/C), under Cost Center 0531, Non-Departmental Operations Risk Management.

Since this is a multi-year contract, the Deputy Chief Risk, Safety and Asset Management Officer and the Chief Safety Officer will be responsible for budgeting the cost in future years.

### **Impact to Budget**

The source of funding for this action will come from federal, state and local funding sources that are eligible for bus and rail operations.

## **EQUITY PLATFORM**

The proposed action supports Metro's ability to safely serve the communities and customers who rely on Metro's transportation services and assets by providing workers' compensation medical benefits that allow injured employees to recover from an injury and maintain staffing levels that allow Metro to continue providing services. Lien On Me, Inc., a Small Business Enterprise (SBE) firm, made a 100% SBE commitment for this contract. Based on payments, the project is 94% complete and the current SBE level of participation is 100%, see Attachment C.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports strategic plan goals #1) "Provide high-quality mobility options that enable people to spend less time traveling," and #5) "Provide responsive, accountable, and trustworthy governance within the Metro organization." This Board action supports the efficient delivery of workers' compensation benefits which enables injured employees to quickly recover and resume job functions. The majority of workers' compensation claims are filed by bus operators, and this action facilitates Metro's ability to safely serve the communities and customers who rely on Metro's transportation services.

### **ALTERNATIVES CONSIDERED**

The Board may elect not to approve the recommendation. This option is not recommended as it will result in Metro overpaying for medical treatment costs and foregoing an average monthly savings of \$2.1 million in workers' compensation expenditures which is generated through the application of bill review services.

### **NEXT STEPS**

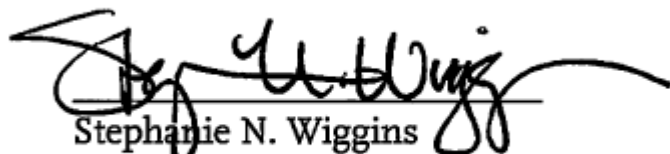
Upon Board approval, staff will execute Modification No. 2 to Contract No. PS61721000 with Lien On Me, Inc. to continue to provide workers' compensation medical bill review services and exercise the two-year option term.

### **ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - Contract Modification/Change Order Log  
Attachment C - DEOD Summary

Prepared by: Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518  
Kenneth Hernandez, Deputy Chief Risk, Safety and Asset Management Officer, (213) 922-2990  
Carolina Coppolo, Deputy Chief Vendor/Contract Management (Interim), (213) 922-4471

Reviewed by: Gina L. Osborn, Chief Safety Officer, (213) 922-3055



Stephanie N. Wiggins  
Chief Executive Officer

## PROCUREMENT SUMMARY

## WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES / PS61721000

1.	<b>Contract Number:</b> PS61721000			
2.	<b>Contractor:</b> Lien On Me, Inc.			
3.	<b>Mod. Work Description:</b> Continue existing services and exercise two-year option.			
4.	<b>Contract Work Description:</b> Provide Workers' Compensation medical bill review service.			
5.	<b>The following data is current as of:</b> 2/6/24			
6.	<b>Contract Completion Status</b>		<b>Financial Status</b>	
	<b>Contract Awarded:</b>	10/24/19	<b>Contract Award Amount:</b>	\$2,576,976
	<b>Notice to Proceed (NTP):</b>	N/A	<b>Total of Modifications Approved:</b>	\$257,698
	<b>Original Complete Date:</b>	6/30/24	<b>Pending Modifications (including this action):</b>	\$2,325,551
	<b>Current Est. Complete Date:</b>	6/30/26	<b>Current Contract Value (with this action):</b>	\$5,160,225
7.	<b>Contract Administrator:</b> Marc Margoni		<b>Telephone Number:</b> (213) 922-1304	
8.	<b>Project Manager:</b> Cathy Yates		<b>Telephone Number:</b> (213) 922-4297	

**A. Procurement Background**

This Board Action is to approve Modification No. 2 to Contract No. PS61721000 to continue providing Workers' Compensation medical bill review services and exercise the two-year option term extending the period of performance from July 1, 2024, to June 30, 2026.

This contract modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate.

In October 2019, the Board awarded an eight-year (inclusive of two, two-year options) contract to Lien On Me, Inc. to provide workers' compensation medical bill review services.

A total of one modification has been issued to date.

Refer to Attachment B – Contract Modification/Change Order Log.



## **B. Price Analysis**

The recommended price has been determined to be fair and reasonable based on the firm's fixed unit rates that were established and evaluated as part of the competitive award in October 2019. The unit rates for the option term are 2% higher than the current contract rates. This 2% increase is lower than the current US Bureau of Labor Statistics Employment Cost Index of 4.3%. Therefore, it is in Metro's best interest to exercise the option term.

<b>Proposed Amount</b>	<b>Metro ICE</b>	<b>Recommended Amount</b>
\$2,325,551	\$2,325,551	\$2,325,551

## CONTRACT MODIFICATION/CHANGE ORDER LOG

## WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES / PS61721000

<b>Mod. No.</b>	<b>Description</b>	<b>Status (approved or pending)</b>	<b>Date</b>	<b>Amount</b>
1	Continue existing services	Approved	2/7/24	\$257,698
2	Continue existing services and exercise the two-year option extending the period of performance through June 30, 2026	<b>Pending</b>	<b>Pending</b>	<b>\$2,325,551</b>
	<b>Modification Total:</b>			<b>\$2,583,249</b>
	<b>Original Contract:</b>		<b>10/24/19</b>	<b>\$2,576,976</b>
	<b>Total:</b>			<b>\$5,160,255</b>

## DEOD SUMMARY

## WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES / PS61721000

**A. Small Business Participation**

Lien On Me, Inc., a Small Business Enterprise (SBE) firm, made a 100% SBE commitment for this contract. Based on payments, the project is 94% complete and the current SBE level of participation is 100%.

<b>Small Business Commitment</b>	<b>100% SBE</b>	<b>Small Business Participation</b>	<b>100% SBE</b>
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	<b>SBE Contractor</b>	<b>% Committed</b>	<b>Current Participation<sup>1</sup></b>
1.	Lien On Me, Inc. (SBE Prime)	100%	100%
	<b>Total</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup>Current Participation = Total Actual amount Paid-to-Date to Certified firms ÷ Total Actual Amount Paid-to-date to Prime.

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

**C. Prevailing Wage Applicability**

Prevailing Wage is not applicable to this contract.

**D. Project Labor Agreement/Construction Careers Policy**

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.



## Board Report

File #: 2024-0164, File Type: Agreement

Agenda Number: 9.

### FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2024

**SUBJECT: LICENSE AGREEMENT WITH THE COUNTY OF LOS ANGELES FOR TEMPORARY DEPARTMENT OF PUBLIC HEALTH FACILITIES**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) or their designee, to execute a 33-month license agreement commencing on April 1, 2024, with the County of Los Angeles ("County") for a portion of real property located on parcels numbered (APN) 2350-013-920 and 2350-013-922 ("Property") at a rate of \$24,485 per month for a total license amount of \$808,005 ("License").

#### **ISSUE**

The County will be undergoing renovations of the Department of Public Health ("DPH"), North Hollywood Public Health Center facility located at 5300 Tujunga Ave, Los Angeles, CA 91601 between April 1, 2024 and December 31, 2026. To ensure continuity of services to existing patients and residents in North Hollywood and nearby cities during renovation, the County is seeking to temporarily relocate the North Hollywood Health Center to the Property. Board approval is required as the value of the License exceeds the CEO's delegated authority of \$500,000.

#### **BACKGROUND**

The Property (see Attachment A), which is 29,500 sq. ft., is part of a parking lot at Metro's North Hollywood Station on Chandler Boulevard between Fair Avenue and Vineland Avenue ("East Lot"). Metro acquired the East Lot in 1991 as part of the Burbank Branch Right of Way - approximately 14 miles of former rail right of way that is now mostly the G Line Busway.

The East Lot was transitioned to overflow parking from a vacant parcel in March 2013 and is part of the Supportive Transit Parking Program (STTP). The STTP controls parking demand at Metro stations through pricing policy and ridership verification, ensuring those using Metro parking resources are transit riders. The East Lot is the furthest parking option in proximity to the station. Once converted to parking, it added an additional 161 parking spaces to the station inventory bringing the station's total capacity to approximately 1100 spaces. Currently, the East Lot is utilized at 2% of its total capacity (three cars per day).

## **DISCUSSION**

The North Hollywood Public Health Center, operated by DPH clinical services division, provides health care services to the public, including immunizations, STD screening and related services. This facility is being demolished and will be replaced by a new facility, the North Hollywood Integrated Health Center, that will house three (3) Los Angeles County departments: the Department of Public Health, Department of Health Services, and Department of Mental Health.

The County is requesting to begin the License on April 1, 2024, so that the County Department of Public Works can begin to configure the Property, with anticipated occupancy and reinstatement of clinical service delivery by the end of May 2024. The temporary site will house four trailers for office and clinic use and provide parking for employees and clients. DPH will continue to provide health care services to the public during the period of renovation, which will be completed by December 2026.

The proposed Licensed area encompasses approximately 87 passenger vehicle parking spaces and 40 motorcycle spaces. The remainder of the East Lot will stay open for transit use and have 74 remaining parking spaces available for transit use. ADA parking spaces are not impacted by use of the Licensed area. The remaining three North Hollywood parking facilities currently have the capacity to absorb any Metro Customers that have been parking in the East Lot.

This temporary use is anticipated to have minimal or no impact on the current parking needs for Metro customers at North Hollywood. Metro will continue to provide baseline services for all transit parking lots managed and owned by Metro, which includes security, ADA accessibility, lighting, and signage.

The Property is adjacent to the proposed North Hollywood Joint Development, “District NoHo” project. District NoHo is anticipated to begin phased construction in late 2024 and would consist of nearly 1500 residential units, 450,000 square feet of office space, 60,000 square feet of retail space, and two acres of publicly accessible open space. Pending consideration by the Metro Board this spring, the phased delivery of the District NoHo blocks would begin in 2024, and each two years an additional phase would begin.

Metro plans to use the Property for replacement transit parking beginning in 2027, which is after the County has terminated their use of the Property.

## **DETERMINATION OF SAFETY IMPACT**

This Board action will have no impact on safety standards for Metro.

## **FINANCIAL IMPACT**

There is no adverse financial impact. All proposed improvements impacting Metro property will be at the sole cost and expense of the County. Metro Real Estate has determined that the License rates are in line with fair market value by applying a land capitalization rate to the estimated land value of

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the property that was developed from analysis of recent land commercial land sales within a few miles radius of the Property.

#### Impact to Budget

This agreement will generate additional revenue, not currently budgeted in FY24 or forecasted in FY25, in the amount of \$293,820 annually. This is general fund revenue, which is eligible for bus and rail operating and capital projects.

#### EQUITY PLATFORM

Currently the DPH provides beneficial health services to the community at their North Hollywood Public Health Center. This regional collaboration between Metro and the County will allow the continuation of DPH services to the North Hollywood community. Additionally, the proposed location will be more centrally located in proximity to the North Hollywood Metro station allowing for easier access for those taking public transit.

#### IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goals #3 Enhance communities and lives through mobility and access to opportunity; #4 Transform LA County through regional collaboration and national leadership; and #5 Provide responsive, accountable, and trustworthy governance within the Metro organization.

#### ALTERNATIVES CONSIDERED

The Board could choose not to move forward with the License. This action is not recommended because there would be a gap in public health services for the North Hollywood community. Further, based on anticipated phasing of the proposed Joint Development project, the property is not needed for replacement parking until 2027.

#### NEXT STEPS

Upon guidance and approval by the Metro Board of Directors, the License will be finalized and executed by the CEO or their designee after approval as to form by County Counsel.

The Los Angeles County Board of Supervisors has approved a motion that has delegated authority to the Los Angeles Chief Executive Office Real Estate Division to immediately execute the License, upon approval of the Board.

#### ATTACHMENTS

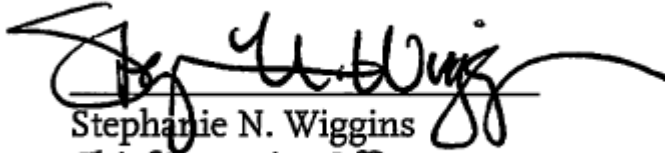
Attachment A - Property Location

Prepared by: Michael Luna, Sr. Manager, Transportation Planning, Real Estate (213) 922-2332

Diane Dominguez, Director, Real Property Management and Development, (213) 922-5253

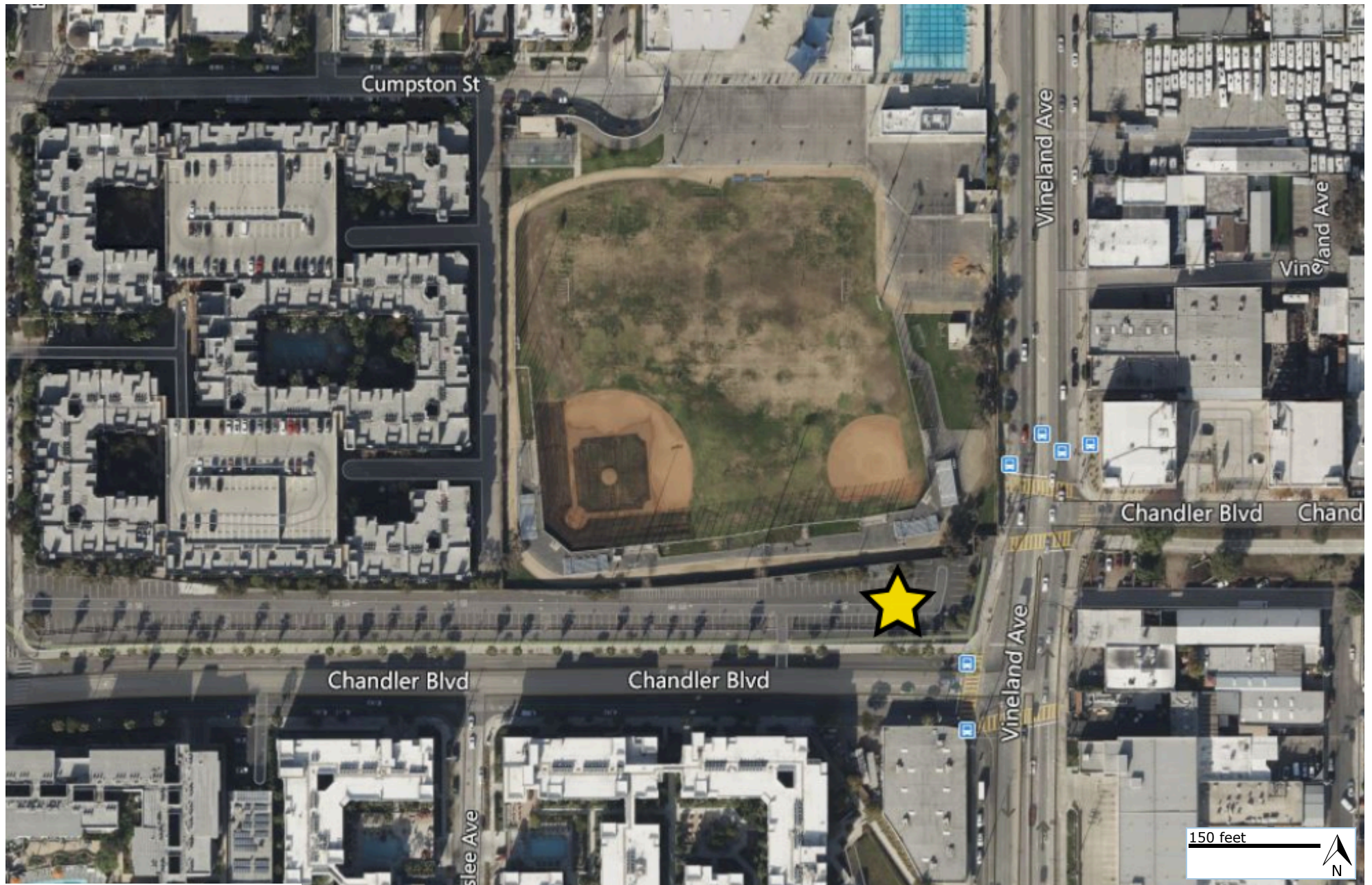
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Reviewed by: Ray Sosa, Chief Planning Officer, (213) 547-4274




Stephanie N. Wiggins  
Chief Executive Officer

# ATTACHMENT A - PROPERTY LOCATION



**Metro**





# **LICENSE AGREEMENT WITH THE COUNTY OF LOS ANGELES FOR TEMPORARY DEPARTMENT OF PUBLIC HEALTH FACILITIES**

**File # 2024-0164**

## **LICENSE AGREEMENT WITH THE COUNTY OF LOS ANGELES FOR TEMPORARY DEPARTMENT OF PUBLIC HEALTH FACILITIES**

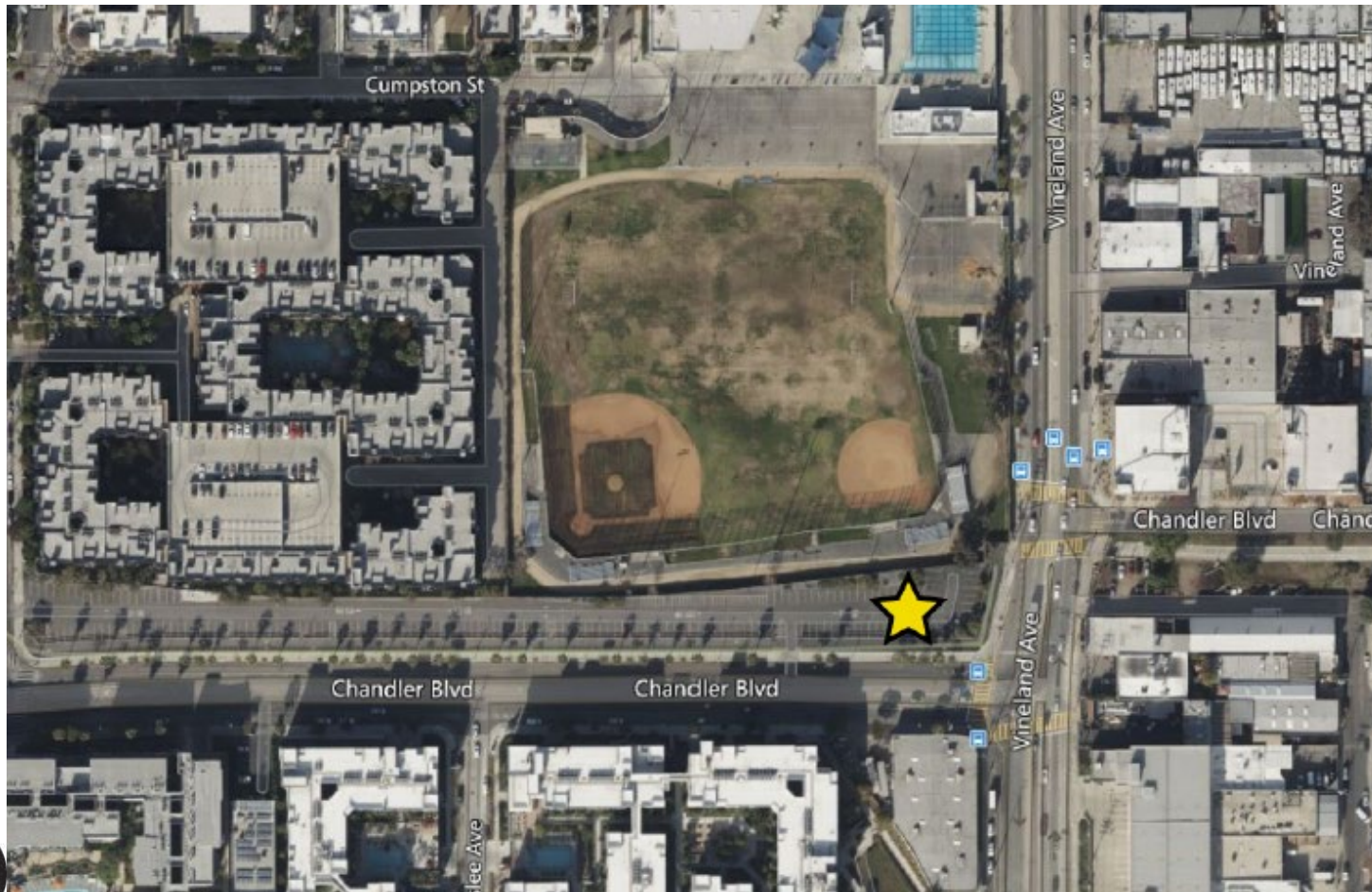
### **Recommendation:**

- AUTHORIZE the Chief Executive Officer (CEO) or their designee to execute a 33-month license agreement commencing on April 1, 2024 with the County of Los Angeles (“County”) for a portion of real property located on parcels numbered (APN) 2350-013-920 and 2350-013-922 (“Property”) at a rate of \$24,485 per month for a total license amount of \$808,005.



