

Metro

*Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
3rd Floor Board Room*



Metro

Agenda - Final Revised

Thursday, January 21, 2016

11:30 AM

**One Gateway Plaza, Los Angeles, CA 90012,
3rd Floor, Metro Board Room**

Executive Management Committee

Mark Ridley-Thomas, Chair

John Fasana, Vice Chair

Michael Antonovich

Eric Garcetti

Paul Krekorian

Sheila Kuehl

Carrie Bowen, non-voting member

Phillip A. Washington, Chief Executive Officer

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CALL TO ORDER**ROLL CALL****42. APPROVE Consent Calendar Items: 43 and 44.**

Consent Calendar Items are approved by one motion unless held by a Director for discussion and/or separate action.

CONSENT CALENDAR

- 43. RECEIVE AND FILE updates on Metro's Involvement in Affordable Housing.** [2015-1588](#)

Attachments:

[Attachment A-Board Motion 51.1 - March 2015.pdf](#)

[Attachment B - TOCLP Overview](#)

[Attachment C - Criteria for approving applicants to TOCLP Metro Edits](#)

[Attachment D - Board Motion 58 - September 2015.pdf](#)

[Attachment E - Board Memo - Reporting Back on Item 68 of July Board Meeting](#)

- 44. RECEIVE AND FILE report of the Customer Experience Technology Improvements.** [2015-1783](#)

NON-CONSENT

- 45. RECEIVE AND FILE the Chief Communications Officer's Quarterly Report.** [2015-1786](#)

Attachments:

[CCO Quarterly Report 1-4-16](#)

- 46. RECEIVE oral report from Metro's State Advocacy Team - Legislative Update.** [2015-1797](#)

- 47. CONSIDER:** [2015-1776](#)

- A. ESTABLISHING **Internal Savings Account to capture cost savings and revenues generated from RAM**, including deposits from FY15 budget-to-actual savings and FY16 mid-year budget assessments;
- B. DIRECTING the CEO to **implement all RAM new initiatives and deposit all cost savings and new revenues generated into the**

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- Internal Savings Account**, as identified in Attachment B;
- C. DIRECTING the CEO to **return to the Board on those initiatives requiring policy changes or Board action before implementing each initiative**, as identified in Attachment B; and
- D. APPROVING **Internal Savings Account eligible priority uses and withdrawal criteria guidelines**, as identified in Attachment C. Quarterly updates and monitoring of the activities of the account will be provided to the Board.

Attachments: [Attachment A - Ten Year Financial Forecast and RAM Impact](#)
[Attachment B - RAM New Initiatives 12.30.15](#)
[Attachment C - Internal Savings Account Guidelines](#)
[Attachment D - RAM Presentation](#)

48. CONSIDER:

[2015-1796](#)

- A. AUTHORIZING the Chief Executive Officer to **negotiate salaries** within the pay range for the following positions:
1. **Chief Planning Officer**, pay grade CC (\$222,476 - \$273,894 - \$325,353)
 2. **Executive Director, Vendor/Contract Management**, pay grade BB (\$166,462 - \$208,083 - \$249,704)
 3. **Deputy Executive Officer, Goods Movement**, pay grade H1T (\$147,388 - \$184,288 - \$221,166)
 4. **Executive Officer, Diversity and Economic Opportunity**, pay grade AA (\$156,832 - \$196,060 - \$235,227)
- B. APPROVING interim pay for the **Interim Chief Planning Officer**, retroactive to December 24, 2015.
- C. Authorize the CEO to **negotiate salaries** within the pay range for all executive level positions that have been previously approved by the Board.

Attachments: [Attc A - Job Description Chief Planning Officer](#)
[Attc B - Job Description Executive Director Vendor Contract Management](#)
[Attc C - Job Description Deputy Executive Officer Goods Movement.pdf](#)
[Attc D - Job Description Executive Officer Diversity Economic Opportunity.pdf](#)

Item 7, File ID 2015-1721 (CAP AND TRADE AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM STRATEGY) has been WITHDRAWN from this agenda and will only be heard at the Ad Hoc Sustainability Committee.

57. AWARD the third, and final, one-year option for year 2017 with Outfront Media's revenue-generating bus and rail advertising contracts; a \$24,000,000 fixed, guaranteed amount of revenue to be received from these agreements by Metro for calendar year 2017. [2015-1799](#)

Attachments: [Attachment A - Motion 79.1](#)

58. APPROVE Motion by Directors Ridley-Thomas, Butts and Fasana that the Board of Directors direct the Chief Executive Officer to develop a "Metro Line to Goal Line" Task Force that is charged with identifying and addressing the variety of transit-related issues and opportunities associated with the imminent arrival of the Rams, and potentially the Chargers, to Los Angeles. [2016-0057](#)

The Chief Executive Officer should report to the Executive Committee in February 2016 with an initial scope of work (to include but not be limited to the issues outlined above) as well as the proposed membership of the Task Force, and thereafter report bi-monthly with a progress report.

Adjournment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.



Board Report

File #: 2015-1588, File Type: Program

Agenda Number: 43.

EXECUTIVE MANAGEMENT COMMITTEE JANUARY 21, 2016

SUBJECT: METRO'S INVOLVEMENT IN AFFORDABLE HOUSING

ACTION: RECEIVE AND FILE UPDATES ON ADDITIONAL AFFORDABLE HOUSING

RECOMMENDATION

RECEIVE AND FILE updates on Metro's Involvement in Affordable Housing.

DISCUSSION

In March of 2015, the Metro Board of Directors approved a motion (Attachment A) directing staff to report back on several actions that support affordable housing creation and preservation around transit. Two of those actions were implemented through amendments to the Metro Joint Development (JD) Policy, authorized in July of 2015.

This report discusses the status of additional actions and projects:

- Proposed structure of a Transit Oriented Communities Loan Program
- Development of Memoranda of Understanding with local municipalities
- Analysis of the efficacy of the new Joint Development land discounting policy
- Metro Joint Development affordable housing projects currently in progress
- Affordable Housing Pass Program

Transit Oriented Communities Loan Program

As directed in the March motion, staff has worked with the California Community Foundation, Low Income Investment Fund, and Enterprise Community Partners in order to develop the structure of the housing portion of a Transit Oriented Communities Loan Program (TOCLP), to create and preserve affordable housing around transit. The details of the fund are described in Attachment B, and are summarized below. In addition, Metro is working with LA County Community Development Commission (CDC) to create a structure for the small business portion of the TOCLP.

TOCLP - Housing

The aim of this program is to stabilize neighborhoods with Metro transit investments where increasing housing prices and rents may be causing economic dislocation. The program will assist by creating

new affordable housing projects and preserving existing, naturally-occurring lower-rent housing. This would be achieved through two program segments:

- Predevelopment loan segment (15-25% of program depending on its size)
 - This segment of the program would provide predevelopment financing for new affordable housing projects, including such items as entitlements, acquisition, and environmental costs
 - Projects would be required to have site control and a development strategy
 - Financing would leverage typical affordable housing financing (i.e. LIHTC, municipal housing trust funds) and Affordable Housing and Sustainable Communities (AHSC) cap-and-trade funding
 - Financing could create a competitive pipeline of transactions for AHSC funding by providing community based developers, in partnership with financially strong developers, extra resources to act quickly and efficiently
 - The loan origination period would be three years from the establishment of the program
 - Program is intended to be revolving, with terms of 2-3 years

- Preservation and expansion of existing lower-rent housing segment (75-85% of program depending its size) with ultimate conversion to Affordable Housing
 - This segment of the program would provide loans to purchase and preserve existing, naturally-occurring, lower-rent housing properties that support a strategy for future expansion of the number of affordable units
 - Eligible borrowers would need to be non-profit, mission-driven developers or be partnered with a non-profit, mission-driven developer, with encouragement to neighborhood community development corporations to joint-venture with experienced partners
 - Properties would be immediately covenanted as rent restricted housing properties and tenant rents would be stabilized at those affordable at the 80% area median income (AMI) level
 - Loans would provide patient funding to hold properties 5-10 years while developing plans for affordable housing expansion
 - Properties would ultimately be redeveloped into new affordable housing projects with a higher number of units than the original building at 30% to 60% AMI
 - Borrowers would be expected to work to secure AHSC funding as well as typical affordable housing financing to complete projects
 - Loans would have a 5-year term with interest-only payments, plus an optional additional 5-year term, with amortizing payments (residual receipts for the program loan)
 - Funds would revolve as early as every 5 years as loans are repaid from permanent financing sources

- Eligible Geographies
 - For both loan segments, projects would be eligible that are within a ½ mile of existing or near term planned Metro fixed-guideway stations, or within a ½ mile of the intersection of two high frequency bus lines (with peak period headways of 15 minutes or less) - consistent with the State definition for high quality transit areas (HQTAs).

- Leveraging and Risk Allocation of Funds
 - Metro's investment is expected to be leveraged up to 2-3 times with foundation and community development financial institution (CDFI) funding.
 - The proposal assumes Metro's funds would be the most at risk, followed by the Foundations and then the CDFI funds. Metro staff is working with the partners to find mitigation approaches to such risk allocation.

- *Criteria*
 - Staff has prepared a draft of the criteria that would be used to determine, at a staff level, the eligibility of a project for participation in the program. That criteria is included in Attachment C.

TOCLP - Business

In September 2015 the Metro Board approved a motion (Attachment D) that allocated \$500,000 of the previously allocated \$10,000,000 for a small business loan piece of the TOCLP. At \$500,000, potential non-profit and private sector partners determined that this size of a small business program is too small to justify the administrative costs. Staff also consulted the LA County CDC on the potential for partnering with Metro to pursue lending opportunities and leverage County funds. The CDC advised that they could administer the funds, but that a minimum program size that would be workable would be \$1,000,000. Staff will continue to explore delivery options for this program.

Previous reports and motions on Metro's involvement with affordable housing have established a nexus between public transit funding and the preservation and creation of affordable housing near transit. Transit riders are disproportionately low-income residents and transit investments may be in neighborhoods with increasing rents that displace residents. Creating and preserving affordable housing near transit can help protect and expand Metro ridership.

A nexus also exists between small businesses and transit investments for the following reasons:

- The location of small businesses adjacent to transit reduces the necessity for multiple trips and further incentivizes use of public transportation rather than single occupant vehicles. Transit riders will be more likely to patronize a small business if it is along or near their path of travel to or from transit.

- Employees of small businesses will be more likely to take transit to work if that small business is adjacent to transit.

- In order to make transit most effective and efficient at serving riders and businesses, development should be concentrated around transit. Concentration of development has the potential to raise land prices and commercial rents that may result in economic dislocation of smaller, less profitable business. Those businesses should be encouraged to stay near or come to transit in order that small businesses will receive equitable benefits from transit investments.

- Metro investments promise jobs, economic development, and community benefit. In order to distribute transit benefits equitably, small businesses should be assisted in and encouraged to remain close to transit, or locate new enterprises near transit.

Timing of Metro Investment

The March motion that directed Metro's investment in this fund called for up to \$10 million to be allocated annually at \$2 million per year for five years. To leverage the expected foundation and CDFI investments described in this outline, the total \$10 million will need to be obligated in a contract. If the \$10 million is allocated annually and subject to annual appropriation, the foundation and CDFI investments will be committed each year as well, limiting the number of projects that can be built or preserved each year. A better match for the startup of the program (as year one will include structuring costs) and management of the funds, would be a three-year investment period to match the three-year origination period set forth in the guidelines.

This shorter origination period will mean that new projects can be supported earlier and properties can be purchased and preserved sooner, thereby being more effective and cost-efficient at stabilizing neighborhoods that may be experiencing rapid change and increasing land values.

Memoranda of Understanding (MOUs) with Municipalities

Staff has transmitted a draft MOU to the City of Los Angeles and is negotiating the terms with the City. Metro and the City have attended meetings and exchanged edits on the MOU and are close to finalizing the document. Staff will engage other Cities and the County to pursue similar MOUs upon completion of the MOU with the City of Los Angeles, using the Los Angeles MOU as a template.

Analysis of Impacts of the Discounting Policy

In July of 2015 the Board acted to amend the Metro Joint Development Policy to allow for discounts on joint development ground leases on a case by case basis to help finance affordable housing. The discount is proportionate to the percentage of affordable units and is capped at 30%. Staff transmitted a memorandum to the Board on December 8, 2015 (Attachment E) which analyzes the impacts of the discount policy. At a high level, the goal of reducing the income targets for affordable units is very expensive and cannot be financed by the discounting policy alone. Staff will continue to analyze the effects of the discounting policy and how affordable housing developers are able to use it.

In progress Metro Joint Development Affordable Housing Projects

1st and Boyle - Santa Cecilia

The Santa Cecilia Project at 1st and Boyle in Boyle Heights is under construction with an estimated completion date in late 2016. This project will provide 80 units of affordable family housing and approximately 4,000 square feet of ground floor retail. The affordability ranges are targeted at families at 30%-60% of the area median income.

Westlake MacArthur Park Phase B

The Westlake MacArthur Park Phase B Project in Westlake is fully entitled and expected to begin construction in early 2017. The project will provide 82 affordable housing units and 6,000-12,000 square feet of ground floor retail. The affordability of the units will be a combination of low-moderate, low and very-low income units. The project received \$5 million in Affordable Housing Sustainable Communities (AHSC) Cap-and-Trade funding and is seeking additional funding from the City of Los Angeles.

Taylor Yard - Lot 2B

The Taylor Yard - Lot 2B Project is awaiting entitlement approval from the City of Los Angeles. The project will provide 42 affordable units. The affordability of the units will be a combination of low-moderate, low and very-low income units.

1st and Lorena

The 1st and Lorena Project was approved by the Boyle Heights Neighborhood Council and is securing entitlements. Through a community outreach process, the project has been modified to include 49 units of affordable family housing with 10,000 square feet of ground floor commercial space. Twenty-four of the units will be offered as supportive housing for veterans.

Cesar Chavez and Soto

The Cesar Chavez and Soto project was approved by the Boyle Heights Neighborhood Council and is beginning entitlements in early 2016. The proposed project is comprised of 77 units of affordable family housing, both two and three bedrooms, and will include 8,500 square feet of ground floor retail. The affordability of the units will be a combination of low-moderate, low and very-low income units. The project is being proposed by Abode Communities, a non-profit affordable housing developer.

1st and Soto

The 1st and Soto project was approved by the Boyle Heights Neighborhood Council and is in a short-term Exclusive Negotiations Agreement with Metro. The proposed project is comprised of 66 units of affordable family housing, studios, one, two and three bedrooms, over 5000 sq. ft. of ground floor commercial space. The affordability of the units will be a combination of low and very-low income units.

In total, these projects would create an additional 396 units of affordable housing, 354 of which are adjacent to or near Metro Rail stations, and all of which are in HQTAs.

Affordable Housing Pass Program

Metro has several existing group rate pass programs which are undergoing a review to streamline the programs. These programs are run by the Communications Department and the Finance and Budget Department, which are reviewing the programs together. As part of that process, they will develop terms for an affordable housing pass program. Current Board direction has requested a program that would be available only to residents of affordable units in Metro joint developments. If the action were expanded, Metro could create a program that would be available to applicants of the AHSC Cap-and-Trade funding. This could award more points to AHSC applications from LA County and gain more funding for transit-oriented affordable housing in LA County.

NEXT STEPS

Staff will pursue these remaining initiatives and report back to the Board on progress and options.

ATTACHMENTS

Attachment A - Board Motion 51.1 - March 2015

Attachment B - TOCLP Housing Structure


Attachment C - Criteria for TOCLP Participation

Attachment D - Board Motion 58 - September 2015

Attachment E - Board Memo - Reporting Back on Item 68 of July 2015 Board of Directors Meeting

Prepared by: Marie Sullivan, Transportation Planner II, (213) 922-5667

Reviewed by: Calvin E. Hollis, Interim Chief Planning Officer, (213) 922-7319



Phillip A. Washington
Chief Executive Officer

**MAYOR ERIC GARCETTI, SUPERVISOR RIDLEY-THOMAS,
SUPERVISOR SHEILA KUEHL, SUPERVISOR HILDA SOLIS,
DIRECTOR MIKE BONIN & DIRECTOR JACQUELYN DUPONT-WALKER**

Public Transportation, Affordable Housing, & Environment

MTA has been a national leader among major transportation agencies in working with local jurisdictions and affordable housing developers in the production of affordable housing through MTA's Joint Development Program.

According to updated information from MTA, nearly 2,077 units, or 33% of all units, developed through MTA's Joint Development Program are affordable units.

According to a recent study from UCLA's Ziman Center for Real Estate, Los Angeles is the least affordable rental market in the country, based on the portion of a renters' income that goes to pay rent.

Since 2009, the Los Angeles County Metropolitan Transportation Agency (MTA) has made significant contributions toward reducing air pollution through investments in compressed natural gas (CNG) buses, new and expanded transit lines, additional bicycling programs, and rideshare projects. However, to achieve 25 percent reduction in Greenhouse Gas emissions (GHG) by 2020—following the goal set forth by the U.S. Environmental Protection Agency (EPA)—Los Angeles County needs to do more.

Last year, MTA joined with the California Community Foundation and the California Endowment to study:

- A. The status of affordable housing financing resources in Los Angeles County;
- B. The role that other major transit agencies nationwide have played in affordable housing support;
- C. The options available to MTA to continue its successful inclusion of affordable units in MTA Joint Development Projects; and,
- D. What can MTA and others do to support and protect affordable housing near transit throughout the County.

While MTA cannot shoulder the burden of affordable housing creation alone, it can work in partnership with local communities to protect and create affordable housing near transit in order to preserve ridership and the associated greenhouse gas benefits.

It is now time to consider policy and program implementation that ensures MTA's success in affordable housing production continues.

WE THEREFORE MOVE that the CEO direct staff to report back to the Board with the following items:

- A. Amendment to MTA's Joint Development Policy, establishing a goal that in the aggregate, affordable housing units represent 35% of all residential units developed on MTA-owned property;
- B. Recommended criteria under which MTA would allow proportional discounts to the fair market value of MTA owned property for the purpose of contributing towards the cost of affordable housing;

FURTHERMORE, WE MOVE that the CEO direct staff to:

- C. Develop a memorandum of understanding with interested local cities and the County of Los Angeles to promote co-investment along transit corridors, such as leveraging municipally-controlled affordable housing and small business dollars for MTA's Joint Development affordable housing sites;
- D. Negotiate terms and conditions for the Board's consideration that reflect MTA's participation in the collaborative creation of a multi-partner Countywide Transit Oriented Affordable Housing loan fund, and report back to the Board on the following:
 - 1. Criteria for eligible joint development projects, including neighborhood serving businesses to be funded by the loan fund;
 - 2. Administration of the fund;
 - 3. Loan Program Structure;
- E. Report back to the Board during the FY2015-16 Budget regarding the feasibility to budget \$2 million annually for 5 years, up to \$10 million to establish the fund; and
- F. Work with the affordable housing community to establish a revenue neutral TAP purchase program that provides passes to current and future occupants of MTA joint developments.

