

AGENDA
PALOS VERDES PENINSULA TRANSIT AUTHORITY
REGULAR MEETING
May 21, 2020

NOTE: PUBLIC PARTICIPATION INFORMATION

Pursuant to the Governor's Executive Order N-29-20, Board Members will be participating via teleconference.

Members of the public may listen to the meeting live by calling: (1-669-900-6833) from any phone, Meeting ID: 927 3913 1238, Meeting Password: 296188. (Please note you will not have the ability to speak using the call-in option from a phone line.)

Public correspondence may be emailed to transit@pvtransit.net. Emails received before 5:00 p.m. the night of the Board meeting will be forwarded to the Board of Directors for their consideration and included as part of the record.

*- Members of the public who wish to speak during this meeting may join the Zoom meeting by accessing the Zoom app from a computer (downloaded at Zoom.com) or tablet or phone (downloaded in the App Store), by entering the following credentials: Meeting ID: 927 3913 1238, Meeting Password: 296188
Members of the public who join the Zoom meeting will not have video, and may request to speak using the following process: After joining the Zoom meeting, if you wish to speak, please select the "raise hand" option at the lower portion of your screen. A staff member will send you a chat message to identify which item on the agenda you would like to speak on and will unmute your mic at the appropriate time.*

Time Estimates: The time noted next to an agenda item is only an estimate of the amount of time that will be spent during the meeting on that particular item. Accordingly, these estimates should not be relied on in determining when a matter will be heard, especially since agenda items are often re-ordered during a meeting and may be discussed at any time.

6:00 P.M. REGULAR SESSION

(5 mins) **CALL TO ORDER:**

ROLL CALL:

FLAG SALUTE:

CONFIRM POSTING OF THE AGENDA BY ROLLING HILLS ESTATES CITY CLERK:

PUBLIC COMMENTS: (All matters listed under the Consent Calendar are considered to be routine and will be enacted by one vote. There will be no discussion of these items unless members of the Board request specific items to be removed from the Consent Calendar for separate action.

If you need special assistance to participate in an Authority meeting under the Americans with Disabilities Act (ADA) or as a person with limited English proficiency (LEP) under Executive Order 13166, please contact the Secretary (310-544-7108) with request for reasonable accommodation at least forty-eight hours prior to the meeting.

(5 mins) **APPROVAL OF CONSENT CALENDAR (1-6):**

Page 4

1. Register of Standing demands and Previously Authorized demands under Resolution 94/95-01 and per attached listing:

	Checks	Amount
Oct.	7418-7426	\$ 215,193.79
Nov.	7427-7802	\$ 208,153.66
Dec.	7443-7453	\$ 59,019.15
TOTAL		\$ 482,366.60

	Checks	Amount
Jan.	7454-7471	\$ 277,080.94
Feb.	7472-7485	\$ 64,396.69
March	7486-7504	\$ 336,167.57
TOTAL		\$ 677,645.20

2. Approval of October 30, 2019 Board Minutes Page 8
3. Administrative Services Co-Op Contract Extension Page 12
4. Reaffirmation of Investment Policy Page 14
5. Operations Report Page 20
6. Financial Statements as of March 31, 2020 Page 25

Recommendation: Approve Consent Calendar items

(10 mins) **ADMINISTRATOR REPORT:**

(45 mins) **REGULAR BUSINESS:**

I. NEW BUSINESS

1. Fiscal Year 2018-2019 Audit Report Page 29
Recommendation: Approve FY 18-19 Audit Report.

2. FY 19-20 Audit Engagement Letter from RAMS Page 66
Recommendation: Approve Audit Engagement Letter

3. South Bay Fiber Network Page 76
Recommendation: Approve participation in the South Bay Fiber Network

II. OLD BUSINESS

1. Expense Authorization for Administrator Page 77
Recommendation: Approve staff recommendation

(5 mins) **FUTURE AGENDA ITEMS:** (This section of the agenda is designated for individual Board Members to request that an item be placed on a future PVPTA meeting agenda.)

(10 mins) **CHAIR AND MEMBER ITEMS REPORT:**

Election of Officers Page 82

III. URGENCY ITEM Page 83

A RESOLUTION OF THE EXECUTIVE BOARD OF PALOS VERDES PENINSULA TRANSIT AUTHORITY PROCLAIMING AN EMERGENCY AND AUTHORIZING EMERGENCY ACTIONS

Recommendation: The Board of Directors authorize a resolution proclaiming an emergency and authorizing emergency actions.

ADJOURNMENT: Rolling Hills Estates City Hall, June 25, 2020

Palos Verdes Peninsula Transit Authority
Checks Written for Month
 October-December 2019

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Oct 19	10/01/2019	7404	Mobility Advancement Group	Administrative Services for September 2019	-17,345.27	-17,345.27
	10/21/2019	7405	Marita Spalding	Dial-A-Ride Refund	-108.00	-108.00
	10/21/2019	7406	Sachiko Hagiwara	Dial-A-Ride Refund	-30.00	-30.00
	10/29/2019	7407	Dixie Semeka	Dial-A-Ride Refund	-210.00	-210.00
	10/29/2019	7408	Administrative Services Co-Op	Dial-A-Ride Service	-25,954.67	-25,954.67
	10/29/2019	7409	AT&T	Account No. 0206360576001	-127.01	-127.01
	10/29/2019	7410	Clean Energy	CNG Fuel	-18,015.79	-18,015.79
	10/29/2019	7411	County Sanitation Districts of LA County	Parking Lot Lease	-7,731.50	-7,731.50
	10/29/2019	7412	Frontier Communications7108	VOID:	0.00	0.00
	10/29/2019	7413	Mutual Liquid Gas & Equipment Co., Inc.	LPG Fuel	-3,112.95	-3,112.95
	10/29/2019	7414	MV Transportation, Inc.	Fixed Route Transportation	-104,549.95	-104,549.95
	10/29/2019	7415	Office Depot	Account 34585368	-130.09	-130.09
	10/29/2019	7416	PitneyBowes Global Financial Services	Account 0015571055	-295.72	-295.72
	10/29/2019	7417	Postmaster	Postal Box 2656 - 1 year	-170.00	-170.00
	10/29/2019	7418	Purchase Power	Acct. 8000-9090-0212-1536	-503.50	-503.50
	10/29/2019	7419	PVPUSD	Printing Services	-1,589.94	-1,589.94
	10/29/2019	7420	Remix Software, Inc.	7/1/19-6/30/20	-15,200.00	-15,200.00
	10/29/2019	7421	Trillium Solutions	GTFS Service	-412.50	-412.50
	10/29/2019	7422	Wells Fargo	Acct 4484610008047386	-923.34	-923.34
	10/29/2019	7423	White Wings Cleaning Service	Office Cleaning	-110.00	-110.00
	10/29/2019	7424	Xerox	Account 719892051	-298.70	-298.70
	10/29/2019	7425	Frontier Communications7108	Telephone Service	-1,029.59	-1,029.59
	10/30/2019	7426	Mobility Advancement Group	Administrative Services for October 2019	-17,345.27	-17,345.27
	Oct 19					

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>	
Nov 19	11/21/2019	7427	Randy Rubin	Pass Refund	-74.00	-74.00	
	11/21/2019	7428	Virginia Thompson	Dial-A-Ride Refund	-60.00	-60.00	
	11/21/2019	7429	Glenda Windham	Dial-A-Ride Refund	-48.00	-48.00	
	11/21/2019	7430	Administrative Services Co-Op	Invoice 191031 October 2019 Dial-A-Ride Service	-13,136.65	-13,136.65	
	11/21/2019	7431	AT&T	Account No. 0206360576001	-122.37	-122.37	
	11/21/2019	7432	Cal Act	2020 Membership renewal	-620.00	-620.00	
	11/21/2019	7433	Clean Energy	CE12249776 October 2019	-17,867.29	-17,867.29	
	11/21/2019	7434	County Sanitation Districts of LA County	Parking Lot Lease	-7,731.50	-7,731.50	
	11/21/2019	7435	Gayle Albin-Bailey	Bookkeeping Services	-1,067.50	-1,067.50	
	11/21/2019	7436	Mutual Liquid Gas & Equipment Co., Inc.	Invoice 429275 October 2019	-3,695.14	-3,695.14	
	11/21/2019	7437	MV Transportation, Inc.	Fixed Route Transit Service, October 2019	-143,079.16	-143,079.16	
	11/21/2019	7438	Pitney Bowes - Purchase Power	Acct. 8000-9090-0212-1536	-554.42	-554.42	
	11/21/2019	7439	PitneyBowes Global Financial Services	Account 0015571055 Invoice 3103499751	-32.00	-32.00	
	11/21/2019	7440	Wells Fargo	Acct 4484610008047386	-427.94	-427.94	
	11/21/2019	7441	White Wings Cleaning Service	Office Cleaning	-110.00	-110.00	
	11/21/2019	7442	Xerox	Purchase of Xerox Machine	-2,185.14	-2,185.14	
	11/27/2019	7802	Mobility Advancement Group	Administrative Services for November 2019	-17,342.55	-17,342.55	
	Nov 19						<u>-208,153.66</u>

Palos Verdes Peninsula Transit Authority
Checks Written for Month
 October-December 2019

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Dec 19						
	12/16/2019	7443	AT&T	Account No. 0206360576001	-70.55	-70.55
	12/16/2019	7444	Clean Energy	CE12256704 November 2019	-15,140.19	-15,140.19
	12/16/2019	7445	County Sanitation Districts of LA County	Parking Lot Lease	-8,195.40	-8,195.40
	12/16/2019	7446	Frontier Communications7108	310 544-7108-062795-5	-339.47	-339.47
	12/16/2019	7447	Mutual Liquid Gas & Equipment Co., Inc.	Invoice 433719 November 2019	-2,651.47	-2,651.47
	12/16/2019	7448	Palos Verdes On the Net	Invoice 2019-4	-1,675.00	-1,675.00
	12/16/2019	7449	PVPUSD-Rent	Rent and Utilities	-804.82	-804.82
	12/16/2019	7450	ReadyRefresh by Nestle	Account 0024293722	-10.03	-10.03
	12/16/2019	7451	Wells Fargo	Acct 4484610008047386	-10.70	-10.70
	12/16/2019	7452	Administrative Services Co-Op	Invoice 191131 November 2019 Dial-A-Ride Serv	-12,776.25	-12,776.25
	12/31/2019	7453	Mobility Advancement Group	Administrative Services for December 2019	-17,345.27	-17,345.27
Dec 19						<u>-59,019.15</u>

Palos Verdes Peninsula Transit Authority
Checks Written for Month
 January - March 2020

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Jan 20	01/08/2020	7454	White Wings Cleaning Service	Invoice 7925-Cleaning Services	-220.00	-220.00
	01/08/2020	7455	Wells Fargo	VOID: Acct 4484610002154188 Duplicate paymen	0.00	0.00
	01/27/2020	7456	Ruth Schuller	Refund for Dial-A-Ride	-24.00	-24.00
	01/29/2020	7457	Administrative Services Co-Op	December 2019 Dial-A-Ride Service	-11,155.77	-11,155.77
	01/29/2020	7458	AT&T	Account No. 0206360576001	-96.72	-96.72
	01/29/2020	7459	California Department of Tax and Fee Adm.	Fuel Taxes for 2019	-762.87	-762.87
	01/29/2020	7460	Clean Energy	CNG Fuel for December 2019	-17,611.16	-17,611.16
	01/29/2020	7461	County Sanitation Districts of LA County	Parking Lot Rent	-7,963.45	-7,963.45
	01/29/2020	7462	Frontier Communications7108	Telephone	-686.66	-686.66
	01/29/2020	7463	John Joseph	Office Expenses	-55.00	-55.00
	01/29/2020	7464	Mutual Liquid Gas & Equipment Co., Inc.	LPG Fuel, November 2019	-2,394.18	-2,394.18
	01/29/2020	7465	MV Transportation, Inc.	Nov. & Dec. 2019 Fixed Route Service	-216,075.00	-216,075.00
	01/29/2020	7466	Office Depot	Account 34585368	-192.11	-192.11
	01/29/2020	7467	PitneyBowes Global Financial Services	Postage Meter	-450.88	-450.88
	01/29/2020	7468	FVPUSD-Rent	Office Utilities	-306.06	-306.06
	01/29/2020	7469	Q Document Solutions Inc.	Xerox Supplies	-192.20	-192.20
	01/29/2020	7470	Wells Fargo	Acct 4484610008047386	-1,546.88	-1,546.88
	01/31/2020	7471	Mobility Advancement Group	Administrative Services for January 2020	-17,348.00	-17,348.00
Jan 20						<u>-277,080.94</u>

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Feb 20	02/20/2020	7472	Administrative Services Co-Op	January 2020 Dial-A-Ride Service	-11,154.71	-11,154.71
	02/20/2020	7473	AT&T	Account No. 0206360576001	-212.73	-212.73
	02/20/2020	7474	Clean Energy	CNG Fuel for January 2020	-18,389.38	-18,389.38
	02/20/2020	7475	County Sanitation Districts of LA County	Parking Lot Ren	-7,963.45	-7,963.45
	02/20/2020	7476	Darold D. Pieper	Legal Services	-190.50	-190.50
	02/20/2020	7477	PitneyBowes Global Financial Services	Postage Meter	-32.00	-32.00
	02/20/2020	7478	Q Document Solutions Inc.	Xerox Expenses	-76.65	-76.65
	02/20/2020	7479	Rogers, Anderson, Malody & Scott LLP	FY 2019 Audit Expenses	-7,500.00	-7,500.00
	02/20/2020	7480	Thales Consulting	State Controller's Office report	-1,051.00	-1,051.00
	02/20/2020	7481	Ansuya Desai	Dial-A-Ride Refund	-18.00	-18.00
	02/20/2020	7482	Jae Martin	PV Transit Pass Refund	-295.00	-295.00
	02/20/2020	7483	Barbara Martin	Dial-A-Ride Refund	-90.00	-90.00
	02/20/2020	7484	Kenneth Meyer	Dial-A-Ride Refund	-78.00	-78.00
	02/29/2020	7485	Mobility Advancement Group	February 2020 Administrative Services	-17,345.27	-17,345.27
Feb 20						<u>-64,396.69</u>

Palos Verdes Peninsula Transit Authority
Checks Written for Month
 January - March 2020

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Mar 20	03/12/2020	7486	White Wings Cleaning Service	Invoice 7959-Cleaning Services	-220.00	-220.00
	03/17/2020	7487	MV Transportation, Inc.	January & February Fixed Route service	-255,741.60	-255,741.60
	03/18/2020	7488	Administrative Services Co-Op	February 2020 Dial-A-Ride Service	-11,448.16	-11,448.16
	03/18/2020	7489	AT&T	Account No. 0206360576001	-127.38	-127.38
	03/18/2020	7490	Clean Energy	CNG Fuel for February 2020	-17,501.41	-17,501.41
	03/18/2020	7491	County Sanitation Districts of LA County	Parking Lot Lease	-7,963.45	-7,963.45
	03/18/2020	7492	Cubic Transportation Systems	Equipment	-1,375.00	-1,375.00
	03/18/2020	7493	Frontier Communications7108	310 544-7108-062795-5	-333.47	-333.47
	03/18/2020	7494	Gayle Albin-Bailey	Bookkeeping Services	-600.00	-600.00
	03/18/2020	7495	Mutual Liquid Gas & Equipment Co., Inc.	LPG Fuel for February	-6,165.28	-6,165.28
	03/18/2020	7496	MV Transportation, Inc.	VOID: February 2020 Fixed Route Services	0.00	0.00
	03/18/2020	7497	PVPUSD	Office rent and utilities	-250.00	-250.00
	03/18/2020	7498	Q Document Solutions Inc.	Xerox services	-85.80	-85.80
	03/18/2020	7499	Rogers, Anderson, Malody & Scott LLP	2019 Audit	-16,500.00	-16,500.00
	03/18/2020	7500	Wells Fargo	Acct 4484610008047386	-112.85	-112.85
	03/18/2020	7501	Kimberly Lawson	PV Transit pass refund	-295.00	-295.00
	03/18/2020	7502	Lorraine Mone	Dial-A-Ride Refund	-36.00	-36.00
	03/18/2020	7503	Q Document Solutions Inc.	Xerox services	-77.80	-77.80
	03/31/2020	7504	Mobility Advancement Group	Administrative Services for March 2020	-17,334.37	-17,334.37
						<u>-336,167.57</u>
Mar 20						

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**MINUTES
PALOS VERDES PENINSULA TRANSIT AUTHORITY**

Wednesday, October 30, 2019

The meeting was called to order at 6:06 p.m. by Chairperson Duhovic at Rolling Hills Estates City Hall, 4045 Palos Verdes Drive North Rolling Hills Estates, CA 90274

REGULAR SESSION:

Board roll call was answered as follows:

PRESENT: Victoria Lozzi, PVE; Jerry Duhovic, RPV; Michael Kempes, PVE; Brit Huff, RHE

ABSENT: John Cruikshank, RPV; Steve Zuckerman, RHE.