# LICENSE AGREEMENT WITH THE COUNTY OF LOS ANGELES FOR TEMPORARY DEPARTMENT OF PUBLIC HEALTH FACILITIES

## Property Location



**Metro**

# LICENSE AGREEMENT WITH THE COUNTY OF LOS ANGELES FOR TEMPORARY DEPARTMENT OF PUBLIC HEALTH FACILITIES

## Proposed LA County Department of Public Health Site Plan



# **LICENSE AGREEMENT WITH THE COUNTY OF LOS ANGELES FOR TEMPORARY DEPARTMENT OF PUBLIC HEALTH FACILITIES**

## **Next Steps:**

- The Los Angeles County Board of Supervisors has approved a motion that has delegated authority to the Los Angeles Chief Executive Office Real Estate Division to immediately execute the necessary lease agreement, upon approval of the Metro board.
- Receive approval from Metro Board of Directors to execute license
- CEO or their designee to execute license agreement with the County after approval as to form by County Counsel.





Thank you



Metro



## Board Report

File #: 2024-0081, File Type: Policy

Agenda Number: 10.

### FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2024

**SUBJECT: INVESTMENT POLICY**

**ACTION: APPROVE RECOMMENDATIONS**

#### **RECOMMENDATION**

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials in Attachment B; and
- C. DELEGATING to the Treasurer or his/her designees, the authority to invest funds for a one-year period, pursuant to California Government Code ("Code") Section 53607.

#### **ISSUE**

Section 53646 of the Code, requires the Board, on an annual basis and at a public meeting, to review and approve the Investment Policy. Section 53607 of the Code requires the Board to delegate investment authority to the Treasurer on an annual basis.

Section 10.8 of the Investment Policy requires that the Treasurer submit the Financial Institutions Resolutions to the Board annually for approval.

#### **BACKGROUND**

Metro's investment policy allows for operating funds to be invested consistent with Board approved investment policy guidelines. The policy is updated on an annual basis and was last updated on March 23, 2023.

#### **DISCUSSION**

The Board approves the objectives and guidelines that direct the investment of these operating funds. Changes to the Investment Policy have been made to incorporate updates to the California Government Code, to increase diversification, provide more liquidity, and clarify definitions of asset

backed and mortgage-backed securities. A redlined version of Investment Policy Changes is presented as Attachment A.

Financial Institutions require Board authorization to establish custody, trustee, and commercial bank accounts. The Financial Institutions Resolution is presented as Attachment B. The only change is to add “Deputy Chief Financial Officer” to this year’s resolution.

To streamline this board report, the following reference materials may be found on the Internet:

Current Investment Policy:

<http://www.metro.net/about/financebudget/> <<https://gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.metro.net%2Fabout%2Ffinancebudget%2F&data=05%7C01%7CYANJ%40metro.net%7Cdf8af3eebcd64a89360508db52437486%7Cab57129bdbfd4caca77fc74c40364af%7C1%7C0%7C638194221887779499%7CUnknown%7CTWFpbGZsb3d8eyJWljojMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEhaWwiLCJXVCi6Mn0%3D%7C3000%7C%7C%7C&sdata=mZPWvHYDFTO38HFcF3J6RJC2dE249cxzHHkD75PFOXI%3D&reserved=0>>

California Government Code: Section 53600 to 53609, Section 53646, Section 53652, Section 16429.1 to 16429.4:

[http://leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1).

## **DETERMINATION OF SAFETY IMPACT**

This Board Action will not have an impact on safety standards for Metro operations.

## **FINANCIAL IMPACT**

The funds required to update the Investment Policy are included in the FY24 budget in cost center 5210 and project number 610340.

### **Impact to Budget**

The sources of funds budgeted to manage assets in accordance with the Investment Policy are Proposition A, Proposition C, Measure R, Measure M and TDA administration funds. These funds are not eligible for bus and rail operating and capital expenses.

## **EQUITY PLATFORM**

This Board Action will not have any equity impacts or concerns. However, the proposed investment policy provides the guidelines for Metro’s internally and externally managed investment portfolios and contains socially responsible considerations. Eight firms are under contract to invest Metro’s external portfolio. Five of them are either Small Business, Minority owned, Women owned, or employee-



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owned firms The managers must invest in securities that comply with Metro's investment policy and CA Gov't code.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Metro's Investment Policy supports Metro's Vision 2028 Goal#5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

### **ALTERNATIVES CONSIDERED**

The Investment Policy and California Government Code require an annual review and adoption of the Investment Policy, delegation of investment authority, and approval of the Financial Institutions Resolution. Should the Board elect not to delegate the investment authority annually or approve the policy and resolution, the Board would assume daily responsibility for the investment of working capital funds and the approval of routine administrative actions.

### **NEXT STEPS**

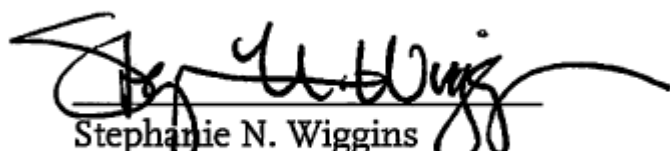
Upon Board approval, staff shall distribute the Investment Policy to external investment managers and broker-dealers. The Investment Policy and Financial Institutions Resolution will be issued to financial institutions with whom Metro engages.

### **ATTACHMENTS**

Attachment A - Investment Policy Redline  
Attachment B - Financial Institutions Resolution

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Stephanie N. Wiggins  
Chief Executive Officer

ATTACHMENT A

*Los Angeles County Metropolitan Transportation Authority*

# INVESTMENT POLICY

Approved on March 23~~8~~, 202~~3~~4

# INVESTMENT POLICY

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## **1.0 Policy**

It is the policy of the Los Angeles County Metropolitan Transportation Authority (LACMTA) to ensure that the temporarily idle funds of the agency are prudently invested to preserve capital and provide necessary liquidity, while maximizing earnings, and conforming to state and local statutes governing the investment of public funds.

This investment policy conforms to the California Government Code ("Code") as well as to customary standards of prudent investment management. Investments may only be made as authorized by the Code, Section 53600 et seq., Sections 16429.1 through 16429.4 and this investment policy. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this investment policy. Changes to the Code that are less restrictive than this investment policy may be adopted by the Board of Directors (Board).

## **2.0 Scope**

- 2.1 This investment policy sets forth the guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and any new fund created by the Board, unless specifically exempted. Excluded from this investment policy are guidelines for the investment of proceeds related to debt financing, defeased lease transactions, Agency (Deferred Compensation, 401K, and Benefit Assessment District), Other Post Employment Benefit (OPEB) Trust funds and Pension Trust Funds.
- 2.2 Internal and external portfolio managers may be governed by Portfolio Guidelines that may on an individual basis differ from the total fund guidelines outlined herein. The Treasurer is responsible for monitoring and ensuring that the total funds subject to this investment policy remain in compliance with this investment policy, and shall report to the Board regularly on compliance.

## **3.0 Investment Objectives**

- 3.1 The primary objectives, in priority order, of investment activities shall be:
  - A. Safety: Safety of principal is the foremost objective of the investment program. The investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The LACMTA shall seek to ensure that capital losses are avoided whether from institutional default, broker-dealer default, or erosion of market value. Diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
  - B. Liquidity: The investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.
  - C. Return on Investments: The LACMTA shall manage its funds to maximize the return on investments consistent with the two objectives above, with the goal of exceeding the performance benchmarks (Section 12.0) over a market cycle (typically a three to five year period).
- 3.2 It is policy to hold investments to maturity. However, a security may be sold prior to its maturity and a capital gain or loss recorded if liquidity needs arise, or in order to improve the quality, or rate of return of the portfolio in response to market conditions and/or LACMTA risk preferences.

Internal and external investment managers shall report such losses to the Treasurer and Chief Financial Officer immediately.

3.3

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing LACMTA funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

3.4

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this investment policy, written portfolio guidelines and procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in the quarterly investment report to the Board, and appropriate action is taken to control adverse developments.

#### **4.0 Delegation of Authority**

4.1

The Board shall be the trustee of funds received by the LACMTA. In accordance with Code Section 53607, the Board hereby delegates the authority to invest or reinvest the funds, to sell or exchange securities so purchased and to deposit securities for safekeeping to the Treasurer for a one year period, who thereafter assumes full responsibility for such transactions and shall make a monthly report of those transactions to the Board. Subject to review by the Board, the Board may renew the delegation of authority each year.

4.2

The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy, including establishment of appropriate written agreements with financial institutions. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The Treasurer may engage independent investment managers to assist in the investment of its financial assets.

4.3

No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the Treasurer.

4.4

Officers and employees involved in the investment process shall be governed by the standards regarding ethical behavior and conflicts of interest established in the Los Angeles County Metropolitan Transportation Authority Ethics Policy and annually shall file a Statement of Economic Disclosure with the Ethics Office.

#### **5.0 Permitted Investments**

5.1

All funds which are not required for immediate cash expenditures shall be invested in income producing investments or accounts, in conformance with the provisions and restrictions of this investment policy as defined in Section 5.1A and as specifically authorized by the Code, (Sections 53600, et seq.). Securities held by the LACMTA's custodial bank must be in compliance with Section 5.0 Permitted Investments at the time of purchase.

- 5.2 In order to reduce overall portfolio risk, investments shall be diversified among security type, maturity, issuer and depository institutions. See Section 5.1A for specific concentration limits by type of investment.
- A. Percentage limitations where listed are only applicable at the date of purchase.
  - B. In calculating per issuer concentration limits commercial paper, bankers' acceptances, medium term notes, asset-backed securities, placement service assisted deposits, and negotiable certificates of deposit shall be included; deposits collateralized per Section 7.3 of this investment policy are excluded from this calculation.
  - C. Credit requirements listed in this investment policy indicate the minimum credit rating (or its equivalent by any nationally recognized statistical rating organization) required at the time of purchase without regard to modifiers (e.g., +/- or 1,2,3), if any.
- 5.3 Maturities of individual investments shall be diversified to meet the following objectives:
- A. Investment maturities will be first and foremost determined by anticipated cash flow requirements.
  - B. Where this investment policy does not state a maximum maturity in Section 5.1A, no investment instrument shall be purchased which has a stated maturity of more than five years from the date of settlement, unless the instrument is specifically approved by the Board or is approved by the Board as part of an investment program and such approval must be granted no less than three months prior to the investment. The Board hereby grants express authority for the purchase of new issue securities with a 5 year stated maturity with extended settlement of up to 45 days from date of purchase.
  - C. The average duration of the externally managed funds subject to this investment policy shall not exceed 150% of the benchmark duration. The weighted average duration of the internal portfolios shall not exceed three (3) years.
- 5.4 State and local government sponsored Investment Pools and money market mutual funds as authorized by this investment policy are subject to due diligence review prior to investing and on a continual basis as established in Section 5.1A, #11 and #12.
- 5.5 This investment policy specifically prohibits the investment of any funds subject to this investment policy in the following securities:
- A. Derivative securities, defined as any security that derives its value from an underlying instrument, index, or formula, are prohibited. The derivative universe includes, but is not limited to, structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments, financial futures and options, and mortgage derived interest or principal only strips. Callable or putable securities with no other option features, securities with one interest rate step-up feature, and inflation indexed securities meeting all other requirements of this investment policy are excluded from this prohibition, as are fixed rate mortgage-backed securities and asset-backed securities.
  - B. Reverse repurchase agreements and securities lending agreements.

- C. Securities of fossil fuel companies, tobacco or tobacco-related companies, and companies in support of the production of weapons, military systems, or nuclear power.

## 6.0 Selection of Depository Institutions, Investment Managers and Broker-Dealers

- 6.1 To minimize the risk to the overall cash and investment portfolio, prudence and due diligence as outlined below shall be exercised with respect to the selection of Financial Institutions in which funds are deposited or invested. ~~The LACMTA's Financial Advisor (FA) will conduct competitive processes to recommend providers of financial services including commercial banking, investment management, investment measurement and custody services.~~

**Commented [YJ1]:** Removing FA language as it's no longer applicable.

- A. In selecting Depositories pursuant to Code Sections 53630 (et seq.), the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency. The main depository institutions will be selected on a periodic and timely basis.
- B. Deposits which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the collateralization requirements of Section 7.3 of this investment policy, at the Treasurer's discretion. A written waiver of securitization shall be executed, provided to the Depository Institution, and kept on file in the Treasury Department.
- C. The Treasurer shall seek opportunities to deposit funds with disadvantaged business enterprises, provided that those institutions have met the requirements for safety and reliability and provide terms that are competitive with other institutions.

- 6.2 In selecting external investment managers and brokers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost within the parameters of this investment policy and the Code shall be considered. External investment managers must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor Act of 1940.

- 6.3 Pursuant to Code Section 53601.5, the LACMTA and its investment managers shall only purchase statutorily authorized investments either from the issuer, from a broker-dealer licensed by the state, as defined in Section 25004 of the Corporations Code, from a member of a federally regulated securities exchange, a national or state-chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank.

- A. Internal investment manager will only purchase or sell securities from broker-dealers that are Primary Dealers in U.S. Government Securities or are a direct affiliate of a Primary Dealer. Internal investment manager will only purchase securities from broker-dealers who have returned a signed Receipt of Investment Policy and completed the Broker-Dealer Questionnaire, and have been approved by the Treasurer (see Appendices B and C). A current copy of the Broker-Dealer's financial statements will be kept on file in the Treasury Department. Should market conditions limit access to inventory, the Treasurer may approve executing transactions through non-Primary Dealers who meet all of the criteria listed below:

- a. The broker dealer must qualify under Securities Exchange Commission rule 15C3-1 (Uniform Net Capital Rule);
- b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. FINRA, SEC, MSRB);
- c. Have been in operation for more than five years; and
- d. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in U.S. Treasuries and Agencies.

B. In addition to Primary Dealers in U.S. Government Securities and direct affiliates of a Primary Dealer, external investment managers may purchase or sell securities from non-Primary Dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and provided that the dealer is a member of the Financial Industry Regulatory Authority. External investment managers shall submit, at least quarterly, a list of the non-Primary Dealers used during the period.

C. External investment managers must certify in writing that they will purchase securities in compliance with this investment policy, LACMTA Procedures, and applicable State and Federal laws.

6.4 Financial institutions and external investment managers conducting investment transactions with or for LACMTA shall sign a Certification of Understanding. The Certification of Understanding (see Appendix A) states that the entity:

- A. Has read and is familiar with the Investment Policy and Guidelines as well as applicable Federal and State Law;
- B. Meets the requirements as outlined in this investment policy;
- C. Agrees to make every reasonable effort to protect the assets from loss;
- D. Agrees to notify the LACMTA in writing of any potential conflicts of interest.

Completed certifications shall be filed in the Treasurer's Office. Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by that financial institution, or investment manager and/or the rescission of any and all authority to act as an agent to purchase or invest funds.

6.5 All broker-dealers who do business with the LACMTA's internal investment managers shall sign a Receipt of Investment Policy. The Receipt of Investment Policy (see Appendix B) states that the broker dealer:

- A. Has received, read, and understands this investment policy;
- B. Has communicated the requirements of this investment policy to all personnel who may select investment opportunities for presentation.



Failure to submit a Receipt of Investment Policy shall preclude the LACMTA from purchasing or selling securities from such broker-dealer. Completed receipts shall be filed in the Treasurer's Office.

#### **7.0 Custody and Safekeeping of Securities and LACMTA Funds**

- 7.1 A Master Repurchase Agreement must be signed with the bank or dealer before any securities and collateral for repurchase agreements shall be purchased and maintained for the benefit of the LACMTA in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the LACMTA and the bank. Specific collateralization levels are defined in Section 5.1A.
- 7.2 All investment transactions shall be settled "delivery vs. payment", with the exception of deposits, money market mutual fund investments, and Local Agency Investment Fund or other Local Government Investment Pools. Delivery may be physical, via a nationally recognized securities depository such as the Depository Trust Company, or through the Federal Reserve Book Entry system.
- 7.3 Funds deposited shall be secured by a Depository in compliance with the requirements of Code Section 53652. Such collateralization shall be designated and agreed to in writing.

#### **8.0 Reports and Communications**

- 8.1 The Treasurer is responsible for ensuring compliance with all applicable Local, State, and Federal laws governing the reporting of investments made with public funds. All investment portfolios will be monitored for compliance. Non-compliance issues will be included in the quarterly Board report as stated in Section 8.3 of this investment policy.
- 8.2 The Treasurer shall annually submit a statement of investment policy to the Board for approval. The existing approved investment policy will remain in effect until the Board approves the recommended statement of investment policy.
- 8.3 The Treasurer shall render a quarterly cash, investment, and transaction report to the CEO and Board, and quarterly to the Internal Auditor within 45 days following the end of the quarter covered by the report. The report shall include a description of LACMTA's funds, investments, or programs that are under the management of contracted parties, including lending programs. The report shall include as a minimum:
  - A. Portfolio Holdings by Type of Investment and Issuer
  - B. Maturity Schedule and Weighted Average Maturity (at market)
  - C. Weighted Average Yield to Maturity
  - D. Return on Investments versus Performance Benchmarks on a quarterly basis
  - E. Par, Book and Market Value of Portfolio for current and prior quarter-end
  - F. Percentage of the portfolio represented by each investment category
  - G. Total Interest Earned

H. Total Interest Received

I. A statement of compliance with this investment policy, or notations of non-compliance.

J. At each calendar quarter-end a subsidiary ledger of investments will be submitted with the exception listed in 8.3K.

K. For investments that have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in National Credit Union Administration insured accounts in a credit union, in a county investment pool, or in shares of beneficial interest issued by a diversified management company that invest in the securities and obligations as authorized by this investment policy and the Code, the most recent statement received from these institutions may be used in lieu of the information required in 8.3 J.

L. At each calendar quarter-end the report shall include a statement of the ability to meet expenditure requirements for the next six months.

M. A quarterly gain or loss report on the sale or disposition of securities in the portfolio.

8.4 Internal and external investment managers shall monitor investments and market conditions and report on a regular and timely basis to the Treasurer.

A. Internal and external investment managers shall submit monthly reports to the Treasurer, such reports to include all of the information referenced in Section 8.3, items A-J of this investment policy. Portfolios shall be marked-to-market monthly and the comparison between historical cost (or book value) and market value shall be reported as part of this monthly report.

B. Internal and external investment managers shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Treasurer in writing within 24 hours of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this investment policy, the investment manager shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.

C. External and internal investment managers shall immediately inform the Treasurer, or the Chief Financial Officer in writing of any major adverse market condition changes and/or major portfolio changes. The Chief Financial Officer or the Treasurer shall immediately inform the Board in writing of any such changes.

D. External investment managers shall notify the LACMTA internal managers daily of all trades promptly, via fax or via email.

E. Internal investment managers will maintain a file of all trades.

## 9.0 Portfolio Guidelines

Portfolio Guidelines are the operating procedures used to implement this investment policy approved by the Board. The Treasurer may impose additional requirements or constraints within the parameters set by this investment policy.

## **10.0 Internal Control**

- 10.1 The Treasurer shall establish a system of internal controls designed to prevent losses of public funds arising from fraud, employee or third party error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees or agents. Such internal controls shall be approved by the Chief Financial Officer and shall include authorizations and procedures for investment transactions, custody/safekeeping transactions, opening and dosing accounts, wire transfers, and clearly delineate reporting responsibilities.
- 10.2 Treasury personnel and LACMTA officials with signature authority shall be bonded to protect against possible embezzlement and malfeasance, or at the option of the governing board self-insured.
- 10.3 Electronic transfer of funds shall be executed upon the authorization of two official signatories.
- 10.4 Transaction authority shall be separated from accounting and record keeping responsibilities.
- 10.5 All investment accounts shall be reconciled monthly with custodian reports and broker confirmations by a party that is independent of the investment management function. Discrepancies shall be brought to the attention of the investment manager, the Treasurer and Deputy Executive Officer, Finance in the Treasury Department, the Controller, and if not resolved promptly, to the Chief Financial Officer.
- 10.6 The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide independent confirmation of compliance with policies and procedures.
- 10.7 The Treasurer is responsible for the preparation of the cash flow model. The cash flow model shall be updated monthly based upon the actual and projected cash flow.