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Memorandum:

To: LACMTA
Cal Hollis
Marie Sullivan

From: Ann Sewill, California Community Foundation
Cecile Chalifour, Low Income Investment Fund
Jacqueline Waggoner, Enterprise Community Partners

Date: December 2, 2015

RE: DRAFT Preliminary Lending Products of a Transit Oriented Communities Loan Program

I. Program Overview

This memo intends to describe the purpose and products of a Transit Oriented Communities Loan Program (TOCLP or Program), which would encourage the production and preservation of affordable homes within a half mile of a station or stop in a high quality transit area (HQTA) as defined by the State of California Office of Planning and Research (OPR), including future stations or stops anticipated to be completed within the next 10 years. Program funds from Metro and foundations' Program Related Investments (PRI) will leverage capital from participating Community Development Financial Institutions (CDFIs). The Program would offer two loan products which would support the production and preservation of affordable homes: (a) Predevelopment Loan Product and (b) Preserving and Expanding Affordability Loan (PEAL) Product. The Predevelopment Loan Product would be for new projects with site control with an achievable strategy and schedule of milestones for securing needed financing. The PEAL Product is meant to help affordable housing developers purchase and hold multifamily properties for preservation and eventual expansion of the number of affordable units. Additional details are outlined below.

II. Program Participants and Timing

In addition to Metro's contribution of \$9.5MM, we are anticipating philanthropic contribution of PRI capital of \$10.5MM for a total program of \$20MM. These funds would be leveraged by CDFIs for a total goal of \$53MM-\$95MM. Local and national foundations have expressed interest in participating in the program, including but not limited to the California Community Foundation and the California Endowment.

The Metro Board of Directors has currently approved a commitment of \$9.5MM over the next 5 years in equal annual contributions through annual budget appropriations. Spreading the deployment of capital contributions over time would significantly impact the deployment of the program overall. Metro will

need to fund its prorata share of each loan at time of closing; because of the uncertain nature of annual appropriations, other program participants could not bridge Metro’s participation. It would mean reducing the ability to preserve and produce affordable housing at the onset of the program. As land prices around transit increase over time, future project costs would be more expensive, increasing the overall cost of development. As the development timeline can vary significantly for any given project, having fewer loans originated early in the program term means the program will deliver completed units much later, and at higher cost, than if deployment is front-loaded.

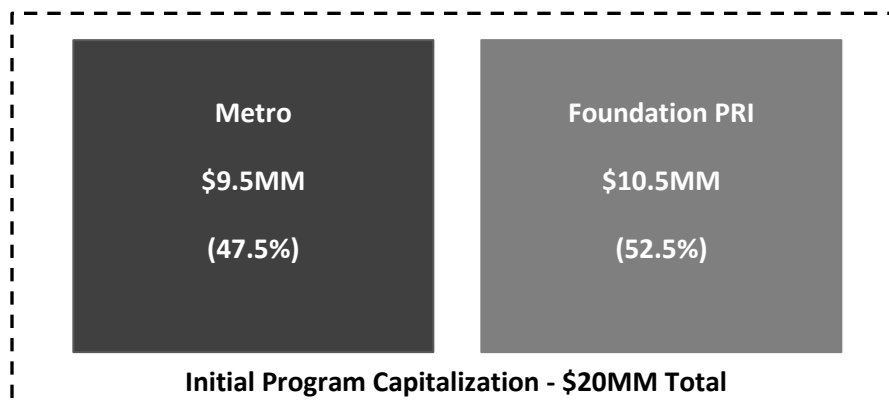
Ideally, the Program would launch with a total contribution of \$20MM at closing, including the full extent of the Metro board’s commitment of \$9.5MM within the first 3 years. This would facilitate a three year initial origination period to deploy 100% of program capital, with an overall 13-year Program, as detailed below. The Program is anticipated to be deployed through approximately 10-15 initial loans, and revolve as loans are repaid. Based upon past experience, three years is a reasonable expectation for full capital deployment; however it could be possible to exhaust program funds even faster, given the right market conditions if 100% of Program funds were available at Program launch.

III. Preliminary Program Structure

Metro/PRI Contribution

- \$20MM total contribution, including \$10.5MM PRI capital and \$9.5MM from Metro, for a leverage ratio of roughly 1:1. An additional \$33MM to \$75MM in CDFI funds is anticipated to be leveraged.
- Metro and PRI funds will be pari passu
- Metro/PRI Program funds will be held by the California Community Foundation, at no charge
- Fund Management and Servicing Fee to be determined
- At the project level: No fees and 1% interest rate

Figure 1. Initial Program Capitalization



Overall Program Funding through CDFI Leverage:

- The Metro/PRI contribution will leverage between \$33MM and \$75MM in CDFI funds. The overall program amount will vary depending upon the pro-rata share of deals closed under each product, as they have different leverage, as well as the loan size of the PEAL loans
- Total overall Program size of \$53MM to \$95MM
- Predevelopment Loan product allocation – 25% (5-8 loans)
- PEAL product allocation - 75% (5-12 loans)
- Allocation of funds between the two products might be modified, depending on deployment with approval of the program funders (Metro and the foundations)
- If additional PRI funds are raised, allocation of funds between the products will be revisited.

Figure 2. Overall Program Funding with CDFI Leverage

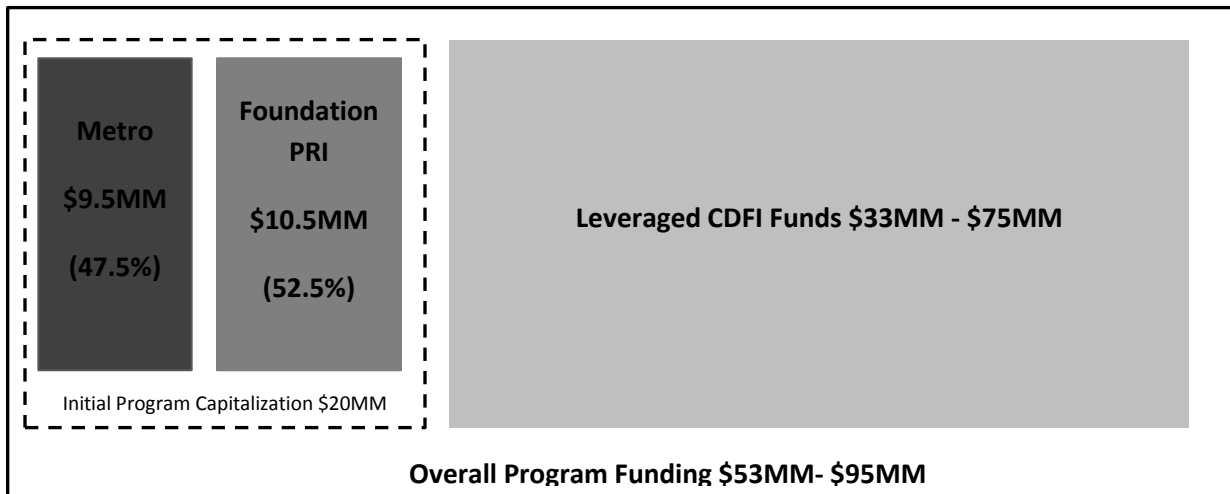
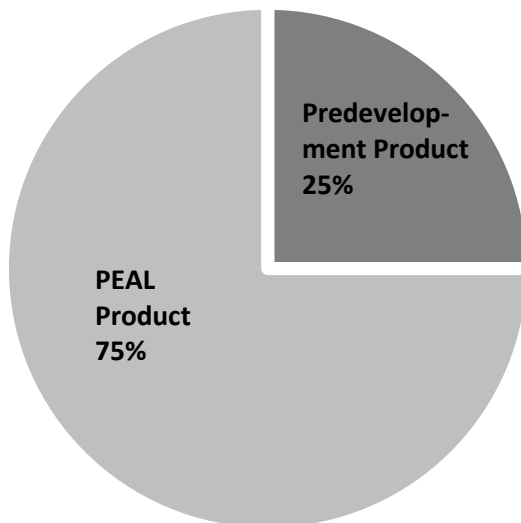


Figure 3. Program Allocation, \$53MM to \$95MM Total



Program Terms:

- 13-year Program, with a 3-year initial origination period, to allow for a maximum of 10 year loan term (Metro/PRI and CDFI contributions to be co-terminus)
- Project loan terms as short as 2 years up to 10 years (as 2 consecutive 5-year terms)
- Revolving, with new loans originated as loans are repaid
- Long term affordability restrictions (apply to future development for predevelopment loans and proposed redevelopment for PEAL loans):
 - **100% Affordable:** 100% of units restricted to 60% or below AMI (or meet mixed-income rules below); or
 - **Mixed-Income:** Minimum 75% of residential units developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted. Or,
 - **Mixed-Use:** Minimum 75% of total square footage will be developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted
- Repayment without meeting redevelopment target (PEAL product): in the event borrower is unable to realize a redevelopment project as originally planned, sales proceeds would be subject to an equity recapture requirement.

Impact and Risk:

- Predevelopment Loans
 - Up to \$1MM in Metro/PRI contribution, in 2 installments, subject to evidence of committed permanent take-out financing for the second installment
 - Program Loans will be unsecured with priority of repayment to CDFI loans
 - 100% Recourse to borrower and 100% guarantee from sponsor
- Preserving and Expanding Affordability Loans (PEAL)
 - Up to the lower of \$2MM or 120% LTV, in Metro/PRI contribution
 - Metro/PRI contributions are subordinate to CDFI contributions
 - 100% Recourse to Borrower
 - Repayment guarantee from sponsor (and principal, if for-profit sponsor) for loan amount above 75% LTV
- Borrower Profile
 - Non-profit developers, acting solely or in joint-venture with a for-profit developer, with a minimum of 3-5 years of experience in affordable housing development, a successful track record of obtaining public and private financing for at least 2 similar projects, and experience managing assets similar in size and budget. We encourage strong joint venture partnerships with neighborhood Community Development Corporations (CDCs) and non-profit developers as a strategy to optimize developers' different strengths and expertise and to use the CDCs' familiarity with communities,

particularly in addressing displacement issues. Joint venture agreement should specify an active role for the non-profit or CDC partner.

- Adequate organizational capacity and stability, without material defaults or material adverse financial change within the past 7 years

IV. Preliminary Loan Product Descriptions:

- A. Predevelopment Loan Product
- B. Preserving and Expanding Affordability Loan (PEAL) Product

A. *Predevelopment Loan Product*

Research¹ showed that predevelopment financing is key to developing affordable TOC developments, which can take more time than typical affordable housing deals-in particular if they include complex entitlements, a mixed-use component or some infrastructure work. The program will provide predevelopment financing for projects with site control, with an achievable strategy and schedule of milestones for securing the construction and permanent financing needed for affordable housing projects. Predevelopment loans will support projects that leverage typical affordable housing financing (i.e, a “typical” LIHTC structure) but would also compete well for permanent financing such as the Strategic Growth Council’s Affordable Housing and Sustainable Communities (AHSC) program or Los Angeles County’s affordable housing funds. One of the goals of the Predevelopment Loan Product is to support the creation of a strong pipeline of transactions to compete for AHSC by providing experienced developers extra resources to act quickly and efficiently. The goal is for borrowers to have projects in construction no later than within 2-3 years of the loan closing, and redeploy the funds as the loans are repaid.

Typical Predevelopment Loan Example:

Predevelopment Loan - \$1,000,000

- \$500,000 – Metro/PRI Contribution
- \$500,000 – CDFI Contribution
- Borrower must demonstrate site control and milestones for securing project financing

Supplemental Predevelopment Loan – up to \$500,000

- Metro/PRI Contribution
- If needed, once borrower can demonstrate committed permanent financing

Maximum Predevelopment financing for a project - \$1,500,000

¹ Incentives to Encourage Equitable Development in Los Angeles County Transit Oriented Districts. Center for Transit-Oriented Development, Enterprise Community Partners, and Low Income Investment Fund. (2013)

Predevelopment Loan Program Guidelines:

Maximum Metro/PRI Contribution - \$1,000,000

- **Term** – 24 months, with 12 month extension
- **Revolving** – assumes loans are repaid every 2 or 3 years
- **Collateral** - Unsecured
- **Recourse** - 100% recourse to borrower
- **Repayment Guarantee** – 100% repayment guarantee from sponsor (and principal, if for-profit sponsor) if borrower is a Single Purpose Entity
- **Equity** – The lower of \$50,000 or 3-5% of predevelopment costs
- **Concentration** – Limit of 1 loan per developer, with exceptions contingent on approval from Program participants
- **Eligibility** - Experienced non-profit - or joint ventures with demonstrable project-level site control
- **Long term affordability restriction for proposed development**
 - 100% Affordable: 100% of units restricted to 60% or below AMI (or meet mixed-income rules below); or
 - Mixed-Income: Minimum 75% of residential units developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted. Or
 - Mixed-Use: Minimum 75% of total square footage will be developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted

B. Preserving and Expanding Affordability Loan (PEAL) Product

The PEAL Product is geared towards acquisition of existing apartment properties near Metro transit corridors in Los Angeles County. Research¹ has shown that proximity to transit can be a significant contributing factor to increasing market values and rents. Research has also shown that a large portion of the housing portfolio near transit in Los Angeles County is comprised of “naturally occurring affordable housing”, non-restricted housing at rents lower than the average market rents, held stable temporarily by market forces and rent stabilization ordinances. As development occurs near the transit stops, consistent with SCAG’s Sustainable Communities Strategy goal of encouraging most new development around transit, gentrification and displacement may occur. The purpose of the PEAL program is to help affordable housing developers purchase multifamily properties in advance of gentrification and displacement forces that might occur in order to preserve and expand the number of affordable units, with likely capacity on eligible sites to at least double the number of units or square footage.

The program products will provide patient funding for affordable housing developers to purchase qualified multifamily properties and hold for 5 – 10 years while community and site-specific plans are completed to significantly increase the number of affordable units.

The program products will provide a mechanism for borrowers to purchase at-risk buildings quickly, stabilize rents and occupancy costs, and secure entitlements to develop two to four times the number of existing affordable units on site. Fund managers and local government partners will work with borrowers to secure a property tax exemption during the holding period. To ensure enforcement of a “no net loss” policy, when the property is ready for redevelopment, existing tenants will be provided with relocation assistance and the opportunity to return to the completed project.

The goal is that many of the properties acquired with PEAL will secure funding from cap and trade, local housing funds and Low Income Housing Tax Credits to develop permanently affordable housing complexes with affordability secured by long term covenants. However, as developers might be unable to move forward a redevelopment project as planned, they will have to meet a “safe harbor” requirement – i.e. a project-specific minimum number of affordable units established at loan closing - in which case, there could be an equity split of sales proceeds with the borrower (level to be determined). If a developer doesn’t meet the safe harbor requirement, sales proceeds will be subject to an equity recapture requirement. In case sales proceeds with restrictions are not expected to be sufficient to pay off the debt, affordability requirements will be reduced to support debt repayment.

Typical PEAL Example:

Sources/Uses (24 units)

Sources	
CDFI Contribution –First Deed of Trust	\$3,185,000
Metro/PRI Contribution	\$1,040,000
Borrower Equity	\$130,000
Total	\$4,353,000
Uses	
Property Acquisition	\$3,745,000
Fire/Life/Safety Repairs+Temp Relocation	\$100,000
Replacement Reserves	\$250,000
Operating Reserve	\$50,000
Interest Reserve	\$105,000
Legal, Appraisal, PNA, environmental, etc	\$40,000
CDFI Loan Fees	\$50,000
Metro/PRI Fees	\$10,000
Total	\$4,355,000

PEAL Program Guidelines:

Maximum Metro/PRI Contribution – the lowest of 120% LTV or \$2MM

Term – 5-year initial interest-only term, plus optional additional 5-year term (amortizing for the CDFI contribution, residual receipts for the Metro/PRI contribution). The additional term will be contingent upon: lender's underwriting, co-terminus with the CDFI contribution, and the funding of a DCR reserve to ensure a 1.15 DCR as needed

Revolving – as early as every 5 years as loans repay

Recourse - 100% recourse to borrower

Eligible Properties - Eligible properties must satisfy minimum standards for safe, decent, and sanitary housing but might require some level of repair and rehabilitation.

Repayment Guarantee –Above 75% LTV repayment guarantee from sponsor if Borrower is a Single Purpose Entity (and principal, if for-profit sponsor)

Developer Equity Required – The lower of \$100,000 or 3-5% of acquisition costs (exceptions for non-profit borrowers subject to approval by lenders)

Sinking Fund - Net cash flow during first term goes to a sinking fund, with an adjustable cap at an amount to be approved at closing; cash flow above cap to be distributed to borrower. Sinking Fund would be recast as a portion of the Debt Service Coverage reserve for the 2nd term

Short Term Affordability Restrictions During Preservation Period - 80% AMI affordability restrictions for the term of the loan; staff can approve exceptions down to a minimum of 75% of units restricted

Long term affordability restriction for proposed redevelopment -

- 100% Affordable: 100% of units restricted to 60% or below AMI (or meet mixed-income rules below); or
- Mixed-Income: Minimum 75% of residential units developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted. Or
- Mixed-Use: Minimum 75% of total square footage will be developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted

DRAFT**Criteria for approving applicants to the Transit Oriented Communities Loan Program**

In addition to ensuring conformance with Board approved Program Guidelines, once adopted later this year, the following criteria would be applied by Metro Joint Development staff to any housing projects that are recommended for funding by the Transit Oriented Communities Loan Program (TOCLP) administrators. It would be used as a checklist to make sure that the projects meet Metro goals and specifications for a transit-oriented affordable housing project. There are two segments of the Program which follow the checklists outlined below.

Predevelopment Program**Size of project –**

The project funded by TOCLP must have a minimum unit size of 49 units.

Affordability level –

The units funded by the TOCLP would be required to be income-restricted and targeted at residents earning 60% or below the area median income (AMI).

Preservation Program**Size of project –**

The project funded by TOCLP must have an existing minimum unit size of 20 units, with likely capacity on the site to at least double the number of units or square footage when redeveloped.

Affordability level –

Once redeveloped, the new projects would be required to be income-restricted and targeted at residents earning 60% or below the area median income (AMI).

Both Products**Geography –**

The project must fall within ½ mile of a station or stop in a high quality transit area (HQTA) as defined by the State of California Office of Planning and Research (OPR), including future stations or stops which are anticipated to be completed in the next ten years.

Ease of access to transit –

There must be a safe path of travel to transit from the project. Residents of the project must be able to safely walk or bike to a nearby transit stop or station on existing or planned sidewalks or bicycle lanes and crosswalks at major intersections.

Proportion of affordable units –

The projects funded by TOCLP would be required to meet the following:

- 100% Affordable Housing: 100% of units restricted to 60% or below AMI (or meet mixed-income rules below); or
Mixed-Income: Minimum 75% of residential units developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted. Or
- Mixed-Use: Minimum 75% of total square footage will be developed as affordable housing to receive full loan; if less than 75%, project loan amount will be adjusted

For both products, Metro staff has authority to approve exceptions to criteria limited to “affordability level”, “proportion of affordable units”, and “size of project”.

DRAFT

Metro**Board Report**

File #:2015-1479, **File Type:**Motion / Motion
Response

Agenda Number:58.

**REGULAR BOARD MEETING
SEPTEMBER 27, 2015**

Motion by:

Ridley-Thomas, Garcetti, Dupont-Walker and Kuehl

September 27, 2015

**Relating to Item 58, File ID 2015-1088;
IMPLEMENTATION OF AFFORDABLE HOUSING AND BUSINESS LOAN FUNDS**

In March 2015, the Metropolitan Transportation Authority (Metro) Board of Directors (Board) directed the Chief Executive Officer to negotiate the terms and conditions for Metro's participation in a multi-partner Countywide Transit-Oriented Affordable Housing and Business Loan Fund (Proposed Fund). The purpose of the Proposed Fund was to promote development and preservation of affordable housing and small businesses within a half-mile of Metro rail stations, bus rapid transit or rapid bus stops.

Staff has engaged members of the community development and finance communities in exploring potential formats for the Proposed Fund with an emphasis on transit oriented communities. While the residential and commercial purposes of the Proposed Fund are synergistic, their administration, approach and objectives are materially different, therefore necessitating two separate funding frameworks.