Also present were Martin Gombert, PVPTA; Jessica Slawson, RHE; Ron Drago, RPV, and Matthew Brach, PVPUSD.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Kempes.

CONFIRM POSTING OF THE AGENDA BY ROLLING HILLS ESTATES CITY CLERK

City of Rolling Hills Estates confirmed the posting of the Authority Agenda.

APPROVAL OF CONSENT CALENDAR (1-3):

Member Duhovic moved approval of the Consent Calendar with a change on check dates, seconded by Member Lozzi.

The motion passed on the following roll call vote:

AYES: Duhovic, Kempes, Lozzi, Huff

NOES: None

ABSENT: Cruikshank, Zuckerman

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PUBLIC COMMENTS: (Audience Comments regarding Items not on the Agenda)

None

MONTHLY AND REGULAR REPORTS

III.C Charter Service Rates for Community Groups

Chairperson Duhovic requested that Item III.C be moved up on the Agenda. There was verbal Agreement from the Board.

Administrator Gombert presented the item and there was considerable discussion by Board Members. Ms. Jennifer Yakubik, Peninsula Committee Children's Hospital spoke on this item.

Chairperson Duhovic moved that staff return this item to the Board at the next meeting with a proposal to provide discounted charter service to not-for-profit groups, seconded by Member Huff.

The motion passed on the following roll call vote:

AYES: Duhovic, Kempes, Lozzi, Huff

NOES: None

ABSENT: Cruikshank, Zuckerman

ADMINISTRATOR REPORT

Administrator Gombert reviewed several items including Assembly Bill 5 and its potential impact on taxi service and Metro's Nextgen bus project.

MONTHLY AND REGULAR REPORTS:

A.1 Operations Report: Mr. Gombert presented the Operations Report and there were several questions by Board Members.

Member Huff moved approval of the Operations Report, seconded by Member Kempes.

The motion passed on the following roll call vote:

The motion passed on the following roll call vote:

AYES: Duhovic, Kempes, Lozzi, Huff

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NOES: None
ABSENT: Cruikshank, Zuckerman

B.1 Financial Report: Mr. Martin Gombert, Administrator said that this report would be presented at a later date.

OLD BUSINESS

Agreement with Rodgers, Anderson, Malody & Scott, LLP

Mr. Gombert presented the staff report and noted the response to two questions from the July Board Meeting.

Member Lozzi moved approval of the staff recommendation, seconded by Member Huff.

The motion passed on the following roll call vote:

AYES: Duhovic, Kempes, Lozzi, Huff
NOES: None
ABSENT: Cruikshank, Zuckerman

NEW BUSINESS

III.A. PVPTA Title VI Program: Administrator Gombert presented the Agenda Item to the Board. He noted that Federal Regulations required the Authority to develop a Title VI Plan every three years and must receive Board approval for the following three reports: (1) Title VI Program; (2) Public Participation Plan, and (3) Limited English Proficiency Plan.

There was discussion by the Board.

Chairperson Duhovic moved approval of the staff recommendation, seconded by Member Zuckerman.

The motion passed on the following roll call vote:

AYES: Duhovic, Kempes, Lozzi, Huff
NOES: None
ABSENT: Cruikshank, Zuckerman

III.B. Quote with Cubic Transportation Systems: Administrator Gombert presented the Agenda Item to the Board. There were several questions by the Board regarding the quote. The Board requested staff answer the

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three questions relating to warranty coverage, equipment compatibility, and travel costs and give the Board 72 hours to request additional feedback before issuing a purchase order.

Member Huff moved approval of the staff recommendation, seconded by Member Duhovic.

The motion passed on the following roll call vote:

AYES: Duhovic, Kemps, Lozzi, Huff
NOES: None
ABSENT: Cruikshank, Zuckerman

FUTURE AGENDA ITEMS

Procurement policy.

CHAIR AND MEMBER ITEMS

ADJOURNMENT

At 7:35 p.m. Chairperson Duhovic moved to adjourn the Board Meeting until January 16, 2020.

Respectfully submitted:

Martin Gombert, Administrator

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 11, 2020
SUBJECT: Administrative Services Cooperative (ASC) Contract Extension

BACKGROUND

The current Agreement with our dial-a-ride provider Administrative Services Cooperative (ASC) expires on January 31, 2020. Amendment Number 15 would extend the existing Agreement through January 31, 2021 with no increase in fees.

FISCAL IMPACT

Funding for this contract is contained in the Fiscal Year 2019-20 budget.

RECOMMENDATION

Approve Amendment #15 with Administrative Services Cooperative.

**AMENDMENT NUMBER FOURTEEN (15)
TO
ADMINISTRATIVE SERVICES COOPERATIVE**

February 17, 2005 Agreement

This amendment to the February 17, 2005 Agreement is made and entered into by and between the PALOS VERDES PENINSULA TRANSIT AUTHORITY, hereinafter referred to as "Authority", and ADMINISTRATIVE SERVICES COOPERATIVE, hereinafter referred to as "ASC".

WITNESSETH

Whereas, on February 17, 2005, Authority and ASC entered into an Agreement to provide transportation to senior and disabled persons; and

WHEREAS, said Agreement can be extended on an annual basis each year, with periodic amendments to modify the amount to be expended; and

NOW, THEREFORE, in consideration of the mutual covenants in said Agreement and the welfare of the above mentioned persons, Authority and ASC agree to revise the Agreement, as amended, as follows:

Section 6-Term: The first sentence shall read as follows:

This Agreement shall commence on ~~January 31, 2019~~ **January 31, 2020** and end on ~~January 31, 2020~~ **January 31, 2021**, unless the Authority and ASC agree to extend it for an additional term not to exceed one (1) year after the initial termination date.

Section 4-Compensation: The first paragraph shall read as follows:

The Authority shall pay ASC the actual amount of the taxicab fare for each ride. The compensation paid by the Authority shall be the actual amount of the taxicab fare to the approved location, and eligible person will not be required to pay ASC. The standard cab rate shall be **\$2.85** at boarding, **\$2.70** per mile after boarding, (partial miles will be assessed at 10ths of a mile) and **\$29.19** per hour traffic delay/waiting time. The standard rate for dial-a-lift service shall be \$20.00 flag drop and be **\$2.70** per mile with traffic delay/waiting time established at **\$29.19** per hour traffic delay/waiting time.

The above rates will be adjusted when changes are made to the taxi rates by the City of Los Angeles Department of Transportation. The new rates will be effective the same date as the City of Los Angeles'. The dial-a-lift rates will be adjusted the same percentage as the change in taxi rates.

Except as herein and previously amended, the Agreement shall remain in full force and effect.

This Amendment shall become effective as of the date it is approved by the Authority.

IN WITNESS THEREOF, the parties hereto have caused this Amendment Number FIFTEEN to be executed by their respective Officers, duly authorized, by the Authority on **May 21, 2020** and by ASC on _____.

ADMINISTRATIVE SERVICES COOPERATIVE

Date _____ By _____

PALOS VERDES PENINSULA TRANSIT AUTHORITY

Date _____ By _____

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 11, 2020
SUBJECT: Review and Reaffirmation of Investment Policy

BACKGROUND

The attached policy was initially adopted on January 23, 1997 and, due to changing legislative and market conditions, amended a few times. Per recommendation from the Authority's audit firm the policy is reviewed on an annual basis.

FINDINGS

The Authority's auditor's, RAMS CPA, noted that the only change to Local Agency Investment Guidelines (attached) was allowable investment instruments per State government code. The Authority complies with these guidelines.

No changes to the Authority's Investment Policy are required at this time.

RECOMMENDATION

Following proper review, that the Board reaffirms the Investment Policy and instructs that same be filed in the usual manner.

Attachment

INVESTMENT POLICY

(Revised as of May 21, 2020)

Purpose: Section 53646 (a) of the California Government Code requires that, commencing on January 1, 1996, public entities adopt a statement of investment policy. The policy of the Palos Verdes Peninsula Transit Authority, as duly adopted on May 21, 2020, shall be as follows:

1.0 Policy:

It is the policy of the Palos Verdes Peninsula Transit Authority (Authority) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

2.0 Scope:

This investment policy applies to all financial assets of the entity. These funds are accounted for in the Authority's annual financial audit report.

3.0 Prudence:

Investments shall be made by exercising the same judgment, which under the circumstances then prevailing, persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

3.1: Prudence:

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy 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 timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective:

The primary objectives, in priority order, of the Authority's investment activities shall be:

4.1 Safety:

Safety of principal is the foremost objective of the investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification may be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity:

The Authority's investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated

4.3 Return on Investments:

The Authority's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Authority's investment risk constraints and the cash flow characteristic of the portfolio.

5.0 Delegation of Authority:

Authority to manage the Authority's investment program is derived from the following:

Joint Powers Agreement dated May 5, 1992 and as amended as of April 16, 1996. The agreement provides for oversight by the Officers with authority to delegate the management of the program. Management responsibility is hereby delegated to the Authority's Administrator. No person may engage in an investment transaction except as provided under the terms of this policy.

6.0 Authorized & Suitable Investments:

The Authority is empowered to invest in the following manner:

1. Operating bank accounts, as authorized by Board Resolution, not to exceed \$100,000 under normal operating conditions.
2. Investment Pools, as authorized by Board Resolution, limited to funds to be deposited with the Local Agency Investment Fund (LAIF).
3. Fixed-Rate Certificates of Deposit not to exceed FDIC limits.

Internal Control:

The Authority's Governing Board shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with this policy.

Reporting:

The Administrator shall provide the Governing Board (at least quarterly) investment reports which provide a clear picture of the status of the current investment portfolio *and pursuant with California Government Code Section 53646 (b) and to include the following:*

1. *The carrying amount of demand deposit accounts and the amount invested in the Local Agency Investment Fund (LAIF).*
2. *The market value of the Authority's amount investment in the LAIF. This may be addressed by providing a copy of the most recent statement from LAIF.*
3. *A statement of the portfolio's compliance with the Authority's statement of investment policy or manner in which the portfolio is not in compliance.*
4. *A statement denoting the ability of the Authority to meet its expenditure, requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.*

Investment Policy Adoption:

The Authority's investment policy shall be adopted by the Governing Board. The policy shall be reviewed periodically and any modifications made thereto must be approved by the Governing Board.

MEMORANDUM

TO: AUTHORITY MEMBERS

FROM: Martin Gombert, Administrator

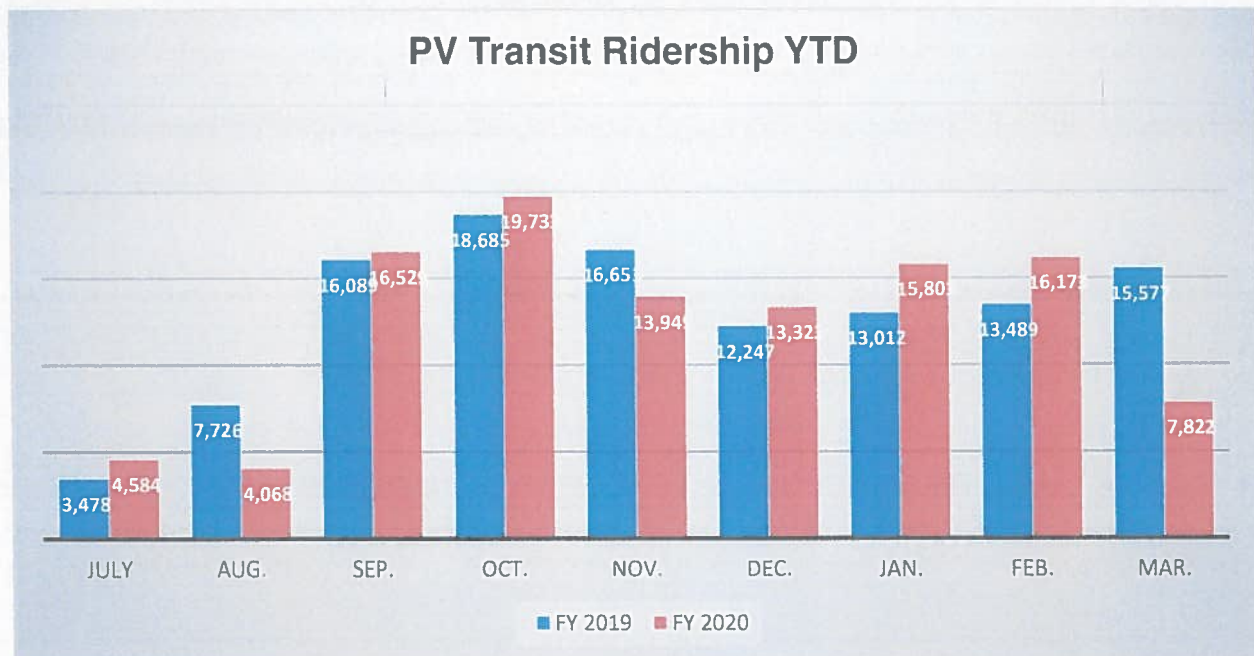
DATE: May 17, 2020

SUBJECT: Operations Report for the period ending March 31, 2020.