Annually, the Treasurer shall notify the external investment managers of the cash flow requirements for the next twelve months. The Treasurer shall monitor actual to maximum maturities within the parameters of this investment policy.

- 10.8 The Treasurer shall annually submit the Financial Institutions Resolution to the Board for approval. The existing resolution will remain in effect until the Board approves the recommended resolution.

## **11.0 Purchasing Guidelines**

- 11.1 Investment managers shall purchase and sell securities at the price and execution that is most beneficial to the LACMTA. The liquidity requirements shall be analyzed and an interest rate analysis shall be conducted to determine the optimal investment maturities prior to requesting bids or offers. Investments shall be purchased and sold through a competitive bid/offer process. Bids/offers for securities of comparable maturity, credit and liquidity shall be received from at least three financial institutions, if possible.
- 11.2 Such competitive bids/offers shall be documented on the investment managers' trade documentation. Supporting documentation from the Wall Street Journal, Bloomberg or other financial information system shall be filed with the trade documentation as evidence of general market prices when the purchase or sale was effected.

## **12.0 Benchmarks**

Internal and external investment managers' performance shall be evaluated against the following agreed upon benchmarks. If the investment manager does not meet its benchmark over a market cycle (3 to 5 years), the Treasurer shall determine and set forth in writing reasons why it is in the best interests of the LACMTA to replace or retain the investment manager.

Portfolio	Investment Benchmarks
<u>External</u> Intermediate Duration Portfolios	ICE Bank of America/Merrill Lynch AAA-A 1-5 year Government & Corporate Index (BV10)
<u>External Short Duration Portfolios</u>	ICE BofA one-year US. Treasury Bill <u>Index</u> (GC03)
<u>Internal</u> Short Duration Portfolios	Three month Treasury

**Commented [YJ2]:** The Investment Manager Bench contract approved on March 2023 added a new external short duration portfolio.

**Los Angeles County Metropolitan Transportation Authority**  
**Section 5.1A**  
**Statement of Investment Policy <sup>a</sup>**

\* The percentage of portfolio authorized is based on market value.

Investment Type	Maximum Maturity	Maximum Allowable Percentage of Portfolio *	Minimum Quality and Other Requirements
Bonds Issued by the LACMTA	5 years <sup>b</sup>	100%	None
U.S. Treasury notes, bonds, bills or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for payment of principal and interest	5 years <sup>b</sup>	100%	None
Registered state warrants or treasury notes or bonds of the other 49 states in addition to California.	5 years <sup>b</sup>	25%	Such obligations must be rated “A1” or better short term; or “AA” or better long term, by a nationally recognized statistical rating organization
Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California	5 years <sup>b</sup>	25%	Such obligations must be rated “A1” or better short term; or “AA” or better long term, by a nationally recognized statistical rating organization
Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government –sponsored enterprises	5 years <sup>b</sup>	100%	None
Bills of exchanges or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances	180 days	40% <sup>c</sup>	The issuer’s short-term debt must have the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization
Commercial paper or “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization	270 days	40% <sup>d</sup>	See Footnote e
Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a state licensed branch of a foreign bank, or a federally licensed branch of a foreign bank.	5 years <sup>b</sup>	30% <sup>c</sup>	See Footnote f

Placement Service Assisted Deposits	5 years <b>b</b>	30% <b>c</b>	See Footnote g
Investments in repurchase agreements	90 days	20%	Limited to no more than 90 days. See Footnote h
United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank.	5 years <b>b</b>	30% <b>c</b>	Maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments shall be rated "AA" or better by a nationally recognized statistical rating organization and shall not exceed 30% of the portfolio.
Medium-term notes issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States	5 years <b>b</b>	30% <b>d</b>	Must be rated "A" or better by a nationally recognized statistical rating organization. If rated by more than one rating agency, both ratings must meet the minimum credit standards.
Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission, as authorized by Code Section 53601	Not applicable	20% <b>c</b>	See Footnote i
State of California Local Agency Investment fund (LAIF) Code Section 16429.1 through 16429.4 or other Local Government Investment Pool (LGIP) established by public California entities pursuant to Section 53684	Not applicable	Set by LAIF and LGIP	See Footnote j
Asset-backed Securities	5 years <b>b</b>	<del>15</del> 20% combined with mortgage-backed securities	See Footnote k
Mortgage-backed Securities	5 years <b>b</b>	<del>15</del> 20% combined with asset-backed securities	See Footnote l

**Commented [JY3]:** Increase the combined ABS and MBS holdings from 15% to 20% allowed by the code but bring up the credit rating from AA allowed by the code to AAA (ratings shown as Footnote k and l).

**Los Angeles County Metropolitan Transportation Authority  
Statement of Investment Policy**

<b>Footnotes for Section 5.1A Statement of Investment Policy</b>	
a	Sources: California Government Code Sections 16429.1, 53601, 53601.8, 53635 and 53638
b	Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to the settlement. New issue securities with a stated 5 year maturity can be purchased in the primary market with extended settlements of up to 45 days from the date of settlement.
c	Limited to no more than 10% of the portfolio in any one issuer (i.e. bankers' acceptances, negotiable certificates of deposit, and money market funds)
d	Limited to no more than 10% of the portfolio in the commercial paper and the medium-term notes of any one issuer.
e	<p>Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):</p> <p>(1) The entity meets the following criteria: Is organized and operating in the United States as a general corporation; Has total assets in excess of five hundred million dollars (\$500,000,000); Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization.</p> <p>(2) The entity meets the following criteria: Is organized within the United States as a special purpose corporation, trust, or limited liability company; Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond; Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.</p>
f	The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any other specified city officer or employee also serves on the board of directors or certain committees of that credit union
g	Investments in placement services assisted deposits is authorized under Sections 53601.8, 53635.8, and 53601 (i) of the California Government Code.
h	Repurchase agreements shall be executed through Primary Broker-Dealers. The repurchase agreement must be covered by a master repurchase agreement. Repurchase agreements shall be collateralized at all times. Collateral shall be limited to obligations of the United States and Federal Agencies with an initial margin of at least 102% of the value of the investment, and shall be in compliance if brought back up to 102% no later than the next business day. Collateral shall be delivered to a third party custodian in all cases. Collateral for term repurchase agreements shall be valued daily by the LACMTA's investment manager (for internal funds) or external investment manager. Investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. The LACMTA shall obtain a first lien and security interest in all collateral
i	

	Companies must have either 1) the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized statistical rating organizations, or (2) retained an investment advisor registered or exempt with the Securities and-Exchange Commission, with no less than five years experience investing in the securities and obligations authorized by California Government Code 53601 a-k inclusive and m-o inclusive and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price may not include any commissions charged by these companies
j	Maximum investment per individual pool limited to the amount for LAIF as set by the State Treasurer's Office. Limit does not include funds required by law, ordinance, or statute to be invested in pool. Each pool must be evaluated and approved by the Treasurer, as to credit worthiness, security, and conformity to state and local laws. An evaluation should cover, but is not limited to establishing, a description of who may invest in the program, how often, what size deposit and withdrawal; the pool's eligible investment securities, obtaining a written statement of investment policy and objectives, a description of interest calculations and how it is distributed; how gains and losses are treated; a description of how the securities are safeguarded and how often the securities are priced and the program audited. A schedule for receiving statements and portfolio listings. A fee schedule, when and how fees are assessed
k	Limited to senior class securities with stated maturities of no more than 5 years. Further limited to securities rated in a rating category of "AAA" or its equivalent or better as provided for by a nationally recognized statistical rating organization. Further limited to fixed rate, publicly offered, generic credit card, automobile receivables, and equipment receivables only. Deal size must be at least \$250 million, and tranche size must be at least \$25 million
l	Pass-Through securities: <del>Limited to Government Agency or Government Sponsored issuers</del> , fixed rate, stated maturity no more than 5 years. CMOS: Limited to Government Agency or Government Sponsored Issuers and Planned Amortization Classes (PAC) only. Securities eligible for investment under this category shall be rated "AAA" or its equivalent or better by a nationally recognized statistical rating organization. The following are prohibited: ARMS, floaters, interest or principal (IOs, POs), Targeted Amortization Classes, companion, subordinated, collateral classes, or zero accrual structures

**Commented [JY4]:** ABS rating moved up from AA to AAA

**Commented [YJ5]:** MBS rating moved up from AA to AAA; Delete "Limited to Government Agency or Government Sponsored issuers" to comply with CA Gov't Code 53601 (o).



## APPENDIX A

# LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

### CERTIFICATION OF UNDERSTANDING

The Los Angeles County Metropolitan Transportation Authority (LACMTA) Investment Policy as approved by the Board of Directors requires that all Financial Institutions and Investment Managers' conducting investment transactions with or for LACMTA sign a Certification of Understanding acknowledging that:

1. *You have read and are familiar with the LACMTA's Investment Policy as well as applicable Federal and State laws.*
2. *You meet the requirements as outlined in Investment Policy.*
3. *You agree to make every reasonable effort to protect the assets from loss.*
4. *You agree to notify the LACMTA in writing of any potential conflicts of interest.*
5. *You agree to notify the LACMTA in writing of any changes in personnel with decision-making authority over funds within 24 hours of such event.*

Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by the financial institution or investment manager and the immediate revocation of any rights to act as an agent of the LACMTA for the purchase of securities or investment of funds on behalf of LACMTA.

The Board of Directors is committed to the goals of the Community Reinvestment Act (CRA). As part of the certification process for depository institutions, it is requested that you remit evidence of your most recent CRA rating.

SIGNED: \_\_\_\_\_ DATE: \_\_\_\_\_  
Print Name and Title \_\_\_\_\_

After reading and signing this Certification of Understanding please return with *any* supporting documentation to:

LACMTA  
Treasury Department  
Attention: Treasurer  
One Gateway Plaza  
Los Angeles, CA 90012-2932

LACMTA use only:

Approved: \_\_\_\_\_ Disapproved: \_\_\_\_\_ Date: \_\_\_\_\_

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

LACMTA Treasurer

APPENDIX B

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY

BROKER-DEALER RECEIPT OF INVESTMENT POLICY

We are in receipt of the Los Angeles County Metropolitan Transportation Authority's (LACMTA) Investment Policy.

We have read the policy and understand the provisions and guidelines of the policy. All salespersons covering LACMTA's account will be made aware of this policy and will be directed to give consideration to its provisions and constraints in selecting investment opportunities to present to LACMTA.

Signed \_\_\_\_\_  
Name Name

Title	Title
-------	-------

Firm Name

Date	Date
------	------

After reading and signing this Receipt of Investment Policy, please return with supporting documentation to:

LACMTA  
Treasury Department  
Attention: Treasurer  
One Gateway Plaza  
Los Angeles, CA 90012-2932

LACMTA use only:

Approved: \_\_\_\_\_ Disapproved: \_\_\_\_\_ Date: \_\_\_\_\_

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

LACMTA Treasurer

APPENDIX C

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION  
AUTHORITY

BROKER/DEALER QUESTIONNAIRE

1. Name of Firm\_\_\_\_\_

2. Address\_\_\_\_\_

(Local)

(National Headquarters)

\_\_\_\_\_

3. Telephone No. ( ) \_\_\_\_\_ Telephone No. ( ) \_\_\_\_\_

(Local)

(National Headquarters)

4. Primary Representative Manager/Partner-in-Charge

Name\_\_\_\_\_ Name\_\_\_\_\_

Title\_\_\_\_\_ Title\_\_\_\_\_

Telephone No.\_\_\_\_\_ Telephone No.\_\_\_\_\_

No. of Yrs. in Institutional Sales\_\_\_\_\_ No. of Yrs. in Institutional Sales\_\_\_\_\_

Number of Years with Firm\_\_\_\_\_ Number of Years with Firm\_\_\_\_\_

5. Are you a Primary Dealer in U.S. Government Securities? [ ] YES [ ] NO

If NO, Is the parent company or its subsidiary a Primary Dealer in U.S. Government Securities? Provide proof of certification.

[ ] YES [ ] NO

Please explain your firm's relationship to the Primary Dealer below:

\_\_\_\_\_

Please provide proof certification from the National Association of Securities Dealer.

6. Are you a Broker instead of Dealer, i.e., you DO NOT own positions of Securities?

[ ] YES [ ] NO

7. What is the net capitalization of your Firm? \_\_\_\_\_

8. What is the date of your Firm's fiscal year-end? \_\_\_\_\_

9. Is your Firm owned by a Holding Company? If so, what is its name and net capitalization?

\_\_\_\_\_

10. Please provide your Wiring and Delivery Instructions.

\_\_\_\_\_

11. Which of the following instruments are offered regularly by your local desk?

☐ T-Bills    ☐ Treasury Notes/Bonds    ☐ Discount Notes    ☐ NCD's  
☐ Agencies (specify) \_\_\_\_\_  
☐ BA's (Domestic)    ☐ BA's (Foreign)    ☐ Commercial Paper  
☐ Med-Term Notes    ☐ Repurchase Agreements

12. Does your Firm specialize in any of the instruments listed above?

\_\_\_\_\_

13. Please identify your comparable government agency clients in the LACMTA's geographical area.

<u>Entity</u>	<u>Contact Person</u>	<u>Telephone No.</u>	<u>Client Since</u>
---------------	-----------------------	----------------------	---------------------

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

14. What reports, confirmations, and other documentation would LACMTA receive? Please include samples of research reports or market information that your firm regularly provides to government agency clients.

15. What precautions are taken by your Firm to protect the interests of the public when dealing with government agencies as investors?

\_\_\_\_\_

\_\_\_\_\_

16. Have you or your Firm been censored, sanctioned or disciplined by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities within the past five years? ☐ YES ☐ NO

17. If yes, please explain

\_\_\_\_\_

18. Please provide your most recent audited financial statements within 120 days of your fiscal year-end.

19. Please indicate the current licenses of the LACMTA representatives:

Agent: \_\_\_\_\_ License or registration: \_\_\_\_\_

**APPENDIX D**  
**LOS ANGELES COUNTY METROPOLITAN**  
**TRANSPORTATION AUTHORITY**  
**INVESTMENT POLICY GLOSSARY**

**ASKED:** The price at which securities are offered from a seller.

**ASSET-BACKED SECURITY (ABS):** ABS is a debt instrument collateralized or backed by consumer receivables such as automobile loans, credit card receivables and equipment receivables.

**Commented [YJ6]:** Add ABS definition

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**BANKERS' ACCEPTANCE (BA):** Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (or issuer - the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

**BID:** The price offered by a buyer of securities.

**BOOK VALUE:** The original cost of the investment, plus accrued interest and amortization of any premium or discount.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable (marketable or transferable).

**COLLATERAL:** Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

**COMMERCIAL PAPER (CP):** Unsecured promissory notes issued by companies and government entities at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

**CUSTODY or SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT:** Delivery of securities with a simultaneous exchange of money for the securities.

**FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES (AGENCIES):** U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). They include:

- ◆ Federal Home Loan Banks (FHLB)
- ◆ Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
- ◆ Federal National Mortgage Association (FNMA or "Fannie Mae")

- ◆ Federal Farm Credit Banks (FFCB)
- ◆ Tennessee Valley Authority (TVA)

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MEDIUM TERM NOTES (MTN):** Interest bearing, continuously offered debt, issued in the 9 month to ten year maturity range. Deposit notes, like Certificates of Deposit, actually represent an interest bearing deposit at a bank or other depository institution.

**MORTGAGE--BACKED SECURITY (MBS)** is a bond or security that reflects an interest in a pool of real estate loans as the underlying collateral.

Commented [Y37]: Add MBS definition

**OFFER:** The price asked by a seller of securities.

**PAR VALUE:** The face value, or principal amount payable at maturity.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

**QUALIFIED INSTITUTIONAL BUYER (QIB):** Defined in SEC 144A as a class of investors that can be conclusively assumed to be sophisticated and in little need of the protection afforded by the Securities Act's Registration Provisions. They must own and invest on a discretionary basis at least 100 million in securities of issuers that are not affiliated with such a qualified institutional buyer. This includes any institutional investors included in the accredited investor definition, provided they satisfy the \$100 million threshold.

**REPURCHASE AGREEMENT (RP OR REPO):** A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, whereby the security "buyer" in effect lends the "seller" money for the period of the agreement, and the difference between the purchase price and sale price determining the earnings. Dealers use RP extensively to finance their positions.

**SECURITIES & EXCHANGE COMMISSION (SEC):** An agency created by Congress to protect investors in securities transactions by administering securities legislation.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY NOTES AND BONDS:** Long-term U.S. Treasury securities having initial maturities of 2 to 30 years.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage.

**YIELD TO MATURITY (YTM):** The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ATTACHEMENT B  
FINANCIAL INSTITUTIONS RESOLUTION

RESOLVED, that any financial institutions, including all banks and their correspondent banks doing business with the Los Angeles County Metropolitan Transportation Authority (LACMTA), are hereby authorized, requested and directed to honor all checks, drafts, wires, or other orders for payment of money drawn in the LACMTA's name on its account(s) (including those drawn on the individual order of any person or persons whose names appear thereon as a signer or signers thereof) when bearing the original and/or facsimile signature of the Chair; Chief Executive Officer; Chief Financial Officer; Deputy Chief Financial Officer; Treasurer; Deputy Executive Officer, Finance in Treasury Department; or Assistant Treasurer (collectively, LACMTA Officials). LACMTA Officials are the only representatives empowered to open, close or authorize changes to accounts on behalf of LACMTA. LACMTA Officials may designate individuals as Official Signatories for financial accounts. The duties of Official Signatories shall be limited to check signing, wire or fund transfers, balance reporting and/or monitoring of bank processes.

And, those financial institutions, including correspondent banks, currently doing business with LACMTA shall be entitled to honor and charge LACMTA for all such checks, drafts, wires, or other orders for the payment of money, regardless of by whom or by what means when the actual or facsimile signature or signatures resemble the specimens filed with those financial institutions by the Secretary or other officer of LACMTA.

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on \_\_\_\_\_.

Dated: \_\_\_\_\_

(SEAL)

\_\_\_\_\_  
Board Clerk



# **Investment Policy**

**Finance, Budget and Audit Committee  
March 20, 2024**

# Investment Policy

## **Recommendation:**

- Adopt the Investment Policy;
- Approve the Financial Institutions Resolution; and
- Delegate to the Treasurer the authority to invest funds for a one-year period.

# Investment Policy

## **Changes to the Investment Policy have been made to:**

- Incorporate updates to the California Government Code
- Define Asset-backed securities and Mortgage-backed securities
- Add a new short duration portfolio (implemented to encourage SBE participation) and its benchmark
- Remove reference to the use of a financial advisor as it is no longer applicable

# Investment Policy

## Next Steps:

- Upon Board approval, staff shall distribute the Investment Policy to external investment managers and broker-dealers.
- The Investment Policy and Financial Institutions Resolution will be issued to financial institutions with whom Metro engages.



## Board Report

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**File #:** 2024-0110, **File Type:** Informational Report

**Agenda Number:** 11.

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### FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2024

**SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe LLP (Crowe) as of and for the fiscal year ended June 30, 2023.

#### **ISSUE**

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and the following component audits for the fiscal year ended June 30, 2023 (FY23):

- Annual Comprehensive Financial Report for the Los Angeles County Metropolitan Transportation Authority;
- Independent Auditor's SAS 114 letter covering required communications related to the financial statement audit;
- Single Audit Report;
- Independent Accountant's Report on Applying Agreed-Upon Procedures on Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154);
- Independent Auditor's Report on Compliance with the California Code of Regulations (Section 6667); Report on Internal Control over Compliance; and Report on 50% Expenditure Limitation Schedule for Transportation Development Act Operations Agency;
- Independent Auditor's Report on Compliance with the California Code of Regulations (Sections 6640-6662); Report on Internal Control over Compliance; and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for Transportation Development Act;
- Independent Auditor's Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements for the fiscal years ended June 30, 2023, and 2022.
- Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial

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statements; and

- Independent Auditor's Report on Compliance with Rules and Regulations of the Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the Los Angeles County Metropolitan Transportation Authority's compliance with the LCTOP Guidelines.

## **BACKGROUND**

State law requires Metro to publish a complete set of audited financial statements within six months of the close of each fiscal year. In compliance with those requirements, this report seeks to provide Metro's Annual Comprehensive Financial Report, completed in December 2023, to the Board.

In addition to regulatory requirements, professional auditing standards require that Crowe communicate certain matters to keep Metro adequately informed about matters related to the financial statement audit that are significant and relevant in overseeing the financial reporting process. The financial and compliance audits must be conducted in accordance with these auditing standards. The main goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement, whether due to fraud or error.

