

**AGENDA  
 PALOS VERDES PENINSULA TRANSIT AUTHORITY  
 REGULAR MEETING  
 OCTOBER 18, 2018  
 ROLLING HILLS ESTATES CITY HALL, 4045 Palos Verdes Drive North  
 Rolling Hills Estates, CA 90274**

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**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.

(5 mins) **APPROVAL OF CONSENT CALENDAR:**

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

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	<b>Checks</b>	<b>Amount</b>
June-September	6105-6169	\$662,642.21
<b>TOTAL</b>		<b>\$662,642.21</b>

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.

2. Approval of June 14, 2018 Board Minutes

Page 6

**Recommendation:** Approve Consent Calendar items

(10 mins) **ADMINISTRATOR REPORT:**

(45 mins) **REGULAR BUSINESS:**

**I. MONTHLY & REGULAR REPORTS**

A. Operations Report

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1. Review of ridership data for the period ending 09/30/18

**Recommendation:** Receive and file report

B. Finance

1. Financial Statements as of June 30, 2018

Page 16

**Recommendation:** Receive and file statements.

2. Fiscal Year 2017-2018 Audit

Page 17

**Recommendation:** Approve MGO Engagement Letter

**II. NEW BUSINESS**

A. Proposition A Fund Exchange with the City of Cudahy

Page 28

**Recommendation:** Approve Agreement with Cudahy

**III. OLD BUSINESS**

A. Service to Ft. MacArthur

Verbal

**Recommendation:** Provide Direction to Staff

(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:**

A. PVPUSD Update

Verbal

**ADJOURNMENT: Rolling Hills Estates City Hall, January 17, 2019**

**Palos Verdes Peninsula Transit Authority**  
**Checks Written for Month**  
 June through September 2018

Jun - Sep 18

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>
07/15/2018	eft	First Data	Software	-30.20
06/19/2018	6105	Administrative Services Co-Op	Dial-A-Ride Service, May 2018	-14,855.62
06/19/2018	6106	AT&T	Account No. 0206360576001	-108.59
06/19/2018	6107	California J.P.I.A.	Liability Insurance	-10,717.00
06/19/2018	6108	County Sanitation Districts of LA County	July 2018-Parking Lot Lease	-7,506.30
06/19/2018	6109	Frontier Communications7108	310 544-7108-062795-5	-306.44
06/19/2018	6110	Macias Gini & O'Connell. LLP	FY 2017 Audit	-3,112.50
06/19/2018	6111	Mutual Liquid Gas & Equipment Co., Inc.	Propane Fuel, May 2018	-3,527.55
06/19/2018	6112	MV Transportation, Inc.	Fixed Route Transit Service, May 2018	-231,373.46
06/19/2018	6113	Office Depot	Account 34585368	-127.42
06/19/2018	6114	ReadyRefresh by Nestle	Water	-24.06
06/19/2018	6115	Transit Information Products	Marketng	-225.84
06/19/2018	6116	Trillium Solutions	IT Assistance	-1,200.00
06/19/2018	6117	White Wings Cleaning Service	Office Cleaning	-110.00
06/19/2018	6118	Xerox	Account 719892051	-309.60
06/26/2018	6119	Mobility Advancement Group	Administrative Services for June 2018	-17,363.12
06/26/2018	6120	Hilda Gharabegian	Refund for 30 rides, Account 5296	-180.00
07/19/2018	6121	Administrative Services Co-Op	Dial-A-Ride Service, June 2018	-13,340.06
07/19/2018	6122	AT&T	Account No. 0206360576001	-130.83
07/19/2018	6123	Clean Energy	CNG Fule, June 2018	-27,514.21
07/19/2018	6124	County Sanitation Districts of LA County	August 2018, Parking Lot Lease	-7,506.30
07/19/2018	6125	Darold D. Pieper	Legal Services	-75.00
07/19/2018	6126	Frontier Communications7108	310 544-7108-062795-5	-303.02
07/19/2018	6127	Mutual Liquid Gas & Equipment Co., Inc.	Propane Fuel, June 2018	-1,627.83
07/19/2018	6128	MV Transportation, Inc.	Fixed Route Transit Service, June 2018	-70,603.80
07/19/2018	6129	PC Parlor	IT Assistance	-37.50
07/19/2018	6130	PVPUSD	Utilities	-282.61
07/19/2018	6131	White Wings Cleaning Service	Office Cleaning	-110.00
07/19/2018	6132	Xerox	Account 719892051	-321.78
07/24/2018	6133	California Department of Tax and Fee Adm.	Noice ID: 0002 8442 469, Fuel Tax	-910.84
07/24/2018	6134	Palos Verdes On the Net	Invoice 2018-2, Web services for April, May, June :	-1,300.00
07/24/2018	6135	Mobility Advancement Group	Administrative Services for July 2018	-17,357.37
08/13/2018	6136	Michael Martinoff	Dial-A-Ride Refund	-66.00
08/13/2018	6137	Otto Muenchow	Dial-A-Ride Refund	-78.00
08/13/2018	6138	Lois Mc Dannold	VOID:	0.00
08/13/2018	6139	Miriam Gilbert	Dial-A-Ride Refund	-78.00
08/13/2018	6140	County Sanitation Districts of LA County	June 2016 Parking Lot Lease	-7,506.30
08/14/2018	6141	Administrative Services Co-Op	Dia-A-Ride Service, July 2018	-12,952.65
08/14/2018	6142	Frontier Communications7108	310 544-7108-062795-5	-301.29
08/14/2018	6143	Mutual Liquid Gas & Equipment Co., Inc.	Propane Fuel, July 2018	-639.05
08/14/2018	6144	MV Transportation, Inc.	Fixed Route Service, July 2018	-57,647.25
08/14/2018	6145	Office Depot	Account 34585368	-85.41
08/14/2018	6146	Palos Verdes Peninsula Directory	Senior Transportation Services	-655.00
08/14/2018	6147	PitneyBowes Global Financial Services	Postage Meter	-264.03
08/14/2018	6148	ReadyRefresh by Nestle	Account 0024293722	-12.03
08/14/2018	6149	Remix Software, Inc.	Planning Software	-17,200.00
08/14/2018	6150	White Wings Cleaning Service	Office Cleaning	-110.00
08/14/2018	6151	Xerox	Account 719892051	-288.45
08/23/2018	6152	A-Z Bus Sales, Inc.	Bus Seats	-2,412.95
08/23/2018	6153	Clean Energy	CNG Fuel, July 2018	-10,867.45
08/23/2018	6154	EvanBrooksAssociates, Inc.	Planning Assistance	-1,155.00

