

MINUTES

**Independent  
Citizens'  
Advisory and  
Oversight  
Committee**

**INDEPENDENT CITIZENS' ADVISORY  
AND OVERSIGHT COMMITTEE MEETING**

**MTA Headquarters  
3rd Floor - Board Room  
One Gateway Plaza  
Los Angeles**

**Wednesday, January 11, 2006 – 10:00 A.M.**

One Gateway  
Plaza  
Los Angeles, CA  
90012

213-922-4600

Called to order at 10:08 a.m.

Members Present:

Dwight Ham, Chair  
Emina Darakjy  
Brian Russell

1. APPROVED minutes of Regular Board meeting held **January 10, 2005**, and Special Board meeting held **April 20, 2005**.
2. RECEIVED AND FILED **FY 2005 Audit of Propositions A & C Revenues and Expenditures**.

Chair Ham requested that a copy of the response regarding last year's audit conformance be entered into the minutes (see attachment A).

Josie Nicasio, MTA controller, reported that the schedule is presented fairly in all material aspects and that there are no instances of non-compliance required to be reported under government auditing standards.

Chair Ham inquired about the procedure used to test the numbers.

Michael De Castro from Thompson, Cobb, Bazilio & Associates responded that they ensured that no Prop A and C revenue was expended on any part of any new subway including servicing of bonds or other indebtedness. An assessment of controls was also performed.

Ron Smith of the MTA Regional Planning department gave a presentation on Proposition A and C dollars spent in FY05. Committee members received a handout showing Prop A and C distribution, subsidies, and expenditures. A separate handout was distributed showing Prop A and C transportation subsidies to external agencies for FY05.

Director Russell requested that staff provide examples of specific projects within each Prop A and C funding category listed on the handout.

Mr. Smith offered specific examples for each of the funding categories. These include the following:

**Prop A ½ Cent Sales Tax:**

**25% Local Return:** Goes to the cities for transit purposes and funds part of LADOT-operated services.

**35% Rail Transit:** Red Line (including long-term debt service), Green Line, Orange Line, etc. Gold Line Eastside Extension, which is under construction, also falls in this category.

**40% Discretionary:** Municipal operator-provided services (e.g. Long Beach Transit, Montebello Bus Lines, etc.)

**Prop C ½ Cent Sales Tax:**

**5% Security:** New video cameras, security personnel.

**10% Commuter Rail/Park-and Ride Lots and Freeway Bus Stops:** Metrolink-operated services (capital and operations)

**20% Local Return:** Funds in this category are returned to cities for transit related improvements to highways.

**25% Transit-Related Highway Improvements:** HOV lanes, 405 freeway carpool lane, etc.

**40% Discretionary:** Determined on annual basis. May be used for bus operations, Consent Decree, Immediate Needs and Muni's fair share.

Director Darakjy, referring to page 5 of the handout, asked what is included in the category of "Others."

Mr. Smith responded that a breakdown of municipal bus operators in this category is found on page 2 of the second handout.

Director Darakjy inquired about how other cities have spent some of their funds (e.g., specific projects).

Mr. Smith explained that the handout shows the actual dollar amounts spent. An audit of how the funds were spent to ensure compliance with the Accountability Act of 1998 will follow.

Director Darakjy mentioned that the Committee requested this information last year but did not receive a response.

Mr. Smith stated that staff can provide copies of the cities' audits, which include guidelines for the use of transportation subsidies to external agencies.

Mr. Smith noted that the cities administer the funds that are directly allocated to them. Staff will need to pull the cities' reports to identify the exact projects on which Prop A subsidies were spent. He added that this is public information.

Chair Ham indicated that a presentation of this information would be appropriate for the public hearing. Staff may examine a sample of roughly 6 cities, including Pasadena.

Mr. Smith stated that it may be possible to invite representatives from the cities.

Chair Ham commented that Orange County benefited from Disney's expansion of the freeway, but when you get into L.A. the problem returns. He asked if there were plans to use Prop C to improve traffic flow on the I-5 coming from Orange County.

Mr. Smith responded that the MTA Board approved the Carmenita Road I-5 southbound interchange reconstruction project last September. This is a \$1.4 billion project to which \$900 million has been allocated to date. Completion will take another 7-8 years due to land acquisition and other issues.

Funding is comprised of Prop C 25%, STIP funds, federal funds, congestion mitigation funds, interstate maintenance funds, etc.

Director Russell asked if most cities believe they are receiving their “fair share” and if there have been any quarrels.

Staff responded that the program is as fair as can be, since local return dollars are allocated to jurisdictions based on population.

Director Russell inquired about the allocation of discretionary funds.