## **DISCUSSION**

Metro's basic financial statements include its audited financial statements, supplemental information, and unmodified audit opinion from the independent external auditor. The independent auditor issued unmodified opinions on all audit reports for FY23. Receiving an unmodified opinion indicates that all financial statements for FY23 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Crowe identified two uncorrected misstatements resulting in a total net position understatement of \$43M. One misstatement was related to the estimated value of Low Carbon Fuel Standard (LCFS) credits which will be recognized when the credits are sold. The other misstatement was due to the recording of Regional TAP (RTAP) cash and accounts payable. Management opted to continue recording the transactions in Enterprise Fund instead of Fiduciary Funds which does not result in any material difference. Additionally, the RTAP financial statements are audited annually by another independent Auditor, BCA Watson Rice, LLP who also issued a clean opinion for FY23. In addition, one exception was identified in the 90154 report related to \$74,552 in variances between operating expenses and audited financial data. The variances have been corrected with the National Transportation Database (NTD).

Due to the considerable size of the document, the Annual Comprehensive Financial Report is on file with the Board Clerk. The report is also accessible on Metro's website at [https://libraryarchives.metro.net/DB\\_Attachments/FY23%20-%20LA%20Metro%20ACFR.pdf](https://libraryarchives.metro.net/DB_Attachments/FY23%20-%20LA%20Metro%20ACFR.pdf).

## **EQUITY PLATFORM**

The basic financial statements and component financial statement audits in this report support the

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completion of the Annual Comprehensive Financial Report, which provides Metro with opportunities to identify equity impacts. There are no equity impacts or concerns from audit services conducted to complete the Annual Financial Comprehensive Report.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Receiving and filing of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

### **NEXT STEPS**

Management Audit Services will continue reporting audit activities on the basic financial statements and component financial statements in the next fiscal year.

### **ATTACHMENTS**

Attachment A - SAS 114 Letter Covering Required Communications

Attachment B - Single Audit Report

Attachment C - Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154)

Attachment D - Transportation Development Act Operations Agency

Attachment E - Transportation Development Act Schedule of Revenues, Expenditures, and Changes in Fund Balances

Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements

Attachment G - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements

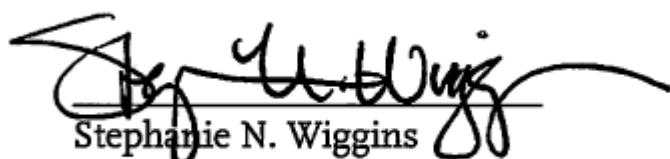
Attachment H - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance

Prepared by: Kimberly Houston, Deputy Chief Auditor, (213) 922-5720

Lauren Choi, Senior Director, Audit, (213) 922-3926

Monica Del Toro, Senior Manager, Audit, (213) 922-7494

Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101



Stephanie N. Wiggins  
Chief Executive Officer



Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

#### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the Los Angeles County Metropolitan Transportation Authority (LACMTA) for further information on the responsibilities of management and of Crowe LLP.

#### **AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS**

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of LACMTA's 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 or disclosures. 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.

#### **COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM LACMTA**

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to LACMTA under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with LACMTA that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.



## PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- Where LACMTA has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The Company's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications between LACMTA and regulators.
  - Other matters you believe are relevant to the audit of the financial statements.

Matters relative to the use of other auditors/other accountants during the audit:

- An overview of the type of work to be performed by other auditors/other accountants.
- The basis for the decision to make reference to the audit of the other auditor in our report on LACMTA's financial statements.
- An overview of the nature of our planned involvement in the work to be performed by the other auditor/other accountant.

## SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
Significant Unusual Transactions.	No such matters noted
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted

Accounting Standard	Impact of Adoption
<p><b>GASB Statement No. 91, “Conduit Debt Obligations”</b></p> <p>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.</p>	<p>Adoption of this Statement did not have a material impact on LACMTA’s financial position or results of operations.</p>
<p><b>GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”</b></p> <p>The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.</p>	<p>Adoption of this Statement did not have a material impact on LACMTA’s financial position or results of operations.</p>

Accounting Standard	Impact of Adoption
<b>GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”</b> This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.	Adoption of this Statement did not have a material impact on LACMTA’s financial position or results of operations.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management’s current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in LACMTA’s year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management’s estimates.
Loss Contingencies	LACMTA consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management’s evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements.	Based on information obtained from LACMTA’s legal counsel regarding this matter and discussions with management, we concur with management’s accrual and disclosure, or lack thereof, of loss contingencies.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.
Accrual for Self-Insured Claims	Accruals for self-insured claims are based on management's estimate of the ultimate incurred losses and losses that have been incurred but not yet reported. Management determines the self-insured reserves for estimated claims based historical rate of claims, actual claims experience and projected claims experience.	We tested the propriety of information underlying management's estimates and the reasonableness of estimates and assumptions.

#### **AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES**

We are to discuss with you our comments about the following matters related to LACMTA's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of LACMTA, considering the need to balance the cost of providing information with the likely benefit to users of LACMTA's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including LACMTA's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying the uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if it was concluded that the uncorrected misstatements are immaterial to the financial statements under audit. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

1. Two known misstatements and one likely misstatement were waived by management relating to the generation and sale of low carbon fuel standards (LCFS) credits, a program administered by the California Air Resources Board. LACMTA generates these credits through the usage of low carbon fuel options, such as CNG and propulsion power, activities that are recorded on the Enterprise fund (business-type activities). Thus, the \$4.0 million of revenue from the sales of these credits should be recorded on the Enterprise fund. However, management has recorded the revenue on the General fund to provide greater visibility to the revenue being generated.

In addition to reclassifying the revenue between LACMTA's funds, we also noted that the number of credits held as of the reporting date, multiplied by their estimated fair value, should be recorded as an asset based on the GASB's definition of an asset. This resulted in a likely misstatement that understated Enterprise fund assets by approximately \$31.5 million, overstated revenue by approximately \$7.7 million, and understated net position by approximately \$43.2 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2022, which was reported as waived adjustment in the FY 2022 audit.

2. Two likely misstatements were waived by management related to not accounting for the Regional Transit Access Pass (RTAP) activity for other operators (non LACMTA) as fiduciary activities. The stored value estimated to be used by other operators results in an increase in cash in the amount of \$8.8M. The amount payable to operators results in an increase to accounts payable in the amount of \$1.7 million. Additionally, the activity for the year related to other operators results in an increase in deductions and additions in the amount of \$13.5 million and \$14.1 million, respectively.

## OTHER COMMUNICATIONS

Communication Item	Results
<p><b>Other Information Included in an Annual Report</b>  Information may be prepared by management that accompanies or includes the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that:</p> <ul style="list-style-type: none"> <li>• Material inconsistency exists between the other information and the auditor's knowledge obtained in the audit; or</li> <li>• A material misstatement of fact exists, or the other information is otherwise misleading.</li> </ul> <p>If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared other information to accompany the audited financial statements.</p>
<p><b>Significant Difficulties Encountered During the Audit</b>  We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p><b>Disagreements with Management</b>  We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LACMTA's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p><b>Difficulties or Contentious Matters</b>  We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team.</p>	<p>During the audit, there were no such issues for which we consulted outside the engagement team.</p>
<p><b>Circumstances that Affect the Form and Content of the Auditor's Report</b>  We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.</p>	<p>There are no such circumstances that affect the form and content of the auditor's report.</p>
<p><b>Consultations with Other Accountants</b>  If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>
<p><b>Representations the Auditor Is Requesting from Management</b>  We are to provide you with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>

Communication Item	Results
<b>Significant Issues Discussed, or Subject to Correspondence, With Management</b> We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
<b>Significant Related Party Findings or Issues</b> We are to communicate to you significant findings or issues arising during the audit in connection with LACMTA's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
<b>Other Findings or Issues We Find Relevant or Significant</b> We are to communicate to you other findings or issues, if any, arising during the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve LACMTA as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Los Angeles, California  
 December 22, 2023

**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**SINGLE AUDIT REPORT**

Fiscal year ended June 30, 2023



LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
Los Angeles, California

SINGLE AUDIT REPORT  
Fiscal year ended June 30, 2023

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ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 22, 2023. Our report includes a reference to other auditors who audited the financial statements of the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, as described in our report on LACMTA's financial statements. The financial statements of the defined benefit pension plan of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LACMTA's internal control over financial reporting (internal control) as a basis for designing 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 LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies may exist that have not been identified.

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(Continued)

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

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

Crowe LLP

Los Angeles, California  
December 22, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2023. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to LACMTA's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Crowe LLP

Los Angeles, California  
December 22, 2023

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Fiscal year ended June 30, 2023

Federal grantor/ pass-through grantor/program or cluster title/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipient	State Share	Local Share
U.S. Department of Transportation Federal Highway Administration Passed through State of California Department of Transportation: Highway Planning and Construction Cluster Highway Planning and Construction								
Extension of Transit way on I-110 to Downtown LA	20.205	EA 07-278008	\$ 6,272,632	\$ 613,161	490,528	-	\$ -	\$ 122,632
Freight Advanced Traveler Information System (FRATIS)	20.205	ATCMTDL-6065(218)	3,000,000	154,975	77,487	-	-	77,487
I-605/SR-91 Interchange Improvements	20.205	07-5186	26,000,000	2,966,950	684,298	-	1,454,731.85	827,919.93
I-5 Chokepoint relief project	20.205	07-5187	294,000,000	61,559,695	12,566,898	-	23,209,837	25,782,959
Soundwall Package#10	20.205	HIPL-6065(251)	48,649,000	4,768,602	4,755,994	-	-	12,608
Union Station Master Plan: Alameda Esplanade	20.205	07-6065F15-F022	2,150,000	72,557	-	12,104	-	60,453
<b>Highway Planning and Construction Total</b>			<b>380,071,632</b>	<b>70,135,939</b>	<b>18,575,207</b>	<b>12,104</b>	<b>24,664,569</b>	<b>26,884,059</b>
Infrastructure for Rebuilding America (INFRA) Cluster The Nationally Significant Multimodal Freight & Highway Projects SR-57/60 Confluence Choke Point	20.934	INFRA-6065 (254)	27,000,000	44,420	35,536	-	-	8,884
<b>Federal Highway Administration Total</b>			<b>407,071,632</b>	<b>70,180,359</b>	<b>18,610,743</b>	<b>12,104</b>	<b>24,664,569</b>	<b>26,892,943</b>
Federal Transit Administration Direct Programs: Federal Transit Cluster: Federal Transit Capital Improvement Grants:								
Regional Connector Transit Corridor	20.500	CA-2016-046	504,900,000	10,275,993	8,600,529	-	-	1,675,463
Regional Connector Transit Corridor	20.500	CA-2022-138	59,228,415	59,228,415	59,228,415	-	-	-
Westside Purple Line Ext. - Section 1 New Starts	20.500	CA-2016-017	771,983,701	203,829,076	176,680,343	-	-	27,148,733
Westside Purple Line Ext Section 1 ARPA	20.500	CA-2022-105	66,428,844	66,428,844	66,428,844	-	-	-
Westside Purple Line Ext Section 2 New Starts	20.500	CA-2016-047	771,983,701	109,527,008	122,693,940	-	-	(13,166,932)
Westside Purple Line Ext Section 2 ARPA	20.500	CA-2022-149	58,417,784	58,417,784	58,417,784	-	-	-
Westside Purple Line Ext Section 3 ARPA	20.500	CA-2022-081	93,437,754	93,437,754	93,437,754	-	-	-
Westside Purple Line Extension 3 New Starts	20.500	CA-2019-170	571,983,701	69,611,236	108,098,073	-	-	(38,486,837)
<b>Federal Transit Capital Improvement Grants Total</b>			<b>2,898,363,900</b>	<b>670,756,109</b>	<b>693,585,682</b>	<b>-</b>	<b>-</b>	<b>(22,829,573)</b>
Systemwide Light Rail Vehicles	20.507	CA-2016-026	149,430,000	26,205,781	4,128,762	-	-	22,077,019
RAIL TO RAIL ATC (SEGMENT A-1) - ATP	20.507	CA-2022-206	8,326,000	2,422,586	1,938,069	-	-	484,517
FY17/21 Section 5307 for Bus Preventive Maintenance	20.507	CA-2022-132	146,909,793	184,220,639	146,909,793	-	-	37,310,846
5337 & 5307/5340 LA Metro FY23 Rail Preventive Maintenance	20.507	CA-2022-155	8,864,770	11,080,963	8,864,770	-	-	2,216,193
Westside Purple Line Ext Section 3 CMAQ & STBG	20.507	CA-2022-144	115,000,000	60,204,478	48,338,711	-	-	11,865,767
<b>Federal Transit - Formula Grants Total</b>			<b>428,530,563</b>	<b>284,134,447</b>	<b>210,180,104</b>	<b>-</b>	<b>-</b>	<b>73,954,343</b>
State of Good Repair Grants Program 5337 & 5307/5340 LA Metro FY23 Rail Preventive Maintenance	20.525	CA-2022-155	107,267,656	134,084,570	107,267,656	-	-	26,816,914
5337 LA Metro Rail Vehicle Midlife Overhauls	20.525	CA-2018-031	86,251,460	27,782,249	18,676,599	-	-	9,105,651
<b>State of Good Repair Grants Program Total</b>			<b>193,519,116</b>	<b>161,866,819</b>	<b>125,944,255</b>	<b>-</b>	<b>-</b>	<b>35,922,565</b>
Bus and Bus Facilities Formula Program Section 5339 Bus Overhauls	20.526	CA-2019-056	146,810,553	35,829,167	18,843,550	-	-	16,985,618
<b>Bus and Bus Facilities Formula Program Total</b>			<b>146,810,553</b>	<b>35,829,167</b>	<b>18,843,550</b>	<b>-</b>	<b>-</b>	<b>16,985,618</b>
Research, Development, Demonstration and Deployment Program FY20 Section 5312 AIM Travel Rewards Research Pilot	20.530	CA-2021-012	700,000	173,219	172,634	-	-	585
<b>Research, Development, Demonstration and Deployment Program Total</b>			<b>700,000</b>	<b>173,219</b>	<b>172,634</b>	<b>-</b>	<b>-</b>	<b>585</b>
<b>Federal Transit Cluster Total</b>			<b>\$ 3,667,924,132</b>	<b>\$ 1,152,759,761</b>	<b>\$ 1,048,726,224</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 104,033,537</b>

(Continued)

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Fiscal year ended June 30, 2023

Federal grantor/ pass-through grantor/program or cluster title/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipient	State Share	Local Share
Enhanced Mobility of Seniors and Individual with Disabilities								
Enhanced Mobility of Seniors and Individuals with Disability Program 5310 All	20.513	CA-16-X066	\$ 6,092,451	\$ 76,228	-	49,707	\$ -	\$ 26,521
L.A. County Section 5310 All Subrecipients - FY19	20.513	CA-2020-167	9,787,049	1,171,893	-	970,244	-	201,649
LA County Section 5310 All Subrecipients FY17	20.513	CA-2018-065	9,207,811	591,922	108,782	308,645	-	174,495
Program Administration FFY19	20.513	CA-2021-226	1,115,715	351,876	-	351,876	-	-
5310 Enhanced Mobility of Senior and Individuals with Disability	20.513	CA-2022-142	1,254,836	911,271	911,271	-	-	-
5310 Enhanced Mobility of Senior and Individuals with Disability	20.513	CA-2022-141	1,254,817	134,750	134,750	-	-	-
Enhanced Mobility of Seniors and Individual with Disabilities Total			28,712,679	3,237,939	1,154,803	1,680,472	-	402,665
Job Access and Reverse Commute Program								
L A County Job Access and Reverse Commute (JARC) Program Administration. FY01	20.516	CA-37-X071	5,032,849	287,754	287,754	-	-	-
Job Access and Reverse Commute Program. Project - LA County Job Access and Pro	20.516	CA-37-X100	10,343,881	(2,535,585)	(1,169,597)	(157,113)	-	(1,208,875)
Job Access and Reverse Commute - Capital/Operating Assist.	20.516	CA-37-X123	13,878,024	469,369	-	375,495	-	93,874
Job Access and Reverse Commute Program Total			29,254,754	(1,778,462)	(881,843)	218,382	-	(1,115,002)
New Freedom Program:								
New Freedom - Capital & Operating Assistance	20.521	CA-57-X100	7,354,678	3,039,249	-	1,519,625	-	1,519,625
New Freedom - Capital & Operating Assistance	20.521	CA-57-X084	8,702,026	114,712	-	107,623	-	7,089
New Freedom Program Total			16,056,704	3,153,961	-	1,627,247	-	1,526,714
Transit Services Programs Cluster Total			74,024,137	4,613,438	272,960	3,526,101	-	814,377
Research and Development Cluster								
Public Transportation Research, Technical Assistance, and Training								
FY16 Demonstration of Collision Avoidance and Mitigation Technologies on Los A	20.514	CA-2017-055	1,450,000	170,803	123,832	-	-	46,971
Public Transportation Research, Technical Assistance, and Training Total			1,450,000	170,803	123,832	-	-	46,971
Federal Transit Administration Total			4,123,469,901	1,227,679,942	1,067,698,223	3,538,206	24,664,569	131,778,944
Office of the Secretary								
National Infrastructure Investments								
TIGER VII Rail to Rail Active Transportation Corridor Connector	20.933	CA-2017-103	15,000,000	43,844,256	7,796,394	-	-	36,047,861
ROSECRANS/MARQUARDT GRADE SEPARATION PROJECT	20.933	FRA FR-TII-0051-19-01-00	15,000,000	15,000,000	15,000,000	-	-	-
National Infrastructure Investments Total			30,000,000	58,844,256	22,796,394	-	-	36,047,861
U.S. Department of Transportation Total			4,180,469,901	1,286,568,617	1,090,530,153	3,538,206	24,664,569	167,835,689
U.S. Department of Homeland Security:								
Transportation Security Administration								
Direct Programs:								
Rail and Transit Security Grant Program								
Transit Security Grant Program	97.075	EMW-2018-RA-00007	6,204,960	5,410,747	5,410,747	-	-	-
Transit Security Grant Program	97.075	EMW-2019-RA-00019	7,208,108	2,344,312	2,344,312	-	-	-
Video Management System/Security Intelligence	97.075	EMW-2020-RA-00029	12,180,025	294,553	294,553	-	-	-
Rail and Transit Security Grant Program Total			25,593,093	8,049,612	8,049,613	-	-	-
Federal Emergency Management Assistance								
Passed through State of California Department of Transportation:								
Disaster Grants - Public Assistance								
FEMA-4482-DR-CA	97.036	FEMA-4482-DR-CA	-	473,377	473,377	-	-	-
Disaster Grants - Public Assistance Total			-	473,377	473,377	-	-	-
U.S. Department of Homeland Security Total			25,593,093	8,522,990	8,522,990	-	-	-
Total Federal Grants			\$ 4,206,062,994	\$ 1,295,091,607	1,099,053,143	3,538,206	\$ 24,664,569	\$ 167,835,689

(Continued)



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2023

Grantor/ pass-through grantor/program or cluster title/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total State Award	Total Expenditures	Federal Share	Federal share Passed through to subrecipient	State Share	Local Share
<b>State Grants</b>								
NETWORK INTEGRATION			\$ 7,000,000	\$ 1,132,302			\$ -	\$ 1,132,302
ACCESS FOR ALL			-	342,585			342,585	-
VTM MITIGATION PROGRAM (CALTRANS)			700,000	356,279			315,414	40,865
CRENSHAW PRE-REVENUE			21,837,815	14,506,136			13,654,260	851,876
ROSA PARKS-MEZZANINE			14,808,000	718,858			-	718,858
75GS6132			15,000,000	3,520,276			3,520,276	-
HSR17-19			76,665,000	15,634,941			15,647,329	(12,388)
SR-57/60 CONFLUENCE CHOKE POINT			22,000,000	26,836,394			5,000,000	21,836,394
FSP21SB1-6065(245)			6,682,708	3,540,390			2,832,312	708,078
07A5025			3,000,000	190,315			190,315	-
AIRPORT METRO CONNECT 96th Street transit Station			150,000,000	188,483,354			127,647,573	60,835,781
SO BAY GREEN LINE EXT			9,000,000	5,189,291			1,810,121	3,379,171
PARTNERSHIP FOR HOUSING ACCELERATION			500,684	466,137			424,946	41,190
LCTOP - Metro Electric Bus Charging Infrastructure			39,098,039	12,960,799			12,151,505	809,293
WEST SANTA ANA BRANCH TST. COR			18,500,000	12,418,184			6,545,458	5,872,725
Metro Red Line and Purple Line Core Capacity Improvements			64,437,000	45,869,474			24,526,408	21,343,066
Metro Red Line and Purple Line Core Capacity Improvements			93,671,000	111,967,889			55,939,504	56,028,384
FSP19SB1-6065(236)			7,167,377	3,892,624			3,114,100	778,525
FSP20SB1-6065(239)			6,975,046	3,757,038			3,005,630	751,408
FSP22-6065(250)			7,948,070	9,935,088			7,948,070	1,987,018
FSP22-6065(252)			6,786,106	8,482,633			6,786,106	1,696,527
			7,934,718	9,918,398			7,934,718	1,983,680
SC REGIONAL INTERCONNECTOR PRO			227,420,000	8,664,844			4,394,640	4,270,203
STIP-PPM21-6065(247)			4,002,000	2,526,229			2,526,229	-
I_605 at S. Street Improvement Project			15,791,000	527,132			527,132	-
Total State Grants			\$ 826,924,563	\$ 491,837,591			\$ 306,784,633	\$ 185,052,957

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2023

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**NOTE 1 – GENERAL**

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the grant activity of all expenditures of federal and state award programs of the Los Angeles County Metropolitan Transportation Authority (LACMTA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule. The Schedule also includes state grants that do not participate in the federal awards. LACMTA is the reporting entity as defined in Note 1 to the financial statements of LACMTA's basic financial statements.