PV TRANSIT

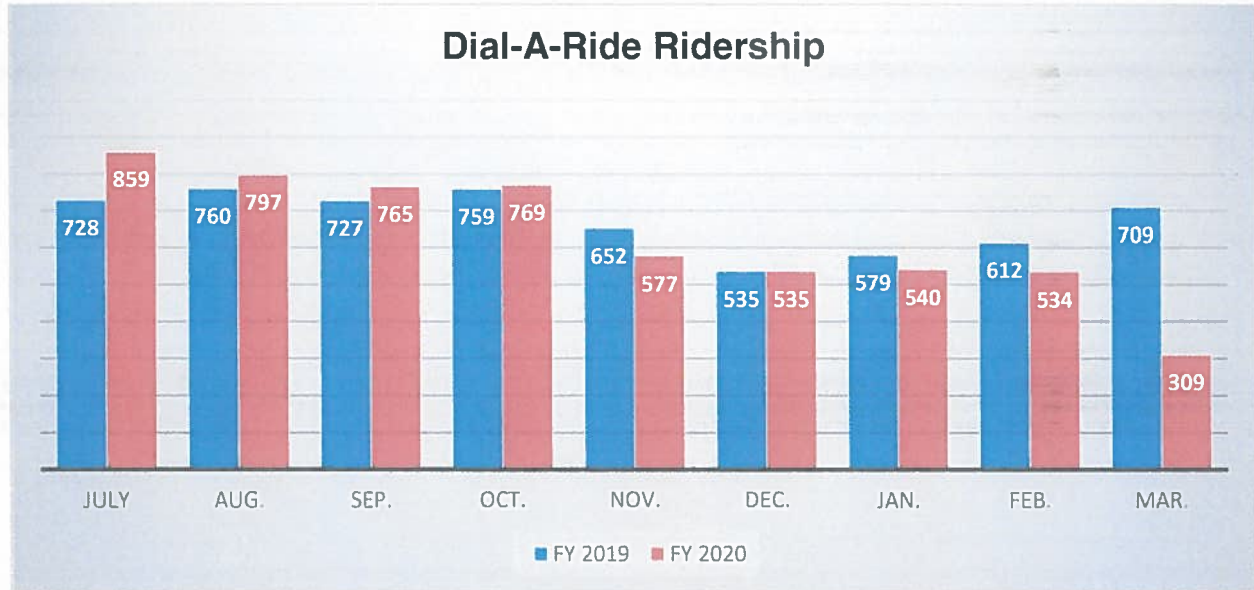
PV Transit ridership totaled 111,984 for Fiscal Year 19-20, a 4% decrease over previous years totals. This was caused by the closing of PV schools on March 13th and subsequent reduction in PV Transit service.

Copies of ridership graphs for all seven routes are included at the end of this report.



DIAL-A-RIDE

Dial-A-Ride ridership totaled 5,685 through March 2020, an 6% decrease over previous year's totals.



GOVERNMENT RELATIONS

During the past three months staff has attended meetings of Metro's Local Transit Service Subcommittee (LTSS), Access Services Board Meetings, Palos Verdes Peninsula Chamber of Commerce, and Metro's Bus Operations Subcommittee (BOS).

SERVICE UPDATE

Ridership declined dramatically after PV Transit stopped operated six routes on March 13 when the PVPUSD shut down. Since that time the only route that is operating is Route 225-226 and the dial-a-ride service.

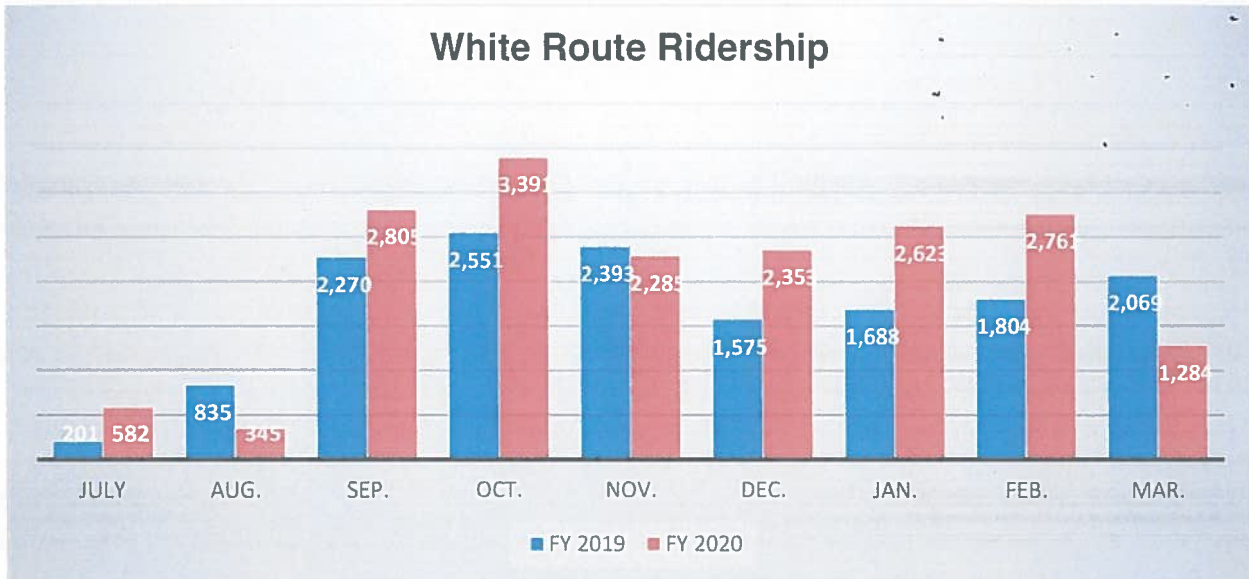
A complete update on transit service will be presented under the Administrator's Report.

RECOMMENDATION

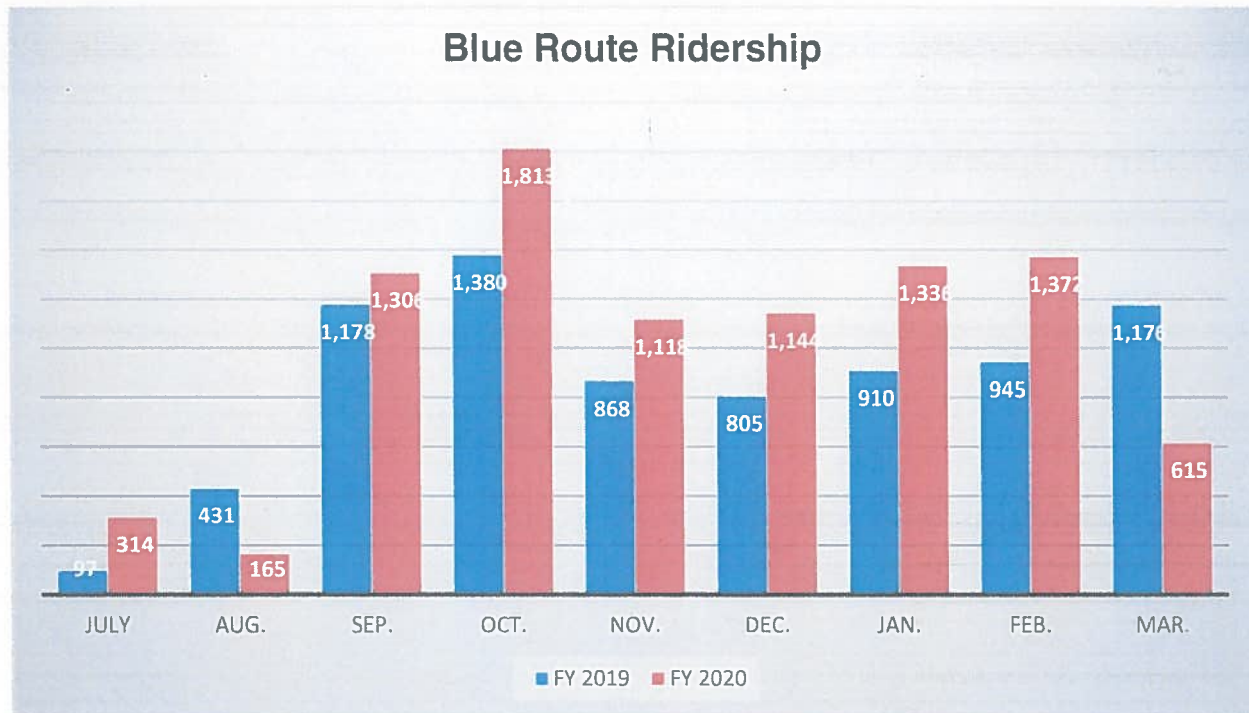
Receive and file report.