**Palos Verdes Peninsula Transit Authority**  
**Checks Written for Month**  
 June through September 2018

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>
08/23/2018	6155	Gayle Albin-Bailey	Bookkeeping Service	-881.25
08/23/2018	6156	Wells Fargo	Acct 4484610008047386	-836.52
08/31/2018	6157	Mobility Advancement Group	Administrative Services for August 2018	-17,366.00
08/31/2018	6158	Lindsay Przybylowica	PV Transit pass refund	-295.00
09/11/2018	6159	Nadine Mendoza	PV Transit Pass Refund	-280.00
09/20/2018	6160	Administrative Services Co-Op	Dial-A-Ride Service, August 2018	-14,559.43
09/20/2018	6161	AT&T	Account No. 0206360576001	-360.35
09/20/2018	6162	County Sanitation Districts of LA County	October 2018, Parking Lot Lease	-7,506.30
09/20/2018	6163	Frontier Communications7108	310 544-7108-062795-5	-309.96
09/20/2018	6164	Mutual Liquid Gas & Equipment Co., Inc.	Propane Fuel, August 2018	-1,426.02
09/20/2018	6165	MV Transportation, Inc.	Fixed Route Service, August 2018	-70,294.37
09/20/2018	6166	Purchase Power	Postage Meter	-352.60
09/20/2018	6167	ReadyRefresh by Nestle	Account 0024293722	-12.03
09/20/2018	6168	Wells Fargo	Charter Bus Fees, Invoiced to PVPUSD	-3,053.08
09/20/2018	6169	Xerox	Account 719892051	-291.59
				<b>-662,642.21</b>

Jun - Sep 18

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**MINUTES  
PALOS VERDES PENINSULA TRANSIT AUTHORITY**

**Thursday, June 14, 2018**

The meeting was called to order at 6:01p.m. by Chairperson Zuckerman at Rolling Hills Estates City Hall, 4045 Palos Verdes Drive North Rolling Hills Estates, CA 90274

**REGULAR SESSON:**

Board roll call was answered as follows:

**PRESENT:** Sanford Davidson, PVE, Jerry Duhovic, RPV, Steve Zuckerman, RHE, Judy Mitchell, RHE

**ABSENT:** Alegria, King

Also present were Martin Gombert, PVPTA; Ken Rukavina, PVE; Greg Grammer, RHE; Ron Dragoo RPV; and J'on Dennis and Randy Houang, MGO.

**PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Chairperson Zuckerman.

**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 (1-2):**

Member Duhovic moved approval of the Consent Calendar, seconded by Member Mitchell, and approved by unanimous vote.

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

None

## **MONTHLY AND REGULAR REPORTS**

Member Zuckerman moved to change the Agenda to move up Item B.3 Fiscal Year 2016-2017 Audit Report, seconded by Member Davidson, and approved by unanimous vote.

### **B.3 Fiscal Year 2016-2017 Audit Report**

Mr. J'on Dennis, MGO presented the FY 2016-17 Audit Report. There were several questions from Board Members and there was also discussion on Management Discussion and Analysis (MD & A) section.

Member Duhovic moved approved of the FY 2016-17 Audit report, seconded by Member Davidson.

The motion passed on the following roll call vote:

**AYES:** Duhovic, Davidson, Zuckerman, Mitchell  
**NOES:** None  
**ABSENT:** Alegria, King

## **ADMINISTRATOR REPORT**

Administrator Gombert made a brief presentation on operational issues and commented on several special services that were operated including the PV Street Fair, Chadwick graduation shuttle, and the Whale of a Day service. There was brief discussion by Board Members.

## **MONTHLY AND REGULAR REPORTS:**

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

Member Davidson moved approval of the Operations Report, seconded by Member Zuckerman, and approved by unanimous vote.

B.1 Financial Report: Mr. Martin Gombert, Administrator made a brief presentation on the 2<sup>nd</sup> Quarter 2018 Financial Report.

Member Duhovic moved approval of the Financial Report, seconded by Member Davidson.

The motion passed on the following roll call vote:

**AYES:** Duhovic, Davidson, Zuckerman, Mitchell  
**NOES:** None  
**ABSENT:** Alegria, King

**B.3 Fiscal Year 2018-2019 Budget**

Member Duhovic moved to open the public hearing, seconded by Chairperson Zuckerman.

The motion passed on the following roll call vote:

**AYES:** Duhovic, Davidson, Zuckerman, Mitchell  
**NOES:** None  
**ABSENT:** Alegria, King

Mr. Gombert presented the proposed budget for Fiscal Year 2018-19. He reviewed in detail estimated expenses, revenue, and proposed fare levels.

There were several comments on expense and revenue items by Board Members.

There were no public comments on the Fiscal Year 2018-19 budget.

Member Mitchell moved to close the public hearing and adopt the Fiscal Year 2018-19 budget in the amount of \$2,535,864 for operations and \$189,568 for capital, seconded by Member Duhovic.

The motion passed on the following roll call vote:

**AYES:** Duhovic, Davidson, Zuckerman, Mitchell  
**NOES:** None  
**ABSENT:** Alegria, King

**NEW BUSINESS**

**A. Agreement with MV Transportation**

Administrator Gombert made a brief presentation on the proposed Amendment #1 to the MV Transportation Agreement.

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

The motion passed on the following roll call vote:



**AYES:** Duhovic, Davidson, Zuckerman, Mitchell  
**NOES:** None  
**ABSENT:** Alegria, King

B. Capital Improvement Program

Administration Gombert made a brief presentation on the proposed bus purchase.

The motion passed on the following roll call vote:

**AYES:** Duhovic, Davidson, Zuckerman, Mitchell  
**NOES:** None  
**ABSENT:** Alegria, King

**OLD BUSINESS**

A. Service to Ft. MacArthur

Administrator Gombert updated the Board on efforts to provide transportation to the Ft. MacArthur housing units. After discussion, the Board directed staff to make a presentation on the item to the PVPUSD Board and update the Board at the next meeting.

**FUTURE AGENDA ITEMS**

None

**CHAIR AND MEMBER ITEMS**

None

**ADJOURNMENT**

At 7:21 p.m. Chairperson Zuckerman moved to adjourn the Board Meeting until October 18, 2018.