**NOTE 2 – BASIS OF PRESENTATION**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LACMTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – STATE AND LOCAL FUNDS REIMBURSEMENT**

LACMTA utilizes state and local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, LACMTA reimburses state and local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred during the current fiscal year, but before a federal grant is executed are included as state or local on the Schedule in the year the expenditures are incurred and are reported as federal on the Schedule in the year the grant was executed.

**NOTE 4 – FEDERAL FINANCIAL ASSISTANCE**

Pursuant to the Single Audit Act and Uniform Guidance Compliance Supplement, the federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**NOTE 5 – MAJOR PROGRAMS**

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for LACMTA are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal year ended June 30, 2023

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**SECTION I – SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of report the auditor issued on whether  
the financial statements audited were prepared  
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

***Federal Awards:***

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for  
major federal programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

ALN 20.500 / 20.507 / 20.525 / 20.526 - Federal Transit Cluster

ALN 20.205 - Highway Planning and Construction Cluster

ALN 97.075 - Transit Security Grant Programs

Dollar threshold used to distinguish type A and B programs:

  \$ 3,307,774  

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted in current year.

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**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**FEDERAL FUNDING ALLOCATION DATA**

**Transportation Operating Agency (ID# 90154)**

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures**

Fiscal year ended June 30, 2023

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Management and the Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

We have performed the attached procedures on the Federal Funding Allocation Statistics Form FFA-10 (FFA-10), related to the District's compliance with the Federal Transit Administration's (FTA) Declarations section of the 2023 Policy Manual and the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993, as of June 30, 2023. LACMTA management is responsible for compliance with those requirements.


LACMTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating assisting users in understanding compliance with the above specified requirements. Additionally, FTA has agreed to and acknowledged that the procedures are appropriate to meet their purposes. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures and reporting on findings based on the procedures performed.

The procedures and the associated findings are in Attachment A.

We were engaged by LACMTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. 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.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

  
Crowe LLP

Los Angeles, California  
December 21, 2023

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LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2023

The procedures below were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of LACMTA for the fiscal year ending June 30, 2023 for each of the following modes:

- Motor Bus – directly operated (MB-DO)
- Motor Bus – purchased transportation (MB-PT)
- Rapid Bus – directly operated (RB-DO)
- Heavy Rail – directly operated (HR-DO)
- Light Rail – directly operated (LR-DO)
- Vanpool – purchased transportation (VP-PT)
- Demand Response – directly operated (DR DO)

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2023 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

**Findings: Procedure performed without exception.**

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis, and
  - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2023 Policy Manual.

**Findings: Procedure performed without exception.**

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).

**Findings: Procedure performed without exception.**

- d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

**Findings: We selected a haphazard sample of 351 source documents from all modes and from several different months in fiscal years 2022, 2021, and 2020 to ensure they were retained for a minimum of three years. We observed that the source documents were maintained for each fiscal year as required.**

**Demand response program began in December 2020, therefore for DR DO only fiscal year 2021 and 2022 documents available.**

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(Continued)

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2023

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

**Findings: Per inquiry with the management, the individuals reviewing source documents are independent of individuals preparing the information and the review is done on a periodic basis depending on the data being reviewed.**

- f. Select a haphazard sample of source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' review.

**Findings: We selected a haphazard sample of 85 source documents, noting the documents that required approval included approval on all source documents. Step performed without exception.**

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

**Findings: We obtained the worksheets and agreed the data on the worksheets to the summaries provided and verified the arithmetical accuracy of the summaries. Step performed without exception.**

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2023 Policy Manual.

**Findings: For rail and van pool modes, LACMTA utilized a statistical sampling method as described in FTA Circulars 2710.1A. For bus and demand response modes, LACMTA utilized a 100% count verification for passenger trips and an estimate of passenger miles based on a statistical sampling method as described in FTA Circulars 2710.2A.**

- i. Discuss with transit agency staff, the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

- a. According to the 2020 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
- b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
- c. Service purchased from a seller is included in the transit agency's NTD report.
- d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2023) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
- e. Determine how the transit agency estimated annual PMT for the current report year.

**Findings: Per inquiry with LACMTA management, LACMTA does not meet any of the three criteria that allows transit agencies to conduct statistical samples for accumulating passenger mile data every third year. Therefore, LACMTA conducts statistical sampling annually as described in procedure h.**

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(Continued)

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2023

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a haphazard selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was haphazard. Determine that the transit agency followed the stated sampling procedure.

**Findings: Step performed without exception.**

- k. Select a haphazard sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a haphazard sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

**Findings: We selected a haphazard sample of 63 source documents across all modes from all twelve months in fiscal year 2023, used for accumulating passenger miles traveled (PMT) data. We tested the average trip length and the total trips for each of the samples and recomputed the accumulations for each period. Step performed without exception.**

- l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and identify that stated procedures are followed. Select a haphazard sample of source documents used to record charter bus service and test the arithmetical accuracy of the computations.

**Findings: Step performed without exception.**

- m. For actual vehicle revenue miles (VRM) data, document the collection and recording methodology and identify that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a haphazard sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
  - If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a haphazard sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
  - If actual VRMs are calculated from vehicle logs, select haphazard samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

**Findings: Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, LACMTA uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles.**

**We selected a haphazard sample of 78 source documents across all modes and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception.**

- n. For rail modes, obtain and read the recording and accumulation sheets for actual VRM's and identify that locomotive miles are not included in the computation.

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(Continued)



LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2023

**Findings: Step performed without exception. There are no locomotives.**

- o. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or
  - Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and
    - Access is restricted
    - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
    - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation (see Fixed Guideway Segments form (P-40))

**Findings: Step performed without exception.**

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

**Findings: Step performed without exception.**

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
  - If the improvements cause a service interruption on the FG-DRMs lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.

**Findings: Per inquiry of management, no temporary interruptions in transit service occurred in fiscal year 2023.**

- r. Measure FG/HIB DRM from maps or by retracing route.

**Findings: Step performed without exception.**

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2023

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

**Findings: Per inquiry of management, LACMTA is the approved operator for all their FG and LACMTA is reporting their actual VRM, PMT, and OE for their services. Step performed without exception.**

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2023 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2023 report year, the Agency Revenue Service Date must occur within the transit agency's 2023 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (\$5337) and Bus and Bus Facilities (\$5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

**Findings: We obtained the FG/HIB segments form. A new segment was added in FY23 for LR DO. Step performed without exception.**

- u. Compare operating expenses with audited financial data after reconciling items are removed.

**Findings: Per review of operating expenses compared to audited financial data for DR DO, a variance of \$74,552 or 0.23% was noted.**

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation-generated fare revenues. The purchased transportation fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

**Findings: For MB-PT we compared the PT fare revenues to the B-30 form without exception. This procedure is not applicable for the VP-PT.**

- w. If the transit agency's report contains data for purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

**Findings: We inquired to management and noted that the report does include purchased transportation from private operators, but that an Independent Auditor Statement is not required since LACMTA is a public transportation provider and the PT expenditures are included on the B-30 form.**

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(Continued)

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2023

- x. If the transit agency purchases transportation services, obtain a copy of the purchased transportation contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

**Findings: We obtained a copy of the PT contract for each provider and noted that the contract included a description of the services to be provided, the monetary consideration obligated by LACMTA for the service, and the period covered by the contract and that this period is the same as, or a portion of, the period covered by LACMTA's NTD report; and is signed by representatives of both parties to the contract. Management stated that copies of the executed contracts are retained for the last three years, as applicable.**

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

**Findings: Per management, LACMTA provides most of their services in one UZA and therefore it is all allocated to that one UZA. Additionally, all the services provided are in urbanized areas and allocations to non-urbanized areas are not required, therefore the procedure is not applicable.**

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

**Findings: We compared and agreed the data reported on the FFA-10 form to comparable data for the prior report year and calculated the percentage change from the prior year to the current year.**

**The following changes outside the threshold were identified for each mode. For all changes identified, we inquired to LACMTA and documented the explanations for the variances.**

- MB-DO PMT and OE increased greater than 10%
- MB-PT no changes greater than 10%
- RB-DO PMT and OE increased greater than 10%
- HR-DO OE increased greater than 10%
- LR-DO PMT decreased greater than 10%, OE increased greater than 10%
- DR-DO VRM, PMT, and OE increased greater than 10%
- VP-PT VRM, PMT, and OE increased greater than 10%

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2023

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

**Findings: Step performed without exception.**

LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION DEVELOPMENT ACT  
OPERATIONS AGENCY  
  
50% EXPENDITURE LIMITATION SCHEDULE  
  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION DEVELOPMENT ACT  
OPERATIONS AGENCY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA CODE OF  
REGULATIONS (SECTION 6667); REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON 50% EXPENDITURE LIMITATION SCHEDULE

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for the Transportation Development Act Program**

***Opinion on the Transportation Development Act Program***

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, including Public Utility Code Section 99245 as enacted and amended by statute, and the allocation instructions and resolutions of the Los Angeles County Metropolitan Transportation Authority (as Planning Agency) as required by Section 6667 of the California Code of Regulations adopted by the California Department of Transportation (collectively, Transportation Development Act [TDA]) that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2023.

***Basis for Opinion on the Transportation Development Act Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the Transportation Development Act. Our responsibilities under those standards and the Transportation Development Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Transportation Development Act program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Transportation Development Act program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

#### **Report on 50% Expenditure Limitation Schedule**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 50% expenditure limitation schedule is presented for purposes of additional analysis as required by the Transportation Development Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 50% expenditure limitation schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Crowe LLP

Los Angeles, California  
December 22, 2023

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION DEVELOPMENT ACT  
50% EXPENDITURE LIMITATION SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(Amounts expressed in thousands)

1	Total operating cost	\$	2,159,784
2	Total capital requirements		1,997,821
3	Total debt service		561,970
<b>4</b>	<b>Total of lines 1, 2, and 3</b>		<b>4,719,575</b>
5	Less federal grant received		1,082,477
6	Less State Transit Assistance (STA) funds received		164,632
<b>7</b>	<b>Total of lines 5 and 6</b>		<b>1,247,109</b>
<b>8</b>	<b>Total of line 4 less line 7</b>		<b>3,472,466</b>
	50% of line 8		1,736,233
	<b>Total permissible Local Transportation Fund expenditures</b>	<b>\$</b>	<b>1,736,233</b>

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION  
AUTHORITY TRANSPORTATION DEVELOPMENT ACT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**  
**TRANSPORTATION DEVELOPMENT ACT**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA  
CODE OF REGULATIONS (SECTIONS 6640-6662); REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for the Transportation Development Act Program**

***Opinion on the Transportation Development Act Program***

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, including California Code of Regulations (Sections 6640-6662) (Transportation Development Act [TDA]) and SB1 State of Good Repair that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2023.

***Basis for Opinion on the Transportation Development Act Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the Transportation Development Act. Our responsibilities under those standards and the Transportation Development Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Transportation Development Act program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Transportation Development Act program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balances is presented for purposes of additional analysis as required by the Transportation Development Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to 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 schedule of revenues, expenditures, and changes in fund balances is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Crowe LLP

Los Angeles, California  
December 22, 2023

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**TRANSPORTATION DEVELOPMENT ACT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023**

(Amounts expressed in thousands)

	<u>Planning</u>	<u>Administration</u>	<u>Total</u>
<b>Revenues:</b>			
Local grants and contracts	\$ 9,028	\$ 3,910	\$ 12,938
<b>Expenditures:</b>	9,028	3,910	12,938
Excess of revenues over expenditures	—	—	—
<b>Other financing uses;</b>			
Transfer out	—	—	—
Net change in fund balance	—	—	—
Fund balance – beginning of year	—	—	—
Fund balance – end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

See notes to Schedule of Revenues Expenditures, and Change in Fund Balances.



**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**  
**TRANSPORTATION DEVELOPMENT ACT**

**NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30,2023**

**(1) Transportation Planning Agency**

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is the regional transportation planning agency responsible for long-range transportation planning and is designated under the provisions of Section 65080 of the California Government Code (the Code) to prepare and adopt the Regional Transportation Plan (RTP) and the Regional Transportation Improvement Program (RTIP). Both the RTP and RTIP are directed to achieve a coordinated and balanced regional transportation system for the county in its jurisdiction. LACMTA is also the administrator of the Local Transportation Fund (LTF) under the provisions of Section 9532 of the Code.

The LTF was created by the Transportation Development Act (TDA) to fund transit projects in each county. The LTF retail sales taxes collected statewide by the California Department of Tax and Fee Administration and which are returned to individual counties according to the amount collected within that county. Los Angeles County sales tax receipts are deposited in the Los Angeles County Treasurer's Office. LACMTA, as administrator of the LTF, is authorized to distribute funds from the Treasurer's Office to claimants for transit projects that are in accordance with the Code.

**(2) Basis of Accounting**

The TDA Fund uses the modified accrual basis of accounting as required by generally accepted accounting principles. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

**(3) State of Good Repair**

Total State of Good Repair (SGR) funds received for the year totals \$34,992 consisting of \$15,176 for PUC Section 99313 and \$19,816 for PUC Section 99314. Total expenditures and transfers out are \$17,462 and \$15,501 for PUC Sections 99313 and 99314 respectively.

**LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE  
SPECIAL REVENUE FUND**

**Financial Statements  
Fiscal Years Ended June 30, 2023 and 2022**

**LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE  
SPECIAL REVENUE FUND**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of the State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund, of LACMTA, as of June 30, 2023 and 2022, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LACMTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2023 and 2022, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 STA Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 on our consideration of the STA Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 STA Fund's 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 the STA Fund's internal control over financial reporting and compliance.

  
Crowe LLP

Los Angeles, California  
December 6, 2023

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

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, 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 State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the STA Fund's financial statements, and have issued our report thereon dated December 6, 2023. As discussed in Note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of LACMTA, the changes in its financial position, or where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the STA Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the STA Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the STA Fund'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 or significant deficiencies may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the STA Fund's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

Crowe LLP

Los Angeles, California  
December 6, 2023

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2023 and 2022

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

Our discussion and analysis of STA Fund's financial performance presents an overview of the STA Fund's financial activities during the fiscal years ended June 30, 2023, and 2022. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 8). The financial statements, notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of the management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

**2023 Financial Highlights**

- Sales tax revenues for the fiscal year increased by \$91,527 or 43.88% compared with the prior year. Sales tax in FY23 significantly increased due to higher gas prices and more people travelling after the Covid-19 pandemic.
- Actual sales tax revenues in FY23 totaled \$300,134 was higher by \$106,472 or 55% than the original and final budget of \$193,662 which was projected at 7.72% lower than FY22 actual revenues.
- Total transfers out increased by \$76,601 or 87.02% compared to the previous year mainly due to the increase in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also increased by \$8,458 or 41.98% over FY22 due to higher claims and higher city allocations in the current year.

**2022 Financial Highlights**

- Sales tax revenues for the fiscal year increased by \$48,726 or 30.48% compared with the prior year. Despite an average decrease of 5.06% in the first quarter over the same period last year, sales tax revenues increased an average of 44% in the last three quarters compared to the same quarters of FY21. The sales tax during the last 3 quarters of FY22 significantly increased as the economy recovered from the Covid-19 pandemic.
- Actual sales tax revenues in FY22 totaled \$208,607 was higher by \$111,877 or 116% than the original and final budget of \$96,730 which was projected at 65.29% lower than FY21 actual revenues.
- Total transfers out decreased by \$52,372 or 37.30% compared to prior year mainly due to decrease in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also decreased by \$4,837 or 19.36% over FY21 due to lesser claims and lower city allocations in the current year.



**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2023 and 2022

**Overview of Financial Statements**

This discussion and analysis serves as an introduction to the financial statements. The STA Fund's financial statements consist of two components: (1) the fund financial statements, and (2) the notes to the financial statements. This report also contains other information in addition to the financial statements.

The condensed balance sheets show the STA Fund's assets and liabilities as of June 30, 2023, 2022, and 2021. The differences between the assets and liabilities are reported as fund balance. The fund balance may serve as a useful indicator of the STA Fund's financial health.

The comparative statements of revenues, expenditures, and changes in fund balance for the fiscal years show the underlying events or activities of the fund that impacted the fund balances.

**Condensed Balance Sheets**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Total assets	\$ 313,817	\$ 165,726	\$ 116,799
Total liabilities	77,063	41,230	93,198
Fund balances	236,754	124,496	23,601
Total liabilities and fund balances	\$ 313,817	\$ 165,726	\$ 116,799

Total assets increased by \$148,091 or 89.36% as of June 30, 2023 compared to June 30, 2022 primarily due to the increase in sales receipts and higher sales tax and interest receivables. Total liabilities increased by \$35,833 or 86.91% as of June 30, 2023 compared to June 30, 2022 mainly due to the increase in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

Total assets increased by \$48,927 or 41.89% as of June 30, 2022 compared to June 30, 2021 primarily due to the increase in sales receipts and higher sales tax and interest receivables. Total liabilities decreased by \$51,968 or 55.76% as of June 30, 2022 compared to June 30, 2021 mainly due to the decrease in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

**Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Revenues	\$ 305,494	\$ 209,072	\$ 160,276
Expenditures and other financing uses of funds	(193,236)	(108,177)	(165,386)
Net change in fund balances	112,258	100,895	(5,110)
Fund balances – beginning of year	124,496	23,601	28,711
Fund balances – end of year	\$ 236,754	\$ 124,496	\$ 23,601

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2023 and 2022

Total revenues increased by \$96,422 or 46.12% during fiscal year 2023 compared to fiscal year 2022 primarily due to increase in sales tax revenues. Expenditures and other financing uses increased by \$85,059 or 78.63% during fiscal 2023 compared to fiscal year 2022 mainly due to increase in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and an increase in local transportation subsidies claims by the cities/other local transportation agencies.

Total revenues increased by \$48,796 or 30.44% during fiscal year 2022 compared to fiscal year 2021. Despite an average decrease of 5.06% in the first quarter over the same period last year, sales tax revenues increased an average of 44% in the last three quarters compared to the same quarters of FY21. Expenditures and other financing uses decreased by \$57,209 or 34.59% during fiscal 2022 compared to fiscal year 2021 mainly due to decrease in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and a decrease in local transportation subsidies claims by the cities/other local transportation agencies.

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Balance Sheets  
June 30, 2023 and 2022  
(Amounts expressed in thousands)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 220,753	\$ 106,208
Interest receivable	2,115	259
Sales tax receivable	77,927	59,259
Due from other funds	13,022	-
Total assets	<u>313,817</u>	<u>165,726</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	7,013	4,190
Due to other funds	70,050	37,040
Total liabilities	<u>77,063</u>	<u>41,230</u>
<b>Fund balances</b>		
Restricted	<u>236,754</u>	<u>124,496</u>
Total liabilities and fund balances	<u>\$ 313,817</u>	<u>\$ 165,726</u>

See accompanying notes to financial statements.

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
**Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**Fiscal years ended June 30, 2023 and 2022**  
**(Amounts expressed in thousands)**

	<u>2023</u>	<u>2022</u>
Revenues:		
Sales tax	\$ 300,134	\$ 208,607
Investment income	5,360	465
Total revenues	<u>305,494</u>	<u>209,072</u>
Expenditures:		
Transportation subsidies	<u>28,604</u>	<u>20,146</u>
Excess of revenues over expenditures	<u>276,890</u>	<u>188,926</u>
Other financing uses:		
Transfers out	<u>(164,632)</u>	<u>(88,031)</u>
Net change in fund balances	112,258	100,895
Fund balances - beginning of year	<u>124,496</u>	<u>23,601</u>
Fund balances - end of year	<u><u>\$ 236,754</u></u>	<u><u>\$ 124,496</u></u>

See accompanying notes to financial statements.