RIDERSHIP REPORTS

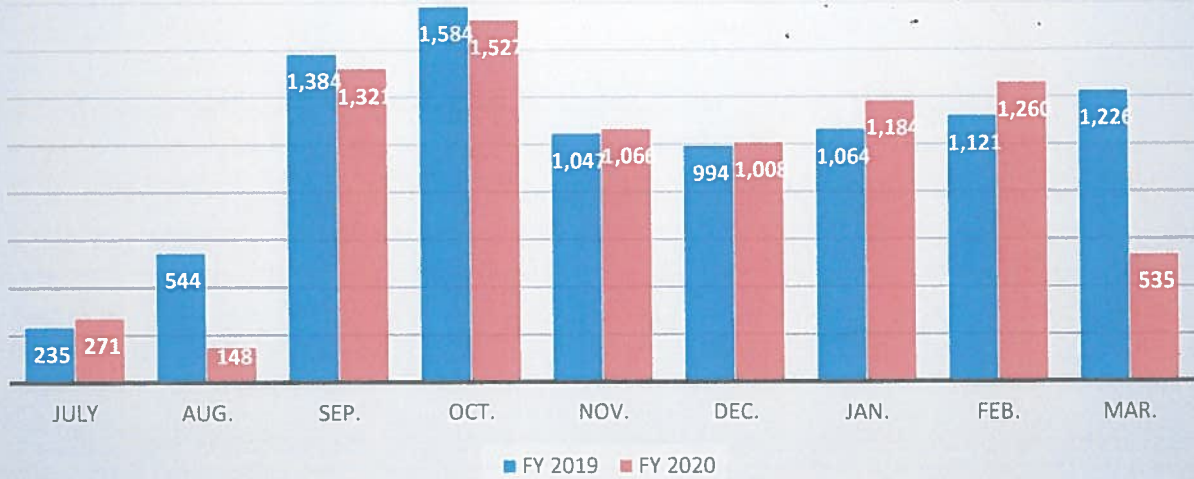
White Route Ridership



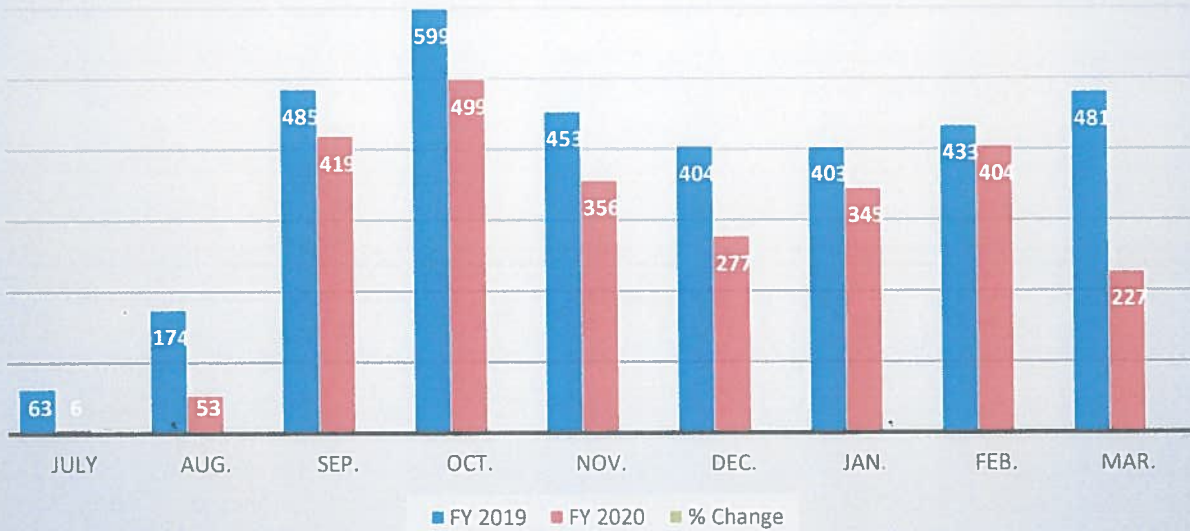
Blue Route Ridership



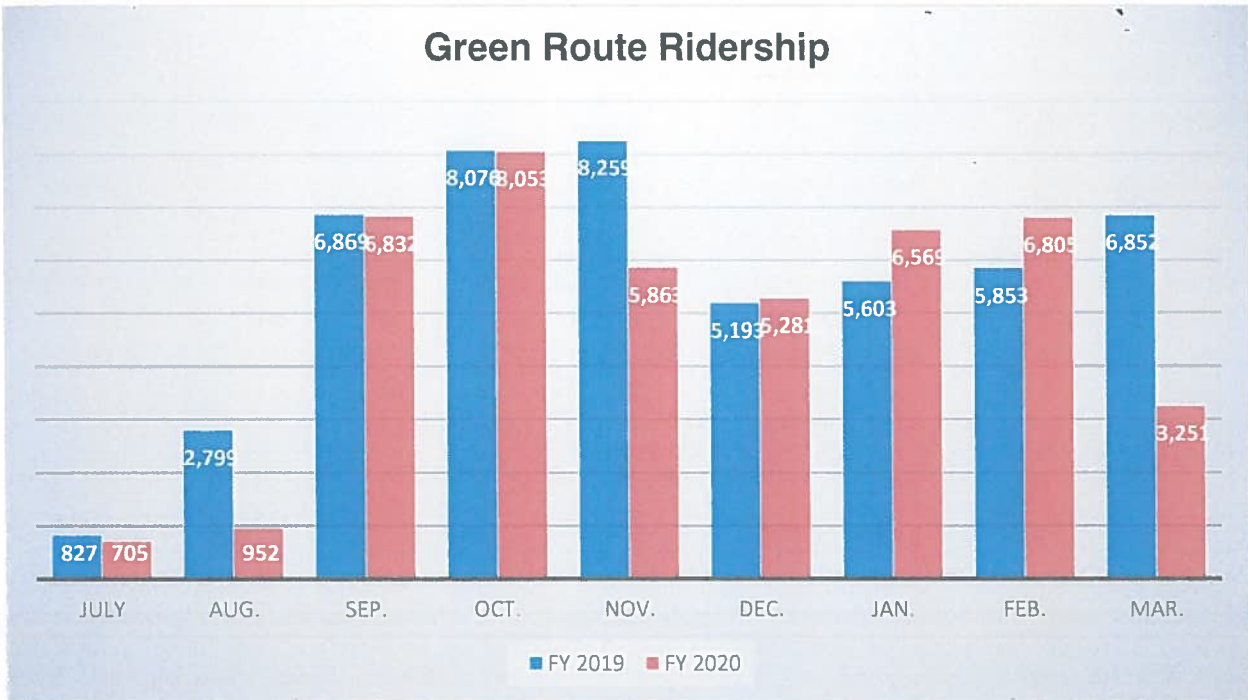
Silver Route Ridership



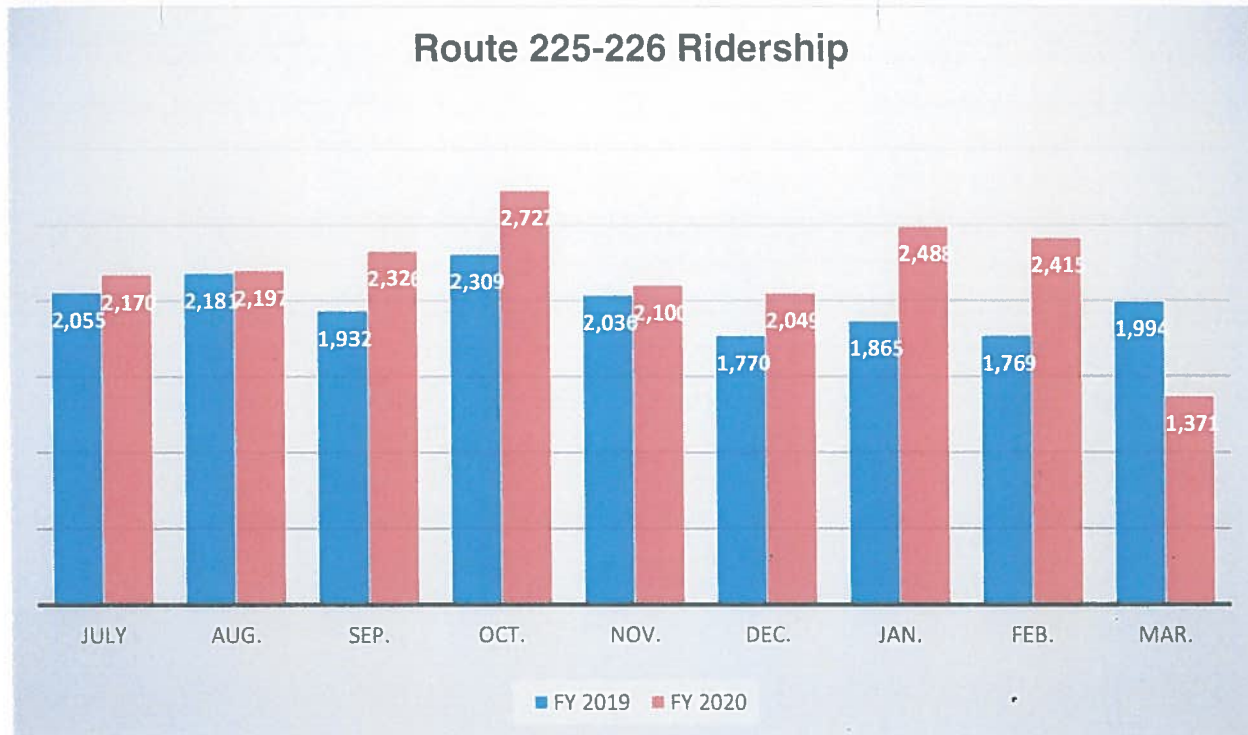
Gold Route Ridership



Green Route Ridership



Route 225-226 Ridership



MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: May 17, 2020
SUBJECT: Financial Statements for the period ending March 31, 2020

Attached are the *draft* Financial Statements for the period ending March 31, 2020.

The first report presented is Management Analysis-Budget vs. Actual. The results of this report are analyzed below. The following two reports are Profit and Loss YTD Comparison and Balance Sheet generated by the Quick Books accounting software. These reports have been modified to show previous year comparison as requested by Board Members.

Budget vs. Actual

Total expenses through March 31, 2020 totaled \$1,806,726, 1.83% below budgeted amounts.

Fixed Route and dial-a-ride operating fees were \$58,721, 5.8% below budget due to the significant reduction in operating hours on March 13, 2020.

Charges for Services

Passenger revenue totaled \$254,660 for the fiscal year. This was \$30,314 below budget (-10.64%) due to the significant reduction in operating hours on March 13, 2020.

Government Revenue

PV Transit is current with all grant payments from member agencies as of March 31, 2020 except Metro payments for the operation of Route 225-226. We are waiting for the signed MOU before we can invoice.

Attachments
-Financial Statements

Palos Verdes Peninsula Transit Authority
Management Analysis
Budget vs. Actual
YTD March 31, 2020

	<u>YTD 03/31/20</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% Diff</u>
Operating Revenue				
Charges for Services				
Fixed Route	\$ 224,955	\$ 234,724	\$ (9,769)	-4.16%
Dial-A-Ride	\$ 28,696	\$ 45,000	\$ (16,304)	-36.23%
Advertising	\$ -	\$ 3,750	\$ (3,750)	-100.0%
Charters	\$ 1,008	\$ 1,500	\$ (492)	-32.79%
TOTAL OPERATING REVENUE	\$ 254,660	\$ 284,974	\$ (30,314)	-10.64%
Operating Expenses				
Operator Fees				
Fixed Route	\$ 987,021	\$ 1,024,345	\$ (37,324)	-3.64%
Dial-A-Ride	\$ 109,853	\$ 131,250	\$ (21,397)	-16.3%
Subtotal	\$ 1,096,874	\$ 1,155,595	\$ (58,721)	-5.08%
Contract Administration	\$ 155,559	\$ 158,400	\$ (2,841)	-1.79%
Fuel Purchases	\$ 159,040	\$ 148,500	\$ 10,540	7.1%
Marketing and Promotions	\$ 8,967	\$ 28,500	\$ (19,533)	-68.54%
Facility Leasing	\$ 69,413	\$ 70,627	\$ (1,215)	-1.72%
Other operating Expenses	\$ 111,124	\$ 82,310	\$ 28,814	35.01%
Depreciation	\$ 205,749	\$ 196,438	\$ 9,311	4.74%
Subtotal	\$ 709,852	\$ 684,775	\$ 25,077	3.66%
TOTAL EXPENSE	\$ 1,806,726	\$ 1,840,370	\$ (33,644)	-1.83%
OPERATING LOSS	\$ (1,552,066)	\$ (1,555,396)	\$ 3,330	-0.21%

Palos Verdes Peninsula Transit Authority
Balance Sheet Prev Year Comparison
As of March 31, 2020

	<u>Mar 31, 20</u>	<u>Mar 31, 19</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current Assets				
Checking/Savings				
101.00 · Cash and cash equivalents	1,448,939.08	1,865,726.38	-416,787.30	-22.34%
Total Checking/Savings	<u>1,448,939.08</u>	<u>1,865,726.38</u>	<u>-416,787.30</u>	<u>-22.34%</u>
Accounts Receivable				
120.00 · Due from other governments	468,374.00	38,252.42	430,121.58	1,124.43%
Total Accounts Receivable	<u>468,374.00</u>	<u>38,252.42</u>	<u>430,121.58</u>	<u>1,124.43%</u>
Other Current Assets				
140.00 · Prepaid Expense	52,793.30	50,102.56	2,690.74	5.37%
1499 · Undeposited Funds	34.00	0.00	34.00	100.0%
Total Other Current Assets	<u>52,827.30</u>	<u>50,102.56</u>	<u>2,724.74</u>	<u>5.44%</u>
Total Current Assets	<u>1,970,140.38</u>	<u>1,954,081.36</u>	<u>16,059.02</u>	<u>0.82%</u>
Fixed Assets				
212.00 · Accum. Depreciation - Vehicles	-3,832,403.82	-3,528,533.82	-303,870.00	-8.61%
212.10 · Accum Deprec Infrastructures	-10,166.17	-9,122.17	-1,044.00	-11.45%
15900 · Leasehold Improvements	12,449.00	12,449.00	0.00	0.0%
16400 · Vehicles	4,682,917.25	4,517,383.39	165,533.86	3.66%
Total Fixed Assets	<u>852,796.26</u>	<u>992,176.40</u>	<u>-139,380.14</u>	<u>-14.05%</u>
TOTAL ASSETS	<u><u>2,822,936.64</u></u>	<u><u>2,946,257.76</u></u>	<u><u>-123,321.12</u></u>	<u><u>-4.19%</u></u>
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
310.00 · Vouchers Payable	142,571.36	158,421.60	-15,850.24	-10.01%
Total Accounts Payable	<u>142,571.36</u>	<u>158,421.60</u>	<u>-15,850.24</u>	<u>-10.01%</u>
Credit Cards				
315.00 · Wells Fargo Business Card	-465.17	-348.95	-116.22	-33.31%
Total Credit Cards	<u>-465.17</u>	<u>-348.95</u>	<u>-116.22</u>	<u>-33.31%</u>
Total Current Liabilities	<u>142,106.19</u>	<u>158,072.65</u>	<u>-15,966.46</u>	<u>-10.1%</u>
Long Term Liabilities				
355.00 · Deferred Rent	7,371.00	8,217.00	-846.00	-10.3%
Total Long Term Liabilities	<u>7,371.00</u>	<u>8,217.00</u>	<u>-846.00</u>	<u>-10.3%</u>
Total Liabilities	<u>149,477.19</u>	<u>166,289.65</u>	<u>-16,812.46</u>	<u>-10.11%</u>
Equity				
3900 · Retained Earnings	3,329,083.85	3,128,275.21	200,808.64	6.42%
Net Income	-655,624.40	-348,307.10	-307,317.30	-88.23%
Total Equity	<u>2,673,459.45</u>	<u>2,779,968.11</u>	<u>-106,508.66</u>	<u>-3.83%</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,822,936.64</u></u>	<u><u>2,946,257.76</u></u>	<u><u>-123,321.12</u></u>	<u><u>-4.19%</u></u>

Palos Verdes Peninsula Transit Authority
Profit & Loss Prev Year Comparison
July 2019 through March 2020

	<u>Jul '19 - Mar 20</u>	<u>Jul '18 - Mar 19</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
46400 · Other Types of Income	1,008.18	2,732.72	-1,724.54	-63.11%
500.00 · Charges for Services	253,651.35	271,121.52	-17,470.17	-6.44%
Total Income	<u>254,659.53</u>	<u>273,854.24</u>	<u>-19,194.71</u>	<u>-7.01%</u>
Expense				
621.03 · Facility Leasing	69,412.50	69,643.50	-231.00	-0.33%
620.00 · Operator fees	1,096,873.80	1,081,827.74	15,046.06	1.39%
660.00 · Marketing and promotions	8,967.00	10,030.62	-1,063.62	-10.6%
650.00 · Fuel Purchases	159,040.48	133,248.51	25,791.97	19.36%
640.00 · Depreciation	205,749.00	297,756.00	-92,007.00	-30.9%
630.00 · Contract administration	155,559.33	155,559.33	0.00	0.0%
680.00 · Other Operating Expense	111,123.78	105,855.64	5,268.14	4.98%
Total Expense	<u>1,806,725.89</u>	<u>1,853,921.34</u>	<u>-47,195.45</u>	<u>-2.55%</u>
Net Ordinary Income	<u>-1,552,066.36</u>	<u>-1,580,067.10</u>	<u>28,000.74</u>	<u>1.77%</u>
Other Income/Expense				
Other Income				
556.00 · MTA Funding	0.00	0.00	0.00	0.0%
750.00 · City Prop A exchange	-336,750.00	-336,750.00	0.00	0.0%
450.00 · Prop A Exchange	449,000.00	449,000.00	0.00	0.0%
900.00 · Interest Income	24,929.46	18,720.00	6,209.46	33.17%
920.00 · Member contributions	759,262.50	1,100,790.00	-341,527.50	-31.03%
Total Other Income	<u>896,441.96</u>	<u>1,231,760.00</u>	<u>-335,318.04</u>	<u>-27.22%</u>
Net Other Income	<u>896,441.96</u>	<u>1,231,760.00</u>	<u>-335,318.04</u>	<u>-27.22%</u>
Net Income	<u><u>-655,624.40</u></u>	<u><u>-348,307.10</u></u>	<u><u>-307,317.30</u></u>	<u><u>-88.23%</u></u>
Net Assets, Beginning of Year	<u>3,329,083.85</u>	<u>3,128,275.21</u>		
Net Assets, End of Year	<u><u>2,673,459.45</u></u>	<u><u>2,779,968.11</u></u>		

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: May 16, 2020
SUBJECT: Fiscal Year 2018-2019 Audit Report

BACKGROUND

The firm of Rogers, Anderson, Malody, and Scott, LLP (RAMS) will present the Fiscal Year 18-19 audit report. A copy of the SAS 114 letter and Audit Report is attached.

RECOMMENDATION

Receive and file the audit report.



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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San Bernardino, CA 92408
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March 13, 2020

To the Board of Directors
Palos Verdes Peninsula Transit Authority

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Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Ye Ying Stella Xia, CPA, MSBA

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Certified Public Accountants

PCPS The AICPA Alliance
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Governmental Audit
Quality Center

Employee Benefit Plan
Audit Quality Center

California Society of
Certified Public Accountants



We have audited the financial statements of the Palos Verdes Peninsula Transit Authority (the Authority) as of and for the year ended June 30, 2019, and have issued our report thereon dated March 13, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 4, 2019, our responsibility, as described by professional standards, 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 accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of depreciation expense is based on the useful lives of acquired assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to:

The disclosure of accumulated depreciation in the notes to the basic financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 13, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of revenues and expenses by category which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

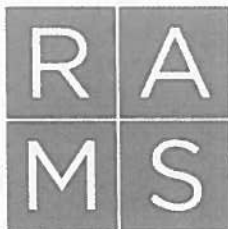
Very truly yours,

Rogers, Anderson, Malody & Scott, LLP.

PALOS VERDES PENINSULA TRANSIT AUTHORITY

**Annual Financial Statements
(With Independent Auditor's Reports Thereon)**

For the Years Ended June 30, 2019 and 2018



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Annual Financial Statements
For the Years Ended June 30, 2019 and 2018

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

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To the Board of Directors of the
Palos Verdes Peninsula Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Palos Verdes Peninsula Transit Authority (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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California Society of
Certified Public Accountants



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedules of Revenues and Expenses by Category are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Revenues and Expenses by Category are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenues and Expenses by Category are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Information

The financial statements of the Authority for the year ended June 30, 2018, were audited by another auditor, who expressed an unmodified opinion on those statements on May 15, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2020, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 13, 2020

PALOS VERDES PENINSULA TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Years Ended June 30, 2019 and 2018

This section of the financial report of the Financial Report presents our discussion and analysis of the financial performance of the Palos Verdes Peninsula Transit Authority (Authority) for the fiscal years ended June 30, 2019 and 2018 and should be read in conjunction with the Authority's financial statements that begin on page 12. Descriptions and other details pertaining to the Authority are included in the notes to the financial statements (Notes). A reference to the Notes is indicated where applicable.

OVERVIEW OF THE FINANCIAL REPORT

The Authority's financial statements are prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) practiced in the United States of America.

This financial report consists of management's discussion and analysis (MD&A) and the Authority's financial statements, which include the accompanying notes to the Authority's financial statements.

The *statement of net position* presents information on the Authority's assets and liabilities. The Authority's total assets minus total liabilities result to the Authority's *net position*. Net position indicates the net worth of the Authority. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net position*, present information that shows how the Authority's net position changed between the recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The *statement of cash flows* presents the cash provided and used by operating activities, as well as other cash sources and uses, including but not limited to, investment income, and capital assets additions and betterment.