With regard to the Affordable Housing Loan Fund, staff has identified a consortium led by the California Community Foundation and Low Income Investment Fund that has the local experience, depth of potential investor interest and deep experience in creating and implementing housing investment funds to meet the Board's objectives for this investment. The consortium has committed to securing over \$60 million to match Metro's \$10 million commitment in order to meaningfully capitalize the loan fund.

With regard to the Business Loan Fund, staff has reached out to a number of impacted stakeholders, and has indicators that a potential comprehensive package of loan products requires additional consideration. However, staff has identified an immediate and critical gap in available funding for commercial tenant improvements both as a component of mixed-use affordable housing projects and in small, free standing commercial properties in close proximity to transit facilities, but the challenge extends to community-based retail tenants within one and one-half mile of transit corridors. With

regard to ground floor retail in mixed-use affordable housing projects, a study by the City of Los Angeles indicated that nearly 20% of the City of LA's funded affordable housing projects have vacancies, with most of these vacancies concentrated in underserved neighborhoods. In addition, Metro affordable housing joint developments have chronic vacancies at Hollywood and Western, Westlake MacArthur Park, 1st and Boyle, and Del Mar Stations. Providing grants to support the establishment of local, small businesses within projects such as these can support local economic development initiatives and promote job creation while lowering the risks of displacement and contributing to the revitalization of transit-oriented communities.

MOTION by Ridley-Thomas, Garcetti, Dupont-Walker and Kuehl directing the Chief Executive Officer to move forward with implementation of Affordable Housing and Business Loan Funds as follows:

- A. Engage the consortium led by California Community Foundation and Low Income Investment Fund to negotiate terms and conditions, in a multi-partner Countywide Transit-Oriented Affordable Housing Loan Fund to support the production and preservation of transit-oriented affordable housing (including mixed use projects)that leverages Metro's financial contribution, as previously approved by the Board in March 2015, and return to the Board for approval of the final terms and conditions;**
- B. Design a pilot Countywide Transit-Oriented Small Business Loan Fund program to provide financing under favorable terms for commercial tenant improvements within transit adjacent, mixed use (including affordable housing) or commercial projects with particular emphasis on tenant improvements for local small businesses, with priority for ones that have been operating in the community for at least 5 years. Should Metro be unable to administer the loan fund internally, the agency should contract with an external administrator with relevant expertise (e.g. community development financial institutions, banks, the Community Development Commission, or small business centers);**
- C. Continue research and engagement with community development financial institutions, municipalities, private sector banks, regional economic development corporations, and other interested parties on the potential expansion of the Countywide Transit-Oriented Small Business Loan Fund program to include a variety of financial products and report back within 120 days;**
- D. For purposes of furthering the above described objectives, amend the budget to initially allocate \$500,000 of the previously-committed funding for the Affordable Housing and Business Loan Fund to the pilot Countywide Transit-Oriented Small Business Loan Fund, to be dispersed over the next two fiscal years, and be administered by the Office of Management and Budget and the Diversity & Economic Opportunity Department, in coordination with the Office of Countywide Planning and Development; and**
- E. Provide a quarterly written update to the Board on the status, implementation and impacts of both Loan Fund programs.**


Metro

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DECEMBER 9, 2015

TO: BOARD OF DIRECTORS
THROUGH: PHILLIP A. WASHINGTON *PAW*
CHIEF EXECUTIVE OFFICER
FROM: MARTHA WELBORNE, FAIA *MW*
CHIEF PLANNING OFFICER
SUBJECT: REPORT BACK ON ITEM 68.1 ON THE JULY 23, 2015 MEETING
OF THE BOARD OF DIRECTORS

ISSUE

At the July 23, 2015 meeting of the Metro Board of Directors, two motions from Directors Solis, Ridley-Thomas, Kuehl, Dupont-Walker, DuBois and Knabe were joined together to adopt actions related to the updated Joint Development Policy. The approved motion contained items 1 – 4. Direction from Item 1 was taken and reported back to the Board in two Board Boxes dated September 17 and 30, 2015. This Board Box provides a report back on Items 2 – 4.

DISCUSSION

Below is a report back on each direction within Item 68.1.

2. After Implementation, further analyze the proposed land discount policy to evaluate whether it can be used as a tool to encourage the development of more very low or extremely low income units and report back to the Board within 120 days with a summary of the potential benefits and consequences to linking the land discount to the percentage of very low or extremely low income units in a project.

Joint Development (JD) staff is in active negotiations with 4 affordable housing developers, all of whom are considering this newly approved land use discount as a mechanism to address funding gaps. Of these four projects, three have specifically committed to increasing the number of units targeting very low or extremely low income households. While the JD team is still in the implementation phase, and therefore does

not have complete information upon which to report, staff can provide some preliminary findings with respect to this item:

Evaluation of the land discount: Abode Communities, a nonprofit affordable housing developer with over 40 years of experience and 34 affordable housing properties developed, provided a preliminary analysis of the cost to change a unit serving a household at 60% area median income (AMI) to a unit to serve a household at 30% area median income (AMI). This analysis assumes the financing structure of a typical 9% Low Income Housing Tax Credit-funded project. In summary: to change a 60% AMI unit to a 30% AMI units requires about \$371,000 in additional upfront development subsidies. Such a large additional subsidy amount will result in the maximum property discount funding very few if any additional 30% AMI units.

Increasing the number of 30% AMI units has two effects on the property:

- (1) *It creates a funding shortfall in the original development funding.* In terms of the original development funding (upfront), the gap is about \$50,000 per unit. In other words, to create one more 30% AMI unit, requires an additional \$50,000 in upfront subsidy.
- (2) *It creates a shortfall in the annual operating budget/ cash flow (funds remaining after all expenses and mortgages have been paid).* A shortfall in the cash flow means the property will be operating in the red and unable to pay all its expenses. In order to have a viable project, a developer must be able to show at least 30 years of positive cash flow (matching the standard term of a 30-year mortgage). Further magnifying this problem, it is Abode's experience that families earning 30% AMI have more service related needs which actually increases the operating expenses. Thus, the funding shortfall would be even higher.

Abode identified two ways to meet the operating expense shortfall created by increasing the number of units targeting 30% AMI:

- ***Obtain operating subsidy:*** The only operating subsidy currently available are Project Based Vouchers (PBV), which are highly competitive and available only to homeless, special needs projects. In the last NOFA (Notice of Funding Availability) issued by the County of Los Angeles, 100% of the units receiving vouchers were required to serve homeless households. Additionally, 50% of those units were required to serve individual with special needs (mental/physical/development disability, substance abuse, HIV/AIDS) who were also chronically homeless. While housing for these populations is in high need, this subsidy program does not address the subsidy needs for a typical 30% AMI unit serving a non-special needs or homeless family.
- ***Decrease the debt service requirement (permanent loan amount):*** This is the only viable option in order to assure the required 30 year positive cash flow. In order to increase the number of 30% AMI units by 1 unit, about \$20,000

less per year is available for debt service (in other words, the maximum payment amount towards the mortgage is decreased by \$20,000) which results in a decrease of the permanent loan amount of \$321,000. Additional up-front subsidies in this amount would be required to cover this gap.

.Potential Benefits:

- *Reflection of Community Income Levels:* Lowering affordability levels may allow an affordable housing project to better reflect the income distribution of the community in which the project is situated. This can garner more support from local stakeholders and allow a project to meet a community's housing needs.
- *Transit Riders are Predominantly Lower Income:* 70% of Metro riders earn less than \$25,000 per year. It is in Metro's best interest to ensure that the housing provided at its transit stations serves its riders and promotes transit use.

Potential Disadvantages:

- *The Financing Gap.* Affordable housing projects face a gap in their financing needs. The joint development land discount is seen as a way to partially mitigate that gap. Tying the land discount to deeper affordability requirements creates additional gap rather than filling an existing gap, so at best the requirement has no impact on the original gap, at worst, it could deepen the gap if the discount cannot cover the total cost of lowering the affordability levels.
- *Reflection of Community Income Levels:* While many communities will see that lowering affordability levels allows a project to better match the income make-up of their households, in some communities this will not be the case. Affordable housing projects are more likely to garner support when the income levels targeted match the needs of those of the community where it is situated.

3. A percentage of lease revenue generated from joint development projects support transportation uses including, using a portion of lease revenue income to pursue First/Last Mile projects within ½ mile of station areas, active transportation uses and wayfinding.

The Joint Development Team will work with developers, community stakeholders and internal Metro departments to determine potential application of lease revenues generated by joint development projects for First/Last Mile, active transportation and wayfinding projects within ½ mile of station areas. These assessments will occur on a project by project basis. Staff will negotiate the scope, costs and appropriate application of Metro lease revenues for these improvements during the Exclusive Negotiation phase of a joint development. The final scope and terms for any such use of lease revenues will be brought to the Board for consideration as part of the lease teams for the Joint Development Agreement and Ground Lease for each Joint Development project.

4. Structure the proposed joint development process to ensure that local jurisdictions with land use responsibility collaborate on the community engagement process to ensure that all joint development projects are consistent with local desires and can be approved by the local jurisdiction.

The *Joint Development Program: Policy and Process* document approved by the Metro Board on July 2015 contains explicit reference to the importance of collaboration with local jurisdictions; for community engagement, examination of land use regulations, and even selection of developers for joint development sites. This policy document (updated slightly in September 2015 to reflect direction on affordable housing) is attached, and references to the role of and collaboration with local jurisdictions in the joint development process are highlighted.

Background

The items above are in reference to the updated *Joint Development Program: Policy and Process* document, which was approved by the Metro Board on July 23, 2015.

NEXT STEPS

The Joint Development team is continuing to negotiate the first four (4) affordable housing projects that will be eligible for the land use discount. Upon completion of negotiations, staff will report back on the cost associated with lowering the affordability levels to support households at the very low and extremely low income levels.

Attachments:

- A. Item 68.1 July 23 2015 Board Motion
- B. Joint Development Program: Policy and Process

Metro



Board Report

File #:2015-1175, File Type:Motion / Motion
Response

Agenda Number:68.1

REGULAR BOARD MEETING
JULY 23, 2015

Motion by:

Supervisor Solis, Ridley-Thomas, Kuehl and Dupont-Walker as combined with Dubois and Knabe Motion

July 23, 2015

File ID 2015-0554, Relating to Item 68: Joint Development Policy

The Metro Joint Development Program is a real property asset development and management program designed to promote catalytic private and/or public sector developments on Metro-owned properties. The Joint Development Policy is being updated to promote the development of affordable housing on Metro properties, given the vital importance of sustaining and growing ridership by facilitating the production of housing that is affordable to lower-income transit-dependent riders. The vast majority of Metro's riders earn less than \$25,000 per year, and are therefore considered to be low, very low, and extremely low-income individuals and families. The Metro Joint Development Policy should be designed to expressly encourage the development of housing that would serve those populations.

WE THEREFORE MOVE that the Board of Directors instruct the Chief Executive Officer to take the following actions:

1. Amend the Joint Development Policy to:
 - a. Define affordable housing as housing that is covenant-controlled, provided on an income-restricted basis to qualifying tenants earning 60% or less than Area Medium Income as defined by the CA Tax Credit Allocation Committee, and often subsidized by public or non-profit funding sources; and
 - b. Include language that promotes the consideration of affordable housing that has deeper affordability, including the creation of new units affordable to very low-income and extremely low-income households; and
2. After implementation, further analyze the proposed land discount policy to evaluate whether it can be used as a tool to encourage the development of more very low or extremely low income units and report back to the Board within 120 days with a summary of the potential

benefits and consequences to linking the land discount to the percentage of very low or extremely low income units in a project.

- 3. A percentage of lease revenue generated from joint development projects support transportation uses including, using a portion of lease revenue income to pursue First/Last Mile projects within ½ mile of station areas, active transportation uses and wayfinding.**
- 4. Structure the proposed joint development process to ensure that local jurisdictions with land use responsibility collaborate on the community engagement process to ensure that all joint development projects are consistent with local desires and can be approved by the local jurisdiction.**

METRO JOINT DEVELOPMENT PROGRAM:
POLICIES AND PROCESS
Updated September 2015

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I. INTRODUCTION / PURPOSE

The Metro Joint Development Program is a real estate development program for properties owned by the Los Angeles County Metropolitan Transportation Authority (Metro). It is a real property asset development and management program designed to secure the most appropriate private and/or public sector developments for Metro-owned properties.

This document outlines the objectives, policies and process that will guide the Metro Joint Development Program as it develops Metro-owned properties. It serves to inform communities in which joint developments take place, developers who build them, and the general public, about the objectives, policies, and processes that govern the Joint Development Program.

In addition, this document explains how local and federal policies guide Metro joint development, where applicable.

II. OBJECTIVES / GOALS

The Joint Development Program is centered on three main goals:

A. Transit Prioritization:

1. Preserve Properties for Transit Use. Metro will preserve the ability to safely operate and maintain transportation facilities on its properties.
2. Increase Transit Ridership. The Joint Development Program aims to reduce greenhouse gas emissions and increase transit ridership by attracting new riders and increasing the number of transit trips generated from joint development projects.

B. Community Integration, Engagement, Affordable Housing and Design:

Metro's Joint Development Program will seek projects that engage stakeholders and create vibrant, transit-oriented communities that offer a range of housing types, job opportunities, and services centered around public transit facilities.

1. Community Integration. Metro will seek to create projects that are compatible with the surrounding community and reflect the needs and desires of the neighborhood in which they are situated. Like any private development, joint developments are subject to the land use policies and approval processes of the host jurisdiction.
2. Community Engagement. Metro will ensure that the Joint Development Process actively engages community members at every development stage.
3. Affordable Housing. Metro's Joint Development Program seeks to facilitate construction of affordable housing units, such that 35% of the total housing units in the Metro joint development portfolio are affordable for residents earning 60% or less of the Area Median Income (AMI). (The joint development portfolio includes properties for which Metro maintains long term ownership. It does not include surplus land that is sold in fee.) (Affordable housing is defined as housing that is covenant-controlled, provided on an income-restricted basis to qualifying residents earning 60% or less than AMI as defined by the CA Tax Credit Allocation Committee, and often subsidized by public or non-profit funding sources.)
4. Design and Placemaking. Metro's Joint Development Program will pursue high quality design that enhances the surrounding community and creates inviting spaces and places around Metro transit facilities.

C. Fiscal Responsibility:

1. Maximize Revenue. Joint development projects are expected to generate value to Metro based on maximizing ground rent revenues received, or equivalent benefits negotiated, for the use of Metro property.
2. Minimize Risk. Projects should minimize financial risk to Metro.
3. Feasibility. Projects should be viable, now and in the future.

III. POLICIES

To achieve its goals, the Joint Development Program shall conform to the following policies:

A. Transit Prioritization and Integration:

1. Preservation of Transit Facilities. Metro shall retain authority over its transit facilities and services, and no development shall negatively impact existing or future public transportation facilities, nor shall any development obligate Metro to any particular operational level of service.
2. Density and Program. Metro will prioritize dense, trip generating uses on joint development sites.
3. Transit Connections. Metro will maximize connections to transit facilities from and through joint developments, where appropriate. Projects are encouraged which provide for increased station access using buses, active transportation, and other alternative modes of travel.

B. Community Outreach:

1. Community Engagement. Metro will pro-actively engage with the communities where the joint development projects occur through a variety of methods, which may include charrettes, focus groups, workshops, email updates, and social media communications. Developers selected for joint development projects shall be required to create a community engagement plan.
2. Local Collaboration. Metro will consult and work cooperatively with local jurisdictions and developers to encourage transit-supportive, high-quality development at stations and surrounding properties. All developments must follow the local laws and policies of the jurisdiction in which they reside. Local land use policies therefore govern for all sites.
3. Design Rigor. Projects shall demonstrate a high quality of design that is both sensitive to community context and enhances the surrounding community.

C. Financial Policies:

1. Risk Minimization. Projects should not require commitment of Metro financial resources, should minimize any investment risk to Metro, and should maximize asset security for Metro.
2. Collaborative Contribution. Projects are encouraged which obtain capital or in-lieu contributions from other public agencies to create greater community economic benefit to Metro-sponsored joint development projects.

3. Ground Lease Preference. Use of a long term ground lease is generally preferred to fee disposition.

D. Federal Policies:

Many joint development properties were purchased with some funding from the federal government. The federal agency for transit funding, the Federal Transit Administration (FTA) therefore must review and approve joint developments on land that was acquired with any federal funds. Additional details on this process are outlined in the Legal Framework section V.B. Federal Regulations

E. Affordable Housing Policies:

A large portion of Metro riders are low-income and transit dependent. Meanwhile, Metro transportation investments have the potential to raise the value of property near Metro transit investments. Thus, it is in Metro's and the community's interest to maintain and grow ridership by promoting the development of affordable housing on appropriate Metro joint development sites. In addition, State and Federal guidance encourages coordination of investments and policies to accommodate affordable housing near transit. Metro will define affordable housing as housing for residents earning 60% or less than AMI, and will prioritize units with even deeper affordability levels for very low income and extremely low income residents. Metro will use the following policies to promote affordable housing on joint development sites:

1. Range of Types. Joint development projects with a residential component are encouraged to provide a range of housing types to meet the needs of a diversity of household incomes, sizes, and ages.
2. Land Discounting. Where appropriate, and subject to FTA approval (if applicable), Metro may discount joint development ground leases below the fair market value in order to accommodate affordable housing. Such a land discount may not be greater than 30% of the fair market value.
3. Proportional Land Discounting for Affordable Housing. The proportional discount of the ground lease may not be greater than the proportion of affordable units to the total number of housing units in the project, with a maximum discount of 30%. For example, land value for a project that has 20% affordable units could be discounted up to 20%. Land value for a project with 100% affordable housing could be discounted up to 30%. In the case of mixed use projects, the discount will be to the land value attributable to the housing portion of the project.

F. Development Solicitation Policies:

1. **Competitive Solicitation.** Metro will seek to develop joint development sites via a competitive selection process that is further detailed in the following Process Section. The competitive process will be managed through the Vendor/Contract Management Department and will be consistent with Procurement Policies.
2. **Unsolicited Proposals.** Metro does not encourage unsolicited proposals. Metro will consider unsolicited proposals in limited cases, including, but not limited to, the instance of small or constrained sites with adjacent landowners whose property could be combined with Metro property to create a suitable development site. Further detail regarding the process for unsolicited proposals is also included in the following Process Section.

G. Acquisition Policies:

1. To encourage opportunities for joint developments surrounding transit investments, when appropriate, Metro will consider joint development opportunities in the acquisition of required property, location of new station sites, and construction of station facilities.
2. In the initial planning of a transit corridor project (e.g., during the environmental and preliminary engineering phases), Metro may conduct site analysis, include a preliminary layout of each passenger station site, develop conceptual urban design strategies integrating station sites with adjacent communities, and evaluate proposed station sites for their joint development potential.

IV. PROCESS

A. Inventory and Site Selection:

1. Inventory. Metro maintains an inventory of properties that are potential sites for future joint development. Metro staff will monitor market conditions and communicate with local jurisdictions and stakeholders about development potential.
2. Site Selection. The determination to select sites for joint development is dependent on several factors including, but not limited to: market conditions, community input, local jurisdictions, and Metro resources. These factors may provide the basis for establishing project priorities, project implementation strategies, and ultimately the creation of Development Guidelines, to ensure maximum attainment of Metro's Joint Development Objectives.
3. Determination of Financing Requirements. Upon the selection of a site for a joint development project, Metro staff will determine the funding sources that were involved in the acquisition of the selected site. Depending upon the financing that was used, the project may be subject to review by the FTA, the California Department of Transportation (Caltrans), and/or review pertaining to the presence of tax-exempt bonds.

