

Memorandum



To:
KACEY RUGGIERO
CHIEF
Division of Office Resource Management and Administration
Division of Transportation Planning

Date: June 10, 2020

File: P2525-0055

From:
MARSUE MORRILL, CPA
AUDIT CHIEF
Independent Office of Audits and Investigations

SUBJECT: FINAL REPORT – CITY OF FULLERTON PROPOSITION 1B AUDIT

At the request of the Independent Office of Audits and Investigations the California Department of Finance, Office of Audits and Evaluations (Finance) completed an audit of the City of Fullerton (City) Proposition 1B funded projects listed below.

Project Name

State College Boulevard Grade Separation

Project Number

1200020336

Fund

TCIF

Project Name

Raymond Avenue Grade Separation

Project Number

1214000082

Fund

TCIF

Based on the audit, Finance determined that the City was reimbursed for \$612,195 of ineligible construction capital expenditures. In addition, the City could not provide documentation to support the specific emissions reductions required in the project benefits and outcomes reported in the FDRs. The complete audit report is attached.

Please coordinate with the appropriate Caltrans program, and copy us, to provide our office with a corrective action plan, including timelines, by the end of August 2020.

Kacey Ruggiero
June 10, 2020
Page 2

If you have any questions, contact Nancy Shaul, Audit Manager, by email at Nancy.Shaul@dot.ca.gov

Attachment:

c: Ken Domer, City Manager, City of Fullerton
Meg McWade, Public Works Director, City of Fullerton
Yelena Voronel, City Engineer/Assistant Public Works Director, City of Fullerton
Ryan Chamberlain, Director, District 12, California Department of Transportation
Tifini Tran, District Local Assistance Engineer, District 12, California Department of Transportation
Nancy Shaul, Audit Manager, Independent Office of Audits and Investigations

P2525-0055



City of Fullerton

Proposition 1B Bond Program

Project Numbers 1200020336 and 1214000082

Team Members

Cheryl L. McCormick, CPA, Chief
Rebecca G. McAllister, CPA, Assistant Chief
Chikako Takagi-Galamba, CGPM, Manager
Todd Vermillion, Supervisor
Brian Dunham, Lead
Cole Chev

Final reports are available on our website at <http://www.dof.ca.gov>.

You can contact our office at:

California Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985



June 5, 2020

MarSue Morrill, Chief, Planning and Modal Office
Independent Office of Audits and Investigations
California Department of Transportation
1304 O Street
Sacramento, CA 95814

Final Report—City of Fullerton, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Fullerton's (City) Proposition 1B-funded project listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
1200020336	P2525-0055	State College Boulevard Grade Separation
1214000082	P2525-0056	Raymond Avenue Grade Separation

The enclosed report is for your information and use. The City's response to the report findings and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

If you have any questions regarding this report, please contact Chikako Takagi-Galamba, Manager, or Todd Vermillion, Supervisor, at (916) 322-2985.

Sincerely,

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations

cc: Luisa Ruvalcaba, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation
Ryan Chamberlain, District 12 Director, California Department of Transportation

BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates these funds to the California Department of Transportation (Caltrans) to implement various programs.¹

PROGRAM DESCRIPTION¹

TCIF: \$2 billion of bond proceeds made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

CTC awarded the City of Fullerton (City) \$33.2 million in Proposition 1B funds from the Trade Corridors Improvement Fund (TCIF) to construct two grade separation crossings within the City. The State College Boulevard Grade Separation (1200020336) and the Raymond Avenue Grade Separation (1214000082) constructed vehicular underpasses beneath the Burlington Northern Santa Fe railroad. The City was required to provide a dollar-for-dollar match of federal, local, or private funding sources. Construction for these projects is complete and these projects are operational.

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit period and the reimbursed expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

1. Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.
2. Deliverables/outputs were consistent with the project scope and schedules.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports (FDR).

¹ Excerpts obtained from the bond accountability website <https://bondaccountability.dot.ca.gov/>.

In performing our audit, we considered internal controls significant to the audit objectives. See Appendix B for a list of significant internal control components and underlying principles.

The City's management is responsible for ensuring accurate financial reporting; compliance with executed project agreements, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable expenditures. Caltrans and CTC are responsible for the state-level administration of the program.

METHODOLOGY

To plan the audit, we gained an understanding of the projects and respective programs, and identified relevant criteria, by interviewing Caltrans and City personnel, and reviewing the executed project agreements, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations.