**Respectfully submitted:**

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**Martin Gombert, Administrator**

**Approved**

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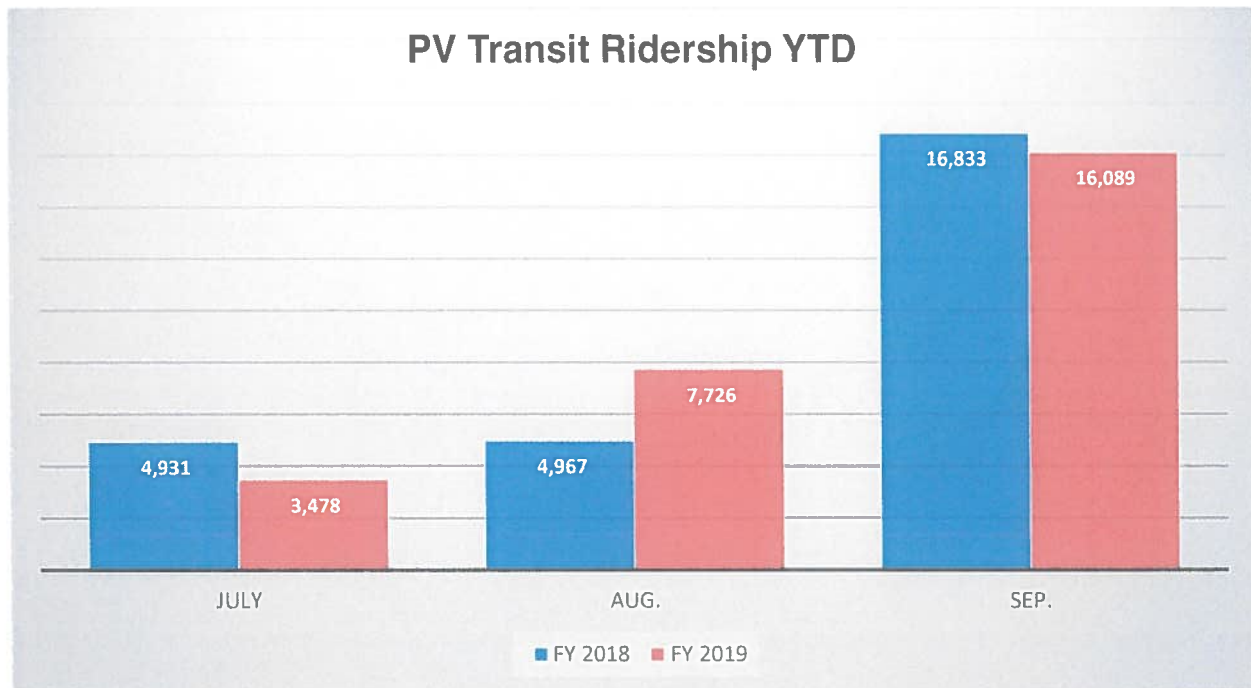
## MEMORANDUM

TO: AUTHORITY MEMBERS  
FROM: Martin Gombert, Administrator  
DATE: October 11, 2018  
SUBJECT: Operations Report for the period ending September 30, 2018

### PV TRANSIT

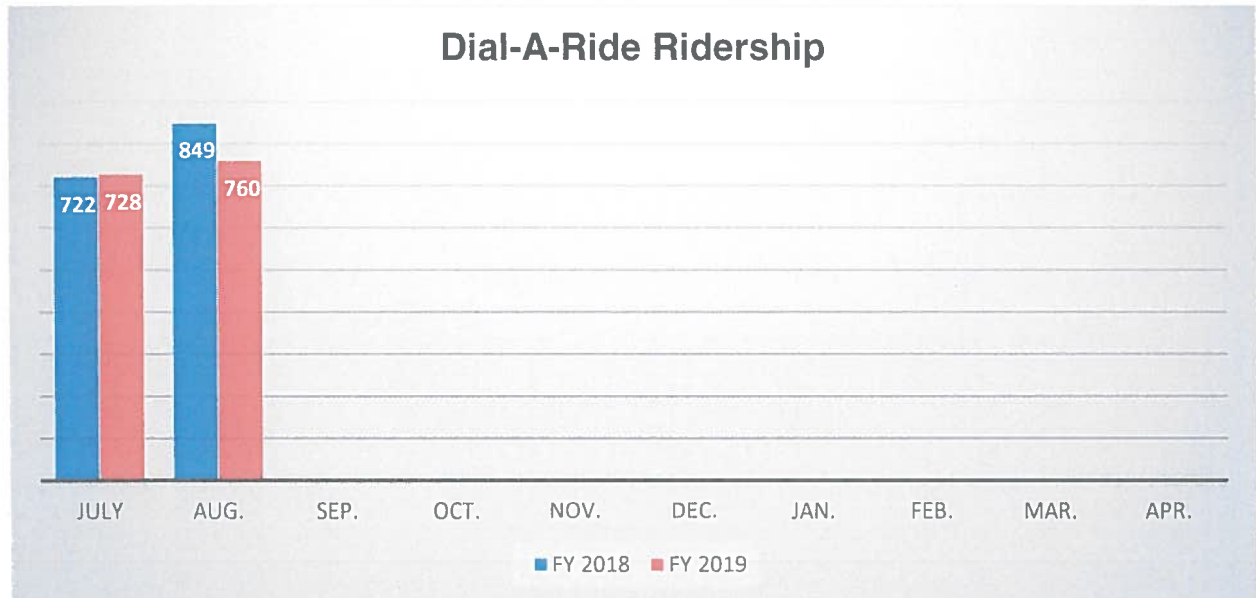
PV Transit ridership totaled 27,293 through September 30, 2018, a 2% increase over previous years totals.

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



## DIAL-A-RIDE

Dial-A-Ride ridership totaled 1,488 for the period ending August 31, 2018, an 2% decrease over previous year's totals. Ridership figures for September were not available when this report was being completed.



## GOVERNMENT RELATIONS

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

## SERVICE UPDATE

PV Transit operated the following special services in August and September:

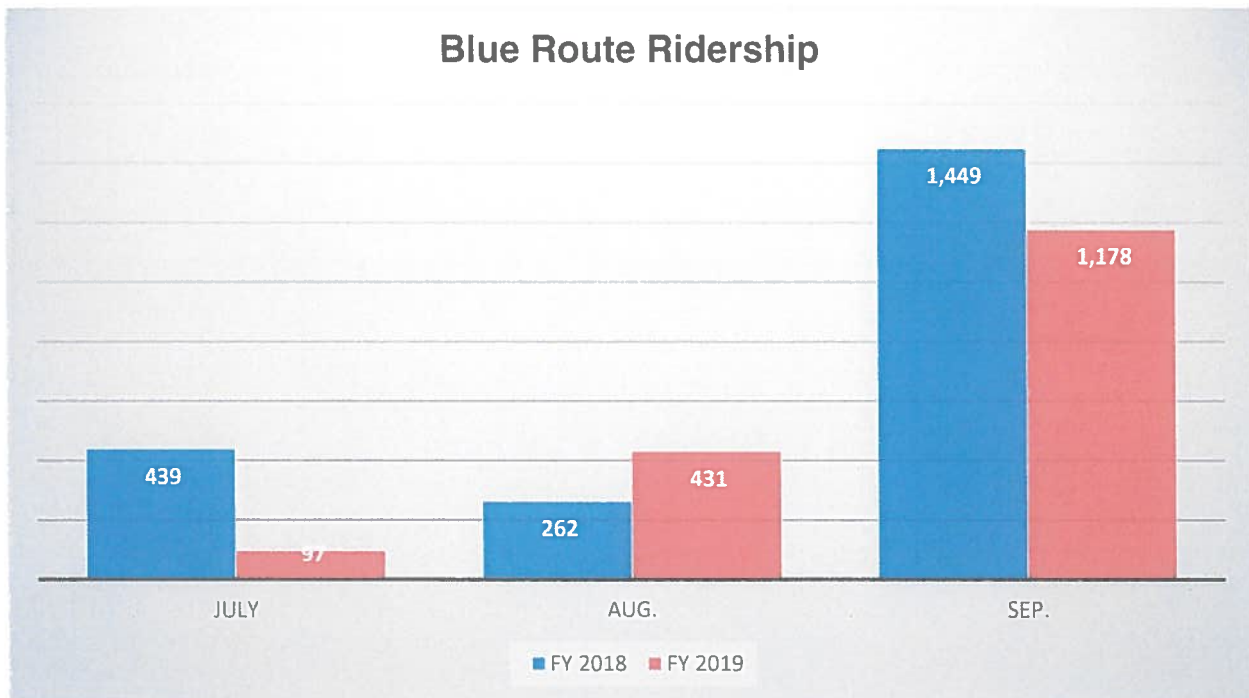
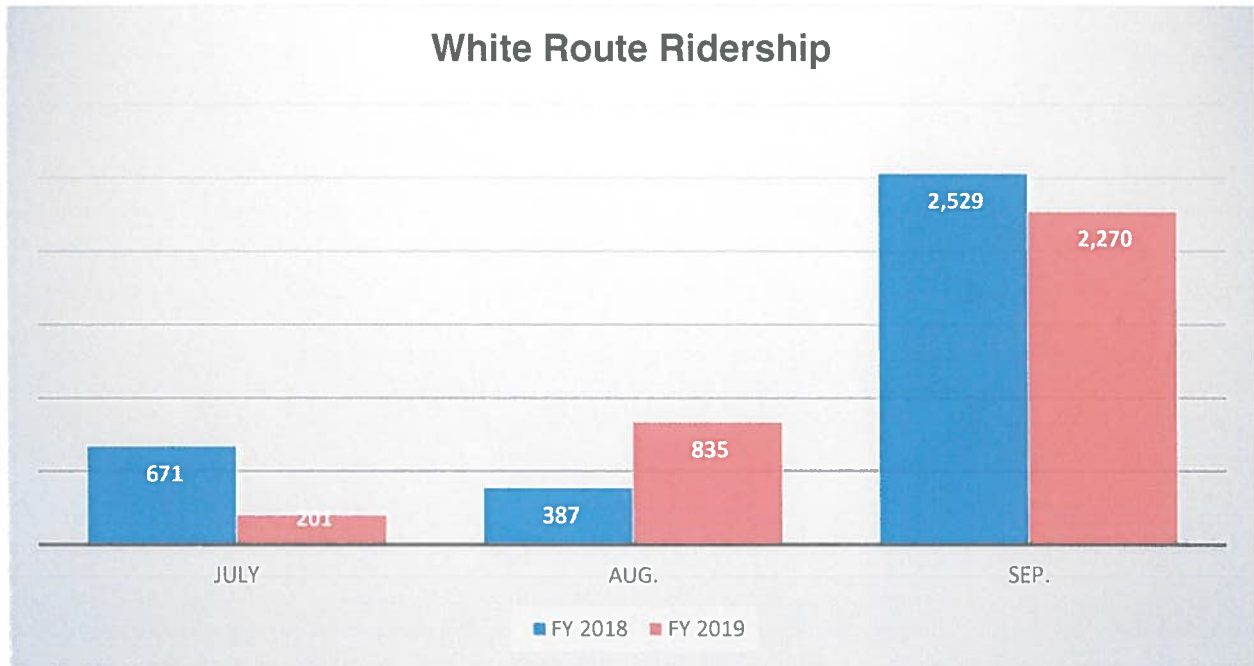
- Citizens Academy Bus Tour, City of Palos Verdes Estates, August 29<sup>th</sup>
- Active Shooter Training, PVPUSD, August 20<sup>th</sup>. We used ten buses to move over 400 School District employees between Ridgecrest Intermediate School and PVPHS for active shooter training.
- Portuguese Bend National Horse Show, September 8<sup>th</sup> & 9<sup>th</sup> parking shuttle.

PV Transit distributed 41 free passes to military dependents for the school year.

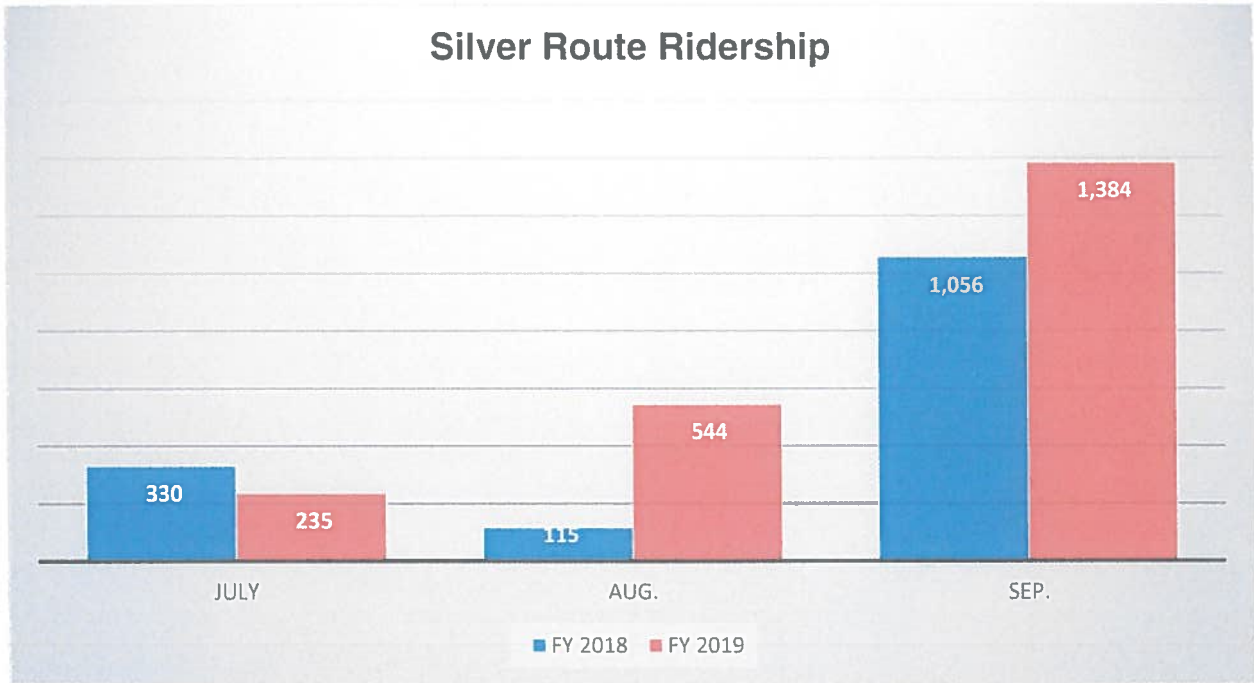
## RECOMMENDATION

Receive and file report.