B. Community Outreach and Scoping

1. Community Engagement. Once a site has been selected for a potential joint development, Metro will consult with local jurisdictions and conduct outreach to solicit input from the community surrounding the site. The Joint Development Program staff, working closely with Metro Community Relations, will work with the community stakeholders and local jurisdiction to determine a vision for the potential project.
2. Development Guidelines. Upon determination of a unified vision that is desirable to the community and economically feasible, Metro will prepare Development Guidelines specific to the site. The Development Guidelines will articulate the intensity and type of land uses that Metro and the community desire for that site, as well as any desired transit and urban design features. The Development Guidelines will be presented to the Metro Board for approval. Within Metro, the Development Guidelines shall be informed by:
 - a. Existing or planned transit stations or stops
 - b. Metro Rail Design Criteria
 - c. Input from the Metro Operations Department
 - d. The First/Last Mile Strategic Plan
 - e. The Complete Streets Policy
 - f. The Sustainability Policy

- g. The Supportive Transit Parking Plan (once completed and adopted)
- h. The Public Restroom Policy
- i. Other policies and departments as applicable

C. Competitive Solicitation Process:

1. **Solicitation.** After Board approval of the Development Guidelines, Metro will solicit proposals for joint development of the site through a Request for Information and Qualifications (RFIQ) and/or a Request for Proposals (RFP). The standard RFIQ/RFP procedure will be managed through the Vendor/Contract Management Department and will be consistent with Procurement Policies and must conform to FTA circular 7050.1, which governs joint development.
2. **Evaluation.** Joint development proposals shall be evaluated based on their support of the Joint Development Objectives and conformance with the site-specific Development Guidelines. Staff will assemble an evaluation panel generally consisting of key Metro personnel and a representative of the governing jurisdiction. Additionally, an urban design or development consultant, financial services consultant and/or local jurisdiction technical staff may be used to provide support and advisory services in the evaluation of proposals. The evaluation panel shall evaluate joint development proposals and advise the Metro Chief Executive Officer (CEO) on a developer to be recommended to the Board. The CEO may recommend a developer to the Board or defer joint development if none of the proposals maximize Joint Development Objectives.
3. **Unsolicited Proposals.** Neither Metro nor the FTA encourages unsolicited proposals. If Metro receives an unsolicited proposal for a joint development site, staff will evaluate the proposal and determine if further action should be taken. Unsolicited proposals shall only be recommended to the Metro Board for consideration under certain limited circumstances, including but not limited to:
 - The Metro property is a small or constrained site and the proposal is from an adjacent landowner(s) (or developer(s) with site control of adjacent properties) that make the Metro site feasible or better able achieve the Joint Development Objectives.
 - The proposal is feasible and meets the Joint Development Policy Objectives.

In any case, unsolicited proposals on properties with an FTA interest are subject to FTA approval and FTA circular 7050.1. If these, and any other conditions identified during review of the unsolicited proposal are met, staff may recommend that the developer reach out to community stakeholders to seek input and then may recommend the proposal to the Metro Board. Even if

these conditions are met, staff may open the site to a competitive solicitation process.

D. Development Phase:

1. **Exclusive Negotiation Agreement and Planning Document.** Before the CEO recommends the selected developer's proposal to the Metro Board, developer shall negotiate and sign an Exclusive Negotiation Agreement and Planning Document ("ENA"). (The ENA is not executed until both parties have signed.) The ENA will include a project concept, terms and conditions regarding community engagement, general planning and development goals, deposit and fees, design review and a predevelopment schedule agreed to by the proposed developer and Metro staff. Upon approval of a recommended developer and authorization by the Metro Board, the CEO shall execute the ENA with the developer.

Developer Responsibilities under the ENA include but are not limited to:

- a. Negotiate in good faith, including such project design and project financing information as necessary for Metro staff to negotiate a transaction.
- b. In consideration for entering into the ENA, the developer shall provide Metro a non-refundable fee in an amount determined by the CEO but in no event less than fifty thousand dollars \$50,000 or such other consideration as determined by the CEO or designee.
- c. In addition to the fee, the developer shall also provide Metro with a deposit in an initial amount determined by the CEO or designee to pay Metro's actual costs to negotiate and evaluate the proposal, including certain Metro in-house and third party costs.
- d. Create a robust community engagement plan that will carry throughout the design, entitlement and construction process for the project.

Metro Responsibilities under the ENA:

- e. During the negotiation period, provided that the developer is not in default of its obligations under the ENA, Metro shall negotiate exclusively and in good faith with the developer a Joint Development Agreement ("JDA") and Ground Lease to be entered into between Metro and the developer, and shall not solicit or entertain offers or proposals from other parties concerning the site.

Term of the ENA:

- f. The term of the ENA shall generally be eighteen (18) months; provided, the term and any extensions shall not exceed thirty (30) months. In considering an extension, the CEO or designee shall determine whether substantial progress

has been made towards fulfillment of the requirements of the ENA and may require payment of additional fee and/or deposit amounts.

2. Joint Development Agreement.

- a. Before the Metro Board can authorize a JDA for a project, the project must be environmentally cleared through the California Environmental Quality Act (CEQA). Metro is not the lead CEQA agency for joint development projects; the agency with local regulatory land use authority generally serves that function.
 - b. Upon satisfactory fulfillment of the development requirements in the ENA, negotiation of acceptable terms, and adoption of CEQA findings by the lead agency, Metro staff will recommend to the Metro Board to (a) adopt the CEQA findings as a responsible party and (b) enter a Joint Development Agreement (JDA) for the implementation of a project. The JDA shall describe the rights and responsibilities of both parties. The recommendations may also include the terms for a Ground Lease, or another form of purchase and sale agreement as appropriate.
3. FTA Concurrence. Before LACMTA may enter into a ground lease, the project must seek and obtain concurrence from the FTA Regional office via a letter. Details on FTA requirements for concurrence are included in the Legal Framework section V.B Federal Guidelines.
4. Ground Lease. Upon satisfactory fulfillment of the closing conditions required in the JDA, and receipt of FTA concurrence, Metro shall enter into a Ground Lease for the lease of the site. The Ground Lease shall describe the rights and responsibilities of both parties with respect to the site. The Metro CEO or designee may also enter into such other documents and agreements to implement and administer the project as described in the JDA and Ground Lease.
5. Environmental Compliance. As noted above, Metro shall not approve or be committed to a project until the Metro Board - as a responsible agency under CEQA and/or NEPA - considers and analyzes the environmental impacts of the project. The project must be cleared through CEQA before a JDA or a Ground Lease can be approved by the Board.

V. LEGAL FRAMEWORK

A. Statutory Basis:

The Metro Joint Development Program maintains statutory basis as obtained by a predecessor agency, the Southern California Rapid Transit District. Under California Public Utilities Code, Section 30600: “the district may take by grant, purchase, gift, devise, or lease, or by condemnation, or otherwise acquire, and hold and enjoy, real and personal property of every kind within or without the district necessary or incidental to the full or convenient exercise of its powers. That property includes, but is not limited to, property necessary for, incidental to, or convenient for joint development and property physically or functionally related to rapid transit service or facilities. The Board may lease, sell, jointly develop, or otherwise dispose of any real or personal property within or without the district when, in its judgment, it is for the best interests of the district to do so.”

B. FTA Regulations:

Metro joint development sites which were acquired with assistance from the FTA are subject to FTA joint development policies. Current guidance in FTA Circular 7050.1 on FTA-funded real property for joint development, stipulates that joint developments follow four criteria:

1. Economic Benefit – project must enhance economic benefit or incorporate private investment.
2. Public Transportation Benefit – project must provide physical transit improvement or enhanced connection between modes.
3. Revenue – generally, project must generate a fair share of revenue (at least equal to the amount of original federal investment) and be used for public transportation purposes.
4. Tenant Contributions – tenants pay a fair share of the costs through rental payments or other means.





Metro joint development sites which were acquired with FTA funds are subject to and will follow FTA guidance as it is updated from time to time. Joint development projects will be reviewed individually by the FTA to ensure compliance.

In addition, Metro is responsible to ensure that joint development projects comply with FTA Title VI Civil Rights and Environmental Justice requirements. Compliance with Title VI will be required of developer’s selected for joint development projects.

C. Local Jurisdictions:

Metro joint developments are subject to local land use policies and procedures in the host jurisdiction, similar to any private development. The selected developer for any joint development site must follow the land use, zoning, permitting, and entitlement process for the local jurisdiction of that site.

EXHIBIT A: JOINT DEVELOPMENT PROCESS CHART

Metro Joint Development Process				
STAGE	Initial Community Outreach	Developer Solicitation/ Selection**	Project Refinement, Joint Development Agreement (JDA) and Ground Lease (GL) Negotiations	Permitting and Construction
ACTIONS	 >Community Meetings >Creation of Development Guidelines*	 >Issue Request for Information and Qualifications (RFIQ) and/or Request for Proposals (RFP) >Evaluate Proposals >Community update	 >Developers progress architectural design >Community outreach and input - several iterations >Entitlements and CEQA process*** >Negotiation of financial terms	 >City engineering >Construction documents >City building permits >Seek Concurrence from FTA (for properties with federal interest) >City-related approvals >On-site construction >Occupancy
	RESULT	Board approves Development Guidelines	Metro Board authorizes Exclusive Negotiation Agreement (ENA) with recommended developer(s)	Metro Board approves JDA and GL
approximate overall time frame: 42 - 60 months				
	6 months	6 months	12 - 24 months	18 - 24 months

*Staff may undertake preliminary market analysis or related studies prior to the drafting of development guidelines.

**Once the RFIQ/RFP is released, Metro is in a "blackout" period. During this period, Metro cannot discuss the specific content of proposals until staff releases their recommendations for a developer. Metro can do general outreach to keep stakeholders apprised of the process and key dates.

***Proposed use requires local jurisdiction approval and may include environmental, zoning, and local plan consistency review and public hearings.





Board Report

File #: 2015-1783, File Type: Informational Report

Agenda Number: 44.

EXECUTIVE MANAGEMENT COMMITTEE JANUARY 21, 2016

SUBJECT: CUSTOMER EXPERIENCE TECHNOLOGY IMPROVEMENTS

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the status report on efforts underway to use technology and innovation to transform the customer experience on Metro's Bus and Rail system, and mobility in the region in general.

RECEIVE AND FILE report of the **Customer Experience Technology Improvements**.

ISSUE

This report provides key accomplishments and technological activities since the last update in September 2015 to further the goal of improving the customer experience as well as a look-ahead to the next update in April 2016.

DISCUSSION

The following is a summary of progress on customer focused activities for the referenced period.

1. *Formation of Coalition for Transportation Technology - Completed*

The Metro Highway Program and Information Technology Services have been meeting with the County of Los Angeles Department of Public Works, Caltrans District 7, Southern California Association of Governments, City of Los Angeles and others to discuss the potential challenges and opportunities tied to the rapid advancement of transportation technology. These discussions have culminated in the formation of the "Coalition for Transportation Technology", a group focused on researching, planning, demonstrating, and validating emerging transportation technology concepts to increase mobility, relieve congestion, enhance safety, and improve quality of life. The Metro Highway Program has been identified by the partner stakeholders to serve as the Coalition lead, and the group is working on the development of a project charter to formalize the Coalition structure.

Some of the preliminary Coalition goals include the following:

A. Provide guidance and support for regional transportation technology deployments.

B. Identify and evaluate transportation technology demonstration opportunities.

C. Outreach to industry partners including but not limited to local agencies, private industry, academia and USDOT.

D. Pursue funding opportunities and strategic partnerships to support Coalition activities.

Among the technology applications of particular interest to the coalition are autonomous and connected vehicles, integrated corridor management, active traffic management, and local arterial transportation technology solutions.

2. *Bus / Rail Fleet Technology Strategic Plan Tasks 1&2 - Completed*

The Bus / Rail Fleet Systems Strategic Plan is being developed by Eiger Tech / IBI under the direction of the Transit Operations Applications group of Metro ITS.

When completed, the plan will provide the future strategic direction for all Metro bus / rail systems and will serve as the replacement blueprint for the current Advanced Transportation Management System (ATMS). The newly identified systems for passenger counting, fare payment, accident avoidance, security cameras etc., when combined with Wi-Fi communications, will transform the fleet into a fully connected transportation system to allow for true real-time monitoring, control and management to provide Angelenos with a cost efficient, environmentally friendly, reliable, and secure transportation experience.

Task 1 (Needs Assessment) and Task 2 (Communications Assessment) are now complete. Key individuals from all impacted departments were interviewed to determine existing functionality, shortfalls in the current system and both required and desired functionality for all replacement systems. A complete market review of the latest transit technologies in use and on the horizon was performed to provide a new state-of-the-art baseline.

The alternative and SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) portion of the study is currently underway. The final Strategic Plan is targeted for completion by August 2016.

3. *Nextrip E-Signage RFP released - Completed*

An RFP for Nextrip E-Signage (real-time bus arrival information) was released the week of 12/17. The RFP calls for up to 300 new real-time digital displays to be located at bus stop locations throughout the service area. The displays will continuously broadcast bus arrival times and alert information to keep passengers informed of potential delays which could impact their trip.

The signage locations chosen were based on the number of daily boardings and available facilities (bus benches, power etc.). Because of the newly developed real-time application program interface (API) described below (Item 5), locations served by more than a dozen other transit operators in the county will have their bus arrival data displayed as well thus enhancing the customer experience by providing a unified and consistent transit information experience.

4. *Metro.net site security (SSL - HTTPS) Implementation - Completed*

A White House Executive Directive released earlier this year directed all Federal websites to upgrade their communications to the more secure SSL-HTTPS protocol. At the urging of the Mayor's Chief Technology Officer, Metro Communications, along with other city agencies, has upgraded its primary website 'Metro.net' to the verified and more secure communications format.

The change will make the entire site more secure by limiting the potential for cyber breaches such as man-in-the middle-attacks and unwarranted browsing and data entry surveillance.

5. *Digital Display Software Replacement for Countdown Clocks - Completed*

A new digital display software system has been developed in-house by Information Technology staff to replace the current existing commercial display software. Although the existing software appeared to work well with static display data, our experience with dynamic display data such as countdown clocks for real-time bus arrivals was inconsistent and troublesome. After working with the software vendor for several months, it was still necessary to reboot the entire system twice daily to insure reasonable service levels.

The new software provides continuous updates without the need for rebooting and allows technical staff to monitor using network diagnostics for 24/7 support. A new application program interface (API) communicates with 5 different real-time providers used by the various transit operators in the region. The API consolidates the different data formats into a single generic feed for each display thus greatly simplifying the process and increasing communications reliability.

Metro's intent is to expand the use of the software to other dynamic display projects for a more unified approach to messaging and display maintenance. Because the software is open source, the agency will reap substantial savings in license costs now and in future years.

6. *Metro Vanpool Website Interactive Map upgrade -Completed*

The current Metro vanpool program is the largest in the country and consists of over 800 vanpools and generates up to \$10 million annually. The Metro vanpool site allows users to either search for potential vanpools with unfilled seats or to begin the process of creating a new vanpool.

The site has been upgraded with a new interactive mapping service which makes the entire process more intuitive by providing simple visual point and click functions that streamline the user experience.

Changes in the design will allow for vanpool functionality to be integrated into the high volume Metro Trip Planner application which will dramatically increase exposure to this revenue generating program.

7. *Metro Enterprise Map Server - Completed*

A new enterprise map server has been implemented by Metro Information Technology staff. Similar to Google, Bing, MapQuest and Apple map services; this map server, based on the Open Street Map (OSM) project, will allow Metro to serve millions of maps images annually without the expense of license fees.

The OSM project is a world-wide initiative that provides routinely updated geographic data to most of the major mapping companies today. By using this open source data, Metro will be able to add custom layers for transit that are not available in commercial offerings such as recently acquired digital imagery from the Los Angeles Imagery Acquisition Consortium (LAR-IAC) for use by Metro applications such as Trip Planner, Nextrip, Metro.net website and GoMetro apps.

Other transit operators in the region will also be provided access to the map server so that agencies can pool their development resources while creating a geographically accurate and visually rich online map experience devoted exclusively to public transportation.

8. *Metro Rail System Cellular and Wi-Fi project, *Phase I - In Progress*

This project, when implemented, will provide continuous wireless phone coverage and Internet access to Metro riders from above ground, down onto the subway station platforms and finally onto the subway trains when travelling within the underground tunnels

InSite Wireless Group has completed construction work for Phase One* portions (Union Station to 7th / Metro Station) of the Red and Purple Line stations and tunnels. The Distributed Antenna System (DAS), required for maintaining signal strength within the tunnels, has also been completed.

On December 1, 2015, InSite Wireless Group and Verizon Wireless executed a Communications Master Sub-License Agreement which will allow Verizon customers to access cellular voice and data services by the end of the 1st quarter of 2016. At that time, construction work for Phase Two (7th / Flower to Vermont / Sunset and to Wilshire / Western) will also begin. Negotiations with Sprint, AT&T and T-Mobile are ongoing.

**Phase One stations include Union Station, Civic Center, Pershing Square and 7th Metro.*

9. *USGS Earthquake Early Warning System - In Progress*

Los Angeles Metro is currently a beta tester of the United States Geological Survey (USGS) ShakeAlert Early Earthquake Warning System (EEWS). The pilot project will integrate EEWS automation into various rail systems in an effort to minimize the loss of life and property in the event of a major seismic event. The objective of the pilot is to achieve a maximum benefit in the shortest possible time at a reasonable cost.

During this Quarter, secure high speed, redundant communications between the Regional Operations Control (ROC) and the USGS signal source were established.

Testing will begin by integrating the following rail systems and transit security functions:

- Rail Digital Radio and Public Address system - Automatic emergency broadcast
- Elevator - Automatic recall to safest floor position

- SCADA - Dispatcher alert
- Emergency Generator - Automatically start the generator

Risk Management is leading the pilot assessment, Rail Operations Control is responsible for the actual implementation, and ITS is evaluating the technical options for extending the technology enterprise-wide.

This project represents the crucial first step in creating a comprehensive earthquake early warning system for transit users throughout the county.

10. *ShakeCast 7.2 Earthquake Simulation Test - Completed*

On Tuesday, 12/8/2015, a 7.2 earthquake simulation was successfully created using the USGS ShakeCast system installed at Metro Gateway Headquarters to show the potential damages to Gateway and display the capabilities of the Mobile Operations Command Vehicle (MOC1).

The goal of the test, developed and sponsored by Metro Risk Management, was to introduce the senior leadership team to Metro Emergency Operations Center (EOC) capabilities and to familiarize designated staff with their responsibilities in the event of a major disaster.

ShakeCast compares intensity measures against Metro's facilities, and generates potential damage assessment notifications, facility damage maps, and other Web-based products for emergency managers and responders.

The implementation at Metro allows rapid response by engineers following an earthquake to assess damage to rail stations and other transit facilities and take precautionary measures to ensure public safety and create real-time preliminary cost estimates for inclusion in state / federal financial aid programs.

The test was successful and well received by senior leadership.

NEXT STEPS

Staff will develop and implement customer experience related initiatives as well as continue to evaluate other technology applications that will benefit Metro's customers.