We conducted a risk assessment, including evaluating whether the City's key internal controls relevant to our audit objectives were properly designed, implemented, and operating effectively. Key internal controls evaluated focused on procurement, progress payment preparation, reimbursement request preparation, project deliverables/outputs completion, project benefits/outcomes reporting, and review and approval processes. Our assessment included conducting interviews with City personnel, observing processes, and testing construction expenditures, contract procurement, project deliverables/outputs, and project benefits/outcomes. Deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

Additionally, we assessed the reliability of data from the City's accounting system, ONESolution. Specifically, we reviewed vendor payment reports generated by this system. To assess the reliability of data contained in these reports, we interviewed City staff, examined supporting documents, and reviewed system controls. We determined the data were sufficiently reliable to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies on the following page.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1: To determine whether the City's Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.</p>	<ul style="list-style-type: none"> • Determine if the projects were appropriately advertised and awarded to the lowest responsible bidder by reviewing construction contract procurement records, such as bidding documents, contracts, and the project advertisement; and comparing to the City's internal policies and procedures and the Caltrans' Local Assistance Procedures Manual (LAPM). • Verified compliance with certain project requirements by selecting significant expenditure categories. Determined if selected contractor and match expenditures were allowable, authorized, project related, incurred within the allowable period, and supported, by reviewing accounting records, progress payments, and cancelled checks, and comparing to relevant criteria. <ul style="list-style-type: none"> ○ Project 1200020336: Selected five of the quantitatively significant reimbursement claims from the construction capital category and reviewed six contractor progress payments from those claims. ○ Project 1214000082: Selected four of the quantitatively significant reimbursement claims from the construction capital category and reviewed five contractor progress payments from those claims. • Determined if selected Contract Change Orders (CCOs) were within the scope of work, not a contract duplication, incurred within the allowable period, completed, and supported, by reviewing the project's scope of work, and comparing the work of the CCOs to the original construction contract and the TCIF baseline agreement. Selected three CCOs for project 1200020336 and four CCOs for project 1214000082 based on quantitative and qualitative significance. • Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by reviewing a list of other funding sources, project accounting records, and vendor payment reports; and performing analytical procedures to identify possible duplicate payments.
<p>Objective 2: To determine whether deliverables/outputs were consistent with the projects scope and schedules.</p>	<ul style="list-style-type: none"> • Determined whether project deliverables/outputs were consistent with the project scopes by reviewing the project baseline agreements, supporting documentation, and conducting site visits to verify project existence. • Evaluated whether project deliverables/outputs were completed on schedule as described in the project baseline agreements by reviewing the Notice of Completions and FDRs.

Audit Objective	Methods
<p>Objective 3: To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDR.</p>	<ul style="list-style-type: none"> • Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the FDRs with the expected project benefits/outcomes described in the project baseline agreements. • Evaluated whether project benefits/outcomes were adequately reported in the FDRs by interviewing City staff and requesting documentation to support the reported benefits/outcomes.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance the Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements, except as noted in Finding 1.

We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scopes and schedules. Although project 1200020336 was behind schedule, the City appropriately informed Caltrans and CTC of the delay.

Additionally, project benefits/outcomes were adequately reported in the FDRs, and the City achieved the expected project benefits/outcomes as described in the executed project agreements, except as noted in Finding 2.

FINDINGS AND RECOMMENDATIONS

Finding 1: Ineligible Expenditures Claimed for Reimbursement

The City claimed and was reimbursed ineligible construction capital expenditures totaling \$612,195 for project 1200020336 for the paving of Acacia Avenue. The City approved CCO No. 65 to repair damage to Acacia Avenue that accelerated when traffic was rerouted due to the State College Boulevard construction. The justification memorandum for the CCO states that "it was already near the end of its useful life by the start of the State College project". This indicates that damage had already occurred and was not solely caused by the project.

LAPM, Chapter 5, section 5.3, states eligible construction costs include the actual costs to construct the transportation facility and its appurtenant facilities. Further, LAPM, Chapter 16, section 16.13 states that most changes are participating² provided they are necessary to complete the project as originally contemplated at the time the plans and specifications were approved.

Although the City properly approved the additional work through a CCO, the City was not aware that Acacia Avenue paving costs were not listed in the TCIF baseline agreement scope, and were not eligible for TCIF reimbursement.

Recommendations:

- A. Remit \$612,195 to Caltrans.

² Participating costs are costs eligible for state reimbursement.

- B. Develop, implement, and maintain an adequate review process to ensure CCOs and claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.

