

Regional Measure 3 Independent Oversight Committee Fiscal Year 2024–25 Annual Report – Introduction and Summary

Regional Measure 3 (RM 3) was approved by the State Legislature in 2017 and by Bay Area voters in 2018, to fund projects that would help solve growing congestion problems. The measure's plan, published by MTC in 2018, called for \$4.45 billion in financing of 35 specific highway and transit improvements by increasing tolls on the region's seven state-owned toll bridges.

The project funding list includes new BART cars, with extension of service to Silicon Valley, extension of Caltrain to downtown San Francisco, expansion of S.F. Muni's vehicle fleet; improved transbay bus service; freeway improvements; expansions of the freeway express lane network; new ferry services, upgrades to relieve congestion in the Dumbarton Bridge corridor; highway 37 improvements; and extension of the SMART rail system to Windsor and Healdsburg. The RM 3 plan specifies the amounts to be dedicated to each project.

Winning 55% overall approval by voters in the nine Bay Area counties, RM 3 raised tolls in three \$1 increments that went into effect on January 1, 2019, January 1, 2022, and January 1, 2025. The 2019 increase marked the first toll hike on the seven state-owned bridges since 2010. However, due to litigation over the percentage of votes needed to authorize the toll increases, proceeds were held in escrow until January 2023. After the challenges were dismissed, the escrow account was terminated, and the Commission began making RM 3 allocations in June 2023.

RM 3 requires that an independent committee of citizens to ensure that RM 3 funds are spent according to the requirements of the RM 3 legislation. The independent oversight committee was established after the passage of RM 3 and began meeting regularly after the Commission began allocating RM 3 funds.



Photos of projects completed with RM 3 Capital Funding. Left: SMART Windsor High School Undercrossing, Right: SR-29/Soscol Junction Interchange

Regional Measure 3 (RM 3) Accomplishments During FY 2025

- Second full year of program implementation since final RM 3 legal clearance
- Advanced a variety of capital projects, including completion of the SR-29/Soscol Junction Interchange and SMART Windsor High School Undercrossing and advancement of construction for AC Transit bus improvements and the Eastridge to BART Regional Connector
- Supported the operation of the Salesforce Transit Center, regional express bus, and ferry service



Photos of transit service assisted with RM 3 Operating Funding. Left: SF Bay Ferry, Right: AC Transit Transbay Service

RM 3 IOC MEMBERS

TIM AMBROSE
ALAMEDA COUNTY

STEVE BIRDLEBOUGH
SONOMA COUNTY

KATHY CHANG
CONTRA COSTA COUNTY

KEVIN HAGERTY, CHAIR
MARIN COUNTY

FREDERICK ARN HANSSON
SAN MATEO COUNTY

WILLIAM G. JERRY HAYES
SOLANO COUNTY

PAMELA KINDIG, VICE CHAIR
NAPA COUNTY

JOHN MAITLAND
SONOMA COUNTY

AISHA NASIR
NAPA COUNTY

ANU NATARAJAN
ALAMEDA COUNTY

NAZANIN SHAKERIN
CONTRA COSTA

JOANNE WEBSTER
MARIN COUNTY

About the RM 3 IOC

- Established by RM 3 statute to ensure RM 3 toll revenues are spent following the requirements of the statute
- Comprised of two representatives from each Bay Area county

RM 3 IOC Accomplishments Supporting FY 2024-25 Report

- Held three meetings to review RM 3 activities
- Evaluated FY 2024-25 expenditures of RM 3 Bridge Toll funds
- Recommended MTC send a letter to county Boards of Supervisors urging appointments to vacant IOC seats
- Developed the RM 3 IOC annual report

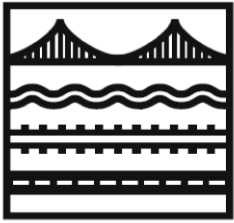
RM 3 IOC Plans for FY 2025-26 and Beyond

- Provide input on RM 3 allocation processes
- Continue to refine IOC agendas and information requests to enhance effectiveness and contributions to the RM 3 program
- Provide recommendations on ways to further enhance RM 3 program transparency, reporting, and public engagement

A report of the IOC's findings for FY 2024-25 follows this summary.

Respectfully submitted,

RM 3 Independent Oversight Committee



Regional Measure 3 Independent Oversight Committee Fiscal Year 2024–25 Annual Report

The Regional Measure 3 (“RM 3”) Independent Oversight Committee (“IOC”) is pleased to provide its Fiscal Year 2024-25 RM 3 IOC annual report. This report summarizes the IOC’s findings on the expenditure of RM 3 Bridge Toll funds during the 2024-25 fiscal year.

Background and History of the Independent Oversight Committee

Bay Area voters approved RM 3 on June 5, 2018. Following this, the three \$1 increments of the toll increase were applied on January 1, 2019, January 1, 2022, and January 1, 2025. The state legislation that established the RM 3 expenditure plan and the mechanism for the election (Senate Bill 595, 2017) also added the following language requiring establishment of the IOC to the California Streets and Highways Code (SHC), Section 30923:

If the voters approve a toll increase pursuant to this section, the authority shall establish an independent oversight committee within six months of the effective date of the toll increase to ensure that any toll revenues generated pursuant to this section are expended consistent with the applicable requirements set forth in Section 30914.7.

The oversight committee shall include two representatives from each county within the jurisdiction of the commission. Each representative shall be appointed by the applicable county board of supervisors and serve a four-year term and shall be limited to two terms. The oversight committee shall annually review the expenditure of funds by the authority for the projects and programs specified in Section 30914.7 and prepare and submit a report to the transportation committee of each house of the Legislature summarizing its findings. The oversight committee may request any documents from the authority to assist the committee in performing its functions.

Subsequently, the following requirements were added to statute regarding committee membership:

A representative appointed to the oversight committee shall not be a member, former member, staff, or former staff of the commission or the authority, shall not be employed by any organization or person that has received or is receiving funding from the commission or the authority, and shall not be a former employee or a person who has contracted with any organization or person that has received or is receiving funding from the commission or the authority within one year of having worked for or contracted with that organization or person.

The Bay Area Toll Authority (BATA) established the RM 3 IOC in June 2019, and populated its roster for the first four-year term as appointees were received from county boards of supervisors (BATA Resolution No. 131, Revised). The current version of this resolution, including the list of IOC members and vacancies by county, is included in Attachment F to Appendix I of this report.

The IOC did not meet during the first term of July 2019-June 2023. During this time, legal challenges to RM 3 were appealed all the way to the California State Supreme Court, which finally resolved the

challenges in January 2023. While these legal matters were ongoing, all collected RM 3 funds were held in escrow. In March 2023, BATA released these funds and terminated the escrow agreement, which allowed for the RM 3 funds to start being allocated and spent.

Counties were asked to nominate IOC appointees for a new term from July 2023 through June 2027. Because the committee did not meet during the first term, the 2023-2027 term will be considered the first term for the purposes of fulfilling term limits outlined in state statute.