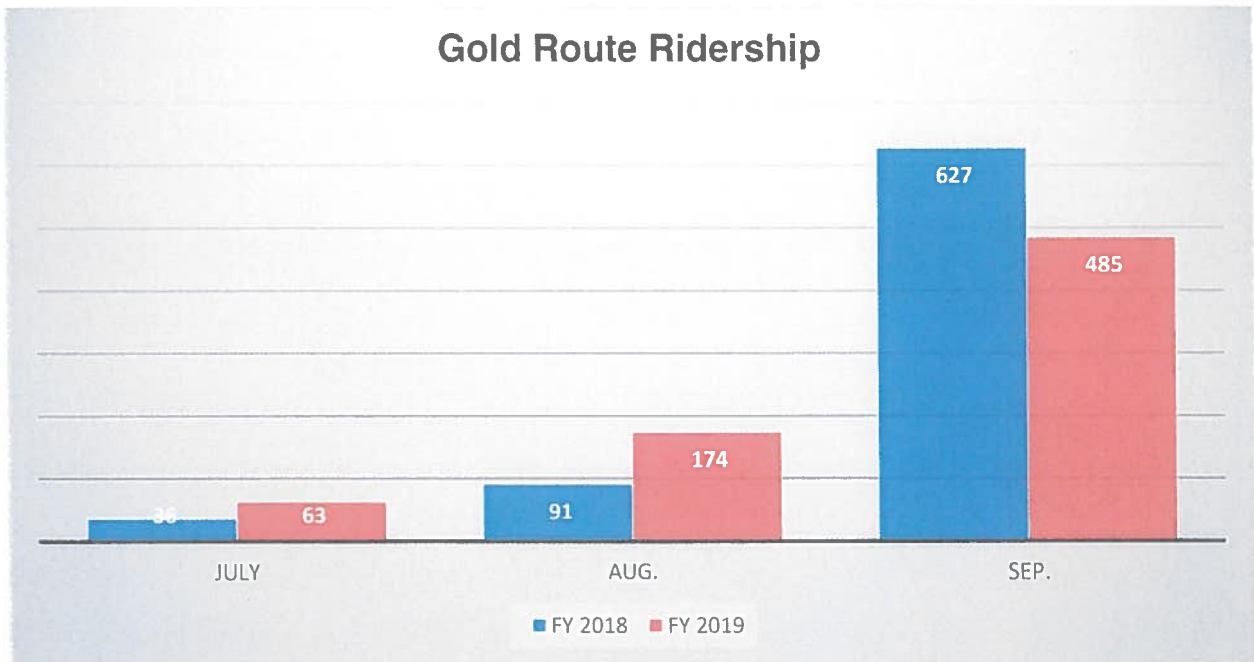
## RIDERSHIP REPORTS



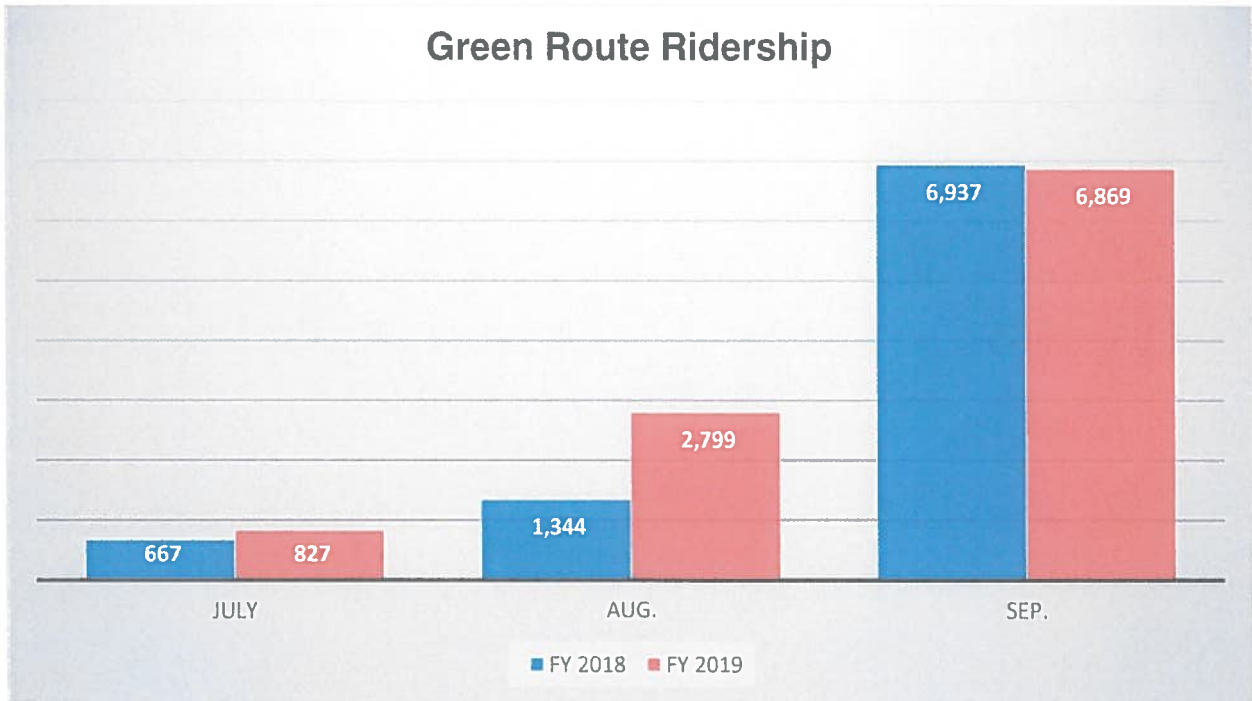
### Silver Route Ridership



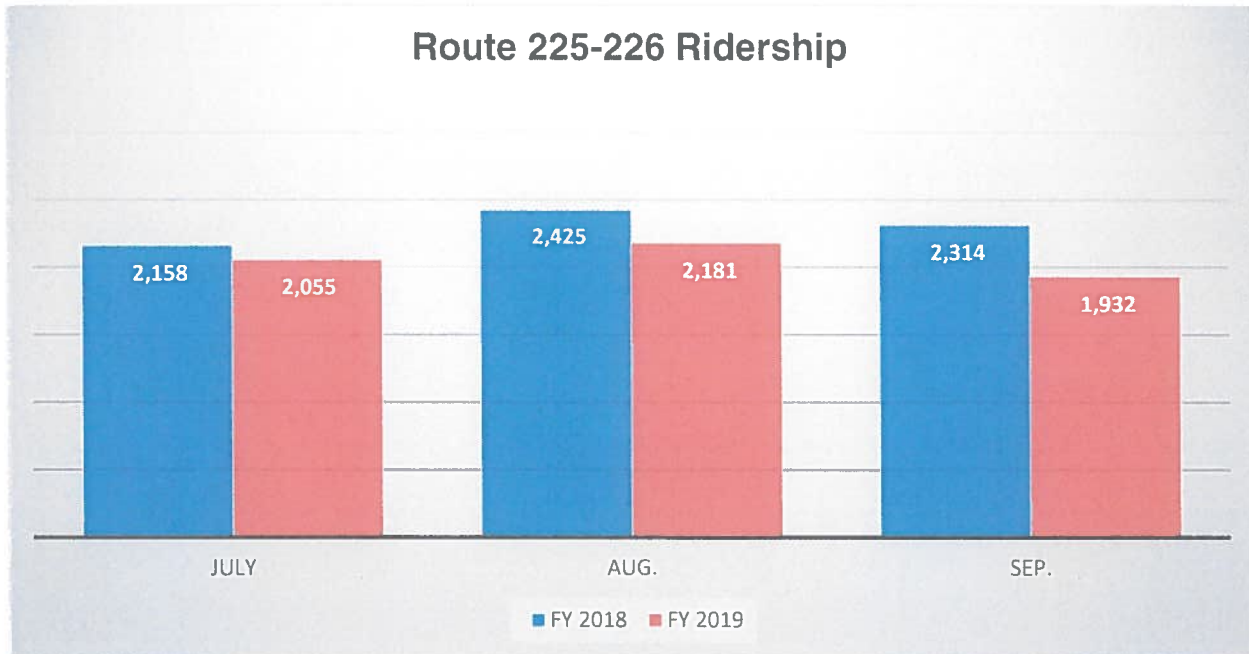
### Gold Route Ridership



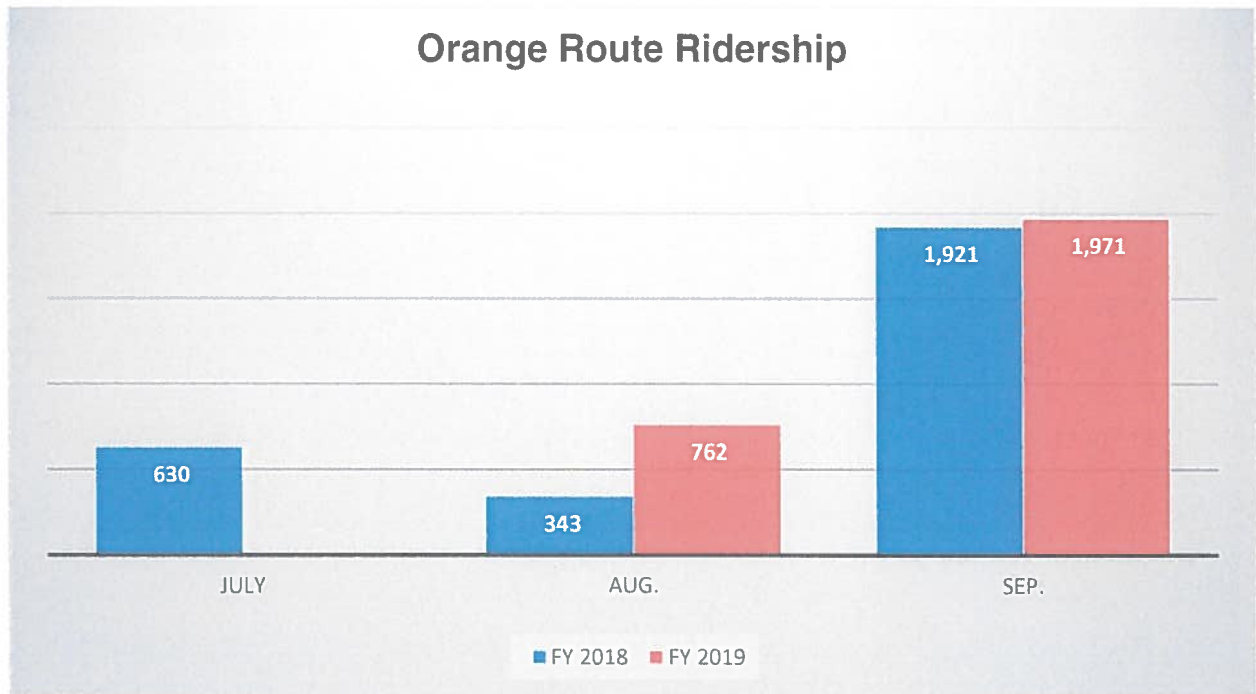
### Green Route Ridership



### Route 225-226 Ridership



## Orange Route Ridership



## MEMORANDUM

TO: AUTHORITY MEMBERS

FROM: Martin Gombert, Administrator

DATE: October 11, 2018

SUBJECT: Financial Statements for the period ending June 30, 2018

We are currently finalizing the yearend financial statements and they will be distributed under separate coverage before the end of the month.

### **Government Revenue**

PV Transit is current with all grant payments from Metro and member agencies as of September 30, 2018

### **Other Notes**

The Authority has received payment for fuel tax refunds for Fiscal Years 2015 through 2017.



## MEMORANDUM

TO: AUTHORITY MEMBERS  
FROM: Martin Gombert, Administrator  
DATE: October 11, 2018  
SUBJECT: Fiscal Year 2018 Audit

### **Macias Gini & O'Connell Engagement Letter, FY 2018 Audit**

Attached is the engagement letter from Macias Gini & O'Connell (MGO) to perform the FY 2018 audit. MGO will provide a Management's Discussion and Analysis (M D & A) report as part of their audit. This item was included in the FY 2017 audit report.

The total proposed cost of \$20,700 is included in the Authority's FY 2019 budget.

### **RECOMMENDATION**

Approved Macias Gini & O'Connell Engagement Letter dated October 12, 2018 to perform the Fiscal Year 2018 audit.



October 12, 2018

To Members of the Audit Committee and Martin Gombert, Administrator  
Palos Verdes Peninsula Transit Authority  
P.O. Box 2656  
Palos Verdes Peninsula, CA 90274

We are pleased to confirm our understanding of the services we are to provide to the Palos Verdes Peninsula Transit Authority (Authority) for the year ended June 30, 2018.

We will audit the financial statements of the Authority, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority as of and for the year ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Authority's 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. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies the Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

1) Schedule of Revenues and Expenses by Category

In addition to our audit of the basic financial statements of the Authority, we will also perform the following:

- 1) Assist management in the preparation of the draft financial statements and notes from the Authority's trial balance and other records. The financial statements will be presented in comparative form for two years.

- 2) Preparation of the State Controller’s Report in accordance with the requirements as prescribed by the California State Controller for the following:
  - a. Palos Verdes Peninsula Transportation Authority
  - b. Palos Verdes Peninsula Transportation Authority – Specialized Service

**Audit Objectives**

The objective of our audit is the expression of opinions as to whether the Authority’s financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the third paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. The report will state that the report is not suitable for any other purpose. If during our audit we become aware that the Authority is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and will include tests of accounting records of the Authority and other procedures we consider necessary to enable us to express such opinions. Our reports will be addressed to the Board of Directors of the Authority. 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 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 issue reports, or we may withdraw from this engagement.