The Management's Discussion and Analysis (MD&A) presents the financial position, highlights, and analysis of the Authority in a Condensed Statements of Net Position (Table I) and Condensed Statements of Revenues, Expenses and Change in Net Position (Table II), followed by an analysis of significant changes in major accounts of the Authority.

PALOS VERDES PENINSULA TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Years Ended June 30, 2019 and 2018

Table I - Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current assets	\$ 2,693,133	\$ 1,959,335	\$ 1,952,908
Capital assets, net of accumulated depreciation	893,011	1,289,932	1,200,893
Total assets	<u>3,586,144</u>	<u>3,249,267</u>	<u>3,153,801</u>
Liabilities			
Current liabilities	257,061	120,991	127,798
Total liabilities	<u>257,061</u>	<u>120,991</u>	<u>127,798</u>
Net Position			
Net investment in capital assets	893,011	1,289,932	1,200,893
Unrestricted	2,436,072	1,838,344	1,825,110
Total Net Position	<u>\$ 3,329,083</u>	<u>\$ 3,128,276</u>	<u>\$ 3,026,003</u>

Table II - Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Charges for services	\$ 337,476	\$ 349,687	\$ 346,432
Route 225/226 operating support	618,852	611,725	610,261
Governmental sources	32,000	32,200	32,200
Total operating revenues	<u>988,328</u>	<u>993,612</u>	<u>988,893</u>
Operating expenses:			
Operating expenses	1,951,064	1,969,484	1,943,772
Depreciation	396,921	388,914	366,924
Other operating expenses	136,155	110,431	114,660
Total operating expenses	<u>2,484,140</u>	<u>2,468,829</u>	<u>2,425,356</u>
Operating loss	<u>(1,495,812)</u>	<u>(1,475,217)</u>	<u>(1,436,463)</u>
Nonoperating revenues (expenses):			
Nonoperating revenues	2,089,619	1,952,490	2,060,642
Nonoperating expenses	(393,000)	(375,000)	(502,142)
Total nonoperating revenues (expenses)	<u>1,696,619</u>	<u>1,577,490</u>	<u>1,558,500</u>
Change in net position	200,807	102,273	122,037
Net position, beginning of year	<u>3,128,276</u>	<u>3,026,003</u>	<u>2,903,966</u>
Net position, end of year	<u>\$ 3,329,083</u>	<u>\$ 3,128,276</u>	<u>\$ 3,026,003</u>

PALOS VERDES PENINSULA TRANSIT AUTHORITY

Management's Discussion and Analysis
For the Years Ended June 30, 2019 and 2018

Assets

Current Assets

Total current assets increased in 2019 by \$733,798 or 37.5%, compared to 2018, primarily due to an increase in contributions from participating member cities during the year and a decrease in vehicle replacements during the year. Total current assets increased in 2018 by \$6,427 or 0.33%, compared to 2017, primarily due to an increase in contributions from participating member cities during the year in addition to a gain recognized upon disposal of capital assets.

Capital Assets

The Authority's assets consist mainly of capital assets, which are twenty-four transit vehicles used in operations. The Authority's capital assets net book value as of June 30, 2019 was \$893,011, a 30.8% decrease compared to the prior year, and depreciation expense was \$396,921 for the year ended June 30, 2019. The total net book value increased in 2018 as the Authority added three new vehicles into service.

The Authority replaces vehicles on a regular basis to reduce operating costs and ensure service reliability. The Federal Transit Administration's (FTA) guidelines for vehicle lifespan are a useful tool in estimating when to replace transit vehicles.

<u>Vehicle Type</u>	<u>Years of Service</u>	<u>Max. Mileage</u>	<u># in PV Fleet</u>
Large Buses	12	500,000	3
Medium Buses	10	350,000	1
Medium, Light-Duty	5	150,000	20

Historically the Authority has operated light-duty buses to approximately 200,000 miles before replacement. The Authority maintains a bus replacement schedule that's updated annually to determine vehicle replacement needs in coming years. An estimated nine vehicles will be replaced between Fiscal Year 2019 and Fiscal Year 2023.

See note 2c for additional information.

Liabilities and Net Position

Long-Term Debt

The Palos Verdes Peninsula Transit Authority has no long-term debt outstanding as of June 30, 2019, 2018 and 2017, respectively.

Authority Net Position

The Authority's net position increased in Fiscal Year 2019 primarily due to an increase in contributions from participating member cities during the year. The Authority's net position increased in Fiscal Year 2018 primarily due to increase in Net Capital Assets impacted by the introduction of three new vehicles into the Authority's fleet.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Management's Discussion and Analysis
For the Years Ended June 30, 2019 and 2018

Revenues, Expenses and Changes in Authority Net Position

Operating Revenues

The Authority recovers the cost of transit operations and capital expenses through passenger fares and government contributions. The seven components of revenue sources are:

Passenger Fares: The Authority's fixed route service charges the following fees for service:

- Adult Cash Fare = \$2.50
- Senior & Disabled Cash Fare = \$1.00
- Monthly Pass = \$79
- Semester Pass = \$295
- Annual Pass = \$590

The Authority's dial-a-ride services charges customers \$6 for a one-way trip on the Peninsula and \$12 for a one-way trip to surrounding cities for medical trips.

Advertising revenue is under \$10,000 per year.

Member Contributions: The Authority receives contributions from the three-member agencies. This contribution level was set in 1992 based on population. Member contributions come from different transportation funding sources including Local Return Funds administered by the Los Angeles County Metropolitan Transportation Authority (Proposition A, C, Measure R, Measure M) and South Coast Air Quality Management (SCAQMD) subvention funds. Contribution levels generally increase annually at the rate of increase in local return funds.

Los Angeles County Department of Public Works (DPW): The Authority receives two sources of funding from the DPW. \$32,000 is received annually for the operation of fixed route and dial-a-ride service in the unincorporated area of the Palos Verdes Peninsula (Academy Hills). \$376,000 is the annual contribution from the District 4 supervisor.

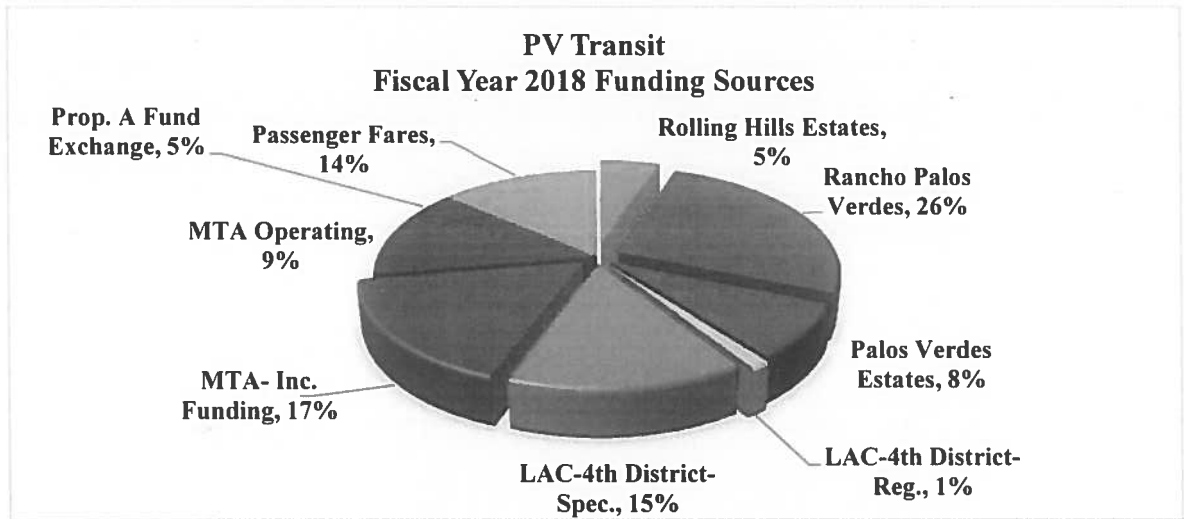
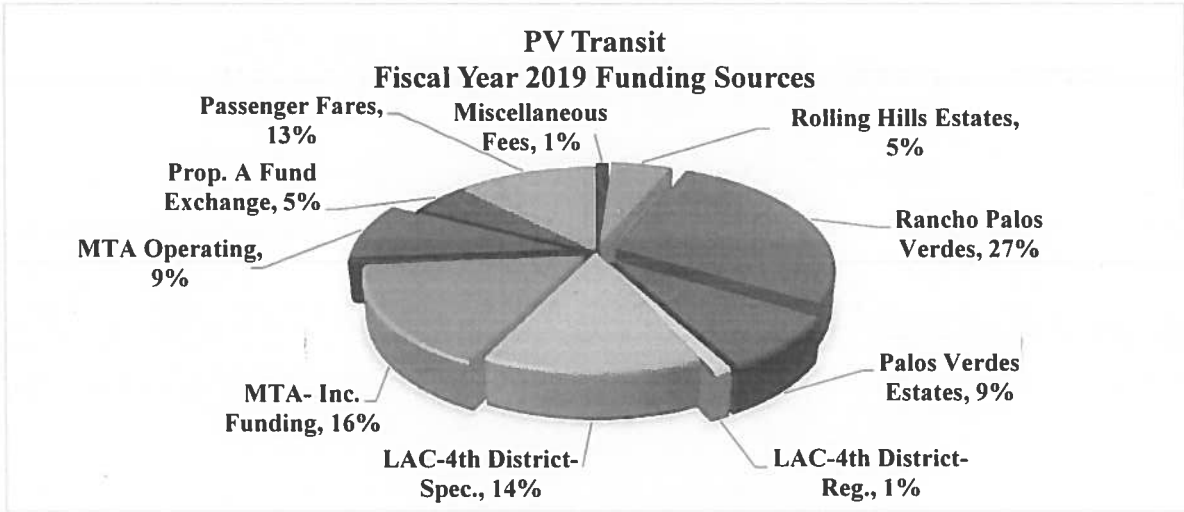
Los Angeles County Metropolitan Transportation Authority (Metro) Proposition A Incentive Fund: The Authority receives \$437,744 annually from Metro's Proposition A Incentive Fund. Funding is provided to dial-a-ride systems that provide service to multiple jurisdictions. The program is designed to reward agencies that combine their services and hopefully lower operating costs. Since the Authority was originally a general public dial-a-ride system until 1994, the Authority has been "grandfathered" into this funding source.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
 Management's Discussion and Analysis
 For the Years Ended June 30, 2019 and 2018

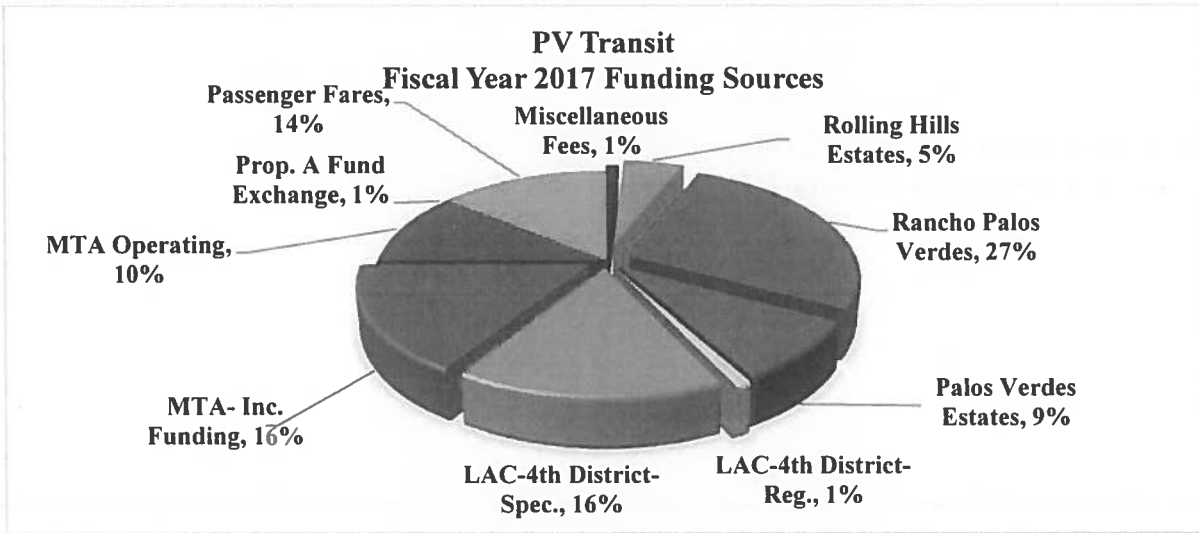
Los Angeles County Metropolitan Transportation Authority (Metro) Route 225-226 Operating Funds: In June 2006 the Authority assumed operation of Metro's Route 225-226 and has received annual operating funding since this time. The current operating agreement, which expires in 2020, provides \$242,823 in annual funding to the Authority.

Proposition A Fund Exchange: Over the past five years, the Authority has participated in Proposition A Fund Exchanges with the Cities of Bell, Cudahy, Hidden Hills, Palos Verdes Estates, and Rolling Hills. The Authority exchanges fare revenue with each respective City in exchange for Proposition A funds. The Authority gains funds at the rate of \$0.75 /\$1.00 and the respective Cities exchange transit funds for general funds.

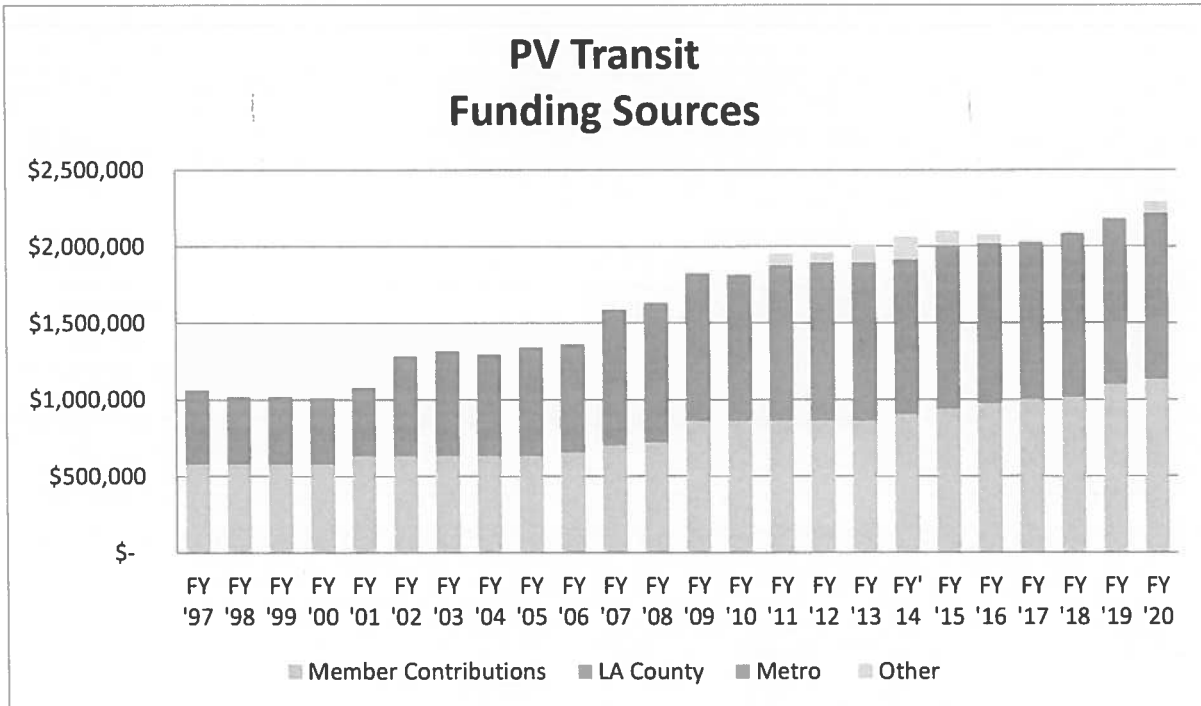
Miscellaneous Fee: These include interest revenue and advertising fees.