FY 2024-25 IOC Activities and Accomplishments

The IOC meets three to four times per calendar year to review RM 3 expenditures. During review of FY 2025-25 expenses, the committee also discussed additional topics, including requesting that MTC staff provide additional information about MTC's independent auditor's review of RM 3 expenditures and MTC's investment policies, and a request for MTC to reach out to counties with IOC member vacancies.

At the August 4, 2025 meeting the committee selected three members to form an ad-hoc committee to prepare a draft of the IOC Annual Report summarizing its findings to submit to the state legislature. On November 7th, 2025 the full committee reviewed and approved the report for submission to the Legislature.

Bridge Toll Fund Management

The IOC obtained and has reviewed the following information from MTC staff about bridge toll revenue collection and fund management, and finds it worthwhile to include in this report.

Bridge Toll Revenues

Bridge toll revenues, including those provided by RM 3, are administered by BATA and fund a variety of obligations, including the projects in the RM 3 expenditure plan. Funds are maintained in BATA accounts and invoices are paid from these funds. BATA also leverages toll revenue by issuing toll bridge revenue bonds to finance the projects outlined in the RM 3 expenditure plan.

While the lawsuits challenging RM 3 were in progress, RM 3 toll revenue was collected but held in an escrow account managed by a bank trust officer. After the litigation was resolved, the BATA Board terminated the escrow and the funds were released for use by BATA to fund the RM 3 expenditure plan and other expenses as authorized by RM 3. As of June 30, 2025, BATA has collected \$1.144 billion in toll revenue generated by RM 3.

Use of Bond Financing

To date, tolls approved under RM 3 have generated more revenue than BATA has spent on RM 3 operating costs, capital projects, and administrative expenses. However, with \$4.45 billion of planned RM 3 capital projects, total RM 3 expenditures are expected to exceed related toll revenue collections on a cash flow basis in future years. This trend would reverse once the major RM 3 capital projects have been completed and spending decreases. Therefore, bond financing will play a crucial role in funding the RM 3 capital program in periods when expenses surpass toll revenues approved under RM 3.

The availability and cost of funding in the municipal market varies over time. For this reason, it is important to maintain healthy levels of liquid funds by accessing the bond market when it is cost effective. Recent years have been a relatively advantageous time to issue tax-exempt debt. The overall net cost of borrowing has been nominal when taking into consideration the overall financial position of BATA and the RM 3 program.

RM 3 Related Debt

All toll revenue secures and pays debt service on all toll bridge revenue bonds. BATA is tracking the collection and expenditure of toll revenues generated by the toll increases approved by RM 3. In addition, when BATA issues bonds, it is tracking which bond proceeds are applied to RM 3 projects and the associated debt service on those bonds. This information is being tracked to provide insight into the way in which funds generated by the toll increases approved by RM 3 are being used to meet the needs of the RM 3 Expenditure Plan over time.

As of June 30, 2025, BATA has issued two series of bonds to fund RM 3 projects. The \$250 million BATA San Francisco Bay Area Toll Bridge Revenue Bonds, 2024 Series F-2 (Green Bonds – Climate Bond Certified) (the “2024F2 Bonds”) were issued on June 26, 2024 and the \$400 million BATA San Francisco Bay Area Toll Bridge Revenue Bonds, 2025 Series F-2 (Green Bonds – Climate Bond Certified) (the “2025F2 Bonds”) were issued on June 18, 2025. The Bonds were issued as fixed rate tax-exempt senior lien bonds. Together these two series of bonds provided \$716 million in funds for RM 3 projects.

As of June 30, 2025, \$550 million has been reimbursed to project sponsors for RM 3 capital projects, all of which has been or will be reimbursed from bond proceeds.

RM 3 Associated Funds¹

Through June 30, 2025, incoming funds to the RM 3 program include:

- \$1.144 billion provided by toll revenues approved under RM 3
- \$109 million investment earnings
- \$716 million bond proceeds

Expenditures include:

- \$550 million RM 3 capital expenditures
- \$80 million operating transfers
- \$24 million administrative and overhead expenses
- \$10 million debt service on 2024F2 and 2025F2 Bonds

Unexpended balances include:

- \$212 million accrued, but not yet paid RM 3 capital expenditure reimbursements
- \$87 million restricted WETA operating reserve
- Approximately \$1 billion unexpended balance

The BATA Budget included in the Bay Area Metro Budget Book, Fiscal Year 2025-26², budgets \$338 million in toll revenue generated by the toll increases approved under RM 3. Amounts in excess of that needed for debt service, the operating transfers in the RM 3 expenditure plan, and RM 3-related administration and overhead are expected to be available for the capital portion of the RM 3 expenditure plan.

¹ All figures rounded. Totals may not sum due to rounding.

² https://mtc.ca.gov/sites/default/files/documents/2025-07/Fiscal_Year_2025-26_Bay_Area_Metro_Budget_Book.pdf

Investment of Funds

MTC's Investment Policy (included as Attachment II) states that all funds over which MTC is administratively responsible, which includes BATA funds (including toll revenue associated with RM 3), shall be managed under the "prudent investor standard" which requires all agencies investing public funds to be trustees of those funds, and therefore fiduciaries subject to the prudent investor standard. All funds shall be invested with the objectives of, in order of priority, safety, liquidity, and yield. MTC's investment policy is compliant with the California Government Code Section 53600 et seq., ensuring adherence to all statutory requirements governing public agency investments.

Summary of MTC and BATA RM 3 Activities

RM 3 Policies and Procedures and Allocation Process

The RM 3 expenditure plan lists specific amounts available for capital projects, and percentage-based amounts available for operating projects. The Commission has adopted the Regional Measure 3 Policies and Procedures (MTC Resolution No. 4404, Revised; included as Attachment G to Appendix I of this report) to govern the implementation of both the capital and operating programs. These processes are summarized at a high level in the following paragraphs.

For the capital program, eligible project sponsors must follow the Policies and Procedures to request an allocation of funds, including the completion of an initial project report, an allocation request, and a board resolution. Staff reviews the request and prepares allocation recommendations in the form of resolutions for the Commission's consideration. These resolutions include reference to the specific line of the expenditure plan from which the allocation request is being made, a description of the scope of the allocation request, and additional information such as project schedule and funding plan. Payments to project sponsors for eligible expenses are made on a reimbursement basis. Capital projects may only receive the amount listed in the expenditure plan; per statute, BATA may fund the projects by transfers or bonding.

For the operating program, eligible project sponsors must likewise follow the Policies and Procedures to request allocations of funding. Statute establishes that not more than 16 percent, up to \$60 million of RM 3 revenues generated each year, are available for operating assistance. Of that annual amount, 8 percent is made available for the Transbay Terminal (Salesforce Transit Center), not to exceed \$5 million, 34 percent is made available for regional express bus services, not to exceed \$20 million; and 58% is made available for expanded ferry service, not to exceed \$35 million. To receive funds, recipients must execute an operating agreement with MTC that meets statutory requirements, and prepare an allocation application package including a cover letter, board resolution, operating agreement, and fiscal audit. The Commission annually approves programming and allocations of amounts, and in the case of the regional express bus program, recipients. Payments to project sponsors for eligible expenses are made on a reimbursement basis. Allocated amounts will be reduced if necessary to stay within statutory mandates.