**Audit Procedures—General**

An audit includes 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Other Services**

We will also assist in preparing the financial statements and related notes of the Authority in conformity with U.S. generally accepted accounting principles. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Management Responsibilities**

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.

Management's responsibilities include adjusting the 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 latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. Management also agrees to include the audited

financial statements with any presentation of the supplementary information that includes our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) management is responsible for presentation of the supplementary information in accordance with GAAP; (2) management believes the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Management agrees to assume all management responsibilities relating to the financial statements, related notes, and any other nonaudit services we provide. Management will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements, and related notes prior to their issuance and have accepted responsibility for them. Further, management agrees to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

#### Assistance from the Authority

We understand that the Authority's representative will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

#### Report Copies

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

#### Audit Documentation

The audit documentation for this engagement is the property of Macias Gini & O'Connell LLP (MGO) and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the Authority's cognizant agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify management of any such request. If requested, access to such audit documentation will be provided under the supervision of MGO personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

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The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the cognizant agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Upon expiration of the seven-year period, MGO will be free to destroy our records related to this engagement. However, MGO does not keep any original client records, so we will return those to management at the completion of the services rendered under this engagement. When records are returned to management, it is management's responsibility to retain and protect the records for possible future use, including potential examination by any government or regulatory agencies.

#### Electronic Communication

In connection with this engagement, we may communicate with management or others via e-mail transmission. As e-mail can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that e-mail from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of e-mail transmissions, or for the unauthorized use or failed delivery of e-mail transmitted by us in connection with the performance of this engagement. In that regard, management agrees that we shall have no liability for any loss of damage to any person or entity resulting from the use of e-mail transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

With regards to the electronic dissemination of audited financial statements, including financial statements published electronically on the Authority's website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

#### Engagement Partner

James V. Godsey is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

#### Fees

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$20,700. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses. Each invoice is due and payable upon presentation and becomes past due after 30 days. An administrative charge of 1.5% per month will be automatically charged on the unpaid balance outstanding over 30 days.

If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Dispute Resolution and Time Limitation on Claims

If any dispute arises among the parties hereto, concerning the services provided for under this agreement or the fees charged to the extent they exceed \$25,000, the parties agree to discuss the dispute, and, if necessary, to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation or arbitration. The parties further agree the mediation will take place at an AAA or other service provider location in the county in which the MGO office that provided the services under this agreement is located. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.

The Authority and MGO agree that any dispute over fees charged by MGO, which cannot be resolved through the mediation process described above, will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA, except that under all circumstances the arbitrator must follow the laws of California, in the county in which the MGO office that provided the services under this agreement is located. The parties may mutually agree to an alternative arbitration service provider (e.g., JAMS or ADR Services, Inc.), subject to the same requirements as those provided for at the AAA. Such arbitration shall be binding and final. The parties understand that, by agreeing to arbitrate all fee disputes, each party is giving up the right to have the dispute decided in a court of law by a judge or jury or court trial and instead are accepting the using of binding, non-judicial arbitration for resolution. Each party will bear its own costs of arbitration and both parties shall share equally the costs of the arbitrator(s).

If the parties cannot resolve their dispute, excluding any dispute over fees, through mediation, either party may pursue action in a California court of competent jurisdiction. Each party agrees that notwithstanding any applicable statute of limitations, any claim arising out of or related to this agreement must be filed within one (1) year after the party first knows of or has reason to know the facts underlying its claim or within three (3) years following the completion of the services provided for under this agreement, whichever is shorter. This paragraph may shorten, but in no event extend, any period of limitation an actions otherwise provided by applicable law.

Limitation on Damages

Unless otherwise prohibited by law or applicable professional standard, the Authority agrees that MGO and its personnel shall not be liable to you for any claims, liabilities, or expenses, whether in contract, in tort, at law, or in equity, arising out of or relating to MGO's failure to meet its obligations under this agreement, for an aggregate amount in excess of the amount of MGO's fees actually paid to it under this agreement. Unless otherwise prohibited by law or applicable professional standard, in no event shall MGO or its personnel be liable for consequential, special, indirect, incidental, punitive, or exemplary losses or damages relating to this engagement. It is acknowledged by the parties that the provisions of this agreement, including the limitation on damages, have been negotiated at arms' length. This limitation on damages provision shall apply to the fullest extent of the law.

Governing Law and Severability

This agreement and its terms shall be governed by, and construed in accordance with, the laws of the State of California. The parties agree all litigation or other legal proceedings will be brought in the state or federal courts located in California. The parties agree to this choice of law and jurisdiction, and waive any defense based upon an inconvenient forum. If any provision of this agreement is found by the court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions. However, such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth in this agreement.



#### Subpoena and Other Release of Documents

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party pursuant to a subpoena, court order or other administrative or legal process in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding, in which we are not a party. You agree that our efforts in complying with such requests or demands will be deemed a part of this engagement and MGO shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

#### Use of Electronic Communication and Cloud-based Computing

In the performance of our professional services, we may communicate with each other and/or with others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used by an unintended third party, we cannot guarantee that such email communication will be properly delivered and read only by the addressee. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Therefore, you hereby waive any liability whatsoever for any unintended interception or unintentional disclosure of email transmissions in connection with the performance of our professional services. MGO uses cloud-based computing services, including the storage of data and files, at third party, offsite, secure facilities. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions and cloud-based computing, including any direct or indirect damages that may result from any inadvertent or unanticipated disclosure of confidential or proprietary information, or disclosure through third party criminal conduct (e.g., hackers or hacking activities).

#### Additional Limitations on Liability

We rely in good faith on all information, assumptions, procedures and decisions communicated to us by you, your employees or your representatives, and we will not be responsible for any loss or other obligation arising from our reliance. Furthermore, the procedures we will perform in our engagement will be heavily influenced by, and dependent upon the written and oral representations and information that we receive from you. You agree that you are responsible for the accuracy and completeness of the representations and information provided to us by your employees, representatives and management, and you acknowledge that we may rely on the Authority to ensure the accuracy and completeness of the representations and information we receive from its employees, representatives and management. In view of the foregoing, the Authority agrees to release, hold harmless, indemnify and defend MGO, its partners and personnel from any claims, costs (including attorneys' fees), losses, liability, judgments, awards and settlements related to, arising out of, or resulting from false or misleading representations made to us during our engagement by any of your employees, representatives or members of your management, whether or not such representations were intentional or authorized by you, except to the extent it is finally judicially determined that a claim, cost, loss, liability, judgment, award or settlement was the result of fraud or intentional misconduct, or violation of statutory law, on the part of MGO. This provision shall survive the termination of this agreement and the completion of our services.

#### Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Authority in the performance of our services. Any discussions that the Authority representatives have with professional personnel of MGO regarding employment could pose a threat to our independence. Therefore, you agree to inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

### Hiring of MGO Personnel

If you hire one of our personnel directly from MGO during the performance of our services or within 90 days after the completion of our services, you agree to have the Authority pay us a fee of 20% of that individual's base compensation at the Authority 90 days from the first day of employment, to compensate us for the loss of our valued and extensively trained employee.

### General

The Authority and MGO acknowledge and agree that all prior understandings, representations, and agreements heretofore made or reached by them are merged into this agreement, which alone fully and completely expresses their agreement. Any such prior understandings, representations and agreements are void and nonactionable. This agreement may be amended or modified only by a written agreement signed by the Authority and MGO.

This agreement is a private agreement that has been specifically tailored to the interests of the Authority and MGO in the transaction and subject matter it addresses, and it does not, and is not intended to contemplate, touch upon or affect the general public or matters of public interest or necessity. The Authority and MGO have the right and the opportunity to review, revise, and consult with counsel concerning the provisions of this agreement, and it is acknowledged that both parties possess relatively equal capacity and resources to negotiate and bargain for the provisions contained in this agreement. It is further acknowledged that neither party has control over the property, interests or rights of the other, and that no fiduciary relationship exists between them.

Because both parties have had the right to review and revise this agreement, the rule of construction that any ambiguities are to be construed against the drafting party shall not be employed in interpreting this agreement. To the extent any provision or term of this agreement is held unenforceable, the remaining terms and provisions shall remain in full force and effect, and enforceable.

A facsimile or electronic signature shall be treated as an original signature, provided that the party providing the facsimile or electronic signature shall be responsible for obtaining an ink signature that will be provided to the other party(ies) immediately upon request.

*Government Auditing Standards* require that we provide the Authority with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2015 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



James V. Godsey, *Partner*  
Macias Gini & O'Connell LLP

RESPONSES:

This letter correctly sets forth the understanding of the engagement. I have read this agreement, including the attached Terms and Conditions, and understand its terms. I am authorized to sign this agreement on behalf of the Authority.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## MEMORANDUM

TO: AUTHORITY MEMBERS  
FROM: Martin Gombert, Administrator  
DATE: October 10, 2018  
SUBJECT: Proposition A Fund Exchange with the City of Cudahy

### BACKGROUND

Over the past five years the Authority has approved six Proposition A Fund Exchanges with the City of Cudahy.

Staff recently contacted the City to see if they were interested in another fund exchange. The City of Cudahy proposed to exchange \$449,000 in Proposition A Local Return Funds for \$336,750 in general funds<sup>1</sup>.

A copy of the Agreement is attached. The Cudahy City Council approved this Agreement at their October 16, 2018 Meeting.

### FINANCIAL IMPACT

The exchange of funds will increase the Authority's revenue for FY 2018-19 by \$112,250.

The Authority has sufficient reserves to complete the fund transfer.

### RECOMMENDATION

Staff recommends that the Board approve the Proposition A Assignment Agreement with the City of Cudahy.

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<sup>1</sup> The Authority will assume these funds came from the \$336,250 in fare revenue collected in FY 17 and FY 18.

## PROPOSITION 'A' FUND EXCHANGE AGREEMENT

This Fund Exchange Agreement (Agreement) is made and entered into this 16<sup>th</sup> day of October 2018, by and between the Palos Verdes Peninsula Transit Authority (PVPTA) and the City of Cudahy, with respect to the following facts:

- A. The PVPTA operates a municipal transit system and has a need for additional Proposition A Local Return funds to assist in the financing of its fixed route transit operations, and to provide funds for acquisition of a new transit related equipment.
- B. The City of Cudahy has an accumulation of uncommitted Proposition A Local Return funds which could be made available to the PVPTA to assist in providing the project described in Paragraph A of this Agreement.
- C. In exchange for the transfer by the PVPTA of the amount of its general funds indicated in Section 1 below, the City of Cudahy is willing to transfer uncommitted Proposition A Local Return funds to the PVPTA for the purpose identified in Paragraph A.
- D. The Los Angeles County Metropolitan Transportation Authority approved this Fund Exchange and the PVPTA's project description Form (Form A) covering the services discussed in Paragraph A above.

NOW THEREFORE, in consideration of the mutual benefits to be derived by the parties and of the premises herein contained, it is mutually agreed as follows:

1. Exchange. The City of Cudahy shall transfer \$449,000 of its Fiscal Year 2018-19 uncommitted Proposition A Local Return funds to the PVPTA. In return, the PVPTA shall transfer \$336,750 in general funds to the City of Cudahy.
2. Consideration. The City of Cudahy shall transfer the agreed upon Proposition A Local Return funds to the PVPTA in one (1) lump sum payment no later than November 30, 2018. The PVPTA shall transfer the agreed upon general funds to the City of Cudahy in one (1) lump sum payment no later than November 30, 2018.
3. Term. This Agreement is effective on the date above written and for such time as is necessary for both parties to complete their mutual obligations under this Agreement.
4. Termination. Termination of this Agreement may be made by either party prior to the transfer of funds pursuant to Section 2 of this Agreement, so long as written notice of intent to terminate is given to the other party at least five (5) days prior to the termination.
5. Notices. Notices shall be given pursuant to this Agreement by personal service on the party to be notified, or by written notice upon such party deposited in the custody of the United States Postal Service addressed as follows:

Jose Pulido, City Manager, c/o Steven Dobrenen, Finance Director  
5220 Santa Ana St., Cudahy, California 90201.

Mr. Martin Gombert Administrator  
PVPTA P.O. Box 2656 Palos Verdes Peninsula, California 90274

6. Assurances.

a. The PVPTA shall use the assigned Proposition A Local Return Funds only for the purpose of providing the project discussed in Paragraph A of this Agreement and within the time limits specified in Metropolitan Transportation Authority's Proposition A Local Return Program Guidelines.

b. Concurrently with the Execution of this Agreement, the PVPTA shall provide the Metropolitan Transportation Authority with the Standard Assurances and Understandings Regarding Receipt and Use of Proposition A Funds specified in the Guidelines regarding the use of the assigned Proposition A Local Return Funds.

7. Entire Agreement. This Agreement constitutes the entire understanding between the parties, with respect to the subject matter herein. This Agreement shall not be amended nor any provisions or breach hereof waived, except in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Fund Exchange Agreement to be executed by their respective officers, duly authorized, on the day and year written above.

PALOS VERDES PENINSULA TRANSIT

CITY OF CUDAHY

By: \_\_\_\_\_  
Chairperson

By: \_\_\_\_\_  
Mayor

Attest:

Attest:

\_\_\_\_\_  
Martin Gombert, Administrator

\_\_\_\_\_  
Richard Iglesias, Deputy City Clerk