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Notes to Financial Statements  
June 30, 2023 and 2022

**1. Summary of Significant Accounting Policies**

***(a) General Description***

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of retail sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Disbursements from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act, and recorded as expenditures in the STA Fund.

***(b) Basis of Accounting***

The STA Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become 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, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request.

***(c) Fund Accounting***

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The STA Fund is considered a governmental fund. The measurement focus is the determination of changes in financial position, rather than net income determination. Additionally, the STA Fund is considered a special revenue governmental fund. Special revenue funds are used to account for proceeds of specific revenue sources including sales tax that are legally restricted to expenditures for specified purposes.

***(d) Financial Statement Presentation***

The accompanying financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the LACMTA as of June 30, 2023 and 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Notes to Financial Statements  
June 30, 2023 and 2022

***(e) Cash and Cash Equivalents***

The STA Fund's cash and cash equivalents include deposits with the Los Angeles County Investment Pool (LACIP). The STA Fund is an involuntary participant in the LACIP.

***(f) Sales Tax Receivable***

Sales tax receivables represent uncollected amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. As of June 30, 2023 and 2022, the STA Fund had receivables of \$77,927 and \$59,259 respectively.

**2. Cash and Investments**

Cash balances of the STA Fund are pooled with other County funds and invested by the Los Angeles County Treasurer (the Treasurer). These funds are subject to withdrawal from the Treasurer's pool upon demand.

STA Fund's pooled cash and investments with the LACIP amounted to \$220,753 at June 30, 2023 and \$106,208 at June 30, 2022. The County Board of Supervisors provides regulatory oversight for the LACIP. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2023 and 2022.

Detailed information concerning the County's pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County's ACFR can be obtained by writing to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

**3. Due to/from Other Funds**

Due to or from other funds represent payables owed to or receivable from a particular LACMTA fund for temporary loans, advances, goods delivered, or services rendered. As of June 30, 2023 and 2022, the STA Fund had a net payable mainly to LACMTA's Enterprise Fund for \$70,050 and \$37,040, respectively, for various unpaid operating and capital subsidies. Due mainly from Enterprise Fund is \$13,022 as of June 30, 2023 and none as of June 30, 2022.

**4. Interfund Transfers**

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies given out from one fund to another fund. For the fiscal years ended June 30, 2023 and 2022, the STA Fund transferred \$164,632 and \$88,031 to LACMTA Enterprise Fund, respectively.

**5. Sales Tax Revenue**

Sales tax revenue represents amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. For the years ended June 30, 2023 and 2022, the STA Fund received an allocation of \$300,134 and \$208,607, respectively.

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Notes to Financial Statements  
June 30, 2023 and 2022

**6. Payable to Cities and Jurisdictions**

As of June 30, 2023 and 2022, the STA Fund had accrued liabilities to various cities and other jurisdictions of \$7,013 and \$4,190, respectively. These accrued liabilities represented claims for the current fiscal year allocation that were disbursed by the STA Fund in the following fiscal year.

**Los Angeles County  
Metropolitan Transportation Authority  
State Transit Assistance  
Special Revenue Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
(Unaudited)  
Fiscal year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final budget
Revenues:				
Sales tax	\$ 193,662	\$ 193,662	\$ 300,134	\$ 106,472
Investment income	—	—	5,360	5,360
Total revenues	193,662	193,662	305,494	111,832
Expenditures:				
Transportation subsidies	31,508	31,508	28,604	2,904
Excess of revenues over expenditures	162,154	162,154	276,890	114,736
Other financing sources (uses):				
Transfers out	(136,025)	(136,025)	(164,632)	(28,607)
Net change in fund balances	26,129	26,129	112,258	86,129
Fund balances – beginning of year	124,496	124,496	124,496	—
Fund balances – end of year	\$ 150,625	\$ 150,625	\$ 236,754	\$ 86,129



**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Schedule of Allocations (Unaudited)  
Fiscal years ended June 30, 2023 and 2022  
(Amounts expressed in thousands)

CCR Code	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	2023 Total	2022 Total
Arcadia	\$ 89	\$ —	\$ —	\$ 89	\$ 57
Claremont	29	—	—	29	20
Commerce	82	—	—	82	65
Culver City	1,557	—	—	1,557	875
Foothill Transit	7,469	—	—	7,469	4,096
Gardena	1,428	—	—	1,428	875
La Mirada	22	—	—	22	16
Long Beach	6,450	—	—	6,450	3,815
LACMTA	78,868	—	85,344	164,211	93,926
Montebello	2,290	—	—	2,290	1,335
Norwalk	891	—	—	891	523
Redondo Beach	206	—	—	206	122
Santa Monica	5,684	—	—	5,684	3,268
Torrance	1,848	—	—	1,848	1,034
Antelope Valley	780	—	—	780	450
LADOT	1,668	—	—	1,668	884
Santa Clarita	653	—	—	653	395
Foothill –BSCP	361	—	—	361	189
Total STA fund allocations	<u>\$ 110,375</u>	<u>\$ —</u>	<u>\$ 85,344</u>	<u>\$ 195,719</u>	<u>\$ 111,944</u>

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Schedule of Expenditures and Transfers (Unaudited)  
Fiscal years ended June 30, 2023 and 2022  
(Amounts expressed in thousands)

CCR Code	FY2023				FY2022			
	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total
Antelope Valley	\$ —	\$ —	\$ —	\$ —	\$ 2,588	\$ —	\$ —	\$ 2,588
Arcadia	121	—	—	121	—	—	—	—
Claremont	—	—	—	—	—	—	—	—
Commerce	83	—	—	83	65	—	—	65
Culver City	1,557	—	—	1,557	875	184	—	1,059
Foothill Transit	7,830	—	—	7,830	4,285	—	—	4,285
Gardena	1,428	16	—	1,444	871	90	—	961
La Mirada	37	—	—	37	—	—	—	—
Long Beach	6,451	—	—	6,451	3,814	—	—	3,814
LACMTA	78,909	—	85,723	164,632	45,152	—	42,879	88,031
LADOT	—	—	—	—	—	—	—	—
Montebello	1,385	88	326	1,799	2,030	—	—	2,030
Norwalk	891	—	—	891	523	—	—	523
Redondo Beach	206	—	—	206	122	2	—	124
Santa Clarita	653	—	—	653	395	—	—	395
Santa Monica	5,684	—	—	5,684	3,268	—	—	3,268
Torrance	1,848	—	—	1,848	1,034	—	—	1,034
Total expenditures & transfers	\$ 107,083	\$ 104	\$ 86,048	\$ 193,236	\$ 65,022	\$ 276	\$ 42,879	\$ 108,177

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, 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 State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheet as of June 30, 2023 and 2022, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and have issued our report thereon dated December 6, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that LACMTA failed to comply with the terms, covenants, provisions, or conditions of Section 6751 of the California Code of Regulations, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding LACMTA's noncompliance with the above-referenced terms, covenants, provisions, or conditions, insofar as they relate to accounting matters.

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



Crowe LLP

Los Angeles, California  
December 6, 2023

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Financial Statements and Supplementary Information  
June 30, 2023  
(With Independent Auditor's Report Thereon)

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

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## Auditor's Opinion

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Service Authority for Freeway Emergencies  
Los Angeles, California

***Opinion***

We have audited the financial statements of the governmental activities and the major fund of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of SAFE as of June 30, 2023, 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAFE, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SAFE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SAFE's basic financial statements. The schedule of revenues, expenditures, and changes in fund balances – budget and actual 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of revenues, expenditures, and changes in fund balances – budget and actual 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 December 6, 2023 on our consideration of SAFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 SAFE's 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 SAFE's internal control over financial reporting and compliance.

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

Crowe LLP

Los Angeles, California  
December 6, 2023

# **SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

## **Statement of Net Position**

June 30, 2023

(Amounts expressed in thousands)

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	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 12,015
Investments	26,865
Intergovernmental receivable	1,419
Interest receivable	77
Total assets	<u>40,376</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	<u>971</u>
Total liabilities	<u>971</u>
<b>Net position:</b>	
Restricted for motorist aid system projects	<u>39,405</u>
Total net position	<u>\$ 39,405</u>

See accompanying notes to the basic financial statements.

# **SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

## **Statement of Activities**

June 30, 2023

(Amounts expressed in thousands)

---

	<u><b>Governmental Activities</b></u>
Program expenses, net of revenues:	
Transit operations:	
Congestion relief operations	\$ 5,040
Total program expenses	<u>5,040</u>
General revenues:	
License fees	8,126
Investment income	<u>1,009</u>
Total general revenues	<u>9,135</u>
 Change in net position	 4,095
Net position – beginning of year	<u>35,310</u>
Net position – end of year	<u><u>\$ 39,405</u></u>

See accompanying notes to the basic financial statements.

# **SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

Balance Sheet

June 30, 2023

(Amounts expressed in thousands)

---

	<u>Special Revenue Fund</u>
Assets:	
Cash and cash equivalents	\$ 12,015
Investments	26,865
Intergovernmental receivable	1,419
Interest receivable	77
Total assets	<u>\$ 40,376</u>
Liabilities:	
Accounts payable and accrued liabilities	<u>971</u>
Fund balance:	
Restricted for motorist aid system projects	<u>39,405</u>
Total liabilities and fund balance	<u><u>\$ 40,376</u></u>

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority)  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 June 30, 2023

---

	<u>Special Revenue Fund</u>
Revenues:	
License fees	\$ 8,126
Investment income	1,009
Total revenues	<u>9,135</u>
Expenditures:	
Administration and other transportation projects	<u>5,040</u>
Total expenditures	<u>5,040</u>
Net change in fund balance	4,095
Fund balance – beginning of year	35,310
Fund balance – end of year	<u>\$ 39,405</u>

See accompanying notes to the basic financial statements.

## SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2023

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The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise indicated, all dollar amounts are expressed in thousands.

### (1) Summary of Significant Accounting Policies

#### (a) *Reporting Entity*

The Service Authority for Freeway Emergencies (SAFE) was created in February 1988 pursuant to California Streets and Highway Code Section 2550 et seq., and is responsible for the operation, maintenance, and administration of the Los Angeles County Kenneth Hahn Call Box system. Under the authority of the above section, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated SAFE for Los Angeles County.

As LACMTA's board is SAFE's board, SAFE is a component unit of LACMTA and is included in LACMTA's financial statements as a blended component unit.

#### (b) *Operations*

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 625 (not in thousands) call boxes along 436 (not in thousands) miles of freeways, state highways, and selected county roads in Los Angeles County. SAFE also funds, operates, and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit and other related traveler information to the public via the phone, web and mobile application.

#### (c) *Government-wide Financial Statements*

SAFE's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

## SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Notes to the Basic Financial Statements

June 30, 2023

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The government-wide financial statements report information on all of the non-fiduciary activities of the agency and are reported using the economic resources measurement focus and the accrual basis of accounting.

The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. License fees and investment earnings not considered program revenues are reported as general revenues.

**(d) Fund Accounting**

SAFE utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for SAFE's activities. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Additionally, the SAFE fund is considered a special revenue governmental fund. Special revenue funds are used to account for specific revenue sources that are legally restricted to specific purposes. 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, SAFE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented.

**(e) Fund Balance and Net Position**

Restricted fund balance and net position include amounts that can be spent only for specific purposes stipulated by enabling legislation, by grants, creditors, or by regulations of other governments. SAFE's fund balance and net position were classified as restricted as they can only be used in accordance with the provisions of the California Streets and Highway Code Section 2550 et seq by which the fund was created.

## SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Notes to the Basic Financial Statements

June 30, 2023

---

**(f) *Budgetary Accounting***

Enabling legislation and adopted policies and procedures provide that the SAFE Board of Directors approve an annual budget. The Board of Directors conducts a public hearing for discussion of the proposed annual budget prior to adoption of the final budget. Unexpended appropriations lapse at year-end. The legal level of control is at the fund level, and expenses may not exceed total appropriations without board approval. By policy, the board has provided procedures for management to make revisions within operational or project budgets when there is no net dollar impact to total appropriations. The budget is prepared on a generally accepted accounting principles (GAAP) basis.

**(g) *Cash and Investments***

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances in excess of \$50 are withdrawn and deposited into the LACMTA internal investment pool. Cash and investments are reported at fair market value which is the quoted market price.

**(h) *Receivables***

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables include license fees due from the State Department of Motor Vehicles. As of June 30, 2023, SAFE has a receivable for license fees of \$1,419.

**(i) *Vehicle Registration Fees***

Vehicle registration fees revenue is recognized when earned and is generated by a \$1 (amount not in thousands) per each car registered in Los Angeles County, which is collected by the State Department of Motor Vehicles.

**(j) *Effects of New GASB Pronouncements***

There were no new GASB Pronouncements applicable to SAFE for the year ended June 30, 2023.



## SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

Notes to the Basic Financial Statements

June 30, 2023

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### (2) Cash and Investments

The following is a breakdown of SAFE's cash and investments as of June 30, 2023.

LACMTA investment pool	\$	38,181
Los Angeles County investment pool		699
Total	\$	<u>38,880</u>

SAFE's cash balances are pooled with other LACMTA funds participating in the investment pool by the LACMTA Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The LACMTA Board of Directors provides regulatory oversight for the LACMTA pool. Each fund maintains an equity interest in the pool and is presented as cash and investments in the Statement of Net Position. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2023. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Annual Comprehensive Financial Report (ACFR). A copy of the LACMTA's ACFR can be obtained by submitting a written request to the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

SAFE's cash balances are also pooled with other County funds and invested by the Los Angeles County Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The County Board of Supervisors provides regulatory oversight for the Los Angeles County Investment Pool (LACIP). The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2023. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County's ACFR can be obtained by submitting a written request to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

## SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Notes to the Basic Financial Statements

June 30, 2023

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In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No. 3*, certain required disclosures regarding investment policies and practices with respect to the risk associated with their concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

*(a) Concentration of Credit Risk*

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels. As of June 30, 2023, SAFE does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

*(b) Custodial Credit Risk*

SAFE has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling.

*(c) Interest Rate Risk*

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. SAFE measures interest rate risk on its short-term investments using the effective duration method. SAFE maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years.

*(d) Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2023, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

## **SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Notes to the Basic Financial Statements

June 30, 2023

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### **(3) Significant Commitments**

SAFE has entered into a Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable administrative support services to SAFE. The MOU will remain in effect until terminated by either party with a minimum of sixty (60) days written notice.

SAFE had \$1,929 of outstanding contractual commitments as of June 30, 2023 that had not been claimed or disbursed.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Fiscal year ended June 30, 2023  
(Amounts expressed in thousands)

	Original Budget*	Final Budget*	Actual	Variance with Final Budget
Revenues:				
License fees	\$ 8,038	\$ 8,038	\$ 8,126	\$ 88
Investment income	50	50	1,087	1,037
Net decline in fair value of investments	—	—	(78)	(78)
Total revenues	<b>8,088</b>	<b>8,088</b>	<b>9,135</b>	<b>1,047</b>
Expenditures:				
Administration and other transportation projects	8,403	8,403	5,040	3,363
Total expenditures	<b>8,403</b>	<b>8,403</b>	<b>5,040</b>	<b>3,363</b>
Net change in fund balance	(315)	(315)	4,095	4,410
Fund balances – beginning of year	35,310	35,310	35,310	—
Fund balances – end of year	<b>\$ 34,995</b>	<b>\$ 34,995</b>	<b>\$ 39,405</b>	<b>\$ 4,410</b>

\*Budget prepared in accordance with GAAP.

## **Independent Auditor on Compliance**

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

The Board of Directors  
Service Authority for Freeway Emergencies  
Los Angeles, 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 the major fund of the Service Authority for Freeway Emergencies (SAFE) a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated December 6, 2023.

#### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAFE's internal control over financial reporting (internal control) as a basis for designing 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 SAFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SAFE'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 or significant deficiencies may exist that have not been identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAFE's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

Crowe LLP

Los Angeles, California  
December 6, 2023

**LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
LOW CARBON TRANSIT OPERATIONS PROGRAM  
COMPLIANCE REPORT**

Fiscal year ended June 30, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH RULES AND  
REGULATIONS OF THE LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for the Low Carbon Transit Operations Program Guidelines**

***Opinion on the Low Carbon Transit Operations Program Guidelines***

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Low Carbon Transit Operations Program (LCTOP) Guidelines adopted by the California Department of Transportation that could have a direct and material effect on LACMTA's compliance with the LCTOP Guidelines for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the LCTOP program for the year ended June 30, 2023.

***Basis for Opinion on the Low Carbon Transit Operations Program Guidelines***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the LCTOP Guidelines. Our responsibilities under those standards and the LCTOP Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the LCTOP Guidelines. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the LCTOP program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the LCTOP Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the LCTOP.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the LCTOP Guidelines, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the LCTOP Guidelines, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the LCTOP Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid, with the "C" being particularly large and stylized.

Crowe LLP

Los Angeles, California  
December 22, 2023

A wide-angle photograph of the Los Angeles skyline at sunset. The sky is a mix of orange, pink, and purple. The city's skyscrapers are silhouetted against the bright sky. Some buildings have lights on, and a few construction cranes are visible on the right side of the skyline.

# Los Angeles County Metropolitan Transportation Authority

FY2023 Annual Financial and Compliance Audits

Finance, Budget and Audit Committee

March 20, 2024

# Agenda

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	Audit Deliverables
	Audit Results
	Required Communications
	Questions?

# Audit Deliverables

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## Financial Audits

- Audit of the LACMTA Annual Comprehensive Financial Report (ACFR)
- Audit of the Service Authority for Freeway Emergencies (SAFE)
- Audit of the LACMTA State Transit Assistance fund (STA)

## Compliance and Other Audits

- LACMTA Single Audit
- Transportation Development Act Compliance
  - California Code of Regulations Section 6667
  - California Code of Regulations Section 6640-6662
  - Low Carbon Transit Operations Program (LCTOP)
- National Transit Database Report on Federal Funding Allocation Statistics Form (NTD FFA-10)

# Audit Results

Opinions on Financial Statements	• Unmodified
Opinion on Uniform Guidance Compliance for Major Programs	• Unmodified
Internal Control or Compliance Findings	• None
New Accounting Pronouncements	• GASB 91 – Conduit Debt Obligations; GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements; GASB 96 – Subscription Based Information Technology Arrangements
Corrected Misstatements	• None
Uncorrected Misstatements	• Two passed adjustments – total net position understated by \$43M *

\* One passed adjustment is related to not recording LCFS credits at their estimated fair value. As a result, approximately \$43M will be recognized when the credits are sold. The second passed adjustment is related to RTAP cash and accounts payable that should be reported in the fiduciary fund instead of the enterprise fund. As a result, the enterprise fund net position should be approximately \$6M lower and the fiduciary fund net position should be \$6M higher.

# Required Communications

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- Management's Responsibility – Preparation of the financial statements
  - Auditor's Responsibility – Provide an opinion on the financial statements
  - We remain independent of Metro
- 
- No instances of noncompliance or other matters required to be reported
  - No significant unusual transactions
  - No significant accounting policies in controversial or emerging areas
  - No significant difficulties encountered
  - No disagreements with management
  - Not aware of management consulting with other accountants
  - No other findings or issues





# Thank You

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## Board Report

File #: 2024-0080, File Type: Budget

Agenda Number: 12.

### FINANCE, BUDGET, AND AUDIT COMMITTEE MARCH 20, 2024

**SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT STATUS UPDATE**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2025 (FY25) Budget Development Status Update.

#### **ISSUE**

This report continues the monthly updates to the Board on the FY25 Budget development process, culminating in a planned May 2024 Board Adoption. This report focuses on Metro's diverse portfolio of major infrastructure projects included in Transit Infrastructure Development (TID), Highway Multimodal Development, and Regional Rail Programs. Additionally, this report provides an overview of Metro's Regional Allocation and Pass Throughs (Subsidy) funding programs.

This report also provides an update on Metro's comprehensive budget outreach efforts.

#### **BACKGROUND**

The annual budget request reflects the twelve-month financial increments required for advancing through each project's development phase. It serves to monitor the cash flow requirements for activities in each project phase and considers factors such as the existing level of board authorization, the respective project delivery schedule, and the identification of eligible and available funding sources. These funding sources may include Federal, State, and Local grants, sales taxes, and various financing mechanisms.