RM 3 Letters of No Prejudice

The RM 3 Policies and Procedures include an option for MTC to approve Letters of No Prejudice (LONPs) to allow project sponsors to move projects forward with alternate funds, at-risk, while maintaining RM 3 eligibility if and when RM 3 funds became available. On March 25, 2020, MTC approved Resolution No. 4412, which enables MTC to issue LONPs for RM 3 projects. LONPs are issued at the request of project sponsors and specify the amount and scope for which RM 3 eligibility will be preserved and the

alternate funding source to be used in place of RM 3 funds. The first LONP was approved in March 2020. A total of 21 LONPs have been issued totaling approximately \$602 million, the last in May 2023 prior to the start of allocations. Since then, allocations have been made toward the vast majority of LONPs issued. MTC Resolution No. 4412, Revised, contains a description of every project with an LONP. This resolution is included in BATA's 2023 RM 3 Annual Report and has not been revised since then.

RM 3 Expenditure Plan Revisions and Programming

To ensure that RM 3 revenues are expended consistent with the applicable requirements set forth in SHC Section 30914.7, it is important for the IOC to track changes made to the RM 3 Expenditure Plan, which may be made through a public hearing process as outlined in the RM 3 statute (SHC Section 30914.7(e)). One such change was made during this report period. After a public hearing in March 2025, the Commission approved the following change to the RM 3 expenditure plan in April 2025:

- Modify scope of Highway 101-Marin/Sonoma Narrows (RM 3 project #20) to include updating the high occupancy vehicle lane hours signage on Highway 101 between Arata Lane in Windsor and North Bridge Boulevard in Sausalito.

The RM 3 operating projects and funding levels are determined by the RM 3 statute, but each fiscal year, MTC approves programming for the RM 3 operating program that sets the funding amounts for the year based on an estimate of toll revenues. MTC approved the FY25 RM 3 Operating Program on May 22, 2024 and revised the programming on December 18, 2024 to incorporate programming amounts for sponsors of Express Bus operating projects.

In the RM 3 capital program, most projects are named and have a single sponsor and dollar amount assigned in the RM 3 statute, but there are a few projects that have multiple sponsors or are broad categories that require programming by MTC. Since MTC began issuing Letters of No Prejudice in 2020 to allow projects to proceed ahead of allocation of RM 3 funds, MTC has taken action to program funds under the following RM 3 projects:

- Bay Area Corridor Express Lanes
- Goods Movement and Mitigation
- North Bay Transit Access Improvements
- Dumbarton Corridor Improvements

Invoicing and Monitoring

RM 3 funds are provided to project sponsors on a reimbursement basis. After funds are allocated, sponsors may submit invoices for eligible expenditures. MTC staff review these invoices for accuracy and consistency with the allocation and approve payment. Semi-annually, MTC collects progress reports for each ongoing capital project that has received an RM 3 allocation.

In March 2019, MTC issued an RFQ for the purpose of selecting a bench of audit firms to perform various auditing, attestation and consulting engagements. On September 4, 2019, the MTC Administration Committee approved a bench of five audit firms including MGO. In January 2024, MTC entered into a contract with MGO to conduct annual review of RM 3 expenses. The agreed-upon procedures (AUP) performed in the review of the RM 3 expenses were developed by the MTC Finance staff in accordance with the RM 3 Policies and Procedures. The agreed-upon procedures are as follows:

For the annual fiscal year review of RM 3 expenses:

General Procedures:

1. Obtain from MTC a listing of RM 3 recipients of operating programs and capital programs.
2. For each selected recipient, randomly select a minimum of 4 invoices to cover at least 50% of the recipient's project expenses, and apply the applicable procedures below to the selected invoices. For recipients with 4 or fewer invoices, inspect all invoices for review. Amounts less than \$5,000 are not to be selected. MTC will review and approve the selected transactions
3. Request supporting documentation electronically from RM 3 recipients for transactions selected for review, and apply the applicable procedures below to the selected transactions.

Capital Programs:

1. Obtain and determine the Allocation Application includes the required materials.
2. Determine whether invoices were submitted to the MTC on a reimbursement basis.
3. Determine whether the expenses included in the invoices were considered eligible expenses, as defined in the Capital Program Guidance section in the Regional Measure 3 Policies and Procedures, dated October 2023.
4. Determine whether the expenses included in the invoices were within the scope of the recipient's Initial Project Report.
5. Verify expenses as reported in the invoices to the recipient's supporting documentation.

Operating Programs:

1. Obtain and determine the Allocation Application includes the required materials:
2. Determine whether the recipient's invoices were exclusive of depreciation/amortization expenses.
3. Reconcile expenses and fare box revenues as reported in the invoices to the recipient's supporting documentation. (This procedure excludes other operating subsidies.)
4. Determine whether the expenses included in the invoices were within the scope of the recipient's Operating Agreement.

MTC also periodically engages an auditor to confirm RM 3 invoices for capital programs to ensure they were submitted in accordance with the RM 3 policies and procedures and check for duplicate charges or other errors. The agreed-upon procedures are as follows:

For periodic reviews of RM 3 Capital invoices, the independent account will:

- a. Vouch the invoiced amount to supporting documents accompanying the invoice, as submitted by BATA RM 3 recipients to MTC.
- b. Determine whether the invoice includes duplicate charges.
- c. Determine the arithmetic accuracy of the invoice.
- d. Determine invoiced amounts, including release of retention, are submitted to MTC on a reimbursement basis assuming it is clear on the vendor invoice whether retentions are included in the total or not.
- e. Determine whether the recipient's overhead rate exceeds the maximum allowable rate as set in the RM 3 policies and procedures (50 percent of total salaries and benefits).
- f. Based on the invoice date, determine if any recipients, excluding MTC, submit more than one invoice per month per project, unless the exception is approved in writing.

IOC Findings

The IOC presents the following findings on BATA and the Metropolitan Transportation Commission (MTC's) expenditure of RM 3 funds.

Capital Allocations

During FY 2025, MTC allocated approximately \$200 million to capital projects in the RM 3 expenditure plan. Details of these allocations were reviewed by the IOC at previous meetings and are available in the meeting materials posted to MTC's website.

Capital Allocations made through June 30, 2025 are consistent with the RM 3 statute.

Operating Allocations

In FY 25, MTC approved \$49 million in operating allocations consistent with the FY 25 RM 3 Operating Program. Details of these allocations were reviewed by the IOC at previous meetings and are available in the meeting materials posted to MTC's website.

Operating Allocations made through June 30, 2025 are consistent with the RM 3 statute.

Invoicing and Monitoring

The FY 24 AUP review (Appendix III) was completed in November 2024, and no issues were flagged with any FY 24 invoices. The FY 25 AUP review is in progress and findings will be provided to the IOC when available. The most recent AUP review of capital project invoices (Appendix IV) covered the period from March 1, 2024 to January 21, 2025 and no issues were flagged with any invoices during this period. These reviews are available as Appendices II and III to this report.

MTC collects semi-annual reports for all RM 3 capital allocations. In FY 25, summaries of findings were presented to the Commission in December 2024 and June 2025. The June 2025 update is included as Attachment E to Appendix I of this report.