Finding 2: Incorrect Reporting of Project Benefits/Outcomes

The project benefits/outcomes approved by Caltrans/CTC for emissions reduction were not adequately reported in the FDRs. The baseline agreements for these projects required reductions in specific emissions, such as a reduction in Carbon Monoxide (CO) of 2.34 kilograms per day. The City was unaware of the requirement to report specific emissions reductions. Therefore, the City did not have a mechanism to track and maintain support documentation for emissions reduction benefits/outcomes for projects 1200020336 and 1214000082. As a result, the City reported a general statement that grade separation projects provide regional air quality benefits.

TCIF Guidelines, section 17, states that within six months of the project becoming operable, the implementing agency will provide an FDR to CTC on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the project baseline agreement. Incomplete information on the FDR decreases the transparency of the project outcomes and prevents CTC from reviewing the success of the projects based on the agreed upon projected benefits/outcomes.

Recommendations:

- A. Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements and to ensure FDRs address all project benefits/outcomes listed in the project agreements.
- B. Develop a mechanism, including establishing policies and procedures, to track and maintain documentation to support the actual project benefits/outcomes reported in the FDRs.
- C. Submit Supplemental FDRs for projects 1200020336 and 1214000082 that address the emissions reduction benefits/outcomes.

APPENDIX A

The following acronyms are used throughout Appendix A:

- Burlington Northern Santa Fe: BNSF
- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Fullerton: City
- Final Delivery Report: FDR
- Trade Corridors Improvement Fund: TCIF

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
1200020336	\$32,074,242	C	P	Y	P	P	A-1
1214000082	\$9,603,076	C	Y	Y	P	P	A-2

Legend

C = Construction is complete and the project is operational.

P = Partial

Y = Yes

Project Number: 1200020336

Project Name: State College Boulevard Grade Separation

Program Name: TCIF

Project Description: Construct a grade separation on State College Boulevard at BNSF railroad from Santa Fe Avenue at the northerly terminus, and approximately 700' south of East Valencia Drive at the southerly terminus.

Audit Period: June 17, 2014 through March 18, 2019 for audit objective 1³
June 17, 2014 through August 21, 2018 for audit objectives 2 and 3⁴

Project Status: Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed	Ineligible Expenditures
Construction Capital	\$26,537,912	\$612,195
Construction Engineering	4,494,130	0
Force Account	1,042,200	0
Total Proposition 1B Expenditures	\$32,074,242	\$612,195

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC program guidelines, and applicable state and federal regulations cited in the executed project agreement, except for \$612,195 in ineligible construction expenditures, as noted in Finding 1. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in March 2018. At the time of our site visit in January 2020, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed 19 months late, the City appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes for safety, velocity, throughput, reliability, and congestion reduction were achieved and adequately reported in the FDR. Actual project benefits/outcomes related to emissions reduction were not adequately reported in the FDR, as noted in Finding 2.

³ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁴ The audit period end date reflects the FDR submission date.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	Grade separations completely separate automobiles and other traffic from trains, eliminating the potential for a grade crossing collision.	By eliminating the at-grade crossing, trains are no longer interacting with vehicles, pedestrians, and bicyclists. The project has eliminated: 1) Pedestrians walking across tracks. 2) Emergency vehicle delays. 3) Potential for train/vehicle collisions.	Yes
Velocity	With the construction of the grade separation, vehicles traveling would be able to maintain a more consistent speed within this segment of the roadway because the delay and conflict associated with the at-grade crossing would be eliminated.	Since trains are no longer interacting with vehicles, railroad and vehicle velocities have improved by eliminating delays and potential train/vehicle collisions.	Yes
Throughput	The Annual Average Daily Traffic will increase from 23,100 to 30,500 in 2030. Current at-grade crossing is forecasted to cause 7 hours of daily delay for trucks in 2030, a 129 percent increase of the existing condition. Grade separation will eliminate this conflict.	Since trains are no longer interacting with vehicles, trucks throughput has improved by eliminating delays at grade crossing.	Yes
Reliability	The reliability of travel and goods movement at or near at-grade rail crossings is influenced by two factors: delay and safety. Delay due to the at-grade crossing would be eliminated and the separation of the railway from the roadway would improve safety resulting in increased reliability, as well as increase emergency service response time eliminating the conflict.	Since trains are no longer interacting with vehicles, goods movement reliability has improved by eliminating delays and potential train/vehicle collisions.	Yes
Congestion Reduction	The existing total traffic delay (vehicle-hours/day) due to the rail crossing is 61.4 hours and this is expected to increase to 140.4 in 2030. The grade separation would eliminate the delay due to the rail crossing.	Since trains are no longer interacting with vehicles, congestion is reduced since vehicle delays at the grade crossing is eliminated.	Yes