Look-Ahead for Next Period


Staff will report back in April 2016 with a progress update on a variety of customer related technology initiatives, including:

- A. Caltrans Freeway Signage project
- B. Technology Innovation Collaboration website
- C. ITS Innovation Lab
- D. TAP Mobile app RFP

E. Expansion of Wi-Fi pilot for buses

Prepared by: Doug Anderson, Director Information Technology - (213) 922-7042

Reviewed by: David C. Edwards, Chief Information Officer - (213) 922-5510



Phillip A. Washington
Chief Executive Officer



Customer Experience Technology Improvements

January 2016 - Quarterly Status

Doug Anderson
Board Meeting
January 28, 2016

Background – Board Motions

Garcetti/Dupont-Walker Motion *(July 2013)*

- *Transit Customer-Oriented, Technology, Enhancements & Innovations*

Knabe Motion *(December 2013)*

- *Innovative Ways to Improve Customer Access to the Metro Bus and Rail System*

Garcetti/Knabe Motion *(March 2014)*

- *Customer Experience Technology, Enhancements & Innovations*

Garcetti Motion *(July 2014)*

- *Customer Service Based Technology Prioritization*

Progress - Customer Focused Activities

Coalition for Transportation Technology

Goals

- Provide guidance and support for regional transportation technology deployments.
- Identify and evaluate transportation technology demonstration opportunities.
- Outreach to industry partners including but not limited to local agencies, private industry, academia and USDOT.
- Pursue funding opportunities and strategic partnerships to support Coalition activities.

Among the technology applications of particular interest to the coalition are autonomous and connected vehicles, integrated corridor management, active traffic management, and local arterial transportation technology solutions











Progress - Customer Focused Activities

Digital Display Software Replacement for Countdown Clocks

Developed In-House
Network Monitoring
Rapid Updates
Targeted Messaging
No License Fees
Integrated Real-time
Multi-Agency Feeds
Unified Experience

* East Portal in beta



Metro Rail			
 Metro	804 N ● PASADENA - SIERRA MADRE VILLA STA	6,12,18 min	Track 2A
 Metro	805 W ● WILSHIRE/WESTERN/METRO PURPLE LINE	4,13,23 min	East Portal Entrance
 Metro	802 W ● NORTH HOLLYWOOD STATION	8,18,28 min	East Portal Entrance
Regional Buses			
	SAN N SAN FRANCISCO	57 min	Bus Bay 8
	LAS N LAS VEGAS	42 min	Cesar Chavez Entrance

Progress - Customer Focused Activities

Metro Rail System Cellular Service in Subway

Phase I – Union Station to 7th/Metro
Estimated Completion 1st Quarter 2016

Phase II – 7th/Flower to Vermont/Sunset & Wilshire/Western
Construction Begins March 2016



**Verizon Wireless Agreement
December 1, 2015**

**Sprint, AT&T, T-Mobile
negotiations on-going**



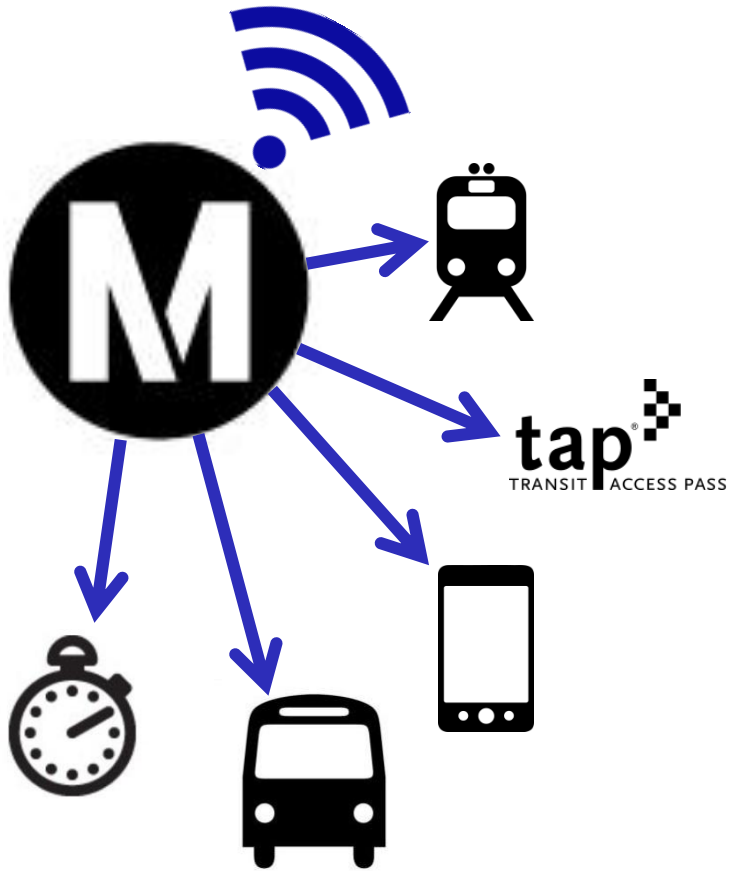
Metro

Progress – Customer Focused Activities

Nextrip E-Signage RFP released

- ✓ Up to 300 High density shelters throughout LA County
- ✓ Multi-agency real-time feed with digital displays
- ✓ ADA compliant
- ✓ 24/7 performance monitoring
- ✓ Advertising Potential for increased revenue generation
- ✓ Emergency Alerts





Thank you



Board Report

File #: 2015-1786, **File Type:** Informational Report

Agenda Number: 45.

EXECUTIVE MANAGEMENT COMMITTEE JANUARY 21, 2016

SUBJECT: CHIEF COMMUNICATIONS OFFICER QUARTERLY REPORT
ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the **Chief Communications Officer's Quarterly Report**.

ISSUE

The LA Metro Chief Communications Officer provides a quarterly update to the Board of Directors on the efforts of the Communications Department. The report covers accomplishments of the previous quarter and a look-ahead to the coming quarter. This is the first such CCO Quarterly Report by the new CCO.

DISCUSSION

The Communications Team has had a number of accomplishments in the second quarter of FY2016, October-December 2015. The report also includes some metrics from the past year that have positively impacted Metro's positioning in the community.

Long Range Transportation Plan Education Program

The Metro Communications Team has developed a multi-faceted communications plan to educate the public about the Long Range Transportation Plan and potential ballot measure. This education program includes broad-based and targeted communications to reach and resonate with the diverse audiences across the region.

The education program rolls out in January 2016 through a variety of tactics including but not limited to bus and shelter ads; billboards; print advertising; news blogs and articles; press events showcasing project progress, radio spots; web updates; social media campaign; speakers' bureau; stakeholder briefings; stakeholder messaging kits; educational videos; and a new LRTP section of the Metro website.

Transformation Through Transportation (T3) Industry Forum

The team is has been leading the planning efforts for the Transformation Through Transportation (T3) Industry Forum that will be held Thursday, February 11, 2016.

Campaigns

Safety and Security Campaign

In October, Metro Communications developed and implemented a security education campaign to announce Metro's new technological tools to improve safety and security on the system. These security enhancements are part of a larger strategy called "The Three Es: Engineering, Enforcement and Education." Metro's PR Division will continue to work with the Safety and Security Team to publicize the ever-expanding safety technologies that work hand-in-hand with the "intelligence led policing" efforts of the LASD Transit Policing Division.

"It's Off Limits" Sexual Harassment Campaign

In mid-October, Metro reaffirmed its commitment to keeping the bus and rail a safe space by doubling down on its highly successful "It's Off Limits" campaign to reduce incidents of sexual harassment. Metro is one of only a handful of transit agencies in the world that asks its customers about sexual harassment on a regular basis. Partnering with the community organization Peace Over Violence (POV) and the Los Angeles County Sheriff's Department (LASD), Metro introduced an updated messaging campaign urging victims and witnesses of unwanted touching, comments and gestures to "speak up" and report through the LASD hotline 1-888-950-SAFE, through the LA Metro Transit Watch app for iPhone and Android devices or by calling 911. Initial and subsequent Customer Satisfaction Surveys found that reported incidents of sexual harassment declined from 22 percent to 19 percent following Metro's education campaign. A multi-departmental Safe Space Task Force has been formed and meetings occur to monitor activities and continued progress.

Girls Build LA

Metro hosted the Girls Build LA event on November 12th with approximately 50 female high school students from throughout Los Angeles County. Speakers included Los Angeles County Supervisor and Metro Board Chair Mark Ridley-Thomas, Los Angeles County Supervisor and Metro Board Member Hilda Solis, and Metro Board Member Jacquelyn Dupont-Walker. In addition, Metro also welcomed speakers from several departments including the Office of the CEO, Planning, and Operations, plus tours of Metro's Bus Operations Control and the Public Art Program. Speakers highlighted the importance of education and female empowerment. Girls Build LA is part of a Los Angeles initiative to help high school age girls build skills to be successful in a diverse range of fields and professions.

Press and Special Events

The Communications Team planned and orchestrated 40 special events and news conferences in 2015, 20 of which occurred from October through December. When Metro has a milestone, project or program to promote, the Public Relations Team determines the most effective and efficient way to optimize staff and financial resources to generate awareness and publicity for the agency's accomplishments. While some milestones are more conducive to a special event, others are better positioned to promote through a press event or news release and social media campaign. Major announcements or press pushes highlighted the following: Gold Line Extension opening date, Orange Line 10th Anniversary, new Metro/LASD Safety & Security technologies, Peace Over Violence campaign, and Silver Line Express launch.

Earned Media

In 2015, the PR Division promoted Metro's projects, programs and services through 150 news releases, 40 in the last quarter from October-December. As a result, Metro has generated a tremendous amount of earned media through newspapers, television and radio, online news and trade publications. Just in the last quarter of 2015, there were 215 media stories about Metro or mentioning Metro, and 75 percent of those stories were positive or neutral in tone.

Social Media

Metro made a strong commitment to strategic social media engagement in 2015 and the results have been impressive. Our social media efforts have generated over 29 million impressions across the main Metro Facebook and Twitter channels. Likes on Metro's Facebook page have increased 51% and followers on Metro's main Twitter account has increased 70%. We have implemented Facebook tracking pixels on all Metro web properties and will soon be adding them to the Metro app. The tracking pixels have given us an unprecedented view of rider demographic and behavioral data and allowed us to be more efficient and effective with our message targeting. This more precise approach to targeting resulted in a successful Gold Line Extension opening announcement on Facebook, Twitter and Instagram reaching over 519,000 people and generated over 146,000 page views on The Source. We also targeted millennials in promoting a series of ridership videos which were viewed over 370,000 times in the first seven days. Advanced targeting and improved coordination between Metro's Social Media Team and Operations have also led to increased awareness of Dodger Stadium Express and events like FYF Festival, which resulted in 29% of attendees choosing to #GoMetro.

Technology Partnerships

Metro's transit data is now available on Apple Maps and an estimated 700 million iPhones worldwide. This is the first fruit of this year's data-sharing agreement between Metro and Apple Inc. of Cupertino, CA. This partnership makes it easier for customers with Apple devices to plan transit trips in the Los Angeles region. The Transit feature will include schedules for all of Metro's rail and bus service as well as Metro's service alerts.

The Apple agreement followed similar public/private partnerships Metro has inked with Google and Waze. Metro's transit data has been available on Google Maps since 2009, but Metro real-time arrivals were added to Google Maps in December. This is the start of more technology features with Apple. Map technologies and mobile devices have been on the rise with Metro customers. The majority of website visitors (65%) access Metro.net from mobile devices.

Gold Line Extension Grand Opening

Building toward the March 5th Gold Line Extension grand opening, Metro Communications has been developing the event and marketing plans. Metro's official ceremony will take place at the Duarte Station after a progressive VIP ride where trains at both Sierra Madre Villa and Azusa carrying Metro Board Members, staff, elected officials and community leaders, will meet at Duarte for the grand opening ceremony. After the official opening of the line, the public will be able to ride the new extension for free through the day. Staff is meeting and working with communities along the new extension to coordinate station parties at Arcadia, Monrovia, Duarte, Irwindale, and Azusa. The local

communities will plan and host their own station parties with Metro support.

Outreach

Community Meetings and Events

In the final quarter of the calendar year, Community & Municipal Affairs represented the agency with more than 4,000 stakeholders at more than 125 public facing meetings and events, and informed more than 190,000 people about rail operations work activities. The staff continues to keep local elected officials and their staff updated and engaged on Metro programs and projects.

Construction Relations

During October-December, Construction Relations reached more than one-million people through social media. These are people not already associated or subscribed to the Crenshaw/LAX Transit Project, Purple Line Extension or Regional Connector Projects. The Waze App garnered approximately 853,000 viewers confirming that we have made significant progress in our ability to reach drivers who otherwise may not be aware of traffic impacts through more traditional outreach efforts.

Staff continues to work through challenges associated with ever-changing construction schedules with the overarching goal of always being able to provide as much advance notice of activities as possible to prepare the community.

Purple Line Extension

- Staff has put forth a proactive outreach and public engagement effort regarding the schedule options for the La Brea Decking work. Outreach has included over 100 briefings, door-to-door flyering and traditional/social media.
- The team worked with the contractor to enhance the traffic plans for the La Brea pile installation providing for better pedestrian visibility and maintaining an open driveway for a business. The team also provided signage. With this being the first major impact of subway construction, the team received minimal complaints.
- Staff participated on the project's negotiation team with City of Beverly Hills on a mitigation assistance program.

Regional Connector

- Staff continues to work with Little Tokyo community stakeholders and leaders to advance construction notifications and mitigate impacts related to shoofly construction on the Metro Gold Line Extension. Staff also established enhanced mitigations ensuring a steady stream of visitors into Little Tokyo throughout the shoofly work. The programs include a Little Tokyo/Arts District Shuttle and a two-hour Little Tokyo Parking Validation Program.
- Staff provided outreach related to night time noise variances to support construction activities while coordinating activities to ensure access was maintained for businesses and residents.

Crenshaw/LAX Transit

- Construction Relation staff held special briefings for impacted businesses in the area of the 40-day closure. These briefings included the contractor and staff from the Business Interruption Fund and Business Solutions Center. In addition, Construction Relations worked closely with Supervisor/Chair Mark Ridley-Thomas' office to mitigate traffic related issues caused by the 40-day closure in the unincorporated County areas.
- Staff worked closely with the contractor to mitigate quality of life issues such as noise, dust, and trucks in residential areas.

Eat/Shop/Play

Eat Shop Play quarterly drawings occurred in all of the ESP neighborhoods (Little Tokyo, DTLA, Crenshaw, Inglewood and Wilshire). The team awarded nine winners a combined total of \$5,250 for pledging to eat at local restaurants, shop at local retailers and play at local destinations. Six vendors were highlighted at Metro Vendor days; staff leveraged their participation to spotlight them and other businesses through social media. Two of the six vendors provided testimony that they did more business with Metro employees at Gateway than in their stores. Construction Relations continues to think out of the box and provide opportunities for impacted businesses.

Safety Outreach

The Transit Safety Program staff began outreach on the Gold Line Extension and Expo 2 Extension in January and February of 2015 respectively while continuing safety outreach on the Blue, Gold, and Expo lines. During October through December 2015 the program reached 117,671 people through safety events, presentations, tours and outreach materials.

Government Relations

State

Metro's State Advocacy Team secured passage of SB 767 (De Leon) which authorizes Metro to place a sales tax measure on a future ballot. In addition to SB 767, the State Advocacy Team also secured passage of AB 194 (Frazier) which will allow Metro to expand the ExpressLanes Program.

A number of other bills supported by Metro were also signed by the Governor, including SB 9 (Beall) which reforms the Cap and Trade Transit Capital Program. Metro was also successful in opposing legislation that would have jeopardized the ExpressLanes program and legislation that would have mandated specific expenditures in a future sales tax measure.

Metro's Advocacy Team has also begun an aggressive and proactive outreach effort with the California Air Resource Board.

Federal

The long-term surface transportation authorization bill recently passed by Congress - the FAST Act - includes a number of major provisions that are part of the Board-approved Federal Legislative Program last month. Specifically - the bill is poised to deliver over \$600 million in federal funds annually to our agency over the five year life of the bill. The bill also includes robust funding for rail programs - which will effectively deliver hundreds of millions of dollars for our existing New Starts projects. The FAST Act also includes over \$10 billion for freight funding - which is a provision that our

agency had actively supported on Capitol Hill this past year and represents funds staff will aggressively work to secure. The transportation authorization bill also includes a major agency priority - reforming federal local hire rules - which is part of our agency's America Fast Forward initiative. Specifically, the language in the FAST Act would permit our agency to include local hire programs on transit and highway projects.

The Omnibus spending bill approved by Congress on December 18, 2015 includes at least \$250 million for Metro rail projects - and perhaps as much as \$300 million. Federal Government Relations staff is honored to work with U.S. Senator Dianne Feinstein and members of the Los Angeles County Congressional Delegation to ensure that these federal dollars are flowing to Los Angeles County to build our world class rail network.

Staff also closely monitored a tax extenders bill that Congress acted on December 17, 2015 that includes a number of pro-transit provisions - provisions embedded in our Board-approved Federal Legislative Program.

Customer Service

Customer Relations

- Average wait-time for Metro Contact Center (232.GOMETRO) - 1ST quarter ending September 2015 was .21 seconds, and 2nd quarter ending December 2015 should be approximately .16 seconds.
- Answered 604,565 calls in 1st quarter and approximately 619,980 in 2nd quarter.
- Handled average 4,992 correspondences in 1st quarter and approximately 6,565 for 2nd quarter.
- Answered 15,253 complaint calls in 1st quarter vs. approximately 16,200 in 2nd quarter.
- Answered 42,643 TAP calls in 1st quarter vs. approximately 42,475 in 2nd quarter.

Customer Programs and Services

Staff is primarily focused on the ability to increase the number of reduced fare applications they are processing given the volume the agency receives each day. The Lost and Found is better able to process handling of the large numbers of bikes they receive daily.

NEXT STEPS

FY2016 Q3 Look-Ahead

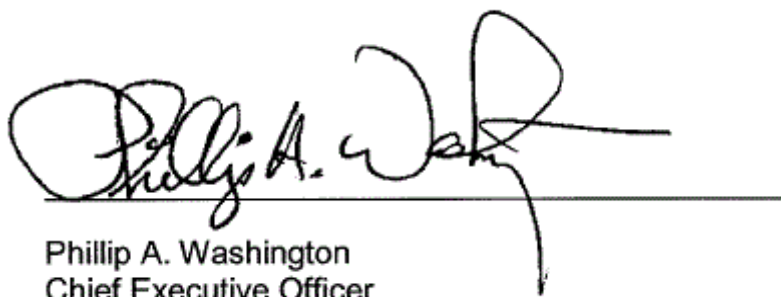
The coming quarter, January-March 2016, will continue to be a busy time for the Communications Team. The education program for Metro's plan to ease traffic will roll out through various channels with the outdoor advertising to begin in late January. The team is also scheduling presentations for stakeholder and community groups and planning a Regional Communicators Briefing to engage communications partners across the county in the messaging and information sharing about Metro's plan to ease traffic.

If the Board approves a draft Expenditure Plan to release for public comment, the Communications Team will hold public meetings across the county in late March/April.

The team will also finalize plans for the T3 Industry Forum, roll out a new driver safety campaign focused on Metro's operators, and hold the Gold Line Extension grand opening and promote the beginning of the NoHo Express service.

Prepared by: Pauletta Tonilas, Chief Communications Officer, (213) 922-3777

Reviewed by: Phillip A. Washington, Chief Executive Officer



Phillip A. Washington
Chief Executive Officer

The background features a large, stylized graphic of the letters 'M' and 'A' in a light cream color, set against a dark green circular backdrop. This is further framed by a large, curved orange shape that sweeps across the top and right sides of the page. The overall design is modern and professional.