MTC's invoicing and monitoring procedures ensure that funds are expended consistent with the RM 3 statute, allocations, and RM 3 policies and procedures.

Other RM 3 Implementation Issues

IOC Vacancies

The IOC strongly urges counties with IOC position vacancies to fill them with appointees that can actively participate in IOC meetings, so that all counties in the region may be fully represented in the work of the committee.

Discretionary Federal and State Matching Funding

Many RM 3 projects have committed or planned discretionary federal and/or state grants in their funding plans. These grants may in some cases be at risk or delayed due to priority changes by the current federal administration, or other funding pressures at the state level. This is especially concerning for projects relying on such funding as the largest element of a funding plan, such as megaprojects relying on significant federal funding for construction or smaller projects relying on a discretionary federal grant to become reality. RM 3 funds are a flexible source of funding that can help these projects progress while construction funding is uncertain, but allocating RM 3 funds on early phases of projects awaiting discretionary funds for future phases increases the risk that regional investment is being put into projects that may have significant funding and project delivery challenges.

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Appendices

Appendix I: Bay Area Toll Authority RM 3 FY 2024-25 Annual Report to the Legislature

Appendix II: MTC Investment Policy (MTC Resolution No. 4563)

Appendix III: Independent Accountant's Report on Applying Agreed-Upon Procedures – Regional Measure 3 Funds – Year Ended June 30, 2024

Appendix IV: Independent Accountant's Report on Agreed-Upon Procedures Applied to Regional Measure 2, 3, and AB1171 Capital Invoices For the period from March 1, 2024 to January 31, 2025

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Regional Measure 3 Independent Oversight Committee Annual Report

Appendix I

Bay Area Toll Authority RM 3 FY 2024-25 Annual Report to the Legislature

Bay Area Toll Authority (BATA)'s RM 3 Annual Report to the Legislature to be inserted by staff after BATA approval, if the IOC approves their Annual Report with staff's recommendation to include the BATA report.

Regional Measure 3 Independent Oversight Committee Annual Report

Appendix II

MTC Resolution No. 44563, Revised: MTC Investment Policy

Date: January 25, 2023
W.I.: 1521
Referred by: Admin. Committee
Revised: 01/24/24-C
12/18/24-C

ABSTRACT

Resolution No. 4563

This resolution authorizes the establishment of a Statement of Investment Policy for the management of MTC funds. This resolution also accepts administrative responsibility for management of the funds of the MTC Service Authority for Freeways and Expressways (SAFE), the Bay Area Toll Authority (BATA), the Bay Area Infrastructure Financing Authority (BAIFA), the Bay Area Headquarters Authority (BAHA), the Bay Area Housing Finance Authority (BAHFA), and other MTC affiliated agencies as delegated to MTC by MTC SAFE, BATA, BAIFA, BAHA, BAHFA and other MTC affiliated agencies; and for the Association of Bay Area Governments (ABAG), a separate joint powers authority, and its affiliated entities, for which MTC is accepting administrative responsibility for management of funds, effective July 1, 2017 pursuant to a contract for services between MTC and ABAG, dated May 30, 2017.

This resolution supersedes MTC Resolution No. 4173 and any other MTC resolutions to the extent that they may conflict with this policy.

Attachment A to this resolution was amended on January 24, 2024 to renew the Statement of Investment Policy.

Attachment A to this resolution was amended on December 18, 2024, to renew the Statement of Investment Policy.

Further discussion of this resolution is contained in the Executive Director's memoranda to the Administration Committee dated January 11, 2023, January 10, 2024, and December 11, 2024.

Date: January 25, 2023
W.I.: 15.2.1
Referred by: Admin. Committee

RE: Establishment of a Statement of Investment Policy.

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4563

WHEREAS, the Metropolitan Transportation Commission (MTC) is the Regional Transportation Planning Authority for the San Francisco Bay Area pursuant to Government Code §§ 66500 et seq.; and

WHEREAS, the MTC has the responsibility to manage funds received in accordance with the provisions of Government Code §§ 53600 et seq. and a Statement of Investment Policy adopted pursuant to those statutory provisions; and

WHEREAS, the MTC Service Authority for Freeways and Expressways (MTC SAFE), created pursuant to Streets and Highways Code §§ 2250-2556; the Bay Area Toll Authority (BATA), created pursuant to Streets & Highways Code §§ 30950 et seq.; the Bay Area Headquarters Authority (BAHA), created pursuant to a Joint Exercise of Powers Agreement between MTC and BATA dated September 28, 2011; the Bay Area Infrastructure Financing Authority (BAIFA), created pursuant to the joint exercise of powers between MTC and BATA dated August 1, 2006; Bay Area Housing Finance Authority (BAHFA), established by AB 1487 (2019, Chiu) ; and other MTC affiliated entities have requested MTC to assume administrative responsibility for all such MTC affiliated entities' respective funds; and

WHEREAS, MTC is accepting administrative responsibility for the Association of Bay Area Governments (ABAG), a separate joint powers authority, and its affiliated entities, for management of funds, effective July 1, 2017 pursuant to a contract for services between MTC and ABAG, dated May 30, 2017; and

WHEREAS, MTC intends to manage all funds for which it is responsible pursuant to a single comprehensive investment policy; and

WHEREAS, the ABAG Administrative Committee has authorized MTC to open new and manage or close existing accounts with banks, financial institutions, and government pooled investment funds as needed in order to manage ABAG's and all related entities cash and investments under MTC signatures utilizing ABAG's and all related entities' tax identification numbers; now therefore, be it

RESOLVED, that MTC hereby adopts the Statement of Investment Policy as set forth in Attachment A to this Resolution, attached hereto and incorporated herein as though set forth at length; and, be it further

RESOLVED, Attachment A shall be applicable to all funds delegated to MTC; and, be it further

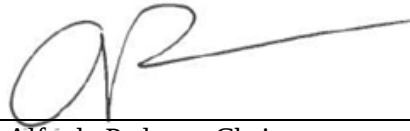
RESOLVED, that the Resolution No. 4563 supersedes MTC Resolution No. 4173; and, be it further

RESOLVED, that MTC's Executive Director or Treasurer or both, as applicable, are directed to manage MTC funds and funds delegated to MTC's administrative responsibility in conformance with said policy; and, be it further

RESOLVED, that this policy shall remain in effect unless modified by MTC; and, be it further

RESOLVED, that this Resolution shall take precedent over any prior MTC Resolutions to the extent that they may conflict herewith or with Attachment A.

METROPOLITAN TRANSPORTATION COMMISSION

A handwritten signature in dark ink, appearing to be 'AP' followed by a long horizontal stroke.

Alfredo Pedroza, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a duly called and noticed meeting held in San Francisco, California and at other remote locations, on January 25, 2023.