PALOS VERDES PENINSULA TRANSIT AUTHORITY
 Management's Discussion and Analysis
 For the Years Ended June 30, 2019 and 2018



During the last twenty years the Authority has diversified its sources of funding. There has been a significant increase in funding from Metro (operating and Incentive Funding) as well as revenue generated by Proposition A Fund exchanges.

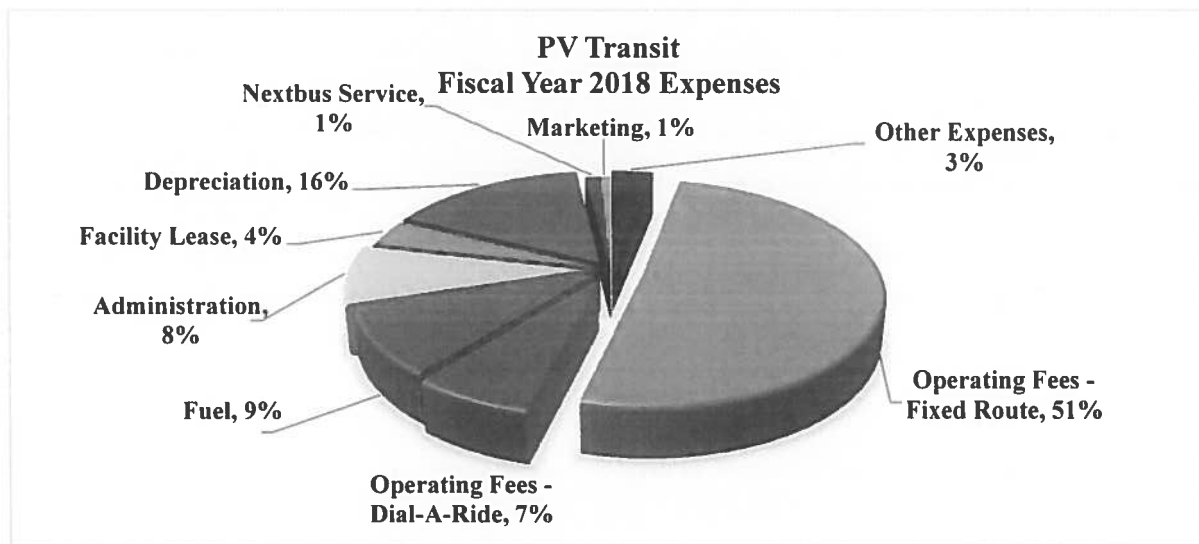
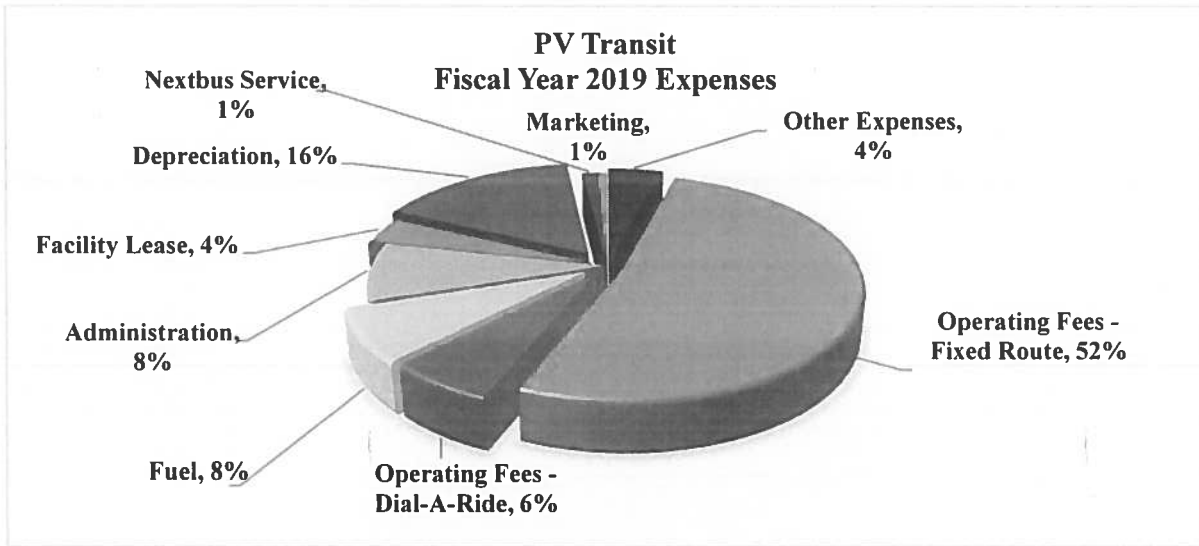


PALOS VERDES PENINSULA TRANSIT AUTHORITY
 Management's Discussion and Analysis
 For the Years Ended June 30, 2019 and 2018

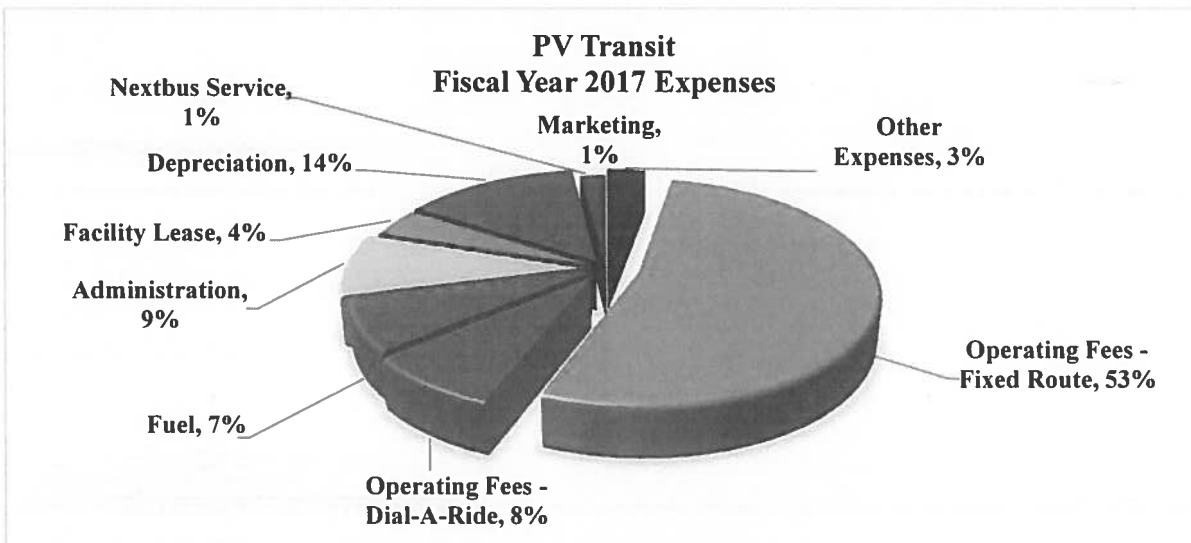
Operating Expenses

The Authority's major operating expenses are for the operation of the fixed route and dial-a-ride transit service. Operating contracts with the fixed route and dial-a-ride contractors consists of fifty-eight (58%) of total operating expenses. Expenses for fuel (compressed natural gas (CNG) and propane (LPG)) consists of 8% of total expenses.

The Authority's largest contract is with MV Transportation for the operation of fixed route service. This five-year contract extends through June 30, 2020 for a total contract value of \$6,773,067.



PALOS VERDES PENINSULA TRANSIT AUTHORITY
 Management's Discussion and Analysis
 For the Years Ended June 30, 2019 and 2018



Total annual expenses are primarily based on the number of revenue hours operated in fixed route service. Operating hours have not changed in over five years, which has resulted in very moderate annual increases in operating costs.

Unrestricted Net Position

The Authority's operating reserve at the end of 2019 was \$247,377 and the remaining unrestricted net position of \$2,188,695 is designated for vehicle replacement. The Authority's operating reserve at the end of 2018 was \$239,628 and the remaining unrestricted net position of \$1,598,716 is designated for vehicle replacement. The amount designated for vehicle replacement has increased \$591,071 over the past three fiscal years but is expected to be reduced over the next several years as vehicles are replaced. As noted in the previous section, the Authority has nine vehicles scheduled for replacement in the next five years.

Request for Information

This financial report is designed to provide interested parties, public and private sector alike, with an overview of the Authority's financial operations and condition. If you have questions about this report or need additional information, you can contact the Authority's Administrator at 38 Crest Road West, Rolling Hills, CA 90274.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Statements of Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,817,473	\$ 933,734
Due from other governments	823,794	969,566
Accounts receivable	2,063	7,495
Prepaid expenses	49,803	48,540
	<u>2,693,133</u>	<u>1,959,335</u>
Total current assets		
Non-current assets		
Capital assets, net of accumulated depreciation	893,011	1,289,932
	<u>893,011</u>	<u>1,289,932</u>
Total non-current assets		
	<u>3,586,144</u>	<u>3,249,267</u>
Total assets		
Liabilities:		
Accounts payable	248,823	113,960
Unearned revenue	8,238	7,031
	<u>257,061</u>	<u>120,991</u>
Total liabilities		
Net Position:		
Net investment in capital assets	893,011	1,289,932
Unrestricted	2,436,072	1,838,344
	<u>2,436,072</u>	<u>1,838,344</u>
Total net position		
	<u>\$ 3,329,083</u>	<u>\$ 3,128,276</u>

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 337,476	\$ 349,687
Route 225/226 operating support	618,852	611,725
Governmental sources	<u>32,000</u>	<u>32,200</u>
Total operating revenues	<u>988,328</u>	<u>993,612</u>
Operating expenses:		
Operator fees	1,540,000	1,516,967
Contract administration	207,412	207,412
Depreciation	396,921	388,914
Fuel purchases	186,130	227,275
Marketing and promotions	17,522	17,830
Other operating expenses	<u>136,155</u>	<u>110,431</u>
Total operating expenses	<u>2,484,140</u>	<u>2,468,829</u>
Operating loss	<u>(1,495,812)</u>	<u>(1,475,217)</u>
Nonoperating revenues (expenses):		
Interest income	27,085	4,106
Prop A incentive funding - Metropolitan Transportation Authority	437,744	428,017
Member contributions	1,100,790	1,015,957
Other expense - Prop A Exchange	(393,000)	(375,000)
Other income - Prop A Exchange	524,000	500,000
Gain on asset disposal	<u>-</u>	<u>4,410</u>
Total nonoperating revenues (expenses)	<u>1,696,619</u>	<u>1,577,490</u>
Change in net position	<u>200,807</u>	<u>102,273</u>
Net position, beginning of year	<u>3,128,276</u>	<u>3,026,003</u>
Net position, end of year	<u>\$ 3,329,083</u>	<u>\$ 3,128,276</u>

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 347,259	\$ 371,956
Cash received from route 225/226 operating support	983,809	379,834
Cash received from government agencies	32,200	32,200
Cash paid to supplier for goods and services	<u>(1,952,412)</u>	<u>(2,086,922)</u>
Net cash used by operating activities	<u>(589,144)</u>	<u>(1,302,932)</u>
Cash flows from noncapital financing activities:		
County grants received	214,008	383,291
Member contributions received	1,100,790	1,015,957
Cash received for Prop A exchange	524,000	1,169,522
Cash paid for Prop A exchange	<u>(393,000)</u>	<u>(375,000)</u>
Net cash provided by noncapital financing activities	<u>1,445,798</u>	<u>2,193,770</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(477,953)
Cash received from disposal of capital assets	-	4,410
Net cash used by capital and related financing activities	<u>-</u>	<u>(473,543)</u>
Cash flows from investing activities:		
Interest received	<u>27,085</u>	<u>4,106</u>
Net cash provided by investing activities	<u>27,085</u>	<u>4,106</u>
Net increase in cash and cash equivalents	883,739	421,401
Cash and cash equivalents, beginning of year	<u>933,734</u>	<u>512,333</u>
Cash and cash equivalents, end of year	<u>\$ 1,817,473</u>	<u>\$ 933,734</u>

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (1,495,812)	\$ (1,475,217)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	396,921	388,914
(Increase) decrease in assets:		
Accounts receivable	5,432	20,037
Due from other governments	369,508	(229,659)
Prepaid expenses	(1,263)	(200)
Increase (decrease) in liabilities:		
Accounts payable	134,863	(10,684)
Unearned revenue	1,207	3,877
Total adjustments	<u>906,668</u>	<u>172,285</u>
Net cash used by operating activities	<u>\$ (589,144)</u>	<u>\$ (1,302,932)</u>

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Years Ended June 30, 2019 and 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Palos Verdes Peninsula Transit Authority (Authority) was formed on May 5, 1992 under a Joint Powers Agreement (JPA) with three local city governments, which are considered members, to provide public transportation on the Palos Verdes Peninsula. The local cities consist of Rancho Palos Verdes, Rolling Hills Estates and Palos Verdes Estates. Under the JPA, the members of the Board of the Authority are elected city council members who are appointed by their respective city council. The Board is responsible for setting policies and the review of operating decisions made by management. The Authority is considered a governmental entity. The Authority has no employees and all services are contracted, which are recorded as operating activities.

(b) Basic Financial Statements

The basic financial statements (Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows) report information on all of the enterprise activities of the Authority.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority operates as an enterprise fund. Enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are charges for services and revenues received from the Los Angeles County Metropolitan Transportation Authority (Route 225/226 operating support) for services provided on their behalf. Operating expenses of the Authority include the cost of services, administrative expenses and depreciation on capital assets. Nonoperating revenues are comprised primarily of Proposition A Incentive Funding from the Metropolitan Transportation Authority (MTA), member contributions, and Proposition A Local Return funds exchanged with the Cities of Cudahy, Palos Verdes Estates, and Rolling Hills through which the City assigns uncommitted Proposition A Local Return funds in exchange for the Authority's general funds.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then use unrestricted resources as needed.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements and related disclosures. Accordingly, actual results could differ from those estimates.

(e) Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

Cash and cash equivalents includes amounts in demand deposits and Local Agency Investment Fund (LAIF).

For purposes of the statement of cash flows, cash equivalents include all pooled cash and investments, restricted cash and cash with fiscal agents with an original maturity of three months or less. The Authority considers the LAIF investment pool to be a demand deposit account where funds may be withdrawn and deposited at any time without prior notice or penalty.