Chief Communications Officer Quarterly Report January 2016



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Communications Department Goals

- Educate and engage the public about mobility options and Metro programs, projects and services
- Enhance the customer experience
- Maximize the Metro brand
- Build a constituency for transportation



Potential Ballot Measure Activities

- Developed education program for Long Range Transportation Plan
- Developed ad concept and messaging platform
- Created a Stakeholder Outreach Matrix to keep key stakeholders informed and engaged
- Developed overarching key messages
- Organizing speakers' bureau

Industry Forum Activities

- Developed delivery plan for Transformation Through Transportation (T3) Industry Forum
- Leading event planning and logistics



Education Campaigns

- Safety and Security Campaign
- “It’s Off Limits” Sexual Harassment Awareness Campaign
- Girls Build LA Campaign
- Rail Openings

We’re building LA.



Join us!
Take part at
[metro.net/
girlsbuidla](http://metro.net/girlsbuidla).



#gometro

GIRLS BUILD LA



Metro

Press and Special Events

- Planned and orchestrated 40 special events and news conferences
 - 20 events from October-December
- Staff strategizes about the most effective and efficient way to generate awareness and publicity
- Developed event plan for Gold Line Extension grand opening



Earned Media

- 150 news releases distributed
 - 40 from October-December 2015
- 215 media stores about Metro or mentioning Metro
 - 75 percent of those stories were positive or neutral



Metro

Social Media

- Have generated over 29 million impressions across the main Metro Facebook and Twitter channels
- Likes on Metro's Facebook page has increased 51% and followers on Metro's main Twitter account has increased 70%

Technology Partnerships

- Metro transit data now available on Apple Maps
- Partnerships have also been formed with Google and Waze
- The majority of website visitors – 65 percent – access Metro.net from mobile devices



Community Relations Activities

- From October-December 2015, staff reached more than 4,000 people at more than 125 public meetings and events
- During October-December, the Safety Outreach program reached 117,671 people through safety events, presentations, tours and materials



Construction Relations Activities

- Staff continues to work through challenges associated with ever-changing construction schedules
- Goal is to provide as much advance notice as possible
- Construction Relations reached more than one million people through social media
 - Reached 850,000 about construction impacts through Waze
- Awarded nine winners through Eat/Shop/Play
 - Metro Vendor Days continue to be a big success for impacted businesses



Metro

Government Relations Activities

State

- Secured passage of SB767 authorizing Metro to place a sales tax measure on a future ballot
- Successful in opposing legislation that would have jeopardized the ExpressLanes program and another that would have mandated specific expenditures in a future sales tax measure

Government Relations Activities

Federal

- Surface transportation bill – the FAST Act – includes a number of major provisions approved by the Metro Board
- Staff helped secure \$250-300 million for Metro rail projects this year in federal spending bill

Customer Service Activities

- Answered 604,565 calls in first quarter FY16
- Answered 619,980 calls in second quarter FY16
- Average wait time for customer calls from July-September was 21 seconds
- Average wait time for customer calls from October-December was 16 seconds
- Continue to streamline processing of Reduced Fare applications
- Lost and Found has improved handling of bikes



received daily

Metro

Look-Ahead

- Crenshaw Line Tunnel Boring Machine Name Announcement and Event – Feb. 1
- T3 Industry Forum – Feb. 11
- Gold Line Extension Grand Opening – March 5
- Potential ballot measure education program
 - Outdoor advertising, stakeholder meetings/presentations – Now underway
 - Public meetings – March/April
 - Telephone town hall meetings – May
- Planning for Expo 2 Grand Opening



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Thank you



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Board Report

File #: 2015-1776, File Type: Plan

Agenda Number: 47

**REVISED
EXECUTIVE MANAGEMENT COMMITTEE
JANUARY 21, 2016**

SUBJECT: RISK ALLOCATION MATRIX (RAM) AND INTERNAL SAVINGS ACCOUNT**ACTION: APPROVE ADOPTION OF RISK ALLOCATION MATRIX (RAM) AND INTERNAL SAVINGS ACCOUNT****RECOMMENDATION**

- A. **ESTABLISHING Internal Savings Account to capture cost savings and revenues generated from RAM**, including deposits from FY15 budget-to-actual savings and FY16 mid-year budget assessments;
- B. **DIRECTING the CEO to implement all RAM new initiatives and deposit all cost savings and new revenues generated into the Internal Savings Account**, as identified in Attachment B;
- C. **DIRECTING the CEO to return to the Board on those initiatives requiring policy changes or Board action before implementing each initiative**, as identified in Attachment B; and
- D. **APPROVING Internal Savings Account eligible priority uses and withdrawal criteria guidelines**, as identified in Attachment C. Quarterly updates and monitoring of the activities of the account will be provided to the Board.

AMENDMENT: CEO will have authority to withdraw funds for eligible uses in the priority order specified. Withdrawal of funds by the CEO will be allowed if within current Board-approved budget authority and in accordance with agency policies. Use of funds not specified as eligible will require unanimous 3/4 majority Board approval.

ISSUE

Based on the most recent 10-year financial forecast (Attachment A), Metro is projecting a financial deficit of \$272.6M in FY19. In order to mitigate this projected budget shortfall, we must take small steps now in order to avoid the need for drastic measures in the future. By establishing an internal savings account, implementing new initiatives for cost savings and revenue generation, and depositing the resulting funds into the internal savings account, Metro can achieve financial stability.

DISCUSSION

In June 2015, the CEO introduced the Risk Allocation Matrix (RAM), a concept for fostering a culture of financial discipline throughout the agency. The RAM concept offers a strategic mix of cost saving and revenue generating opportunities to implement in order to mitigate the projected financial deficit. All savings and revenues generated will be deposited into an internal savings account with specified guidelines to ensure long-term financial stability.

Risk Allocation Matrix (RAM)

Ensuring financial stability is an agency wide responsibility. Accordingly, in an effort to mitigate the projected deficit, each department throughout the agency identified new and innovative ways to increase revenues or decrease expenses. The result of these efforts is the Risk Allocation Matrix (RAM), a list of new initiatives for cost savings and revenue generation (Attachment B). Each item in the RAM listing has been assigned a risk level, an estimated dollar impact, and an estimated timeline for implementation. In addition, the list of initiatives has been sorted by authority for implementation: some of the items listed can be implemented immediately under CEO authority, while others require separate Board action. Each initiative requiring additional approvals will be brought to the Board separately prior to implementation.

If all items in the list of RAM New Initiatives (Attachment B) are implemented, staff estimates a \$171 million total deposit to the internal savings account expected to be realized in FY17, with an additional \$89 million estimated deposit to be realized in FY18.

Risk Level

Each RAM new initiative has been assigned a risk level of low, medium, or high. Since the initiatives submitted vary greatly in nature and cover nearly all Metro functions, risk was assessed on a case-by-case basis using many factors:

- Does implementation of the idea fall under Metro's jurisdiction, oversight, or control?
- How would the initiative impact the safety of passengers and employees?
- What is the overall impact to transit riders?
- Are other ongoing Metro projects or daily operations likely to be affected?
- Would implementation conflict with Metro's current objectives and goals?
- Are there political, financial, or legal risks?
- What is the likelihood of success in implementation, adoption, and realization of savings or revenues?
- What is the estimated timeline for implementation?

Based on assessment of these areas, each idea submitted was assigned a risk level. Low risk items have minimal upfront costs and minimal impact to current operations. Medium risk initiatives have some risks, with mitigation efforts available, and uncertain financial impacts. Staff recommends

implementation of all low and medium risk initiatives in Attachment B.

High risk items are more complex and risky changes for which financial and legal risks are high. In addition, for many of the high risk submissions, there is a significant impact to riders and the public. Due to these factors, high risk items are not being recommended at this time.

RAM Initiatives under CEO Authority

Staff recommends immediate implementation of all low and medium risk new initiatives with authority for implementation falling under the CEO. These items have been grouped by category and estimated fiscal year in which the projected savings or revenues are expected to be realized.

An overall description of the items in each category is summarized in the table below. Details on the specific initiatives included in each category can be found in Attachment B.

RAM Initiatives Under CEO Authority			
Category	Description	Estimated Impact FY17	Estimated Impact FY18
Administrative Efficiency	Measures to reduce expenses related to administrative functions such as payroll and revenue collections	\$80,000	\$400,000
Advertisement	Initiatives for new and expanded advertising efforts for which implementation has already begun	\$321,100	\$583,100
Inventory Reduction	Reduction of obsolete inventory as well as reduction of annual inventory costs based on historical consumption and return rates		\$16,500,000
Reallocation of Funds	Methods for reallocating funds or identifying new funding sources in order to free up funding eligible for transit operations	\$35,700,000	\$28,000,000
Repurposing Metro Property	Innovative ideas for using Metro owned property to generate revenues Planning & Development is currently assessing potential impacts; projections for additional revenues are TBD	TBD	TBD
Staffing	Investigate potential cost savings related to achieving the optimum ratio of employees to consultants, and pursue the revenue opportunity of outsourcing Metro functions Due to the detailed assessment required, potential revenue impacts are TBD	TBD	TBD
Transit Operations	Various operational efficiency measures and service rationalizations resulting in minimal customer impacts, such as load factor revisions already approved and efficiency improvements for vehicle fueling	\$23,618,590	\$1,228,000
Transit Security Improvements	Increase fare inspections	\$8,000,000	\$8,000,000
Total New Initiatives Under CEO Authority		\$67,719,690	\$54,711,100

RAM Initiatives Requiring Board Action

Staff recommends pursuing implementation for those items requiring Board action. These initiatives will be separately presented to the Board for the necessary approvals prior to implementation. These items have been grouped by category with the estimated fiscal year in which the projected savings or revenues are expected to be realized.

An overall description of each category is summarized in the table below. Details on the specific initiatives included in each category, as well as the policy changes and approvals required for implementation can be found in Attachment B.

RAM Initiatives Requiring Board Action			
Category	Description	Estimated Impact FY17	Estimated Impact FY18
Advertisement	Initiatives for new and expanded advertising efforts, including increased ads at transit stations, onboard audio advertising, and a Metro sponsorship policy	\$700,000	\$2,260,000
Enforcement of Contract Terms	Establish a special retention account to hold contractors liable for meeting SBE commitments		\$1,000,000
Parking	Strategies for increasing parking revenues, including a pilot paid parking program at high occupancy Metro parking facilities and increased parking enforcement		\$3,500,000
Reallocation of Funds	Potential bond savings as a result of sale of current Metro property		\$1,083,333
Repurposing Metro Property	Innovative ideas for using Metro owned property to generate revenues Planning & Development is currently assessing potential impacts; additional projections for revenues are TBD		\$250,000
Reserves	Evaluate reserve amounts while maintaining acceptable, appropriate, and legally mandated reserves	\$100,000,000	
Station Amenities	Installation of new revenue generating amenities at transit stations, such as ATMs and vending machines Planning & Development is assessing potential impacts; additional projections are TBD		\$1,000,000
Toll Revenues & Fares	Consideration of adjustments to ExpressLanes policies and tolls, as well as reassessment of pricing on all programs offering a reduced or group rate pricing for transit passes Additional impacts are TBD		\$5,000,000
Transit Operations	Operational efficiency measures and service rationalizations resulting in moderate customer impacts	\$3,422,800	\$2,580,000
Transit Security Improvements	Modify terms of insurance requirements in new law enforcement contract		\$18,000,000
Total New Initiatives Requiring Board Action		\$104,122,800	\$34,673,333

Internal Savings Account

Staff recommends establishing an internal savings account. The goal is to establish an account with guidelines that ensure prudent use of the new revenues and savings achieved through implementation of RAM initiatives. The first priority for the internal savings account will be to mitigate the projected financial deficit. As with all Metro funding, the internal savings account will be segregated by eligible use.

The Internal Savings Account will be established with the following three deposits:

1. FY15 Budget-to-Actual variances (\$25.7M)
This represents the difference between FY15 budget to actual revenues and expenditures.

2. FY16 Mid-year budget assessment (\$4.5M)
The agency reviewed and evaluated their FY16 budgets. Savings were generated through improved and realistic cashflow projections.
3. RAM New Initiatives (Est. \$67M - \$171M)
This represents all the initiatives presented in this report, contingent upon required Board action and actual implementation/realization of initiatives.

Projections show that \$201 million could be deposited into the Internal Savings Account in FY17.

Eligible Uses and Withdrawal Criteria

Most of Metro's funding has specific guidelines for how the monies can be used. Accordingly, the funds in the internal savings account must be identified and separated by eligible use. The eligible priority uses are as follows.

1. Transit operations deficit
2. State of good repair
3. Transit capital projects

Staff recommends adopting guidelines for withdrawal of funds from the internal savings account. The guidelines will ensure that savings and revenues generated will be applied to the eligible priority uses established. Attachment C provides the recommended guidelines for the Internal Savings Account.

Additionally, the Chief Executive Officer will have authority to withdraw funds from this account for eligible uses as defined in the Internal Savings Account guidelines and in accordance with color of money, annual budget limit authority, and agency policies.

Withdrawing funds outside the uses specified in the guidelines will require Board authorization and unanimous approval by the Board.

DETERMINATION OF SAFETY IMPACT

This will have no impact on safety standards for Metro.

FINANCIAL IMPACT

Based on current projections, successful implementation of all low and medium risk initiatives could result in an estimated \$171 million in deposits by FY17. An additional deposit of \$30.2 million will be made from FY15 budget-to-actual variances and mid-year budget assessments, resulting in a total of \$201 million deposited to the internal savings account by FY17. Assuming all funds in the internal savings account are used to mitigate the projected operating deficit, the resulting revised 10-year financial forecast (Attachment A) estimates that the deficit would be delayed from FY18 to FY20. In addition, the projected FY20 deficit of \$360.5 million would be reduced by 54% to a total of \$165.8 million.

Impact to Budget

Staff will include the approved options falling under CEO authority in the FY17 budget. Budget impacts of items in the listing of RAM new initiatives requiring Board action will be separately presented to the Board for approval prior to implementation.

ALTERNATIVES CONSIDERED

If implementation of the RAM new initiatives is not approved by the Board, forecasts show an estimated \$51 million deficit in FY18, which will increase drastically to \$272 million by FY19. To avoid the consequences of this projected budget shortfall, other cost savings or revenue generation strategies must be explored immediately.

NEXT STEPS

If approved, staff will immediately begin implementation of the adopted low and medium risk options under CEO authority. In addition, staff will continue to pursue implementation of items requiring separate Board approval.

Staff will provide the Board with a quarterly statement of activities for the internal savings account to include detailed information on all deposits and withdrawals.

RAM will be an ongoing process; staff will establish procedures for continued collection of new initiatives and monitor the progress and achievement of savings and revenues generated.

ATTACHMENTS

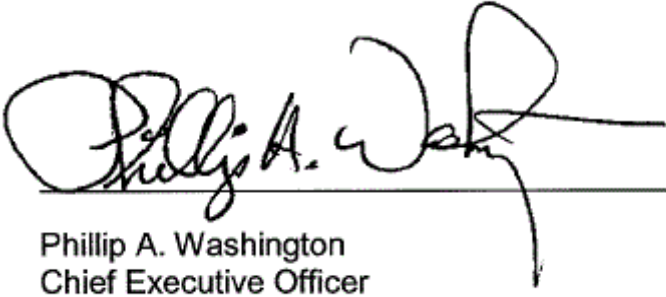
- Attachment A - Ten-Year Financial Forecast and RAM impact
- Attachment B - RAM New Initiatives
- Attachment C - Internal Savings Account Guidelines

Prepared by:

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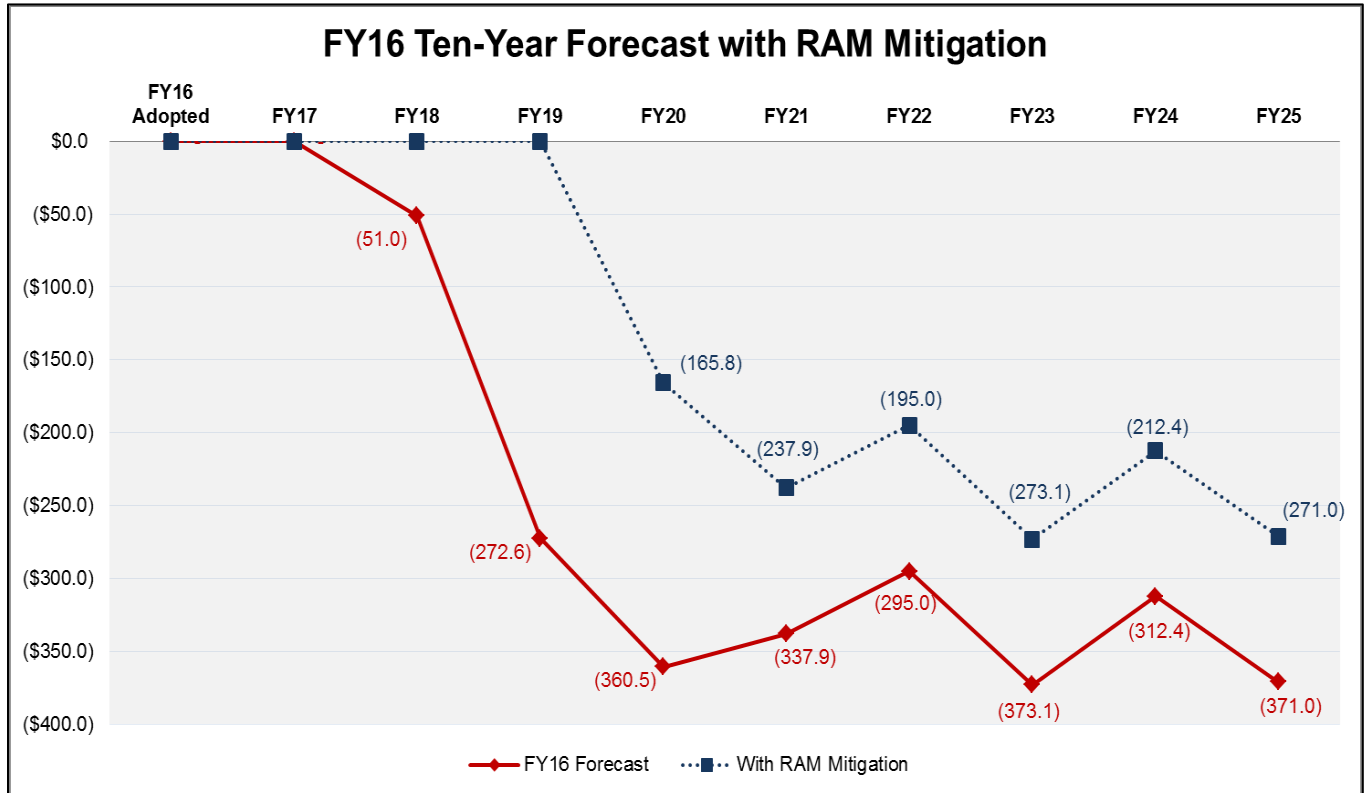
Reviewed by:

Nalini Ahuja, Executive Director, Finance & Budget, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

Ten-Year Financial Forecast and RAM Impact



FY16 Forecast:

- Operating costs grow an average of +4.32% per year which is significantly more than the growth rate for on-going, operating eligible funding at only +2.59% per year

With RAM Mitigation:

- Assumes that all funds in the Internal Savings Account will be used to mitigate deficit
- Assumes that all RAM initiatives (low and medium risks) included in this report, are implemented and estimates are realized