Date: January 25, 2023
W.I.: 15.2.1
Referred by: Admin. Committee
Revised: 01/24/24-C
12/18/24-C

Attachment A
Resolution No. 4563
Page 1 of 13

Statement of Investment Policy

1.0 Scope

Metropolitan Transportation Commission (MTC) shall invest all funds over which MTC is administratively responsible, including those of MTC, MTC Service Authority for Freeways and Expressways (SAFE), the Bay Area Toll Authority (BATA), the Bay Area Headquarters Authority (BAHA) the Bay Area Infrastructure Financing Authority (BAIFA), the Bay Area Housing Finance Authority (BAHFA), and other MTC affiliated agencies, and the Association of Bay Area Governments (ABAG) a separate joint powers authority, and its affiliated entities (collectively, the “Agencies”), for which MTC is accepting administrative responsibility for management of funds, effective July 1, 2017 pursuant to a contract for services dated May 30, 2017 in accordance with the provisions of §§ 53600 et seq. of the California Government Code and the provisions of this investment policy (“the Policy”), with the exceptions of:

- 1.1 Bond proceeds, including established reserve funds, shall be invested in the securities, obligations, agreements and other evidences of indebtedness permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities obligations, agreements and other evidences of indebtedness permitted by this Policy.
- 1.2 Also excluded from this Policy are any deferred compensation, retirement, Section 115 Trust, and Other Post Employment Benefit Plans. Investments related to these plans are not subject to this Policy since third-party administrators or trustees manage the funds, and, either the individual plan participants or outside investment managers or trustees direct investment selections under the guidelines established by the plan documents.
- 1.3 Any other funds specifically exempted by the Commission.

2.0 Objectives and Prudence

Funds shall be managed under the “prudent investor standard” which requires all agencies investing public funds to be trustees of those funds, and therefore, fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. All funds shall be invested within the following objectives, in order of priority:

- 2.1 Safety: Preservation and safeguard of capital.
- 2.2 Liquidity: Funds shall be invested in a manner consistent with operating needs of the Agencies.
- 2.3 Yield: Funds shall be invested to earn a secured and safe, market rate return without compromising the objectives of safety and liquidity.

3.0 Delegation of Authority

The authority to manage MTC’s investment program is derived from California Government Code, Sections 41006 and 53600 et seq. The Commission is responsible for the management of MTC’s funds, including the administration of this Policy. The Commission delegates the management of all funds to MTC’s Executive Director or Treasurer. The Treasurer, who is also the Chief Financial Officer of MTC, will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer.

MTC may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940 (the Act) or who are trust companies exempt from the Act due to regulation by relevant state banking authorities, to assist in the management of the MTC's investment portfolio in a manner consistent with MTC's objectives. External investment advisers may be granted discretion by the Treasurer to purchase and sell investment securities in accordance with this Policy.

4.0 Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officers shall refrain from undertaking any personal investment transactions with a firm managing Commission funds pursuant to Section 3.0 of this Policy. Employees shall additionally comply with the applicable conflict of interest code and related agency policies.

5.0 Permitted Investments:

Percentage holding limits and minimum credit criteria listed in this section apply at the time the security is purchased. Investments authorized under this Policy shall be limited to:

- 5.1 United States treasury notes, bonds or bills with a maximum remaining maturity of five years for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- 5.2 Bonds, notes, bills, warrants or obligations with a maximum remaining maturity of five years issued by a federal agency or United States government-sponsored enterprise (GSE), including those issued by or fully guaranteed as to the principal and interest by federal agencies or GSE. No more than 30% of the Agencies' funds may be invested in any single GSE issuer.

Attachment A

Resolution No. 4563

Page 4 of 13

- 5.3 Eligible commercial paper with a maximum maturity of 270 days or less; no more than 25% of the Agencies' funds will be allocated to commercial paper, and no more than 5% of the Agencies' funds may be invested in any single issuer. Additionally, any commercial paper investment is limited to 10% of the outstanding commercial paper of any single issuer.

Commercial Paper of "prime" quality of the highest ranking or of the highest letter and numerical rating provided by a Nationally Recognized Statistical Rating Organization (NRSRO) that meets one of the following criteria:

- 5.3.1 Is organized and operating in the United States as a general corporation and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A", or the equivalent, or higher rating for the issuers' debt by an NRSRO, other than commercial paper, if any..
- 5.3.2 Is organized within the United States as a special purpose corporation, trust, or limited liability company, and has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and is rated A-1 or its equivalent, or higher by an NRSRO.
- 5.4 Banker's acceptances: Banker's acceptances must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than 25% of the Agencies' funds may be invested in Banker's Acceptances. No more than 5% of the Agencies' funds may be invested in any single issuer. The maximum maturity must not exceed 180 days.
- 5.5 Negotiable certificates of deposit (NCD) issued by a nationally or State chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, not to exceed 25% of the Agencies' funds, provided that:
- 5.5.1 The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- 5.5.2 Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or

better by at least one NRSRO; and long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO.

5.5.3 No more than 5% of the Agencies’ funds may be invested in any single issuer

5.5.4 The maximum maturity does not exceed five (5) years.

5.6 Collateralized Time Deposits (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions more than insured amounts which are fully collateralized with securities in accordance with California law, provided that:

5.6.1 No more than 25% of the Agencies’ funds will be invested in a combination of federally insured and collateralized time deposits.

5.6.2 The maximum maturity does not exceed five (5) years.

5.7 Medium-Term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of “A” or its equivalent or better by an NRSRO.

5.7.1 Purchase may not exceed 30% of the Agencies’ funds.

5.7.2 No more than 5% of the Agencies’ funds may be invested in any single issuer.

5.8 Money Market Funds and mutual funds registered with the Securities and Exchange Commission, having attained the highest letter and numerical ranking by at least two NRSROs. Such investments shall not exceed 20% of funds, with no more than 10% invested in any single mutual fund.

5.9 Local Agency Investment Fund (LAIF) as authorized by California Government Code §§ 16429.1.

5.10 The Alameda County Treasury local agency investment fund authorized under California Government Code §§ 53684.

5.11 Local Government Investment Pools (“LGIP”) defined as shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code § 6509.7 that invests in the securities and obligations authorized in California Government Code § 53601 subdivisions (a) to (r), inclusive. Each share shall represent an equal

proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- 5.11.1 The adviser is registered or exempt from registration with the United States Securities and Exchange Commission.
- 5.11.2 The adviser has not less than five years of experience investing in the securities and obligations authorized in California Government Code § 53601 subdivisions (a) to (q), inclusive.
- 5.11.3 The pool size should have a minimum market value of five hundred million dollars (\$500,000,000).
- 5.11.4 The Agencies' share of the pool cannot exceed 10%.
- 5.12 Repurchase agreements collateralized by securities of the United States Government or an agency of the United States Government, subject to additional requirements as set forth in in California Government Code § 53601 subdivision (j).
- 5.13 Municipal Obligations issued by MTC, the State of California, local agencies within the State of California, as well as municipal obligations that are treasury notes or bonds of any of the other 49 states in addition to California. Eligible investments shall be rated in a rating category of "A" or its equivalent or better by an NRSRO.
 - 5.13.1 Such bonds can include the obligations of the Bay Area Toll Authority and the Bay Area Infrastructure Financing Authority.
 - 5.13.2 Variable Rate Demand Municipal Obligations shall have mandatory investor tender rights supported by a third-party liquidity facility from a financial institution with short-term ratings of at least A-1 or P-1, or its equivalent, by an NRSRO. The maturity of these bonds shall be equivalent to the investor's tender option supported by the liquidity facility.
 - 5.13.3 Municipal Obligations issued by the State of California, any of the other 49 states, or local agencies within the State of California, with the exception of the Bay Area Toll Authority or Bay Area Infrastructure Financing Authority, shall have a maximum remaining maturity of five years.
- 5.14 Asset-backed, mortgage-backed, mortgage passthrough securities, and collateralized mortgage obligations from issuers not defined in paragraphs 5.3 of the Permitted Investments section of this Policy,

provided that:

- 5.14.1 The security shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.
- 5.14.2 No more than 20% of the Agencies’ funds may be invested in these securities.
- 5.14.3 No more than 5% of the Agencies’ funds may be invested in the Asset-Backed or Commercial Mortgage securities of any single issuer; GSEs are exempt from this limit.
- 5.15 United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the following supranational organizations, International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO and shall not exceed 15% of the Agencies’ funds. No more than 5% of the Agencies’ funds may be invested in any single issuer.
- 5.16 All other investments authorized under §§ 53600 et seq. of the California Government Code as appropriate for public fund investments and not specifically addressed by this Policy.
- 5.17 Bond proceeds, including established reserve funds, may be invested in investment contracts, including guaranteed investment contracts, forward delivery agreements or similar agreements providing for a specified rate of return over a specified time period.
 - 5.17.1 Such agreements must be with, or the obligations must be guaranteed by, a financial institution or insurance company or domestic or foreign bank which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by an NRSRO.

The table below summarizes Permitted Investments listed in this Policy (for reference only).

Investment Type	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	Minimum Quality Requirements	Gov't Code Sections
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations - State of CA and other 49 states	5 years (See Section 5.13.2)	None	A Rating Category or its equivalent or better by an NRSRO	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	A Rating Category or its equivalent or better by an NRSRO	53601(e)
U.S. Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 Days	25%	None	53601(g)
Commercial paper of U.S. Corps with total assets in excess of \$500 MM	270 Days	25% total for all Commercial Paper	A-1 or higher by an NRSRO	53601(h)(1)
Negotiable Certificates of Deposit	5 Years	25%	None (See Section 5.5.2)	53601(i)
Non-negotiable Certificate of Deposit	5 years	25%	None	53630 et seq.
Repurchase Agreements	1 Year	None	None	53601(j)
Medium-Term Notes	5 Years	30%	A Rating Category or its equivalent or better by an NRSRO	53601(k)
<i>Mutual Funds and Money Market Mutual Funds</i>	N/A	20%	Multiple	53601(l) and 53601.6(b)
<i>Mortgage Pass-Through and Asset-Backed Securities</i>	5 years	20%	AA rating category or its equivalent or better by an NRSRO	53601(o)
<i>County Pooled Investment Funds</i>	N/A	None	None	27133, 53684
<i>Joint Powers Authority Pool</i>	N/A	None	Multiple	53601(p)
<i>Local Agency Investment Funds (LAIF)</i>	N/A	None	None	16429.1
<i>Supranational Obligations</i>	5 Years	15%	AA rating category or its equivalent or better by an NRSRO	53601(q)

6.0 Prohibited Investments:

In addition to any prohibited investments listed in California Government Code §§ 53601.6 and 53631.5, the following are specifically prohibited:

- 6.1 Reverse repurchase agreements.
- 6.2 Financial futures.
- 6.3 Option contracts.
- 6.4 Mortgage interest strips.
- 6.5 Inverse floaters.
- 6.6 Securities lending.
- 6.7 Repurchase agreements purchased for “yield enhancement” purposes and not required for banking and liquidity purposes.
- 6.8 Any investment that fails to meet credit or portfolio limits at the time of investment.
- 6.9 Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
- 6.10 Purchasing or selling securities on margin is prohibited.
- 6.11 Securities with trade settlement periods exceeding 45 days are not permitted.
- 6.12 The purchase of foreign currency denominated securities is prohibited.

7.0 Sales Prior to Maturity:

- 7.1 All sales prior to maturity shall be detailed in the investment report.
- 7.2 A security whose market value or credit quality falls outside the investment policy parameters after purchase may be held to maturity without violation of this Policy provided the fact is disclosed in the investment report.

8.0 Fund and Liquidity Levels:

- 8.1 MTC’s Executive Director or Treasurer or both, and/or his/her designee(s) shall maintain a system to monitor and forecast revenues and expenditures so that the Agencies’ funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the Agencies’

reasonably anticipated cash flow requirements. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the funds should be continuously invested in readily available funds. The maximum weighted maturity of the Agencies' funds shall be no longer than five (5) years.

8.2 Reserve Funds:

Specifically designated reserve funds may have a maximum maturity of 40 years or less, provided each fund is clearly identified in the investment report. Investment types that may be purchased with maturities up to 40 years include: U.S. Treasuries, Federal Agencies and government-sponsored enterprises, and municipal obligations, as permitted by California Government Code.

8.3 All funds under management shall be combined for the purpose of evaluating credit and portfolio limits.

9.0 Authorized Brokerage Firms:

It shall be MTC's policy to purchase securities only from authorized institutions and firms. MTC staff shall maintain procedures for establishing and recertifying a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by MTC.

These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule). In accordance with California Government Code Section 53601.5, institutions eligible to transact investment business with MTC include:

- 9.1 Institutions licensed by the State as a broker-dealer.
- 9.2 Institutions that are members of a federally regulated securities exchange.
- 9.3 Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- 9.4 Nationally or state-chartered banks.
- 9.5 The Federal Reserve Bank.
- 9.6 Direct issuers of securities eligible for purchase.

All financial institutions on the approved list will be evaluated individually, with preference given to primary dealers, who possess a strong capital and credit base appropriate to their operations. Provided written certification that they received a copy of the approved policy.

The selection of broker/dealers used by an external investment adviser retained by MTC will be at the sole discretion of the adviser. Where possible, transactions with brokers/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

10.0 Bond Repurchase Accounts

MTC may use licensed brokerage firms for the purpose of purchasing BATA bonds with the intent of retiring its debt when such debt is offered for sale in the secondary market. Such brokerage firms are for the specific purpose of purchasing and transferring BATA bonds to BATA and as such will be exempt from the requirements of Section 9.0, except that all firms shall be licensed brokers.

11.0 Safekeeping:

- 11.1 All securities shall be maintained in a safekeeping account, independent from all broker accounts, with securities held in the name of the Agencies. Banks with independent trust, custody, or safekeeping departments shall qualify as independent safekeeping accounts.
- 11.2 Safekeeping accounts shall be maintained with firms or banks with at least fifty million dollars (\$50,000,000) in trust and safekeeping accounts under management and a minimum rating in the “A” category from an NRSRO.
- 11.3 The Executive Director, Treasurer, or their designated assignee(s) are

authorized to sign documents providing for the sale and purchase of securities, as well as all documents required to provide for safekeeping and trust.

12.0 Internal Controls:

The Treasurer shall be responsible for developing a system of internal controls that maintain appropriate records of all transactions as well as individual fund ownership of all investments and interest earnings and shall also be subject to the annual independent audit process.