Mr. Smith responded that municipalities compete for project funding through the Call for Projects, and a formula allocation procedure is also used, which is based on revenue service miles and passengers per revenue service mile.

Chair Ham mentioned the possibility of coordinating a date for a **site tour** via email. He asked if Committee members would consider looking at the beginning of February or March.

Mr. Smith pointed out that certain sites, particularly those in construction zones, may pose safety issues and precautions will need to be exercised, including use of protective gear.

3. APPROVED:

- A. scheduling a **Public Hearing** for Wednesday, April 19, 2006 at 10:00 a.m. to receive input on FY2005 Audit of Propositions A & C Revenues and Expenditures; and
- B. Notice of Intent to Hold Public Hearing.

4. Public Comment – none.

ADJOURNED at 10:50 a.m.

*Michelle Chau*

Prepared by: Michele Chau  
Recording Secretary

December 21, 2005

**Independent  
Citizens  
Advisory  
and  
Oversight  
Committee**

From: Dwight D. Ham, Chairman  
Independent Citizens' Advisory and Oversight Committee

Subject: Report to the MTA Board of the 2004 Audit of Propositions A and C Special Revenue Funds.

One Gateway  
Plaza  
Los Angeles, CA  
90012

213-922-4600

**Board of  
Directors**

Dwight D. Ham  
Chair  
Russ Lesser, Vice  
Chair  
Emina Darakjy  
Brian Russell

Michele Jackson,  
Board Secretary

The Independent Citizens' Advisory and Oversight Committee (ICAOC) was established as part of the MTA Reform and Accountability Act of 1998 (ACT). The ACT was instituted so that the people of the County of Los Angeles could be confident, among other things, that the sales tax revenues from Propositions A and C were not expended for the planning, designing, constructing or operating of any new subway. The ICAOC was therefore given the charge to advise and give oversight such that the purposes of this ACT to provide accountability to the people of the County of Los Angeles and the tax dollars they pay for Propositions A and C was carried out and fulfilled with the MTA.

For the year ending June 30, 2004, an independent audit was conducted of **Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds** by the accounting firm **Thompson, Cobb, Bazilio and Associates, PC**. A report of their findings dated November 1, 2004 was submitted to the ICAOC for the committee meeting held on January 10, 2005. In addition, a **Report on Compliance and Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with *Government Auditing Standards*** was also submitted as part of the same report.

The audit provided a clean opinion that the financial presentation of Propositions A and C was in conformity with accounting principles generally accepted in the United States of America. Additionally, the auditors performed tests of the LACMTA's compliance and internal controls that disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards nor were any material weaknesses involving internal controls found.

Present at the ICAOC meeting was Richard Brumbraugh, MTA Chief Financial Officer and Josie Nicasio, MTA Controller, who were available to answer any questions from the committee regarding the financial reports on Proposition A and C and any issues regarding compliance. Absent from the ICAOC meeting was a representative from the accounting firm, Thompson, Cobb, Bazilio and Associates, PC.

At my request, in a separate letter dated May 6, 2005 from Michael de Castro, Principal, Thompson, Cobb, Bazilio and Associates, PC, to the Chairman, Dwight D. Ham, Mr. de Castro specifically covers the significant compliance provision of the ACT prohibiting the MTA from expending Proposition A and C sales tax revenues on any new sub way construction. Mr. de Castro concludes; "based on our audit for fiscal year ended June 30, 2004, we found that the MTA complied with this significant provision of the ACT."

The results of the audit given to the ICAOC were published in local newspapers and it is my understanding have been made available to every library located within Los Angeles County for public review. A public hearing took place on Wednesday, April 20, 2005 at 10:00 A.M. at the MTA Headquarters for the purposes of allowing the public an open forum to make comments and ask questions. Interestingly, no members of the public were in attendance at this year's Public Hearing.

It is the conclusion of the committee that we acknowledge the written report and statement from the CPA firm, Thompson, Cobb, Bazilio and Associates, PC, along with the assurances from the financial officers of the MTA that the MTA continues to adhere to the provisions of the ACT. The ICAOC appreciates the cooperation given by the auditors and staff of MTA and the professional manner in which they have fielded our questions and requests.

The committee remains a four-member committee even though five are stipulated in the ACT. The mayor's office has been negligent in providing a fifth member as a voice from the people of the County of Los Angeles. Perhaps this will change with the new administration for the City of Los Angeles.

Respectfully Submitted,

  
Dwight D. Ham (mj)

Chairman, The Independent Citizens' Advisory and Oversight Committee

Cc: Russ Lesser, Vice Chairman  
Brian C. Russell  
Emina Darakjy