**Risk Allocation Matrix (RAM) New Initiatives
Cost Savings and Revenue Generation**

Reference Name	Summary Description	Risk	Basis of Projected \$ Impact	Board Action Required	Estimated Deposits to Internal Savings Account	
					FY17	FY18
CEO AUTHORITY						
Administrative Efficiency						
Payroll System Enhancement	New payroll module allows Metro to complete payroll transactions internally, including printing checks, direct deposit, and processing payroll tax payments	L	Savings from termination of the prior ADP contract	None		\$400,000
Automation of LATAP Sweeps	Automation and in-house electronic files and processing via Oracle FIS	L	Savings equal to the average cost of transmittal fees times the average number of transactions	None	\$20,000	
TVM collections GPS badge tracking	Asset tracking system for revenue collection components, which will facilitate improvements in dispatching practices for TVM collections and servicing	L	Potential savings estimated based on more efficient allocation of resources	None	\$60,000	
Advertisement						
Bike racks on buses	Bike rack advertisements on Metro buses	L	Revenue estimate from advertising contractor, Outfront Media, and accounts for installation costs of \$500K; profit sharing will be recouped at a 75%/25% basis	None	\$200,000	\$462,000
Online advertising	Online ad sales on Metro website	L	Revenue estimate based on current monthly online ad sales	None	\$121,100	\$121,100
Inventory Reduction						
Obsolete Inventory Reduction	Reduce obsolete inventory based on historical annual rate of reduction	L	Estimate based on historical annual rate of reduction in inventory	None		\$1,500,000
Inventory Reduction	Perform comprehensive analysis of inventory to achieve a reduction based on turnover rate	M	Estimate is based on an aggressive target for inventory reduction; actual reduction would depend on results of comprehensive analysis	None		\$15,000,000
Reallocation of Funds						
Cap & Trade - Willowbrook/ Rosa	Use a portion of the Cap and Trade funding in place of existing Prop A and Prop C funding for Blue Line Improvement Projects	L	Assumption that 2/3 of Cap and Trade funds be substituted for Prop A and Prop C funding in the Blue Line Improvement Projects	None	\$25,700,000	
Cap & Trade	Use future Cap and Trade funding to replace Prop A and Prop C funds for projects to be determined	L	Estimate for annual Cap and Trade funds for Metro region	None		\$18,000,000
Evaluate/reduce Prop A Admin	Reevaluate the use of the administration share of all local sales taxes	L	Conservative estimate - currently assessing all departments charging to Operations to determine which can be shifted to Prop A admin funding to free up Operations funds	None	\$10,000,000	\$10,000,000
Realize Expo 2 Savings (Underruns)	Realize ~60% Expo 2 savings this year and increasing % year after year as closeouts are completed	L	TBD - actual amount dependent on Expo completion and closeout	None	TBD	
Repurposing Metro Property						
Host Farmer's Market	Promote business events and other short-term leasing of Metro property	M	TBD - Planning will conduct a study effort to identify properties and evaluate impact and demand	None	TBD	TBD
Performance and Community events at Union Station	Increase paid events at Union Station	L	TBD - Planning will conduct a study effort to identify properties and evaluate impact and demand	None		TBD

Reference Name	Summary Description	Risk	Basis of Projected \$ Impact	Board Action Required	Estimated Deposits to Internal Savings Account	
					FY17	FY18
Staffing						
Evaluate consultant use	Perform an agencywide evaluation of consultants vs FTEs to achieve optimum ratio of FTEs to consultants	L	TBD - Include in annual audit plan for detailed investigation of potential savings	None		TBD
Outsource Metro functions to muni operators	Outsource DBE/SBE certification function to other agencies, such as munis and cities	L	TBD - Outreach to municipal operators is needed to determine whether there is interest in this service	None		TBD
Transit Operations						
Adjust bus load standard	Adjust load standard up to 1.4 based on headways and time periods	L	Based on Metro Transit Service Policy suggestion to utilize a sliding load standard between 0.75 and 1.4	None	\$1,290,000	
Consider reducing night rail service	Consider reducing headways from 10 to 20 minutes from 8pm to 12am and replacing with bus service after 12am	M	Estimate is based on reduction in RSH resulting from assumptions in the summary description column	None	\$4,437,000	
Reduce non-revenue vehicles	Terminate leases for underutilized non-revenue vehicles with low usage	L	One-time savings is a result of reduction of 30 vehicles as specified in current replacement plan; ongoing savings based on current budget	None	\$1,021,590	
Line 901 Service Management	Create a shortline terminal of Orange Line buses at Reseda station	L	Estimate is based on reduction of 2 buses, 16 weekday and 8 weekend hours (approximately 5K RSH); would require \$1.2M for paving and striping turnaround zone	None	\$750,000	
Real Time Signal Management	Real time signal management for Orange Line	L	Savings of 1 bus as a result of improved efficiency, plus annual operating costs; would require \$1.2M for software development and testing	None	\$820,000	
Optimization of CNG Facilities	Stop unnecessary usage of 3 (as opposed to 2) compressors at Metro CNG facilities	L	Based on actual energy costs at Division 9	None	\$100,000	
Daytime fueling	Stop unnecessary daytime fueling of buses	L	Based on difference between peak vs off-peak electricity rates per SCE bills paid by Divisions	None	\$200,000	
CNG Tank Replacement	Current process of replacing CNG tanks has potential to normalize bus purchases over a longer period	L	Estimated savings of \$41K per bus times 300 buses	None		\$1,228,000
1% reduction in operating costs	Reduce operating costs by 1% through efficiency measures	L	1% of Operating budget	None	\$14,000,000	
Realign D6 Services	Optimize facility utilization by realigning services for D6 (closing in FY16) to other Divisions	L	Estimated savings based on realigning Division 6 services in FY16	None	\$1,000,000	
Transit Security Improvements						
Increase Fare Inspections	Increase fare inspections	L	Target for increase in fare revenues based on actual systemwide fare per boarding	None	\$8,000,000	\$8,000,000
TOTAL CEO AUTHORITY					\$67,719,690	\$54,711,100
LOW					\$63,282,690	\$39,711,100
MED					\$4,437,000	\$15,000,000

Reference Name	Summary Description	Risk	Basis of Projected \$ Impact	Board Action Required	Estimated Deposits to Internal Savings Account	
					FY17	FY18
BOARD ACTION						
Advertisement						
Vehicle wraps	Wrap advertising on light rail and commuter rail vehicles	L	Revenue estimate from advertising contractor, Outfront Media	Advertising Contract	\$200,000	\$200,000
Rail station poster coverage	Increase advertisements in Metro Rail stations systemwide	L	Revenue estimate from advertising contractor, Outfront Media	Advertising Contract		\$300,000
Parking & Metro property wraps	Expand advertisements to all Metro property (potentially separate from current advertising contract)	L	Based on actual MBTA revenues for a similar program, as well as Metro Parking Management Director estimate	Advertising Contract	\$500,000	\$1,000,000
Onboard audio advertising	Onboard audio advertising	L	Actual revenues collected by smaller transit agencies in Kansas, Dayton, and Jacksonville	Operations Policy, Advertising Contract		\$100,000
Digital Ads-system wide	Install digital ad space within transit stations at street level and underground	L	Revenue is an estimate based on amount collected for digital ads by Chicago Transit Authority (CTA)	Advertising Contract		\$660,000
Art space sponsorship/promo	Allow businesses to sponsor art installations within rail stations	L	TBD - Sponsorship policy currently in development	Operations Policy, Sponsorship Policy		TBD
Station & line name sponsorship	Sell naming rights to BRT lines, stations and vehicles	L	TBD - Sponsorship policy currently in development	Operations Policy, Sponsorship Policy		TBD
TAP Card Sponsorship	Allow custom branded TAP cards for long term or short term sponsorship	L	TBD - Sponsorship policy currently in development	Advertising Policy		TBD
Enforcement of Contract Terms						
Special Retention Account	Develop a 5% contract retention for SBE commitment to be released at close-out only if commitment is met	L	Amount is based on an assessment of selected contracts	V/CM Contract Clause		\$1,000,000
Parking						
Paid Pkg Pilot Program	Implement a paid parking program at 5 high occupancy Metro parking facilities	L	Projected revenue increase is based on an estimated 5,000 spaces at \$1.20 per space per day	Parking Program Policy		\$1,500,000
Parking Enforcement Service	Separate parking enforcement from current Metro security program	L	Revenue increase is based on expected number of citations to be issued as a result of the actual number of parking spaces offered	New Contract		\$2,000,000
Reallocation of Funds						
CRA Bond Savings	Retirement of Metro-supporting bonds tied to the Grand Central Square project as a result of the sale of that project	M	Projections from Real Estate based on assumptions about timing of the sale of the Grand Central Square project; amount is over 12 years	Board Adoption to Sell Property		\$1,083,333
Repurposing Metro Property						
Filming on Metro property	Restructure rates for filming on Metro property	L	TBD - Rates are currently being restructured; current revenue is \$275K annually	Contract Modification	TBD	TBD
TOC Asset Map/Strategic Plan	Identify Metro owned property that can be repurposed for revenue generation	L	TBD - Planning conducting assessment of all properties	Board Approval		TBD
Interim Lse Excess Prpty -Pkg	Lease unused Metro owned properties to private parking operators to establish a source of new revenues	L	TBD - Planning is investigating potential impacts	Board Approval		TBD

Reference Name	Summary Description	Risk	Basis of Projected \$ Impact	Board Action Required	Estimated Deposits to Internal Savings Account	
					FY17	FY18
Merchant Kiosk	Allow merchants to rent kiosk/cart space at Metro stations and property	L	TBD - Planning conducting assessment of a potential concession program	Board Approval		TBD
Repurpose Division 6	Potential revenues in transit joint development	L	TBD - Dependent on confidential estimates and future developer negotiations	Board Approval		TBD
Sale of unused property	Sell unused Metro property to generate new revenues	L	TBD - Planning conducting assessment of all properties	Board Adoption to Sell Property		TBD
Community Solar Program	Launch a community solar program using the Business Interruption Fund as a model	M	Estimated revenue as a result of energy credits to Metro	Establish Program Policy		\$250,000
Reserves						
Reduce required reserves	Reduce amounts currently kept as reserves while maintaining acceptable, appropriate, and legally mandated levels	M	Total reserves are \$1.5B; proposed reduction includes: - Reducing Workers' Comp & PL/PD Reserves to standard audit-required level of 50% - Reinterpretation of Operating Reserve to exclude Capital Projects - Union Station East reserves	Financial Stability Policy	\$100,000,000	
Station Amenities						
Vending machines	Vending machines throughout Metro system (i.e. Redbox)	M	TBD - Planning conducting assessment of a potential concession program	Operations Policy		TBD
ATMs on Metro System	ATMs throughout Metro system	M	Estimate based on TCRP report; Metro estimate TBD - Planning conducting assessment of a potential concession program	Operations Policy		\$1,000,000
Toll Revenues & Fares						
Group Rate Sales of Transit Passes	Reassess pricing of all programs offering a reduced or group rate for transit passes (RRTP, BTAP, ITAP, and new residential passes requested by Board motions) to determine and establish a pricing policy common to all programs that is equitable & financially sustainable	M	Estimated increase in fare revenues based on current BTAP revenues and ridership data	Public Hearing, Title VI Analysis		\$5,000,000
ExpressLanes Pricing and Guidelines	Consider changes to ExpressLanes program, such as expanding HOV requirement to 3+ passengers, changing guidelines for use of toll revenues, or changing pricing	M	TBD - revenue impacts would be dependent on specific terms of changes	ExpressLanes Policy		TBD
Transit Operations						
Adjust bus load standard	Continue to adjust all headways and time periods to 1.4 load standard based on APTA recommendation	L	Implementation of an "across the board" bus load standard from 1.3 to 1.4	Transit Service Policy		\$2,580,000
Consider reducing duplication between regular bus service and rail/BRT	Consider reducing duplication between bus and rail/BRT by reducing unproductive services and consolidating rapid and local on certain corridors	M	Estimate is based on a reduction of about 40K RSH as a result of consolidation of duplicative service	Public Hearing, Title VI Analysis	\$3,422,800	

Reference Name	Summary Description	Risk	Basis of Projected \$ Impact	Board Action Required	Estimated Deposits to Internal Savings Account		
					FY17	FY18	
Consolidating and Realigning Divisions	Optimize facility utilization by consolidating Divisions, such as 1, 2, 10, or 13	M	TBD - full potential savings would require extensive assessment of service for each Division; preliminary savings estimated at \$5M per Division	Operations Policy		TBD	
Transit Security Improvements							
Modify terms of insurance requirements	Modify insurance requirements in new Transit Security law enforcement contract	L	Estimate based on current surplus for insurance paid on LASD contract	Transit Security Contract		\$18,000,000	
TOTAL BOARD ACTION					\$104,122,800	\$34,673,333	
					LOW	\$700,000	\$27,340,000
					MED	\$103,422,800	\$7,333,333
TOTAL ESTIMATED RAM NEW INITIATIVES					\$171,842,490	\$89,384,433	

Risk Allocation Matrix (RAM) INTERNAL SAVINGS ACCOUNT GUIDELINES

The Risk Allocation Matrix (RAM) is a concept to develop a strategic mix of cost cutting and revenue generating initiatives. The savings and revenues resulting from implementation of these initiatives would be deposited into an Internal Savings Account. The objective of the RAM and the Internal Savings Account is to ensure that we prudently manage our scarce operating eligible funds and maintain financial stability. The Internal Savings Account is being established to mitigate the projected financial deficit.

The RAM Internal Savings Account is divided into three sections: Eligible Priority Uses, Withdrawal Guidelines, and Monitoring.

Eligible Priority Uses

Listed below is the list of eligible uses in order of priority:

1. Operating Deficit
 - Fund core transportation system
 - Efficiency and performance criteria will determine if funding is necessary

2. State of Good Repair
 - Fund critical need projects that is absolutely necessary to keep system safe and operational
 - Baseline for state of good repair should be established using minimum and maximum thresholds based on performance, life span defined by FTA guidelines and manufacturer recommended guidelines.

3. Transit Capital Projects
 - Fund the acceleration of project completions, with no impact to project sequence.
 - Fund project shortfalls

Withdrawal Guidelines

CEO will have authority to withdraw funds for eligible uses in the priority order specified. Withdrawal of funds by the CEO will be allowed if within current Board-approved budget authority and in accordance with agency policies.

Use of funds not specified as eligible will require ~~unanimous~~ a 3/4 majority Board approval.

Monitoring

A Statement of Activities of the Internal Savings Account will be provided to the Board periodically, detailing all deposits, withdrawals and uses of funds in the account.

ATTACHMENT C

All withdrawals and uses will comply with the governing “color of money” requirements and will be carefully monitored to ensure compliance with these guidelines.

Risk Allocation Matrix (RAM) and Internal Savings Account

Executive Management Committee
January 21, 2016

Overview & Goals

Goals

- Foster a culture of financial discipline throughout Metro
- Aiming to secure Metro's financial stability by mitigating the projected deficit beginning in FY18

RAM and the **Internal Savings Account** is the strategy to achieve these goals

▶ **RAM** is an agency wide collaborative process to identify a strategic mix of cost saving and revenue generating new initiatives, and to evaluate the risk of such implementation

▶ **Internal Savings Account** will capture the RAM savings and revenues and ensure prudent use of these monies

- Monitor account activities and provide quarterly updates
- Establish guidelines on use of funds from the account



RAM New Initiatives (Under CEO Authority)

	Realization	Realization
CEO Authority	\$ 67,719,690	\$ 54,711,100
Board Action	104,122,800	34,673,333
Est. Revenues/Savings	\$ 171,842,490	\$ 89,384,433

Proposed new initiatives under **CEO Authority** can be implemented immediately

- ▶ Administrative and transit operations efficiency improvements
- ▶ Expanded advertising efforts recently approved and implemented
- ▶ Right-sizing of inventory levels based on historical data and actual demand
- ▶ Reallocation of funds to free up operations-eligible dollars
- ▶ Repurposing Metro property for revenue generation
- ▶ Detailed assessment of consultant use



RAM New Initiatives (Board Action Required)

	Realization	Realization
CEO Authority	\$ 67,719,690	\$ 54,711,100
Board Action	104,122,800	34,673,333
Est. Revenues/Savings	\$ 171,842,490	\$ 89,384,433

New initiatives requiring **Board Action** will be separately presented for necessary approvals prior to implementation

- ▶ Changes to existing policies or creation of new policies
 - Pilot paid parking program at high-use transit stations
 - Increased concessions programs and sale/lease of unused Metro property
 - Reassessment of required level of reserves
- ▶ Approval of contract awards
 - Expanded advertising efforts requiring modifications or new contract awards
 - Consideration of adjustments to agreements for group rate transit passes



Internal Savings Account

Established with regular reporting as a separate funding source

- ▶ Establish account with 3 initial deposits:

		Est. FY17 (\$ in millions)
1 st	FY15 Budget-to-Actual	\$ 25.7
2 nd	FY16 Mid-year Budget Assessment	4.5
3 rd	RAM New Initiatives	171.8
Total Estimated Deposits		\$ 202.0

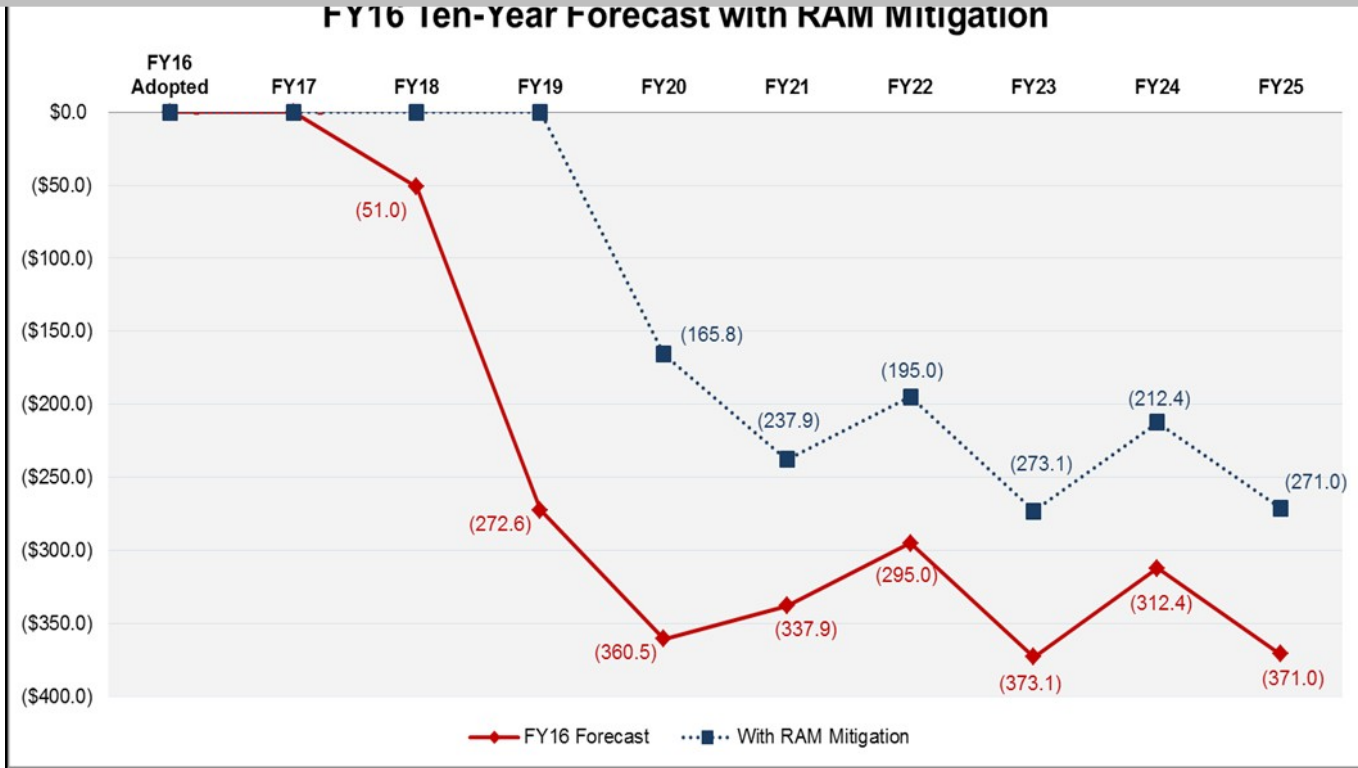
- ▶ Monitor account and activities
- ▶ Quarterly updates to the Board
 - Statement of Activities - detailing all deposits and withdrawals

Internal Savings Account Guidelines

- ▶ Explicitly defined **Eligible Priority Uses** encourage prudent use of the Internal Savings Account; recommended uses listed in *priority order* are:
 1. **Operating Deficit** – funding the core transportation system
 2. **State of Good Repair** – critical need to keep system safe and operational
 3. **Transit Capital Projects** – acceleration of projects, funding shortfalls

- ▶ Recommended **Withdrawal Criteria** establishes guidelines for use of the Internal Savings Account in order to mitigate the operating deficit:
 - CEO will have authority to withdraw funds for approved eligible uses
 - › in order of specified priority
 - › within current Board-approved budget authority
 - › in accordance with Board-approved agency policies
 - Use of funds not specified as eligible priority use: 1) operating deficit, 2) state of good repair, and 3) transit capital projects will require unanimous Board approval

RAM Impact to Forecast



- ▶ Assumes that all funds in the Internal Savings Account will be used to mitigate deficit
- ▶ With implementation of all RAM initiatives:
 - Deficit is delayed from FY18 to FY20
 - FY20 projected deficit is reduced by 54%



Recommendations

- ▶ Establish Internal Savings Account to capture cost savings and revenues generated from RAM
- ▶ Direct the CEO to implement all RAM initiatives and deposit all cost savings and revenues generated into the Internal Savings Account
- ▶ Direct the CEO to return to the Board on those initiatives requiring policy changes or Board Action before implementing each initiative
- ▶ Approve Internal Savings Account eligible priority uses and withdrawal criteria guidelines



Board Report

File #: 2015-1796, File Type: Policy

Agenda Number: 48.