13.0 Investment Reports:

In accordance with § 53646 of the California Government Code, at least quarterly, within 45 days after quarter end, the Treasurer shall submit an investment report to the Executive Director who shall forward the report to all entities whose funds are subject to this Policy. The report shall detail all securities, par value, market value, maturity, liquidity and credit limit thresholds, as well as any sales prior to maturity, any securities no longer meeting policy standards, and any investment policy violations.

14.0 Financial Accounts:

Both the Executive Director and the Treasurer are required to sign documents to open financial accounts with banks, financial institutions and government pooled investment funds as needed in order to manage the Agencies' investments as described within this investment policy; provided that all such accounts meet policy standards.

15.0 Authorized Signers:

The following positions are authorized to sign on all accounts:

Executive Director
Treasurer/Chief Financial Officer
Chief Deputy Executive Director
Chief Operating Officer

Deputy Treasurer/ Director of Treasury

Other assignee(s) designated by the Executive Director, or Treasurer.

16.0 Renewal:

This investment policy shall be subject to review annually.

Regional Measure 3 Independent Oversight Committee Annual Report

Appendix III

Independent Accountant's Report on Applying Agreed-Upon Procedures
– Regional Measure 3 Funds – Year Ended June 30, 2024

Metropolitan Transportation Commission

San Francisco, California

*Independent Accountant's Report on
Agreed-Upon Procedures Applied to
Regional Measure 3 Capital Invoices*

*For the period from March 1, 2024 to
January 31, 2025*



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Members of the Metropolitan
Transportation Commission
San Francisco, California

We have performed the procedures enumerated below on the BATA Regional Measure 3 invoices from recipients of the Metropolitan Transportation Commission (MTC) for the period from March 1, 2024 to January 31, 2025. MTC's management is responsible for the BATA Regional Measure 3 capital project invoices from the recipients.

MTC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting MTC in determining whether invoices submitted by recipients were in compliance with the requirements of Regional Measure 3 (i.e. eligible for reimbursement by MTC). This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1) For each invoice:

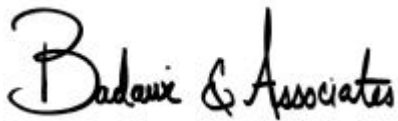
- a. We vouched the invoiced amount to supporting documents accompanying the invoice, as submitted by BATA RM3 recipients to MTC.
Finding: No exceptions were noted as a result of our procedures.
- b. We determined whether the invoice included duplicate charges.
Finding: No exceptions were noted as a result of our procedures.
- c. We determined the arithmetic accuracy of the invoice.
Finding: No exceptions were noted as a result of our procedures.
- d. We determined invoiced amounts, including release of retention, were submitted to the MTC on a reimbursement basis assuming it is clear on the vendor invoice whether retention are included in the total or not.
Finding: No exceptions were noted as a result of our procedures.
- e. We determined whether the recipient's overhead rate exceeded 50 percent of total salaries and benefits.
Finding: No exceptions were noted as a result of our procedures.
- f. Based on the invoice date, we determined if any recipients, excluding MTC, submitted more than one invoice per month per project, unless the exception was approved in writing.
Finding: No exceptions were noted as a result of our procedures.

The Members of the Metropolitan
Transportation Commission
San Francisco, California
Page 2

We were engaged by MTC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the BATA Regional Measure 3 capital project invoices from recipients of MTC. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
April 21, 2025

Metropolitan Transportation Commission

Agreed-upon Procedures - RM 3

Listing of Invoices

Period from 3/1/2024 to 1/31/2025

Recipient Agency		Project No.	Project Title	Invoice No.	Invoice Amount
1	Santa Clara Valley Transportation Authority	5500	Eastridge-BART Regional Connec	1-24459601	\$ 340,001.00
2	Contra Costa Transportation Authority	7401	Mokelumne Trail Bike/Ped SR84	2-23458501	4,231,225.13
3	Transportation Authority of Marin	6001	Marin Segment	2-23459302	9,821,890.89
4	Santa Clara Valley Transportation Authority	5500	Eastridge-BART Regional Connec	2-24459601	446,616.00
5	Contra Costa Transportation Authority	7401	Mokelumne Trail Bike/Ped SR84	3-23458501	205,805.67
6	Transportation Authority of Marin	6001	Marin Segment	3-23459302	3,653,813.21
7	Santa Clara Valley Transportation Authority	5500	Eastridge-BART Regional Connec	3-24459601	1,554,638.08
8	Contra Costa Transportation Authority	7401	Mokelumne Trail Bike/Ped SR84	4-23458501	721,449.03
9	Transportation Authority of Marin	6001	Marin Segment	4-23459302	4,849,904.42
10	Santa Clara Valley Transportation Authority	5500	Eastridge-BART Regional Connec	4-24459601	2,214,769.13
11	Contra Costa Transportation Authority	7401	Mokelumne Trail Bike/Ped SR84	5-23458501	467,527.82
12	Contra Costa Transportation Authority	7401	Mokelumne Trail Bike/Ped SR84	5-24458502	294,434.74
13	Alameda County Transportation Commission	4203	I-80 S EL Alameda County	1215	3,618,576.50
14	Alameda County Transportation Commission	7000	I680/SR84 Interchng Reconstuct	1227	38,847,613.42
15	Alameda County Transportation Commission	7000	I680/SR84 Interchng Reconstuct	1267	10,287,700.92
16	Alameda County Transportation Commission	4203	I-80 S EL Alameda County	1270	22,270,082.83
17	Alameda County Transportation Commission	4203	I-80 S EL Alameda County	1292	4,580,526.75
18	Alameda County Transportation Commission	7000	I680/SR84 Interchng Reconstuct	1294	3,870,350.89
19	San Francisco Municipal Transportation Agency	5002	Light Rail Vehicle Procuremnt	2025-50	6,495,096.00
20	San Francisco Municipal Transportation Agency	5008	New Flyer Midlife Overhaul	2025-52	2,836,000.00
21	Alameda Contra Costa Transit District	5202	Quick Build Transit Priority	MTCBT322	441,702.27
Total					<u>\$ 122,049,724.70</u>

Regional Measure 3 Independent Oversight Committee Annual Report

Appendix IV

Independent Accountant's Report on Agreed-Upon Procedures Applied
to Regional Measure 2, 3, and AB1171 Capital Invoices For the period
from March 1, 2024 to January 31, 2025

METROPOLITAN TRANSPORTATION COMMISSION

Independent Accountant's Report
on Applying Agreed-Upon Procedures
Regional Measure 3 Funds

Year Ended June 30, 2024



Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Derek Hansel, Chief Financial Officer
Metropolitan Transportation Commission
San Francisco, California

We have performed the procedures enumerated below, which were agreed to by the Metropolitan Transportation Commission (MTC), on whether the Regional Measure 3 (RM3) funds recipient agencies' expenditures of RM3 funds were substantiated with supporting documentation for the year ended June 30, 2024. Management of the RM3 funds recipient agencies are responsible for substantiating expenditures of RM3 funds. MTC's management is responsible for the list of RM3 expenditure details for the year ended June 30, 2024.