Most of the projects within the major capital programs adopt a multiyear Life of Project (LOP) budget, which seeks Board approval independently from the annual budget process. The purpose of the LOP budget is to outline the financial resources necessary for the entire duration of the project.

#### **DISCUSSION**

##### **Major Capital Investment**

LA County's capital expansion plan is one of the nation's most ambitious and transformative transportation construction and enhancements program. The report below covers the following programs:

**Transit Infrastructure Development (TID):** The FY25 Budget provides funding for planning and constructing new transit projects for LA County per the voter approved Measure R and Measure M sales tax ordinances.

**Highway Multimodal Development:** The FY25 Budget provides funding from voter approved Measure R and Measure M sales tax ordinances to advance design and construction activities for Multimodal Highway projects in LA County, along with HOV and ExpressLanes and Bus Only Lane projects.

**Regional Rail:** The FY25 Budget supports commuter rail projects such as Metro-led commuter rail projects and ongoing subsidy support for Metrolink's operating and State of Good Repair (SGR)/capital components.

The major capital projects typically make up one third of the annual budget. The FY25 Preliminary Budget represents the annual incremental cashflow requirement to advance these capital projects based on the phase of each project.

#### Transit Infrastructure Development

The Transit Infrastructure Development (TID) Program consists of expansion and enhancements of transit lines outlined in the Measure R (MR) and Measure M (MM) Ordinances, as well as those capital projects critical to operating these expansion lines once in service. These initiatives involve various project development stages, which are divided into planning, construction, and operational phases.

Typically, the planning phase commences with a feasibility study followed by alternative analyses, ultimately leading to environmental clearance and selection of Locally Preferred Alternative by the Board. Subsequently, the project moves into the construction phase before being handed over to Operations upon completion.

**Fig 1:**

Transit Infrastructure Development					
Summary		FY24 Budget	FY25 Preliminary	\$ Change	% Change
1	Transit Construction	\$ 2,240.3	\$ 1,560.3	\$ (680.1)	-30.4%
2	Transit Planning	213.5	439.0	225.5	105.6%
3	Program Support/Admin	19.7	22.5	2.8	14.3%
4	<b>Grand Total</b>	<b>\$ 2,473.5</b>	<b>\$ 2,021.7</b>	<b>\$ (451.8)</b>	<b>-18.3%</b>

For FY25, the preliminary budget for the TID program stands slightly over \$2.0 billion, reflecting a decrease of \$451.8 million or 18.3% compared to the FY24 budget as shown in Figure 1. The decline in the Transit Construction budget can be attributed to the nearing completion of several projects leading to a reduction in cash flow requirements along with the recent openings of the K Line and Regional Connector. In addition, newer projects have not yet progressed into the major construction phase, which is the phase with the highest cost. The FY25 preliminary numbers are still under development and may be updated based on Board actions between now and the FY25 budget

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adoption.

The FY25 budget request is geared towards supporting the ongoing construction of key projects such as the Purple Line Extension, Foothill Extension Phase 2B, and Airport Metro Connector, all of which have started to prepare for systems integration. East San Fernando Valley LRT will continue with right-of-way acquisitions and may begin its heavy construction phase in FY25.

On the other hand, there is an increase of \$225.5 million, representing a 105.6% increase, in funding allocated to planning and studies. This reflects increased funding for projects in the environmental and design phase, including the Sepulveda Corridor, Southeast Gateway Line, and the C Line Extension to Torrance project. As these projects progress into the construction phase, there will be a corresponding rise in cash flow requirements.

A more detailed project discussion can be found in Attachment A.

### Highway Multimodal Development

The FY25 preliminary Budget of \$602.9 million represents a \$0.7 million or 0.1% increase over the FY24 Budget as shown in Figure 2. The FY25 preliminary budget reflects Metro's ongoing investments in HOV and ExpressLane construction, the expansion of bus-only lanes, subregional street improvements, as well as safety enhancements to freeways, interchanges, and arterial streets.

Further, a March 2021 Board Item (2021-0008) clarified the eligibility criteria for Measure R and M street and freeway projects and broadened the range of safety, pedestrian, and active transportation enhancements that municipalities and partner agencies may incorporate into freeway, surface street and subregional road improvement projects.

In FY25, the Highway Multimodal Development budget supports groundbreaking for the construction phase of the I-105 ExpressLanes project, the expansion of bus-only lanes and bus infrastructure throughout LA County, including customer-oriented amenities to bus stop shelters. This preliminary budget also supports the re-imagining of the I-710 South and I-605 Hot Spots projects, and ongoing construction for the I-5 North (North County) and the SR-57/SR-60 confluence projects.

Fig 2:

Highway Multimodal Development Project (\$ in millions)		FY24 Budget	FY25 Preliminary	\$ Change	% Change
1	Bus Improvements	\$ 12.2	\$ 36.6	\$ 24.4	199.3%
2	Capacity Improvements	185.4	126.0	(59.4)	-32.0%
3	Express/HOV Improvements	105.1	143.5	38.5	36.6%
4	General Planning	4.6	3.2	(1.4)	-30.0%
5	Local Subregion/Street/Safety/Op Improvements	271.1	263.2	(7.9)	-2.9%
6	Property Maintenance	1.2	1.3	0.1	11.1%
7	Traffic Noise Reduction	22.7	29.1	6.4	28.4%
8	<b>Total Highway Multimodal Development</b>	<b>\$602.3</b>	<b>\$ 602.9</b>	<b>\$ 0.7</b>	<b>0.1%</b>

See Attachment B for additional Highway project details.

Multimodal Highway capital projects are subject to market conditions generating cost escalations, namely rising labor and material costs. Unforeseen conditions, extreme weather impacts, and more stringent environmental regulations also pose financial risks to highway construction projects..

### Metro Regional Rail

Metro oversees the planning, programming, and implementation of commuter rail projects in LA County that are or will be operated by external agencies such as the Southern California Regional Rail Authority (Metrolink), Amtrak, California High Speed Rail Authority, and commercial freight carriers. Metro also manages and coordinates capital improvement projects along approximately 150 miles of Metro owned, and Metrolink operated railroad right-of-way.

The preliminary FY25 budget of \$56.7 million is a \$101 million or 64.1% decrease from the FY24 Budget. The decrease is primarily driven by reduced cash flow needs for the Link Union Station project, as the project completes a value-engineering process in anticipation of procuring the Construction Manager / General Contractor (CM/GC) contract in FY25. Other decreases are driven by the Rosecrans/Marquardt Grade Separation project, which will achieve substantial completion in FY25. This grade crossing had been rated the number one grade crossing safety concern in the State. This project is on track for completion on time and under budget and represents a major achievement of Metro's Regional Rail group.

Other major activities include the transition from final design to construction for the Doran Street Grade Separation Project as well as the first segment of the Brighton to Roxford double tracking project in the east San Fernando Valley. The Lone Hill to White double tracking project in the San Gabriel Valley will complete the final design and pursue funds for the construction phase in anticipation of the construction contract procurement.

The Regional Rail group will also advance preliminary engineering for a high-speed rail service from Palmdale via the High Desert Corridor to the future Apple Valley station of Brightline's high-speed rail

line to Las Vegas, and an in-fill Metrolink station at the LA General Medical Center.

Fig 3:

	Regional Rail Project (\$ in millions)	FY24 Budget	FY25 Preliminary	\$ Change	% Change
1	Link Union Station	\$ 96.0	\$ 10.4	\$ (85.6)	-89.2%
2	Rosecrans & Marquardt Grade Separation	29.0	6.0	(23.0)	-79.3%
3	Brighton to Roxford Double Track	10.2	6.7	(3.5)	-34.3%
4	High Desert Corridor	2.8	10.7	7.9	282.1%
5	Doran Street Grade Separation	8.2	7.9	(0.4)	-4.3%
6	Lone Hill to CP White Double Track	5.8	6.7	0.9	15.8%
7	Other Metro Regional Rail	6.0	8.4	2.4	39.3%
8	<b>Total Metro Regional Rail</b>	<b>\$157.9</b>	<b>\$ 56.7</b>	<b>\$(101.2)</b>	<b>-64.1%</b>

### Metrolink Commuter Rail

Metrolink is developing its FY25 operating and capital budget. Metro will work with Metrolink and the other partner agencies to align subsidy levels with eligible financial resources.

The combined effects of the pandemic, telecommuting, and inflationary pressure on material and labor costs have impacted commuter rail agencies. While urban transit ridership in Los Angeles County has significantly rebounded, the shift towards telecommuting reduces the fares collected.

Metrolink's subsidy requirement will be reviewed to maintain a sustainable financial model for LA County's commuter rail services, within the eligible funding sources available. An update will be included next month to the Board and the final budget will be brought forward for specific Board approval.

### **Regional Allocations and Pass Throughs**

The Regional Allocations and Pass Throughs program represents resources distributed to regional partners to carry out local transportation needs. This component is directly tied to locally imposed and collected sales taxes as well as Metro oversight and distribution of local, State and federal pass-through grant funding. This program includes:

- Pass-through funding awarded to local jurisdictions and municipal and local transit operators through Local Agency Programs (i.e., Local Return) and Regional Transit Funding (i.e. Regional Transit Formula and Access Services).
- Pass-through funding for Major Projects being implemented by local agencies, including the Alameda Corridor East Grade Separation Phase II, Antelope Valley Metrolink Line Projects, Inglewood Transit Connector, and Sankofa Park.
- Grants allocated to local agencies through Other Local Programs such as the Congestion Reduction Demonstration (CRD) Toll Revenue grant program, Open Streets grant program,

Active Transportation Program (ATP), Federal Pass-Throughs, and the Transit Oriented Development (TOD) Planning grant initiative.

The FY25 preliminary budget of \$1.979 billion is a decrease of \$79.1 million, 3.8% below the FY24 Budget as shown in Figure 4. About 84% of this program is comprised of Local Agency Programs and Regional Transit Funding. Current economic conditions are signaling a slowing in sales tax growth for FY25. Thus, direct subsidies, provided by local and State sales tax-based programs that are passed through to Los Angeles County transit operators and local jurisdictions, are expected to decrease slightly. The table below summarizes the FY25 Preliminary Regional Allocations and Pass Throughs Budget.

Fig 4:

Regional Allocations and Pass Throughs (\$ in millions)					
	FY24 Budget	FY25 Preliminary	\$ Change	% Change	
1 Local Agency Programs	\$ 962.2	\$ 921.4	\$ (40.8)	-4.2%	
2 Regional Transit	781.3	735.6	(45.7)	-5.8%	
3 Major Projects*	164.3	181.5	17.2	10.5%	
4 Other Local Programs	87.1	82.1	(5.0)	-5.8%	
5 Regional Federal Grants	30.4	23.8	(6.6)	-21.7%	
6 Fare Assistance	32.5	34.3	1.8	5.5%	
7 <b>Program Total</b>	<b>\$ 2,057.8</b>	<b>\$ 1,978.7</b>	<b>\$ (79.1)</b>	<b>-3.8%</b>	

\* Still Under Development

### Local Agency Programs

The two funding programs that make up Local Agency Programs include Local Return and Transit Development Act (TDA) Article 3 and Article 8 funding. This subprogram will decrease by \$40.8 million, a decrease of 4.2% over the FY24 budgeted amounts. Most of this decrease is due to an estimated reduction of \$32.9 million in sales tax revenue for the Local Return program compared to FY24 amounts for LA County jurisdictions.

### Regional Transit Funding, Including Access Services

Similar to Local Agency Programs, Regional Transit Funding programs are projected to decrease during FY25 by \$45.7 million, a 5.8% decrease, primarily from the lower expected sales taxes. This subprogram is comprised of the annual transit formula funding allocated to the Los Angeles County municipal and local transit operators as well as Access Services. Formula programs for the municipal and local transit operators included in this subprogram include Proposition A Discretionary funding, Measure M 20%, Measure R 20%, SB1 State of Good Repair, TDA Article 4, and other fund programs. Staff also continues to work in partnership with the Bus Operators Subcommittee (BOS) and the Local Transit Systems Subcommittee (LTSS) to understand the residual impacts of COVID-19 and to determine the appropriate allocation methodology for the FY25 transit fund allocations.

In addition, preliminary funding of \$169.4 million is proposed for Access Services operations in Los Angeles County, including the direct Metro subsidy to support Access riders on Metrolink within the County, an increase of \$8 million over the FY24 Budget. The final budget amount is subject to

Access Services' final budget request. The main cost drivers that could force Access Services to submit a budget request greater than the preliminary estimate include a backlog in purchasing replacement vehicles due to supply chain disruptions caused by the pandemic and greater than anticipated ridership demand that is currently being experienced in FY24 and could continue into FY25.

Final distribution amounts will be brought forward for specific Board approval in June, detailing subsidy funding amounts for each municipal and local operator, including Access Services and local jurisdictions.

#### Regional Transit Funding: Major Projects

This subprogram is comprised of the Alameda Corridor East Grade Separation Phase II, the Antelope Valley Line Projects, Inglewood Transit Connector, and Sankofa Park. It is estimated that these multi-year projects will need more funding (10.5%) during FY25 compared to FY24 due to project progress as depicted in Figure 5.

**Fig 5:**

Major Projects							
(\$ in millions)		FY24 Budget		FY25 Preliminary		\$ Change	% Change
1	Alameda Corridor East Phase II	\$	14.1	\$	14.1	\$ -	0.0%
2	Antelope Valley Metrolink Line Projects		25.0		16.3	(8.7)	-34.8%
3	Inglewood Transit Connector*		114.7		150.0	35.3	30.8%
4	Sankofa Park Project		10.5		1.1	(9.4)	-89.2%
5	Total	\$	164.3	\$	181.5	\$ 17.2	10.5%

\*Still Under Development

#### Other Local Programs & Regional Federal Grant Programs

Due to the pass-through nature, annual variability of local and federal grant programming, and uses by local jurisdictions, -5.8% or \$5 million less funding is being requested for FY25 activities in the following subprograms: ATP-related grants, Call for Projects, CRD Toll Revenue Grant Program, Federal Earmarks, and TOD Planning Grants. Additionally, a decrease of 21.7% or \$6.6 million less funding is projected for Regional Federal Grants.

#### Fare Assistance - Low Income Fare is Easy (LIFE) Program

The LIFE program is anticipated to continue to grow during the coming year, and the budget request has increased accordingly to \$34.3 million to support the Board approved expansion and improvements to the program. This represents a 5.5% increase over the FY24 budgeted amount for the program and includes the fare subsidies to transit operators participating in the LIFE program.

#### **FY25 Public Budget Outreach Update**

Metro's commitment to public outreach and engagement on the budget development remains strong, with initiatives for FY25 commencing early in the Fall of 2023. In keeping with this commitment, Metro organized a Telephone Town Hall on October 19, 2023.



The engagement process expanded significantly with the My Metro Budget activity - an interactive budget feedback and educational tool - which has garnered over 3,400 responses along with over 2,900 written comments, nearly triple the number of responses from last year. This approach to public engagement is ongoing and will continue to evolve, ensuring that community input is effectively incorporated into budget discussions.

Public participation is an ongoing process that actively seeks to solicit the interests and values of the public in its annual budget through various channels. The budget briefings and key stakeholder meetings bring together members of these groups and the communities they serve at large to share their feedback and budget priorities.

OMB's budget outreach and engagement initiatives spanned the agency, and many Metro departments partnered to help foster collaboration and dialogue around budget-related matters, with safety, service, and cleanliness being key areas of concern. The methods outlined in Attachment C contain updates on all of the outreach activities mentioned in last month's budget update.

### **EQUITY PLATFORM**

The FY25 EZBB development begins with the evaluation process that provides flexibility to focus resources on Metro's core missions, key initiatives, and priorities. Budget Equity is a top priority in the FY25 Budget development as Metro carries out its initiatives and impacts all communities throughout Los Angeles County. Furthermore, the FY25 Budget will align with principles highlighting how public transit can be equitable, sustainable, economically productive, safe, and Americans with Disabilities Act accessible.

As part of the FY25 EZBB evaluation process, the ongoing Metro Budget Equity Assessment Tool (MBEAT) is in its fourth fiscal year of evaluating equity in Metro's Annual Budget. Staff also incorporated a more detailed geographic equity measure into budget development by conducting Equity Focus Communities (EFC) Budget Assessments for both the FY23 Actuals and the proposed FY25 Budget. Once the FY24 Actuals are completed, staff will also conduct an EFC Budget Assessment on that. Implementation of MBEAT and the EFC Budget Assessment will assess budget items for potential equity impacts, benefits access to opportunities, and ability to reduce potential barriers or harms.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports the following Metro Strategic Plan Goal:

Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

### **NEXT STEPS**

Staff continues to review and refine the FY25 Preliminary Budget as it advances through the EZBB process, being mindful of the promise embodied in the two Ordinances and the revenue projections identified in previous month's budget status report.

Next month's budget development update will address Metro Transit Operations & Maintenance, Metro Transit Capital Improvements, Congestions Management, and Planning & Administrations Programs.

### **ATTACHMENTS**

Attachment A - Transit Infrastructure Development Project

Attachment B - Highway Multimodal Development Project

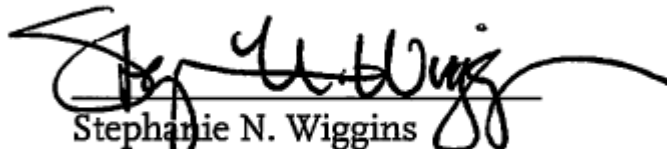
Attachment C - FY25 Budget Outreach

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## Attachment A

### Transit Infrastructure Development (TID) Projects

#### TID Projects in Construction Phase:

- *Airport Metro Connector*

The Airport Metro Connector is a station hub at Aviation Bl / 96th Street on the Crenshaw/LAX Transit line which will allow riders to transfer quickly from the Metro network to the LAX Automated People Mover. This station hub will include the light rail station, bus plaza, bicycle parking, customer service center, and passenger pick-up and drop-off area. FY25 preliminary budget of \$143.5 million supports construction activities and system integration.

- *D Line (Purple) Extension*

This project encompasses three sections of the D (Purple) Line subway extension, expanding westward from the current terminus at Wilshire / Western station, and collectively adding seven new stations. The FY25 preliminary budget of \$691.7 million supports the ongoing progress of tunneling, station box, and trackwork construction activities along the 9.1-mile extension, as well as system integration for Sections 1 and 2. The Revenue Service Dates for Sections 1, 2, and 3 are slated for 2025, 2025, and 2027, respectively. Additionally, the Division 20 Portal Widening project involves the construction of a new turnback facility to accommodate the headway requirements for the entire D Line.

- *East San Fernando Valley LRT*

The East San Fernando Valley LRT project spans a total of 9.2 miles with 14 stations, extending northward from the G Line Van Nuys station to the Sylmar/San Fernando Metrolink station. This project is divided into two segments, with the first interim operating segment (IOS) covering a 6.7-mile stretch from the G Line Van Nuys station to San Fernando Road in Pacoima. The most advanced design phase has been completed and will be further developed using the Progressive Design Build delivery method, for which the contract has been awarded. The preliminary budget of \$280.2 million supports right-of-way acquisition and construction activities.

- *G Line (Orange) BRT Improvements*

The G (Orange) Line BRT Improvements will provide better transit service in the San Fernando Valley area with grade separations on major streets, better signal priority

technology, electric bus connectivity and four-quad gating system for faster trips. The Metro Board has selected the Valley Transit Partners – a Joint Venture of Stacy and Witbeck, Inc., Flatiron West, and Modern Railway Systems as the contractor for this project. FY25 preliminary budget of \$105.9 million supports property acquisitions, early site work and potholing, and construction activities beginning 2024.

- *L Line (Gold) Foothill Extension*

The L (Gold) Line Foothill Extension will provide 12.3 miles of new rail to the east beyond the current end point of the L Line in Azusa, adding six stations. The preliminary budget of \$146.7 million supports improvements to Azusa Depot, retaining wall work, and heavy construction activities beyond Azusa. Design of the extension is substantially complete. A targeted Substantial Completion of the extension to Pomona is planned for 2025, and an extension to Montclair is planned by 2028.

- *North Hollywood to Pasadena BRT Connector*

Metro is planning Bus Rapid Transit (BRT) to connect the cities of Los Angeles (North Hollywood and Eagle Rock communities), Burbank, Glendale, and Pasadena. Environmental review was completed in 2022 and a budget of \$113.9 million will support final design and construction activities.

#### TID Projects in Planning Phase:

The Planning Studies FY25 preliminary budget of \$394.2 million supports conceptual engineering, environmental clearance, and right-of-way acquisition on MR and MM projects.