2. Due From Other Governments

Due From Other Governments balance consists primarily of grant receivables from the Los Angeles County Metropolitan Transportation Authority, participating cities and the Los Angeles County Public Works. Total Due From Other Governments balance is \$823,794 and \$969,566 as of June 30, 2019 and 2018, respectively.

3. Capital Assets

Capital assets are comprised of transportation equipment (vehicles) and leasehold improvements and are stated at cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and a useful life of at least one year. Depreciation has been provided over the estimated useful lives ranging from 5 to 10 years using the straight-line method.

4. Net Position

Net position is classified in three categories: net investment in capital assets, restricted net position and unrestricted net position.

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Assets, Liabilities, and Net Position (Continued)

4. Net Position (Continued)

- Restricted net position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments and constraints imposed by law through constitutional provisions and enabling legislation. The Authority had no restricted net position at June 30, 2019 and 2018.
- Unrestricted net position - This component represents the net position of the Authority that does not meet the definition of "restricted" or "net investment in capital assets" and is designated for tentative management plans that are subject to change.

(f) Effects of New Pronouncements

The Authority adopted the following Governmental Accounting Standards Board (GASB) Statements for fiscal year 2019, of which none had any impact on the Authority's financial statements:

- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

The GASB has issued several pronouncements that have effective dates that may impact future presentations. The Authority is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

- GASB Statement No. 84, Fiduciary Activities, effective for the Authority's fiscal year ending June 30, 2020.
- GASB Statement No. 87, Leases, effective for the Authority's fiscal year ending June 30, 2021.
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, effective for the Authority's fiscal year ending June 30, 2021.
- GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61, effective for the Authority's fiscal year ending June 30, 2020.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
 Notes to the Basic Financial Statements
 For the Years Ended June 30, 2019 and 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Effects of New Pronouncements (Continued)

- GASB Statement No. 91, Conduit Debt Obligations, effective for the Authority's fiscal year ending June 30, 2022.
- GASB Statement No. 92, Omnibus 2020, effective for the Authority's fiscal year ending June 30, 2021.

(2) DETAILED NOTES ON ENTERPRISE FUND

(a) Cash and Cash Equivalents

Cash and cash equivalent components are as follows:

	<u>2019</u>	<u>2018</u>
Deposits in Bank	\$ 401,959	\$ 703,405
Local Agency Investment Fund (LAIF)	1,415,514	230,329
Total Cash and Cash Equivalents	\$ 1,817,473	\$ 933,734

Deposits:

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, the Authority will not be able to receive its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a deposit policy for custodial credit risk. Under California Government Code Section 53652, each financial institution in California is required to pledge a pool of securities as collateral against all of its public deposits. California Government Code Section 53651 delineates the types of eligible securities, and the required collateral percentage, generally at 110%. The Authority is subject to custodial credit risk for amounts that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per financial institution. The bank balance for the Authority's deposits was \$515,435 and \$976,625 at June 30, 2019 and 2018, respectively, of which \$250,000 is federally insured. The remaining bank balance of \$265,435 and \$726,625 is collateralized as of June 30, 2019 and 2018, respectively.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Years Ended June 30, 2019 and 2018

(2) DETAILED NOTES ON ENTERPRISE FUND (Continued)

(a) Cash and Cash Equivalents (Continued)

Investment in State Investment Pool: (Continued)

The Authority is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying statements of net position at amounts based upon the Authority's pro-rata share of the value provided by LAIF from the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested in all public agencies in LAIF as of June 30, 2019 and 2018, was \$24.6 billion and \$22.5 billion, respectively. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2019 and 2018 had a balance of \$105.7 billion and \$88.8 billion, respectively. Of those amounts, 1.77% in 2019 and 2.67% in 2018 were invested in medium-term and short-term structured notes and asset backed securities. The average maturity of PMIA investments as of June 30, 2019 and 2018 was 173 and 193 days, respectively.

The Authority has no amounts subject to fair value measurement.

(b) Government Revenues and Due From Other Governments

Under the JPA, each of the three participating cities contributes revenue to the Authority. Participation is based on each City's proportionate share of the Palos Verdes Peninsula's total population. In addition, the County of Los Angeles and the Los Angeles County Metropolitan Transportation Authority provide revenue under contractual relationships with the Authority.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Years Ended June 30, 2019 and 2018

(2) DETAILED NOTES ON ENTERPRISE FUND (Continued)

(b) Government Revenues and Due From Other Governments (Continued)

Revenues received from other governments during the fiscal year and the related receivables at June 30, 2019, are listed below.

	<u>Revenue</u>	<u>Due From Other Governments</u>
City Participation		
Rancho Palos Verdes	\$ 727,282	\$ -
Rolling Hills Estates	142,955	-
Palos Verdes Estates	230,553	-
Total city participation	<u>1,100,790</u>	<u>-</u>
Other Income - Prop A Exchange		
City of Cudahy ⁽¹⁾	449,000	-
City of Rolling Hills ⁽²⁾	75,000	75,000
Total other income - Prop A exchange	<u>524,000</u>	<u>75,000</u>
Operating support, governmental sources, and incentive funding ⁽³⁾		
Los Angeles County - Public Works	408,000	32,000
Los Angeles County - Metropolitan Transportation Authority	680,596	716,794
Total operating support, governmental sources, and incentive funding	<u>1,088,596</u>	<u>748,794</u>
Total government revenues and due from other governments	<u>\$ 2,713,386</u>	<u>\$ 823,794</u>

(1) On October 16, 2018, the Authority and City of Cudahy, California, entered into an Assignment Agreement to exchange Proposition A Local Return funds to assist in the financing of the Authority's fixed route transit operations, and to provide funds for acquisition of new transit related equipment. Per the agreement, the City of Cudahy assigned \$449,000 of uncommitted Proposition A Local Return funds in exchange for \$336,750 of the Authority's general funds. This transaction was recorded in the accompanying statements of revenues, expenses and changes in net position's nonoperating activities section as other income and other expense, respectively.

PALOS VERDES PENINSULA TRANSIT AUTHORITY

Notes to the Basic Financial Statements

For the Years Ended June 30, 2019 and 2018

(2) DETAILED NOTES ON ENTERPRISE FUND (Continued)

(b) Government Revenues and Due From Other Governments (Continued)

- (2) On April 18, 2019, the Authority and City of Rolling Hills, California, entered into an Assignment Agreement to exchange Proposition A Local Return funds to assist in the financing of the Authority's fixed route transit operations, and to provide funds for acquisition of new transit related equipment. Per the agreement, the City of Rolling Hills assigned \$75,000 of uncommitted Proposition A Local Return funds in exchange for \$56,250 of the Authority's general funds. This transaction was recorded in the accompanying statements of revenues, expenses and changes in net position's nonoperating activities section as other income and other expense, respectively.
- (3) Revenue received from Los Angeles County – Public Works and Los Angeles County Metropolitan Transportation Authority are presented as route 228/226 operating support, governmental sources, and Prop A incentive funding in the statement of revenues, expenses and changes in net position. The Los Angeles County – Public Works provides \$376,000 of funds which are presented as 228/226 operating support and \$32,000 which are presented as governmental sources. The Los Angeles County Metropolitan Transportation Authority provides \$242,852 of funds which are presented as 228/226 operating support and \$437,744 which are presented as Prop A incentive funding.

Revenues received from other governments during the fiscal year and the related receivables at June 30, 2018, are listed below.

	Revenue	Due From Other Governments
City Participation:		
Rancho Palos Verdes	\$ 671,234	\$ -
Rolling Hills Estates	131,938	-
Palos Verdes Estates	212,785	-
Total city participation	<u>1,015,957</u>	<u>-</u>
Other Income - Prop A Exchange		
City of Cudahy ⁽¹⁾	500,000	-
Total other income - Prop A exchange	<u>500,000</u>	<u>-</u>
Operating support, governmental sources, and incentive funding ⁽²⁾		
Los Angeles County - Public Works	408,200	32,200
Los Angeles County - Metropolitan Transportation Authority	<u>663,742</u>	<u>937,366</u>
Total operating support, governmental sources, and incentive funding	<u>1,071,942</u>	<u>969,566</u>
Total government revenues and due from other governments	<u>\$ 2,587,899</u>	<u>\$ 969,566</u>

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Years Ended June 30, 2019 and 2018

(2) DETAILED NOTES ON ENTERPRISE FUND (Continued)

(b) Government Revenues and Due From Other Governments (Continued)

- (1) On August 1, 2017, the Authority and City of Cudahy, California, entered into an Assignment Agreement to exchange Proposition A Local Return funds to assist in the financing of the Authority's fixed route transit operations, and to provide funds for acquisition of new transit related equipment. Per the agreement, the City of Cudahy assigned \$500,000 of uncommitted Proposition A Local Return funds in exchange for \$375,000 of the Authority's general funds. This transaction was recorded in the accompanying statements of revenues, expenses and changes in net position's nonoperating activities section as other income and other expense, respectively.
- (2) Revenue received from Los Angeles County – Public Works and Los Angeles County Metropolitan Transportation Authority are presented as route 228/226 operating support, governmental sources, and Prop A incentive funding in the statement of revenues, expenses and changes in net position. The Los Angeles County – Public Works provides \$376,000 of funds which are presented as 228/226 operating support and \$32,200 which are presented as governmental sources. The Los Angeles County Metropolitan Transportation Authority provides \$235,725 of funds which are presented as 228/226 operating support and \$428,017 which are presented as Prop A incentive funding.

(c) Capital Assets

Following is a summary of capital assets activity for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Vehicles	\$ 4,517,382	\$ -	\$ -	\$ 4,517,382
Leasehold improvement	12,449	-	-	12,449
Accumulated depreciation	(3,239,899)	(396,921)	-	(3,636,820)
Capital asset, net	<u>\$ 1,289,932</u>	<u>\$ (396,921)</u>	<u>\$ -</u>	<u>\$ 893,011</u>

Depreciation expense for the year ended June 30, 2019, was \$396,921.

Following is a summary of capital assets activity for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Vehicles	\$ 4,198,772	\$ 477,953	\$ (159,343)	\$ 4,517,382
Leasehold improvement	12,449	-	-	12,449
Accumulated depreciation	(3,010,328)	(388,914)	159,343	(3,239,899)
Capital asset, net	<u>\$ 1,200,893</u>	<u>\$ 89,039</u>	<u>\$ -</u>	<u>\$ 1,289,932</u>

Depreciation expense for the year ended June 30, 2018, was \$388,914.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Years Ended June 30, 2019 and 2018

(2) DETAILED NOTES ON ENTERPRISE FUND (Continued)

(d) Unrestricted Net Position

The operating reserves are adjusted annually by 10% of the change (increase/decrease) in operating expense budget. The remaining unrestricted net position is designated for vehicle replacement.

Following is a summary of unrestricted net position as of June 30:

	<u>2019</u>	<u>2018</u>
Designated for operating reserves	\$ 247,377	\$ 239,628
Designated for vehicle replacement	2,188,695	1,598,716
Total unrestricted net position	<u>\$ 2,436,072</u>	<u>\$ 1,838,344</u>

(e) Operating Leases

The Authority leases office and parking space from the Palos Verdes Peninsula Unified School District (School District). The lease is renewable annually by mutual agreement. The School District agreed to abate all rents in lieu of payment of \$1 per year.

The Authority also leases a bus parking area at the Joint Water Pollution Control Plant in Carson from Los Angeles County Sanitation District. The monthly rent is \$7,731 and is subject to automatic annual adjustments of three percent (3%) effective December 1 of each year. The future minimum payments are as follows as of June 30, 2019:

Fiscal Year Ending <u>June 30:</u>	Opearating <u>Lease Payment</u>
2020	\$ 94,401
2021	97,234
2022	41,012
Total	<u>\$ 232,647</u>

(3) RELATED PARTIES TRANSACTIONS

Member cities under the JPA (Rancho Palos Verdes, Rolling Hills Estates, and Palos Verdes Estates) provide contributions to the Authority. City Council Members are also on the Board of Directors of the Authority. The contributions paid to the Authority for the year ended June 30, 2019 and 2018 were \$1,100,790 and \$1,015,957, respectively.

SUPPLEMENTARY INFORMATION

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PALOS VERDES PENINSULA TRANSIT AUTHORITY
Schedules of Revenues and Expenses by Category
For the Years Ended June 30, 2019 and 2018

	2019			2018				
	Charter	Dial-a-Ride	Fixed Route	Total	Charter	Dial-a-Ride	Fixed Route	Total
Operating revenues:								
Charges for services	\$ 8,729	\$ 40,359	\$ 288,388	\$ 337,476	\$ 5,114	\$ 67,427	\$ 277,146	\$ 349,687
Route 225/226 operating support	-	-	618,852	618,852	-	-	611,725	611,725
Governmental sources	-	-	32,000	32,000	-	-	32,200	32,200
Total operating revenues	8,729	40,359	939,240	988,328	5,114	67,427	921,071	993,612
Operating expenses:								
Operator fees	2,986	154,045	1,382,969	1,540,000	964	172,151	1,343,852	1,516,967
Contract administration	-	41,482	165,930	207,412	-	41,482	165,930	207,412
Depreciation	-	-	396,921	396,921	-	-	388,914	388,914
Fuel Purchases	-	-	186,130	186,130	-	-	227,275	227,275
Marketing and promotions	-	2,497	15,025	17,522	-	4,584	13,246	17,830
Other operating expenses	-	11,710	124,445	136,155	-	11,759	98,672	110,431
Total operating expenses	2,986	209,734	2,271,420	2,484,140	964	229,976	2,237,889	2,468,829
Operating income (loss)	\$ 5,743	\$ (169,375)	\$ (1,332,180)	\$ (1,495,812)	\$ 4,150	\$ (162,549)	\$ (1,316,818)	\$ (1,475,217)

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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

Independent Auditor's Report

To the Board of Directors of the
Palos Verdes Peninsula Transit Authority

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
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Kirk A. Franks, CPA (Partner Emeritus)

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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 Palos Verdes Peninsula Transit Authority (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 13, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 13, 2020

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: May 16, 2020
SUBJECT: Fiscal Year 2019-2020 Audit Engagement Letter

BACKGROUND

A copy of RAMS proposal to perform the FY 19-20 audit for the Authority is attached in letters dated March 12 and April 29, 2020.

FINANCIAL IMPACT

The proposed costs \$20,190 remains unchanged and will be included in the FY 20-21 Budget.

RECOMMENDATION

Approve RAMS proposal to perform the FY 19-20 audit for the PVPTA.



March 12, 2020

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To the Board of Directors
Palos Verdes Peninsula Transit Authority
Rolling Hills, California

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The following represents our understanding of the services we will provide the Palos Verdes Peninsula Transit Authority.

You have requested that we audit the financial statements of the Palos Verdes Peninsula Transit Authority (the Authority), as of June 30, 2020, and for the year then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that supplementary information, such as management's discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis

The accompanying supplementary information will be presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information will be 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our auditor's report will provide an opinion on the supplementary information in relation to the basic financial statements as a whole.