MTC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of whether the RM3 funds recipient agencies' expenditures of RM3 funds were substantiated with supporting documentation for the year ended June 30, 2024. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

PROGRAM DESCRIPTION

On June 5, 2018, voters passed RM3 raising the toll for all vehicles travelling on the State-owned bridges in the San Francisco Bay Area by \$3.00 phased in over time. RM3 revenues were designated to fund various transportation projects within the region that have been determined to reduce congestion or make improvements to travel in the toll bridge corridors.

PROCEDURES

The procedures and associated findings are as follows:

General Procedures:

1. Obtain from MTC a listing of RM3 recipients of operating programs and capital programs. MTC selected eight recipients whose total project expenses accounted for 91% of total RM3 expenses (excluding MTC) for the year ended June 30, 2024.
2. For each selected recipient, haphazardly select a minimum of 4 invoices to cover at least 50% of the recipient's project expenses, and apply the applicable procedures below to the selected invoices. For recipients with 4 or fewer invoices, select all invoices for review. Transactions less than \$5,000 are not to be selected. MTC will review and approve the selection of invoices.
3. Request supporting documentation electronically from RM3 recipients for transactions selected for review, and apply the applicable procedures below to the selected transactions.

PROCEDURES (Continued)

Capital Programs:

1. Obtain and determine the Allocation Application includes the following material:
 - a) Sponsor / Implementing Agency Resolution of Project Compliance*;
 - b) Opinion of Legal Counsel / MTC Indemnification*;
 - c) Board or Official Governing Body Approved Initial Project Report (IPR);
 - d) Environmental documentation; and
 - e) Evidence of Allocation and Commitment of Complementary Funds.

* The recipient may consolidate items 1a and 1b.
2. Determine whether invoices were submitted to the MTC on a reimbursement basis.
3. Determine whether the expenses included in the invoices were considered eligible expenses, as defined in the Capital Program Guidance section in the Regional Measure 3 Policies and Procedures dated October 2023.
4. Determine whether the expenses included in the invoices were within the scope of the recipient's Initial Project Report.
5. Verify expenses as reported in the invoices to the recipient's supporting documentation.

Operating Programs:

1. Obtain and determine the Allocation Application includes the following material:
 - a) Cover letter detailing the allocation request;
 - b) Implementing Agency Resolution*;
 - c) Operating Agreement;
 - d) Opinion of Legal Counsel*;
 - e) Environmental documentation;
 - f) Certifications and assurances; and
 - g) Fiscal audit.

* The recipient may consolidate items 1b and 1d.
2. Determine whether the recipient's invoices were exclusive of depreciation/amortization expenses.
3. Reconcile expenses and fare box revenues as reported in the invoices to the recipient's supporting documentation. (This procedure excludes other operating subsidies.)
4. Determine whether the expenses included in the invoices were within the scope of the recipient's Operating Agreement.

FINDINGS

Capital Programs:

No exceptions were found as a result of applying the procedures for capital programs listed in the accompanying Schedule of Expenditures of Regional Measure 3 Funds (Appendix A).

Operating Programs:

No exceptions were found as a result of applying the procedures for operating programs listed in the accompanying Schedule of Expenditures of Regional Measure 3 Funds (Appendix A).

We were engaged by MTC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the RM3 funds recipient agencies' expenditures of RM3 funds were substantiated with supporting documentation for the year ended June 30, 2024. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of MTC and the RM3 funds recipient agencies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of MTC and Regional Measure 3 (RM3) Independent Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads "Macias Gini E O'Connell LEP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 22, 2024

Appendix A

Metropolitan Transportation Commission Schedule of Expenditures of Regional Measure 3 Funds Year Ended June 30, 2024

Capital Programs:

Index	Recipient Agency	Project No.	Title	Total Expenses	Amount Reviewed
1.	Alameda County Transportation Commission	4203	I-80 S EL Alameda County	\$ 25,888,659	\$ 22,270,083
2.	Alameda County Transportation Commission	6900	I680/I880/R262 Freeway Connect	2,027,719	1,737,484
3.	Alameda County Transportation Commission	7000	I680/SR84 Interchg Reconstuct	49,135,314	49,135,314
4.	Central Contra Costa Transportation Authority	6603	Solano Projects TBD	5,000,000	-
5.	Contra Costa Transportation Authority	5901	I680/SR4 Interchg Imprv Ph1&2A	3,300,695	-
6.	Contra Costa Transportation Authority	7401	Mokelumne Trail Bike/Ped SR84	5,158,480	-
7.	County of San Mateo	5802	101/92 Direct Connector Projec	69,847	-
8.	Napa Valley Transportation Authority	6700	State Route 29	189,364	-
9.	San Francisco Municipal Transportation Agency	5003	40'/60' hybrid buses	16,229	-
10.	San Francisco Municipal Transportation Agency	5004	Kirkland Electrification	425,158	-
11.	Santa Clara Valley Transportation Authority	5601	SJ Diridon-Planning&Early Row	23,818,526	23,818,526
12.	Solano Transportation Authority	4201	I-80 EL in Solano County	29,534,771	29,534,771
13.	Solano Transportation Authority	6100	Sol80/I680/SR 12 Interchange	2,364,697	28,888
14.	Solano Transportation Authority	6200	I80 Westbound Truck Scales	9,894,327	9,231,799
15.	Sonoma County Transportation Authority	6302	Interim Segment B - PAED & PS&	96,935	-
16.	Transportation Authority of Marin	6001	Marin Segment	38,998,561	35,344,748
17.	Transportation Authority of Marin	6501	US-101/I-580 Direct Connector	2,863,053	2,731,780
18.	Water Emergency Transportation Authority	4501	Mission Bay Ferry L&ing	50,598	50,598
19.	Water Emergency Transportation Authority	4502	Shoreside Electrical Program	42,237	42,237
Total capital programs expended during the fiscal year ended June 30, 2024*				\$ 198,875,170	\$ 173,926,229

*Total may not add due to rounding.

Operating Programs:

Index	Recipient Agency	Project No.	Title	Total Expenses	Amount Reviewed
1.	AC Transit	1800	Regional Bus Service	\$ 6,168,059	\$ 6,168,059
2.	Central Contra Costa Transportation Authority	1800	Regional Bus Service	22,630	-
3.	Eastern Contra Costa Transportation Authority	1800	Regional Bus Service	526,491	-
4.	Golden Gate Bridge	1800	Regional Bus Service	2,181,768	-
5.	Livermore Amador	1800	Regional Bus Service	915,829	-
6.	Napa Valley Transportation Authority	1800	Regional Bus Service	678,760	-
7.	Solano County Transit (SolTrans)	1800	Regional Bus Service	655,951	655,951
8.	Transbay Joint Powers Authority	1700	Transbay Transit Center	2,732,100	2,732,100
9.	Water Emergency Transportation Authority	1900	Ferries	1,965,576	1,965,576
10.	Western Contra Costa Transportation Authority	1800	Regional Bus Service	350,512	-
Total operating programs expended during the fiscal year ended June 30, 2024 *				\$ 16,197,676	\$ 11,521,686

*Total may not add due to rounding.