- *E Line Light Rail Transit Phase 2*

This project plans for an extension of the Metro L Line (Gold) east through the cities of Commerce, Montebello, Pico Rivera, Santa Fe Springs, and Whittier. The draft environmental impact report was released in June 2022 and work is proceeding on the final environmental impact report and conceptual engineering. The FY25 budget request is for \$44.8 million.

- *Sepulveda Transit Corridor*

The project aims to improve transit between the San Fernando Valley and the Westside. Currently in the environmental review phase, Metro is collaborating with private-sector design teams on high-quality transit alternatives. The FY25 budget of \$165.6M supports technical studies, including a Draft Environmental Impact Report (DEIR) expected in late 2024/early 2025, a Planning and Environmental Linkages (PEL) study engaging federal agencies early, and an Environmental Impact Statement (EIS) addressing transportation needs comprehensively.

- *Southeast Gateway Line*

The Southeast Gateway Line, a new light rail transit route linking southeast LA County to downtown Los Angeles, underwent a renaming campaign initiated by Metro in August 2023. This effort aimed to capture community input and align the project's name with the character, culture, and experiences of the communities it serves. As a result, the project has been officially renamed the Southeast Gateway Line. The FY25 budget of \$136.5 million supports essential planning activities, including EIS/EIR, right-of-way acquisition or relocation, community outreach, and more.

- *North San Fernando Valley BRT*

Metro is proposing to implement improvements to the bus network in the north San Fernando Valley to provide higher-quality services and transit infrastructure. These improvements reimagine the existing network to better serve customers and complement those in the NextGen Bus Plan occurring in other parts of Metro's network, but are planned to be funded using Measure M funds, as an alternative to a single-line BRT project following outreach and evaluation of alternatives. The project has filed a notice of exemption. The FY25 budget is divided into two parts: \$2.0 million allocated to TID program for support of preliminary engineering and stakeholder engagement, and an additional \$20.6 million designated to support NextGen bus improvements, which are included in other programs.

		Expenditure	FY24	FY25	Life of	Ordinance
		thru FY23	Budget	Preliminary	Project	Start Date
Program	Project				Budget	(Fiscal Year)
1 <b>Transit</b>						
2 <b>Construction</b>	A Line (Gold) Foothill Extension 2A & 2B	\$ 1,801.7	\$ 214.8	\$ 146.7	\$ 2,331.8	2010
3	Airport Metro Connector	507.7	174.7	143.5	898.6	2010
4	E Line (Expo) LRT	2,291.7	6.0	3.0	2,301.0	2010
5	K Line (Crenshaw/LAX) Light Rail Transit <sup>(1)</sup>	2,688.7	342.9	21.2	2,739.5	2010
6	D Line (Purple) Extension <sup>(2)</sup>	6,265.0	1,059.3	691.7	10,030.8	2013
7	East San Fernando Valley LRT <sup>(3)</sup>	132.3	285.6	280.2	496.9	2013
8	Regional Connector	1,737.9	18.8	37.7	1,829.1	2014
9	G Line (Orange) BRT <sup>(3)</sup>	61.8	74.5	105.9	149.7	2019
10	North Hollywood to Pasadena BRT Connector	16.2	60.7	113.9	-	2020
11	Rail & Bus Operations Control Center Upgrade	-	3.1	16.5	-	N/A
<b>Transit Construction Subtotal</b>		<b>\$ 15,503.0</b>	<b>\$ 2,240.3</b>	<b>\$ 1,560.3</b>	<b>\$ 20,777.2</b>	
12 <b>Transit</b>						
13 <b>Planning</b>	Eastside Access <sup>(4)</sup>	\$ 39.3	\$ 5.3	\$ 0.6	\$ 29.7	2010
14	Southeast Gateway Line	77.6	37.9	136.5	-	2015
15	North San Fernando Valley BRT	8.0	3.3	2.0	-	2019
16	Countywide BRT Planning	0.1	3.0	2.4	-	2020
17	E Line Eastside LRT Phase 2	56.7	22.1	44.8	-	2022
18	Sepulveda Corridor	130.9	71.2	165.6	-	2024
19	Vermont Transit Corridor	5.3	6.4	20.1	-	2024
20	C Line Extension to Torrance	30.1	43.8	57.7	-	2026
21	K Line Northern	26.4	18.6	8.2	-	2041
22	SGV Feasibility Study	2.9	1.9	1.0	-	N/A
<b>Transit Planning Subtotal</b>		<b>\$ 377.3</b>	<b>\$ 213.5</b>	<b>\$ 439.0</b>	<b>\$ 29.7</b>	
23	<b>Program Support/Admin</b>	-	19.7	22.5	-	
24	<b>Grand Total</b>	<b>\$ 15,880.3</b>	<b>\$ 2,473.5</b>	<b>\$ 2,021.7</b>	<b>\$ 20,806.9</b>	
North San Fernando Valley BRT Improvements <sup>(5)</sup>		-	17.5	20.6	-	

Notes: Totals may not add due to rounding

(1) K Line expenditure through FY23 reflects dispute settlement, while budget resides in FY24 .

(2) D Line (Purple) Extension includes all three sections, Division 20 Portal Widening & other supporting projects.

(3) LOP budget for East San Fernando LRT & G (Orange) Line BRT is for pre-construction phase only.

(4) LOP budget of \$29.7M is for Eastside Access Phase 3 only; other numbers include all three phases.

(5) Components of the NSFV are reflected in Highway Multimodal Development & Capital Improvement Programs.

## Attachment B

### **Highway Multimodal Development**

The Highway Multimodal Development Program continues to evolve, as legacy expansion projects move towards completion or undergo rescoping with robust community participation, new ExpressLanes advance through the design and implementation phase, and multimodal components are integrated into freeway and street projects.

The Highway Multimodal Development Program differs from the Transit Construction Program in that completed projects represent non-Metro owned capital assets despite similarities in delivery and construction phases. For most Highway projects, Metro oversees the planning and early engineering phases, then transitions the project to Caltrans to execute right-of-way acquisitions and construction. Upon completion, Highway projects are capitalized as a Caltrans asset with Caltrans assuming primary responsibility for operations and maintenance.

The FY25 preliminary Highway Multimodal Development budget of \$602.9 million represents a \$0.7 million or 0.1% increase over the FY24 Budget. This essentially flat year-over-year level of funding support features substantial budget increases for bus-only lane implementation, enhancements to bus stop shelters throughout LA County, as well as funds to support I-105 ExpressLanes project construction phase. Ongoing support for the SR-57/SR-60 confluence project construction is partially offset by decreases in funding support for the I-5 North (North County) as that project advances towards completion, as well as decreases driven by re-forecasting across multiple projects based on historical spend rates.

Highway Multimodal Development					
Project (\$ in millions)	Exp thru FY23	FY24 Budget	FY25 Preliminary	Subregion	
1 MR/MM Projects					
2 Countywide Soundwall Constructions	\$ 136.8	\$ 22.7	\$ 29.1	sc	
3 High Desert Corridor (environmental)	37.2	0.1	-	nc	
4 Highway Demand Based Program (SG)	-	0.1	0.1	sg	
5 Highway Efficiency Program	11.9	6.2	1.6	av, lvm, nc	
6 Highway Operational Improvements in Arroyo Verdugo Subregion	59.1	7.5	5.0	av	
7 Highway Operational Improvements in Las Virgenes/Malibu Subregion	129.7	3.0	2.1	lvm	
8 I-105 ExpressLane from I-405 to I-605	47.6	81.1	128.6	sc	
9 Sepulveda Pass Transit Corridor (Ph 1 - I-405 ExpressLane)	15.4	9.0	7.6	sf	
10 Interstate 405, I-110, I-105 and SR-91 Ramp & Interchange Improvements (South)	193.8	53.5	30.6	sb	
11 I-5 Capacity Enhancement from SR-134 to SR-170	197.2	12.5	4.4	av, sf	
12 I-5 Carmenita Road Interchange Improvement	23.5	0.6	-	gc	
13 Interstate 5 Capacity Enhancement from I-605 to Orange County Line	138.2	20.1	12.0	gc	
14 Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line (Truc)	199.1	105.2	52.5	nc	
15 Interstate 5/St. Route 14 Capacity Enhancement (North County)	2.8	3.5	1.0	nc	
16 Interstate 605 corridor "Hot Spot" Interchanges (Gateway Cities)	213.0	89.5	109.4	gc	
17 Interstate 710 South and/or Early Action Projects (Gateway Cities)	180.1	23.7	38.4	gc	
18 South Bay Highway Operational Improvements	0.4	10.0	0.5	sb	
19 SR-57/SR-60 Interchange Improvements	111.5	66.2	87.5	sg	
20 SR-71 Gap from I-10 to Rio Rancho Road (Southern Segment)	50.1	25.0	20.0	sg	
21 *SR-71 Gap from I-10 to Rio Rancho Road (Northern Segment)	-	-	10.0	sg	
22 SR-710 N Corridor Mobility Improvements	3.1	12.7	4.8	av, cc, sg	
23 State Route 138 Capacity Enhancements (North County)	72.8	10.0	5.0	nc	
24 SR-14 Safety Improvements	0.0	-	4.0	nc	
25 Transportation System and Mobility Improvement Program (South Bay)	37.8	19.5	5.5	sb	
26 MR/MM Projects Total	\$ 1,861.2	\$ 581.7	\$ 559.7		
27 Other					
28 Caltrans Property Maintenance	\$ 11.1	\$ 1.2	\$ 1.3		
29 Highway Planning	155.3	4.5	3.1		
30 I-210 Barrier Replacement	15.0	2.2	1.7		
31 I-405 Carpool Lane	1,456.7	0.5	0.5		
32 NextGen Bus Lanes	7.5	12.2	36.6		
33 Total Highway Multimodal Development	\$ 3,506.8	\$ 602.3	\$ 603.0		

\* new project number for SR-71 northern segment will be approved following budget approval

Subregion Key
AV = Arroyo Verdugo
CC = Central City
GC = Gateway Cities
LVM = Las Virgenes-Malibu
NC = North County
SB = South Bay
SC = System Connectivity
SF = San Fernando



### My Metro Budget activity

**Equity Tier** • High Need • Non-EFC • Very High Need

**Word Cloud**

**Comment Analysis**

Comment	Frequency
Bus Service	599
Rail Service	448
Safety	440
Transit Ambassadors	218
Cleanliness	208
Homeless & Mental	198
Active Transportation	190
Highway Multimodal	139
Bus Lanes	121
Metro Micro (MicroTran)	117
Construction	94
Law Enforcement	86
Fares	58
Parking and Facilities	51
Special Event Service	45
Sustainability	41
Private Security	38
Passenger Fares	27
Metro Transit Security	26

## Comments – Regional Rail

Improving Union Station Frequency: Numerous comments highlighted the need to enhance train frequencies at Union Station to address congestion and delays during peak hours.

Expanding Track Improvement Projects: Customer feedback emphasized the importance of investing in track improvement projects to address issues such as maintenance requirements, aging infrastructure, and congestion.

To address these comments, Metro has: increased frequencies on Antelope Valley Line increased above pre-pandemic levels, provided full budget support for Union Station capital and Link Union Station efforts, and secured grant funding for double tracking and grade separation efforts.

## Comments – Highway Multimodal Development

To the right is a word cloud for Highway Multimodal Development. Frequently discussed topics for this comment category are more bus priority lanes, diverting highway funding to transit projects, and to stop highway widening.

In this comment category, there is a consistent call for the expansion of bus priority lanes to improve public transportation efficiency and reduce traffic congestion.

There is a strong advocacy for reallocating highway funding towards transit projects, as an investment in sustainable and equitable transportation solutions for commuters.

Furthermore, there is a growing sentiment to address the issue of traffic congestion and air pollution as it relates to reducing projects that call for highway widening. Note in most instances, by law, Measure R and M restrict funding transfers from highway to transit projects.

To address these comments, Metro has: tripled the budget support for bus-only lane infrastructure and bus shelter improvements and is re-scoping expansion projects into mobility improvement projects driven by local preferences.



## Comments – Transportation Infrastructure Development

The word cloud for Transportation Infrastructure Development. The top comments were about increasing infrastructure, connection transit to LAX, and the Purple Line Extension.

Participants called for expanding transportation options through investments in bus rapid transit (BRT), light rail, metro trains, and multimodal infrastructure. Congestion relief measures included carpool incentives and first/last mile solutions.

There was strong support for improving LAX connectivity by extending existing rail lines, implementing a people mover system or monorail, integrating the airport with regional transportation systems, and creating a centralized ground transportation hub at LAX.

The Purple Line Extension (PLE) project has been mentioned as it would significantly reduce travel times between Koreatown and Westwood/VA Hospital while improving overall connectivity and alleviating traffic congestion.

To address these comments, Metro has: Nearing the completion of the Purple Line Extension 1 and A Line to Pomona; advanced the NoHo to Pas BRT, ESFV LRT to construction. The pillar projects are steadily progressing towards construction. Metro is also working on direct service to LAX from C and K Lines when AMC completes in 2025 and is engaged in multi-pronged cost control strategy including early intervention.



### Stakeholder Meetings and Outreach Efforts









The key stakeholder meeting engagements will begin in April and conclude at the end of May with the legally mandated budget public hearing and board adoption of the FY25 proposed budget. To ensure effective communication and understanding, Metro will continue to place great emphasis on listening and learning during these key stakeholder meetings.

Detailed schedules and relevant information for public meetings, as well as the most current budget data, will be readily available on our Finance and Budget portal at <https://budget.metro.net> prior to each event.




Metro

## Public Outreach & Stakeholder Engagement Calendar

October 2023	November 2023	December 2023	January 2024
<ul style="list-style-type: none"><li>&gt; CEO's Telephone Town Hall</li><li>&gt; Over 3,600 participants</li></ul> 	<ul style="list-style-type: none"><li>&gt; Launch My Metro Budget Activity</li><li>Available in 9 language</li></ul> 	<ul style="list-style-type: none"><li>&gt; Community group engagement – My Metro Budget Physical Marketing Cards to:<ul style="list-style-type: none"><li>* Metro Station Staff</li><li>* Metro Micro</li><li>* GoPass</li><li>* LIFE</li><li>* On The Move Riders Program</li><li>* Metro Youth Council</li><li>* Women &amp; Girls Governing Council</li><li>* TAP Vendors</li></ul></li></ul> 	<ul style="list-style-type: none"><li>&gt; Social Media Launch of My Metro Budget Activity</li><li>&gt; Outreach to Equity Focus Communities, and Metro Groups</li></ul> 
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> Note: Updated as additional meetings are scheduled.  
> Ongoing Public Participation





# FY25 Budget Development Monthly Update

- Transit Infrastructure Development
  - Multimodal Highway Development
  - Regional Rail
  - Regional Allocations & Pass Throughs
- 

*Represent Approx. 60% of the annual budget*

**Finance, Budget and Audit Committee**

**March 20<sup>th</sup>, 2024**

# Transit Infrastructure Development (\$2.0B)

## Planning

**\$439.0M**

C Line Ext. to Torrance	\$ 57.7
Countywide BRT Planning	\$ 2.4
E Line Eastside LRT Phase 2	\$ 44.8
Eastside Access	\$ 0.6
K Line Northern	\$ 8.2
North SFV BRT	\$ 2.0
Sepulveda Corridor	\$165.6
SGV Feasibility Study	\$ 1.0
Southeast Gateway Line	\$136.5
Vermont Transit Corridor	\$ 20.1

## In Construction

**\$977.0M**

D Line (Purple) Ext. Sec. 2 &3	\$460.6
East San Fernando Valley LRT	\$280.2
G Line (Orange) BRT	\$105.9
NoHo to Pasadena BRT	\$113.9
Rail & Bus Ops Control Center	\$ 16.5

## Nearing Completion

**\$521.3M**

Airport Metro Connector	\$143.5
A Line (Gold) Ext. to Pomona	\$146.7
D Line (Purple) Ext. Section 1	\$231.1



- \$61.9M budget for closeout projects such as K Line (Crenshaw/LAX), Regional Connector, etc.

- FY25 Budget of \$2.0B reflects a -\$451.8M or -18.3% reduction from FY24.
- Transit Construction totaling \$1,560.3M is decreasing due to the nearing completion of several projects has led to a reduction in cash flow requirements, and newer projects have not yet progressed to major construction phase
- Planning & studies totaling \$439.0M is increasing by \$225.5M, 105.6%, to support Southeast Gateway Line & other transit planning projects.



# Multimodal Highway Program (\$602.9M)



## Bus Improvements

**\$36.6M**

+\$24.4m (199.3%)



## Capacity Improvements

**\$126M**

-\$59.4m (-32.0%)



## Express / HOV Improvements

**\$143.5M**

+\$38.5m (36.6%)



## General Planning

**\$3.2M**

-\$1.4m (-30.0%)



## Local Subregional Improvements

**\$263.2M**

-7.9m (-2.9%)



## Traffic Noise Reduction & Property Maintenance

**\$30.4M**

+6.6m (28.4%)

## Overview:

- FY25 Preliminary \$ Highway Budget is essentially flat compared to FY24
- Investments in Bus-Only Lanes and NextGen Bus Initiative is 200% higher than FY24
- Decrease in Capacity Improvement investments construction continues for legacy projects
- Increase in ExpressLanes investments driven by the I-105 ExpressLanes project

# Regional Rail (\$56.7M)



## Link Union Station:

- Value engineering
- Procure CM/GC contract

**\$10.4M**

-\$86m (-89.2%)



## Grade Separation Projects:

- Rosecrans: closeout activities
- Doran St: procure construction contract

**\$13.8M**

-\$23m (-62.7%)



## Double Tracking Projects:

Brighton to Roxbury and Lone Hill to CP White in final design, transition to construction

**\$13.4M**

-\$2.6m (-16.2%)



High Desert Corridor Rail Service Plan and Other Metro Regional Rail Projects

**\$19.1M**

+\$10m (116.6%)



Metrolink's FY25 Budget is still under development and will be available upon receipt

**Currently In Development**

## Overview:

- Double Tracking and Grade Separation projects transitioning from Final Design to Construction Phase
- High Desert Corridor finalizing Service Development Plan and proceeding with preliminary design
- Metrolink's operating budget is still under development and will be brought forward for Board approval when finalized.



# Regional Allocations & Pass Throughs (\$1.98B)



## Local Agencies

Local Return & TDA  
3 & 8

**\$921.4M**  
-\$40.8m (-4.2%)



## Regional Transit

Municipal & Local  
Operator Funds &  
Access Services

**\$735.6M**  
-\$45.7m (-5.8%)



## Major Projects

Alameda Corridor II,  
AV Metrolink Line,  
ITC, Sankofa Park

**\$181.5M**  
+\$17.2m (10.5%)



## Other Local Programs

Call for Projects,  
ATP-Transit, CRD  
Toll, Federal Pass-  
Thru, TOD Grants

**\$82.1M**  
-\$5.0m (-5.8%)



## Regional Federal Grants

JARC, New Freedom,  
5310, STPL Exchange

**\$23.8M**  
-6.6m (-21.7%)



## Fare Assistance

**LIFE**

**\$34.3M**  
+1.8m (5.5%)

## Overview:

- FY25 budget of \$1.98B reflects a -\$79.1M or -3.8% reduction from FY24
- Primarily tied to sales tax projections – FY25 revenues lower than FY24 Budget
- Metro as County Transportation Agency allocates resources to local agencies to implement projects
  - 89% passed through (transit agencies & local jurisdictions per Fed/State law & Board policy)
  - 11% for Access Services & LIFE Program
- Final Access Services & Transit Fund allocations will be presented to Board for action in June

## FY25\*



4,100+ Respondents

**+2,900 increase**



3,400+ Comments

**+1,200 increase**



20 min average time spent on activity

**+1.75 min increase**



45% EFC Response Rate

**+1% increase**

\*Responses to Date (Mar 11, 2024)

**\*FY25 collection period:  
December 2023 - May 2024**

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> Note: Updated as additional meetings are scheduled.  
> Ongoing Public Participation



# Schedule & Next Steps



- Near-Term Update
- FY24 EZBB
- Prelim. Sales Tax & CPI Forecast
- Public Outreach & Engagement



- Sales Tax Forecast, Resources Assumptions
- Cost Inflation Estimates
- Other Expense Assumptions



- Transit Infrastructure
- Multimodal Hwy Investments
- Regional Rail
- Regional Allocations & Pass-Throughs

**WE  
ARE  
HERE**



- Metro Transit - Operations & Maintenance (O&M) and Capital Improvement Program (CIP)
- Congestion Management
- Planning & Administration



- Consolidated Agency-wide Expenses & FTEs
- Proposed Budget Book
- Public Hearing
- Board Adoption