1. Schedules of Revenues and Expenses by Category

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management's Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
3. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
4. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the entity's auditor;
5. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
6. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
7. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of the Authority's basic financial statements. Our report will be addressed to the Board of Directors. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

We will assist management with drafting the financial statements based on the Authority's trial balances. With respect to this or any nonattest services we perform, the Authority's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

If it is determined a Single Audit is needed subsequent to this engagement letter, we will provide the Authority with another engagement letter covering the terms and conditions related to a Single Audit and the Uniform Guidance.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. We have obtained confidentiality agreements with all our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Scott Manno, CPA, CGMA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Rogers, Anderson, Malody & Scott, LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fee for the audit will be \$20,190. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the Authority's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

To ensure that Rogers, Anderson, Malody & Scott, LLP's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report. Upon expiration of this period, we will be free to destroy our records related to the engagement. However, we do not keep original client documents, so we will return those as they are used during each engagement. It is management's responsibility to retain and protect the records for possible future use, including examination by regulators and federal agencies.

At the conclusion of our audit engagement, we will communicate to the Board of Directors the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Rogers, Anderson, Malody & Scott, LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators and federal agencies and to the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Rogers, Anderson, Malody & Scott, LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the regulators. The regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached original of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities. Keep the copy for your records.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Scott Manno, CPA, CGMA
Partner

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Palos Verdes Peninsula Transit Authority by:

Name: _____

Title: _____

Date: _____

Grant Bennett Associates

A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

May 15, 2018

To the Partners of Rogers, Anderson, Malody & Scott, LLP and the Peer Review Committee of the California Society of CPAs:

We have reviewed the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Rogers, Anderson, Malody & Scott, LLP has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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April 29, 2020

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San Bernardino, CA 92408
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To the Honorable Board of Directors
Palos Verdes Peninsula Transit Authority
Rolling Hills, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)
Kirk A. Franks, CPA (Partner Emeritus)

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Ye Ying Stella Xia, CPA, MSBA
Louis Fernandez, CPA
Abigail O. Hernandez Conde, CPA, MSA
Zoe Xinlu Zhang, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



A Worldwide Alliance of Independent
Accounting, Law and Consulting Firms

This letter is provided in connection with our engagement to audit the financial statements of the Palos Verdes Peninsula Transit Authority (the Authority) as of and for the year ended June 30, 2020. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit.

Our Responsibilities

As stated in our engagement letter dated March 12, 2020, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with *Government Auditing Standards*, for the purpose of forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit does not relieve you or management of your respective responsibilities.

Our responsibility as it relates to the supplementary information, is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our responsibility for the required supplementary information included in the document containing the audited financial statements and our report thereon includes only the information identified in our report. We have no responsibility for determining whether the required supplementary information is properly stated.

Planned Scope of the Audit

Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, but not absolute, assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

Our audit will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and as a basis for designing the nature, timing, and extent of further audit procedures. However, we will communicate to you at the conclusion of our audit, significant matters that are relevant to your responsibilities in overseeing the financial reporting process, including any material weaknesses, significant deficiencies, and violation of laws or regulations that come to our attention.

We expect to begin our audit in October 19, 2020. Scott Manno, CPA, CGMA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

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

Respectfully,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Scott Manno, CPA, CGMA
Partner

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: May 16, 2020
SUBJECT: South Bay Fiber Network

BACKGROUND

When exploring options to upgrade our internet service, member agencies suggested that the Authority become a member of the South Bay Fiber Network. Over the past several months we have explored this option with the South Bay Council of Governments and their contractor. The COG has approved our Agency's participation in the SBFN and the contractor has confirmed that our facility can access the Network.

We are currently using slow DSL internet service. Broadband service would allow us to more effectively use our Nextbus GPS tracking system and to install wireless surveillance systems at our two bus parking lots.

The South Bay Fiber network requires approve of our Board before moving forward with this project.

FINANCIAL IMPACT

The monthly costs of the South Bay Fiber network are estimated at \$1,000. This amount will be included in the FY 20-21 budget.

RECOMMENDATION

Approve participation in the South Bay Fiber Network.

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 11, 2020
SUBJECT: Administrator Expense Authority

BACKGROUND

Board Members recently questioned the Administrator's expense authorization authority. While there is no comprehensive policy, the following procedures have been followed over the past nine years.

- All checks over \$1,000 have been reviewed and signed by a Board Member.
- A detailed list of checks is presented to the Board for review and approval under the Consent Calendar.
- Any contracts for transit service (fixed route and dial-a-ride), vehicle purchases, technology services, and equipment purchases have been presented to the Board for review and approval.
- All funding agreements with Metro, member agencies, and other Cities (Proposition A fund exchange) have been submitted to the Board for review and approval.
- The annual funding contract with Los Angeles County is not approved by the Board annually but is signed by the Chairperson.

FINDINGS

After an extensive review of Authority files, the following is a timeline showing Board actions relating to payment of warrants and check signing authority.

- Resolution 94/95-01 was approved by the Board on November 17, 1994 and outlined a policy for the payment of warrants. The check signing limit for the Administrator was \$250. A copy of the resolution is attached (Exhibit I)
- At some point the checking signing limit was increased to \$1,000.

- At the January 15, 2009 Board Meeting staff requested (Agenda Item VI.B, Exhibit II) authority to increase the check signing authority from \$1,000 to \$2,500. This recommendation was approved by the Board.
- On January 21, 2010 staff requested an increase in check signing authority (Exhibit III). The Board moved to keep the Authority's existing check signing policy.

ANALYSIS

As noted in a review of Board actions, the actual check signing limit for the Administrator is \$2,500. This would only remove five checks for Board signature over the past three months.

The procedures noted in the Background section have proved workable over the past few years. Staff would suggest the following additions to existing procedures:

- Administrator would be able to expense up to \$5,000 per vendor for items included in the Authority's budget. Recent examples include GIS consulting services, equipment purchases (computers and bus fareboxes), and equipment services (transferring TAP readers between buses).
- Administrator would be able to expense up to \$10,000 per vendor for items included in the Authority's budget, with an update provide to the Board.
- The purchase of equipment or services over \$10,000 would require Board approval.

RECOMMENDATION

Provide direction to staff.

Exhibit I

RESOLUTION
NO. 94/95-01

A RESOLUTION OF THE PALOS VERDES PENINSULA
TRANSIT AUTHORITY JOINT POWERS AUTHORITY
ESTABLISHING A POLICY FOR PAYMENT OF WARRANTS
AND REVISING THE BUSINESS BANKING ACCOUNT
AUTHORIZATIONS

WHEREAS, the Palos Verdes Peninsula Transit Authority
adopted Resolution No.92-1 on June 24, 1992 establishing a
business banking account; and

WHEREAS, the Authority amended same Resolution on July
15, 1993 to expand upon the signature authorization and to
outline procedures regarding the payment of monthly Warrants: and

WHEREAS, the Authority has determined that further
streamlining of the accounts payable procedures are in order and
also desires to establish a new banking relationship.

THEREFORE, BE IT RESOLVED THAT: The Authority rescinds
Resolutions 92-1 and 93/94-01 in toto and hereby adopts a
resolution to revise the policy and/or procedures as follows:

- I. Bank Accounts to be closed: First Interstate Bank Nos. 253-
1-98000 and 253-3-25157.
- II. Bank Account to be established: Wells Fargo Bank No.0762-
053890, known as a Managed Sweep Account, with
authorization to transfer funds to a previously established
account in the Local Agency Investment Fund.
- III. Check signing requirements: 1) All duly appointed Authority
Members and the duly designated Administrator shall be
signatories to this account. 2) Checks up to and including
^{1,000.00} ~~\$250.00~~ shall require one signature and checks over same
amount shall require two signatures.
- IV. A listing of previously paid Warrants shall be included on
the agenda for the regular called meetings of the Authority
and all back-up material or vouchers shall be available at
said meetings for inspection.

PASSED, and ADOPTED, this 17th day of November, 1994.

ATTEST:

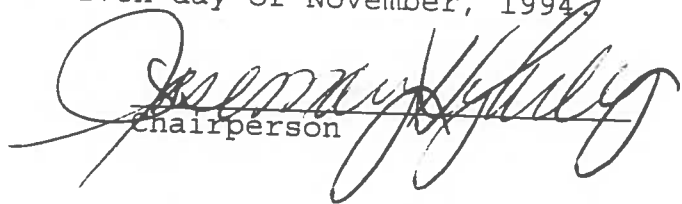

Chairperson

EXHIBIT II

Agenda Item VI.B

MEMORANDUM

TO: AUTHORITY MEMBERS

FROM: John Meyer, Administrator

DATE: January 15, 2009

SUBJECT: Banking Relations and Payment of Warrants

BACKGROUND

The attached resolution was adopted some 14 years ago to establish a policy for payment of warrants and revise the bank account authorization. The policy was amended shortly thereafter to increase the requirement for two signatures from \$250 to \$1,000 and to direct that one signature shall be obtained for an Authority Member. This was accomplished by the issuance of a Fidelity Bond of \$10,000; the amount of same has remained unchanged. The Audit Committee requested that this be increased to \$50,000 (completed) and then bring this matter before the Board.

FINDINGS

In recent years it has become difficult at times to obtain a second signature due to Board Member schedules. We hereby offer the following alternatives for the Board's consideration:

1. Maintain the current provisions but mail such checks to the designated Secretary-Treasurer of the Board with a stamped envelope for mailing.
2. Increase the ceiling for checks requiring one signature, thereby reducing the number of checks that may be subject to delay.

All other provisions of Resolution 94/95-01 would remain the same.

RECOMMENDATION

Provide direction to staff.

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: John Meyer, Administrator
DATE: January 13, 2010
RE: Check Signing Authority

BACKGROUND

Early last year the Board approved a change in the bank authorization by replacing the single check signing signature requirement limit from \$1,000 to \$2,500. Staff was requested to review and report back within a year.

FINDINGS

With regards to the authorization limit we found that very few checks are impacted and that many of the AP items fall in the \$2,500 to \$10,000 category which continue to need two signatures, one of which to be a duly appointed Board Member. Staff would like consideration that this category be changed by continuing to have two signatures but that these may be the two duly authorized administrators.

All checks over \$10,000 would continue to require at least one signature by a Board member.

Secondly, we have found it rather difficult to get payments on the new account with Wells Fargo out in a timely manner. The Board approved leasing agreement runs for 36 months at \$10,650 per month. Wells Fargo has suggested we enter into an Automatic Payment Plan.

RECOMMENDATION

- A) To adopt a check authorization procedure as follows:
 - 1. Checks up to an amount of \$2,500 requiring one signature
 - 2. Checks in the amount of \$2500 to \$10,000 requiring two signatures
 - 3. Checks over \$10,000 to require two signatures, one of which shall be a duly authorized member of the Board of Directors

- B) To approve an automatic payment schedule with Wells Fargo Equipment Finance, Inc. of \$10,650 per month for the period of February 2010 through September 2012.

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 11, 2020
SUBJECT: Election of Officers

BACKGROUND

The Joint Powers Agreement provides for annual election of Officers.

Shown below is a list of the current Officers:

Mr. Jerry Duhovic Chairperson

Mr. Steve Zuckerman Vice Chairperson

Ms. Victoria Lozzi, Secretary Treasurer

The following offices need to be considered: Chair, Vice-Chair, and Secretary-Treasurer.

RECOMMENDATION

Elect officers for calendar year 2020.

MEMORANDUM

TO: AUTHORITY MEMBERS

FROM: Martin Gombert, Administrator

DATE: May 16, 2020

SUBJECT: **A RESOLUTION OF THE EXECUTIVE BOARD OF PALOS VERDES PENINSULA TRANSIT AUTHORITY PROCLAIMING AN EMERGENCY AND AUTHORIZING EMERGENCY ACTIONS**

BACKGROUND

On March 4, 2020, Governor Newsom proclaimed a State of Emergency to exist in California as a result of the COVID-19 pandemic.

Conditions of extreme peril to the safety of persons and property have arisen within the service area of the PVPTA caused by the COVID-19 pandemic.

Actions taken by the federal, state, county, and city governments to control the pandemic have resulted in significant declines in public transit utilization, and have required PVPTA to suspend normal office operations.

The declines in ridership and the impact of the pandemic on local sales tax receipts have created significant fiscal uncertainties for the PVPTA.

As a result of daily changes in actions taken by other governmental authorities, and the resultant impacts on ridership, the availability and the health and safety of PVPTA staff and contracted service staff, and the fiscal uncertainties attendant to the pandemic, it is necessary to provide executive authority to take emergency actions in response.

FINANCIAL IMPACT

The estimated costs in responding to COVID-19 are unknown and will vary based on future outbreak. Adoption of this resolution will facilitate the ability for the Authority to request resources including financial support and reimbursement from Metro, State Office of Emergency Services (OES) and Federal Emergency Management Agency (FEMA) for costs incurred in preparation and/or response to the COVID-19 outbreak.

RECOMMENDATION

It is recommended that the Board of Directors adopt Resolution of the Executive Board of the Palos Verdes Peninsula Transit Authority proclaiming an emergency and authorizing emergency actions.

**A RESOLUTION OF THE EXECUTIVE BOARD OF PALOS VERDES
PENINSULA TRANSIT AUTHORITY PROCLAIMING AN EMERGENCY AND
AUTHORIZING EMERGENCY ACTIONS**

The Board of Directors of the Palos Verdes Peninsula Transit Authority (“PVPTA”) does resolve as follows:

1. Findings. The Board of Directors hereby finds and declares the following:

A. On March 4, 2020, Governor Newsom proclaimed a State of Emergency to exist in California as a result of the COVID-19 pandemic.

B. Conditions of extreme peril to the safety of persons and property have arisen within the service area of the PVPTA caused by the COVID-19 pandemic.

C. Actions taken by the federal, state, county, and city governments to control the pandemic have resulted in significant declines in public transit utilization, and have required PVPTA to suspend normal office operations.

D. The declines in ridership and the impact of the pandemic on local sales tax receipts have created significant fiscal uncertainties for the PVPTA.

E. As a result of daily changes in actions taken by other governmental authorities, and the resultant impacts on ridership, the availability and the health and safety of PVPTA staff and contracted service staff, and the fiscal uncertainties attendant to the pandemic, it is necessary to provide executive authority to take emergency actions in response.

2. Action. The Board of Directors hereby:

A. Proclaims that an emergency exists throughout the PVPTA service area and that this emergency shall be deemed to continue to exist until its termination is ordered by the Board of Directors.

B. The Administrator is authorized during the period of this emergency to take such personnel and contracting actions as the Administrator deems necessary to maintain appropriate levels of transit service, maintain readiness to resume normal transit operations, ensure the fiscal stability of the PVPTA, and provide for the health and economic welfare of both PVPTA and contracted staff.

[Continued on page 2.]

3. Adoption. PASSED AND ADOPTED at a meeting of the Executive Board of the Palos Verdes Peninsula Transit Authority held on May 21, 2020, by the following vote:

AYES:

NOES:

ABSENT:

STEVE ZUCKERMAN, CHAIR

APPROVED AS TO FORM:
DAROLD PIEPER, GENERAL COUNSEL

ATTEST:
MARTIN GOMBERT, ADMINISTRATOR

By: _____

By: _____