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Emissions Reduction	<ul style="list-style-type: none"> • ROG Emission Benefits (0.16 kg/day) • CO Emission Benefits (2.34 kg/day) • NOx Emission Benefits (0.15 kg/day) • PM Emission Benefits (0.01 kg/day) 	Not adequately reported.	No

Project Number: 1214000082

Project Name: Raymond Avenue Grade Separation

Program Name: TCIF

Project Description: Construction of a vehicular underpass on Raymond Avenue at the BNSF railroad crossing, between Walnut Avenue and Ash Avenue.

Audit Period: November 4, 2014 through December 31, 2018 for audit objective 1⁵
November 4, 2014 through September 21, 2018 for audit objectives 2 and 3⁶

Project Status: Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Capital	\$9,603,076
Total Proposition 1B Expenditures	\$9,603,076

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC program guidelines, and applicable state and federal regulations cited in the executed project agreement. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in May 2018. At the time of our site visit in January 2020, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

Actual project benefits/outcomes for safety, velocity, throughput, reliability, and congestion reduction were achieved and adequately reported in the FDR. Actual project benefits/outcomes related to emissions reduction were not adequately reported in the FDR, as noted in Finding 2.

⁵ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁶ The audit period end date reflects the FDR submission date.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	Grade separations completely separate automobiles and other traffic from trains, eliminating the potential for a grade crossing collision.	By eliminating the at-grade crossing, trains are no longer interacting with vehicles, pedestrians, and bicyclists. The project has eliminated: 1) Pedestrians walking across tracks. 2) Emergency vehicle delays. 3) Potential for train/vehicle collisions.	Yes
Velocity	With the construction of the grade separation, vehicles traveling would be able to maintain a more consistent speed within this segment of the roadway because the delay and conflict associated with the at-grade crossing would be eliminated.	Since trains are no longer interacting with vehicles, railroad and vehicle velocities have improved by eliminating delays and potential train/vehicle collisions.	Yes
Throughput	The Annual Average Daily Traffic will increase from 23,100 to 30,500 in 2030. Current at-grade crossing is forecasted to cause 5 hours of daily delay for trucks in 2030, a 118 percent increase of the existing condition. Grade separation will eliminate this conflict.	Since trains are no longer interacting with vehicles, trucks throughput has improved by eliminating delays at grade crossing.	Yes
Reliability	The reliability of travel and goods movement at or near at-grade rail crossings is influenced by two factors: delay and safety. Delay due to the at-grade crossing would be eliminated and the separation of the railway from the roadway would improve safety resulting in increased reliability.	Since trains are no longer interacting with vehicles, goods movement reliability has improved by eliminating delays and potential train/vehicle collisions.	Yes
Congestion Reduction	The existing total traffic delay (vehicle-hours/day) due to the rail crossing is 45.5 hours and this is expected to increase to 99.4 in 2030. The grade separation would eliminate the delay due to the rail crossing.	Since trains are no longer interacting with vehicles, congestion is reduced since vehicle delays at the grade crossing is eliminated.	Yes

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Emissions Reduction	<ul style="list-style-type: none"> • ROG Emission Benefits (0.53 kg/day) • CO Emission Benefits (7.56 kg/day) • NOx Emission Benefits (0.49 kg/day) • PM Emission Benefits (0.04 kg/day) 	Not adequately reported.	No

APPENDIX B

We considered the following internal control components and underlying principles significant to the audit objectives:

Internal Control Component	Internal Control Principle
Control Activities	<ul style="list-style-type: none">• Management designs control activities to achieve objectives and respond to risks.• Management implements control activities through policies.
Information and Communication	<ul style="list-style-type: none">• Management uses quality information to achieve the entity's objectives.• Management externally communicates necessary quality information to achieve the entity's objectives.



May 18, 2020

Cheryl L McCormick, CPA
Chief, Office of State Audits and Evaluations
California Department of Finance
915 L Street
Sacramento, CA 95814

RE: Confidential Draft Report – City of Fullerton, Proposition 1B Audit

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
1200020336	P2525-0055	State College Boulevard Grade Separation
1214000082	P2525-0056	Raymond Avenue Grade Separation

Dear Ms. McCormick,

We have completed our review of the Office of State Audit and Evaluation's Confidential Draft Report, dated May 4, 2020, for Proposition 1B Bond Program that partially funded State College Boulevard and Raymond Avenue Grade Separation (GS) projects.

State College and Raymond GS projects are two of seven grade separation projects included in the recently completed Orange County Transportation Authority's (OCTA) OC Bridges Program. These two projects are a result of the hard work and limitless dedication of City of Fullerton and OCTA's teams and have benefited Fullerton's community and public at large traveling these two major streets. We have received countless expressions of gratitude from the motorists, bicyclists, and pedestrians for producing a safer, faster, and more aesthetically-pleasing traveling environment.

We appreciate the time and hard work that was spent on auditing efforts of these two large multi-year and multi-funding technically-complex projects.

We appreciate the overall positive assessment of City of Fullerton's processes and procedures, as City staff works hard assuring full compliance of our accounting, project management, and contract administration systems. Staff believes that both projects were administered in full compliance with the Proposition 1B Bond Program requirements; therefore, **we do not agree** with two findings included in the Draft Report. Please refer to our responses to the Draft Report's findings below:

Response to Finding 1:

The TCIF Baseline Agreement Scope was developed and signed in 2008 before design began. The Scope description is general and only describes the main component of the project. It does not include other components, including stage construction, detours, construction area signs, etc., which are necessary to build the project; thus, the extent of damage of Acacia Avenue caused by the State College Grade Separation project was not known nor estimated at that time.

Prior to construction of the State College GS project, Acacia Avenue was in fair condition and was not planned for pavement reconstruction within 5 years of project construction. However, the excessive traffic that was detoured onto Acacia Avenue accelerated and contributed to the further deterioration of the roadway, produced poor driving conditions, and necessitated immediate measures for pavement rehabilitation to be completed as a part of the State College Grade Separation project.

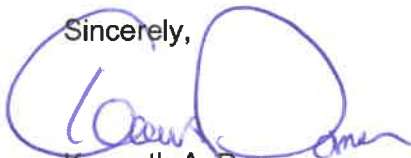
Staff believes that the scope of work included in the Contract Change Order (CCO) No. 065 fully relates to the damage caused by the project and that subject CCO is adequately justified. It is unreasonable for the City to bear all the cost of full pavement reconstruction. Therefore, it was determined that a minimal cost supporting the replacement of the surface asphalt layer damaged by and during construction phase shall be contributed by the project.

Response to Finding 2:

We do not agree with Finding 2. On 1/9/20, OCTA provided an email response regarding emission reduction benefits/outcomes. Please note that the TCIF guidelines do not require project sponsors to quantify data or provide specific measures, and the grade separation projects provide regional air quality benefits. The air regional model is managed by AQMD and changes over time due to many factors, including transportation improvements, climate change, land use, etc.; therefore, values provided by AQMD years ago cannot be used for comparison. AQMD has consistently recognized the air quality benefits of grade separation projects since it is self-evident that idling vehicles no longer wait for trains to pass. The project benefits are consistent with the baseline agreement. The Supplemental FDRs have been approved by Caltrans and include the described benefits.

City of Fullerton is kindly requesting that City's responses to Findings 1 and 2 are found reasonable and acceptable, resulting in two findings/recommendations not included in the Final Report.

Sincerely,



Kenneth A. Domer
City Manager, City of Fullerton

cc: Meg McWade, Public Works Director
Yelena Voronel, City Engineer

EVALUATION OF RESPONSE

The City's response to the draft report has been reviewed and incorporated into the final report. In evaluating the City's response, we provide the following comments:

Finding 1: Ineligible Expenditures Claimed for Reimbursement

The City disagrees that the expenditures related to CCO No. 65, totaling \$612,195, were not allowable because the damage to Acacia Avenue was caused by the State College Boulevard Grade Separation Project. The City further stated that although not specifically cited in the project baseline agreement scope, detours to nearby roadways were necessary components to build the project. However, for a CCO to be eligible for payment, the scope must be within the project's TCIF baseline agreement. Because the City did not provide additional documentation to show evidence the TCIF baseline agreement was amended to include paving Acacia Avenue, the CCO is not allowable. Therefore, the finding and recommendations will remain unchanged.

Finding 2: Incorrect Reporting of Project Benefits/Outcomes

The City disagrees with the finding and stated the TCIF Guidelines do not require project sponsors to quantify data or provide specific metrics. However, the TCIF Guidelines require a comparison of performance outcomes derived from the project to those described in the project baseline agreement. Without a mechanism to track and maintain support documentation of project outcomes, a comparison is not possible. Since the City did not provide additional documentation, the finding and recommendations will remain unchanged.