REVISED
EXECUTIVE MANAGEMENT COMMITTEE
JANUARY 21, 2016

SUBJECT: PERSONNEL MATTER

ACTION: AUTHORIZE CHIEF EXECUTIVE OFFICER TO NEGOTIATE SALARIES AND APPROVE INTERIM PAY

RECOMMENDATION

A. AUTHORIZING the Chief Executive Officer to **negotiate salaries** within the pay range for the following positions:

1. **Chief Planning Officer**, pay grade CC (\$222,476 - \$273,894 - \$325,353)
2. **Executive Director, Vendor/Contract Management**, pay grade BB (\$166,462 - \$208,083 - \$249,704)
3. **Deputy Executive Officer, Goods Movement**, pay grade H1T (\$147,388 - \$184,288 - \$221,166)
4. **Executive Officer, Diversity and Economic Opportunity**, pay grade AA (\$156,832 - \$196,060 - \$235,227)

B. APPROVING interim pay for the **Interim Chief Planning Officer**, retroactive to December 24, 2015.

C. AUTHORIZE the CEO to **negotiate salaries** within the pay range for all executive level positions that have been previously approved by the Board as amended to require Board notification.

DISCUSSION

RATIONALE

1. Negotiate Four Salaries

These key executive positions are responsible for major functional areas of the agency and need to be filled with personnel whose salaries are competitive and reflect the level of their responsibilities and qualifications.

Executive-level recruiting is extremely sensitive and sometimes difficult if the potential candidate is considering leaving current employment. The pay ranges for the executive positions are reviewed by the Metro Board as part of the annual fiscal year budget approval. Delegating authority for salary negotiation to the CEO for these positions, within the Board approved pay ranges, will speed up the process and ameliorate any concerns the potential candidates may have regarding confidentiality.

Chief Planning Officer

The Chief Planning Officer (CPO) leads Metro's planning & programming for all modes of transportation and Real Estate & Joint Development. Under direction of the Chief Executive Officer, the CPO works closely with program and project managers, Board members, elected officials, business, labor and community leaders, environmental advocacy groups and others to develop and direct visionary programs and solutions to meet the mobility needs of Los Angeles County.

Executive Director, Vendor/Contract Management

The Executive Director, Vendor/Contract Management, leads Metro's Procurement department including Procurement, Supply Chain Management, and Client Services.

Deputy Executive Officer, Goods Movement

Last month, the CEO announced the formation of a new Federal Freight Program to be housed within the Countywide Planning Department. The Deputy Executive Officer provides direction in the development of the multimodal freight program and works closely with regional agencies, the State, and federal policy makers to ensure that Metro obtains a fair share of the federal freight funds.

Executive Officer, Diversity and Economic Opportunity

The Executive Officer, Diversity and Economic Opportunity provides executive direction to the overall performance of Metro's Diversity & Economic Opportunity Department in the implementation and administration of the Construction Careers Policy, Project Labor Agreements, Labor Wage Compliance, Contract Compliance, and Small and Disadvantaged Business Programs including Outreach, Certification, and Goal Attainment.

2. Approve Interim Chief Planning Officer Pay

The CPO resigned from Metro effective December 23, 2015. The Chief Executive Officer appointed an interim CPO, effective December 24, 2015, to act in this capacity until a permanent replacement is selected.

In accordance with Metro's compensation policy, temporary pay for an interim appointment in a higher level position is at least 5% above the employee's current salary or the pay range minimum, the greater of the two. The pay range for the CPO position is \$222,476 - \$273,894 -

\$325,353. The Interim CPO's pay would be increased to the pay range minimum. The temporary pay rate would be effective retroactive to December 24, the effective date of the Interim CPO's appointment.

3. Authorize the CEO to Negotiate Salaries within the Pay Range for Executive-Level Positions Previously Approved by the Board

Board approval is required for salaries that exceed \$200,000. The Board has previously approved existing executive level positions for which the salaries exceed \$200,000 as the positions were created. Each time one of these positions is vacated, the CEO returns to the Board to obtain negotiation authority to fill the vacancy. This lengthens the time to fill vacancies and adds redundant activity to the Board agenda, since these positions and the salary ranges for them have previously been approved by the Board. Authorizing the CEO to negotiate salaries for positions with salaries that exceed \$200,000 will enable the CEO to fill vacancies quickly and will help streamline the process by eliminating redundant activity. New job classifications that have not been previously approved by the Board would continue to require Board approval.

FINANCIAL IMPACT

No additional FTEs are being added to the FY16 Budget. All positions are budgeted. All pay ranges are already approved. The Chief Planning Officer is budgeted in cost center 4010 - Countywide Planning and Development in various Planning Projects, as well as one Measure R project. The Executive Director, Vendor/Contract Management is budgeted in cost center 6915 - Chief Administrative Services Officer in project 100001 - General Overhead. The Deputy Executive Officer, Goods Movement is budgeted in cost center 4010 - Countywide Planning and Development in project 405522 - Highway Planning. The Executive Officer, Diversity and Economic Opportunity is budgeted in cost center 2130 - Diversity and Economic Opportunity in project 100001 - General Overhead.

Impact to Budget

The funding sources earmarked for the Chief Planning Officer and Deputy Executive Officer, Goods Movement are Prop A, Prop C, and TDA Administration, State Transportation Improvement Program (STIP), Measure R Administration, and Prop C 25% Streets and Highways. The Executive Director, Vendor/Contract Management and Executive officer, Diversity and Economic Opportunity are both allocated to our General Overhead project. These expenses will be allocated across overhead projects per the overhead allocation provisions set forth in the Federal Cost Allocation Plan approved by the FTA. These funding sources are not allocated to Bus and Rail Operating projects.

ATTACHMENTS

Attachment A - Job Description Chief Planning Officer

Attachment B - Job Description Executive Director Vendor Contract Management

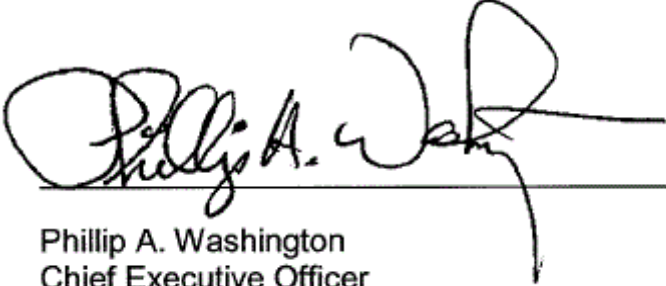
Attachment D - Job Description Deputy Executive Officer Goods Movement

Attachment C - Job Description Executive Officer Diversity Economic Opportunity

Prepared by: Don Ott, Executive Director, Employee and Labor Relations

(213) 922-8864

Reviewed by: Stephanie Wiggins, Deputy Chief Executive Officer
(213) 922-1023



Phillip A. Washington
Chief Executive Officer

Los Angeles County Metropolitan Transportation Authority

Job Class Specification

CHIEF PLANNING OFFICER

Pay Grade HCC

(\$222,476.80 - \$273,894.40 - \$325,353.60)

Basic Function

To lead Metro's planning & programming for all modes of transportation and Real Estate & Joint Development. Under direction of the Chief Executive Officer, works closely with program and project managers, Board members, elected officials, business, labor and community leaders, environmental advocacy groups and others to develop and direct visionary programs and solutions to meet the mobility needs of Los Angeles County.

Classification Characteristics

This classification is exempt/at-will and the incumbent serves at the pleasure of the hiring authority.

Supervised by: Chief Executive Officer

Supervises: Managing Executive Officer, Countywide Planning & Development;
Director, Financial & Administrative Management Services;
Executive Secretary

FLSA: Exempt

Work Environment

In order to achieve the Agency's goals in support of its mission, potential candidates are required to commit and continuously practice and demonstrate the following work values:

- **Safety** – To ensure that our employees, passengers and the general public's safety is always our first consideration.
- **Services Excellence** – To provide safe, clean, reliable, on-time, courteous service for our clients and customers.
- **Workforce Development** – To make Metro a learning organization that attracts, develops, motivates and retains a world-class workforce.
- **Fiscal Responsibility** – To manage every taxpayer and customer-generated dollar as if it were coming from our own pocket.
- **Innovation and Technology** – To actively participate in identifying best practices for continuous improvement.
- **Sustainability** – To reduce, reuse and recycle all internal resources and reduce green house gas emissions.
- **Integrity** – To rely on the professional ethics and honesty of every Metro employee.

CHIEF PLANNING OFFICER

(Continued)

- **Teamwork** – To actively blend our individual talents to achieve world-class performance and service.
- **Civil Rights** – To actively promote compliance with all civil rights statutes, regulations and policies.
- **Community** - To actively engage with the Community as it relates to Metro interest/services.

Examples of Duties

- Directs transportation planning & programming in support of Metro's focus on customer service, value to taxpayers, delivery of programs and projects and innovation.
- Develops strategies to improve mobility and air quality and resolve major transportation issues.
- Directs community oriented joint development projects and new business opportunities, and provides high-level direction on all Metro real estate activity.
- Establishes goals and major priorities for planning & programming and real estate & joint development.
- Implements programs to train and prepare all planning and programming staff to advance professionally.
- Leads staff in inter-departmental and inter-agency collaboration and cooperation.
- Analyzes policies and formulates and presents policy recommendations to the Chief Executive Officer and Metro Board of Directors.
- Manages agenda for Board action on planning, programming, real estate and joint development matters.
- Leads preparation and updating of a long-range transportation plan addressing public transit and paratransit; highways, streets and roads; bicycle and pedestrian facilities; traveler information; traffic management and goods movement.
- Provides for analysis and documentation required to assess environmental impacts and meet requirements of California and federal environmental laws and regulations for all of Metro's programs and projects.
- Works with outside agencies and policy makers to create partnerships and secure support for programs and projects.
- Prepares and maintains forecasts of sources of funding for transportation projects and services.
- Analyses and develops innovative means of financing transportation projects and services.
- Solicits, reviews and recommends actions on funding applications from outside agencies for various programs.
- Manages departments including developing, monitoring and adhering to budget and achieving unit's goals and objectives.
- Contributes to ensuring that the EEO policies and programs of Metro are carried out.

4203

Date Prepared: 8/10/1995

Date Revised: 1/7/2016

CHIEF PLANNING OFFICER
(Continued)

Essential Knowledge and Abilities

Knowledge of:

- Theories, principles, and practices of transportation planning, urban planning, programming, real estate, joint development, and construction.
- Applicable local, state, and federal laws, rules, and regulations.
- Administrative principles and methods, including goal setting, program and budget development and implementation.
- Capital and operating budgets.
- Social, political, and environmental issues influencing transportation programs.
- Public administration.
- Modern management theory.

Ability to:

- Plan, organize, and control the integrated work of a multi-tiered organizational unit in providing transit planning and programming services.
- Develop and implement objectives, policies, procedures, work standards, and internal controls.
- Determine strategies to achieve goals.
- Understand, interpret, and apply laws, rules, regulations, policies, procedures, budgets, and contracts.
- Represent Metro before elected officials and the public.
- Analyze situations, identify problems, implement solutions, and evaluate outcome.
- Prepare comprehensive reports and correspondence.
- Establish and maintain cooperative working relationships.
- Exercise judgment and creativity in making decisions.
- Communicate effectively orally and in writing.
- Interact professionally with various levels of Metro employees, outside representatives, and public officials.
- Read, write, speak, and understand English.

Minimum Qualifications

Potential candidates interested in the CHIEF PLANNING OFFICER position SHOULD meet the following requirements:

- Bachelor's degree - Business, Public Administration, Urban Planning, Transportation Planning, or other related field.
- 8 years' senior management-level experience at the department-head level or above in transportation planning, programming, and project development.
- Valid California Class C driver's license.
- Master's degree in related field desirable.

CHIEF PLANNING OFFICER

(Continued)

Special Conditions

- None.

Disclaimer

This job specification is not to be construed as an exhaustive statement of duties, responsibilities, or requirements. Employees may be required to perform any other job-related instructions as requested by their supervisor.

Los Angeles County Metropolitan Transportation Authority

Job Class Specification

EXECUTIVE DIRECTOR, VENDOR/CONTRACT MANAGEMENT

Pay Grade HBB

(\$ 166,462.40 - \$ 208,083.20 - \$ 249,704.00)

Basic Function

Leads Metro's Procurement department including Procurement, Supply Chain Management, and Client Services.

Classification Characteristics

This classification is exempt/at-will and the incumbent serves at the pleasure of the hiring authority.

Supervised by: Chief Executive Officer

Supervises: Executive Staff

FLSA: Exempt

Work Environment

In order to achieve Metro's goals in support of its mission, potential candidates are required to commit and continuously practice and demonstrate the following work values:

- **Safety** – To ensure that our employees, passengers and the general public's safety is always our first consideration.
- **Service Excellence** – To provide safe, clean, reliable, on-time, courteous service for our clients and customers.
- **Workforce Development** – To make Metro a learning organization that attracts, develops, motivates and retains a world-class workforce.
- **Accountability for Performance and Fiscal Responsibility** – To manage every taxpayer and customer-generated dollar as if it were coming from our own pocket and ensure the highest possible return on investment.
- **Innovation and Technology** – To actively participate in identifying best practices for continuous improvement.
- **Sustainability** – To reduce, reuse and recycle all internal resources and reduce green-house gas emissions.
- **Integrity** – To rely on the professional ethics and honesty of every Metro employee.
- **Teamwork** – To actively blend our individual talents to achieve world-class performance and service.
- **Civil Rights** – To actively promote compliance with all civil rights statutes, regulations and policies.
- **Community** – To actively engage with the Community as it relates to Metro interest/services.

EXECUTIVE DIRECTOR, VENDOR/CONTRACT MANAGEMENT

(Continued)

Examples of Duties

- Leads Metro's Procurement Department including Procurement, Supply Chain Management and Client Services functions
- Establishes goals and major priorities, facilitates and monitors progress, and directs the development of strategies and resolutions to major issues related to Procurement, Supply Chain Management, and Client Services programs
- Provides policy direction to assigned major functional areas, directing the establishment of goals, major priorities, and advising in the development of strategies and resolution of major problems
- Provides advice to the CEO on significant matters and undertakes special projects as directed
- Manages departments including developing, monitoring and adhering to Metro's policies, budget and achieving goals and objectives of reporting units Ensures compliance with outside regulatory agencies and internal programs
- Ensures adequate funding to meet ongoing and project commitments
- Formulates policy recommendations for Metro's Board of Directors, attends Board meetings, presents reports to the Board
- Maintains and updates long-range staffing plans, resource needs, and contingencies to support Metro projects
- Executes agency-wide contracting authority as delegated by the CEO
- Exercises full breadth of authority through contract formation, partnering, administration, resolution of disputes and claims
- Represents Metro at meetings and conferences with public agencies, the private sector, public and corporate officials, and the general public
- Ensures that employees can effectively contribute to the accomplishments of the department's and Authority's goals and objectives
- Directs and manages department's response to annual and ad hoc audit requests; implements audit recommendations, as appropriate
- Recommends cost avoidance procurement methodologies to Project Managers and the CEO when appropriate
- Directs preparation and administration of the department's budget
- Provides for continuous professional development training for all employees
- Consults and advises management staff and the Board of Directors in procurement activities and issues
- Directs the creation and maintenance of an atmosphere which promotes positive human relations and open communications between employees and supervisors
- Leads the development of agency-wide business continuity and emergency management programs and plans
- Contributes to ensuring that the EEO policies and programs of Metro are carried out

4176

Date Originally Created: 11/13/2013

Date Revised: 1/7/2016

EXECUTIVE DIRECTOR, VENDOR/CONTRACT MANAGEMENT
(Continued)

Essential Knowledge and Abilities

Knowledge of:

- Theories, principles, and practices of public procurement processes and supply chain management techniques, concepts, and processes
- Applicable local, state, and federal laws, rules and regulations pertaining to public procurement
- Business computer user applications as applied to contract administration activities
- Effective Project Management skills and techniques

Ability to:

- Ensure key organizational goals, priorities, values and other issues are considered in making program decisions
- Exercise leadership to implement and to ensure that Metro's mission and strategic vision are reflected in the management of its people
- Establish program/policy goals and the structure and processes necessary to implement Metro's mission and strategic vision
- Ensure that programs and policies are being implemented and adjusted as necessary, that the appropriate results are being achieved, and that a process for continually examining the quality of program activities is in place
- Interact professionally, effectively and sensitively with various levels of Metro/PTSC employees and outside representatives
- Acquire and administer financial, material, and information resources to accomplish Metro's mission, support program policy objectives, and promote strategic vision
- Explain, advocate, and negotiate with individuals and groups internally and externally to develop an expansive professional network with other organizations and organizational units
- Read, write, speak, and understand English

Minimum Qualifications

Potential candidates interested in the EXECUTIVE DIRECTOR, VENDOR/CONTRACT MANAGEMENT position SHOULD meet the following requirements:

- Bachelor's degree - Business, Public Administration or other related field
- 8 years' senior management-level experience in transit industry public procurement, supply chain management, or diversity & economic opportunity
- Master's degree in Business Administration, Public Administration or other related field desirable

Special Conditions

- None.

4176

Date Originally Created: 11/13/2013

Date Revised: 1/7/2016

EXECUTIVE DIRECTOR, VENDOR/CONTRACT MANAGEMENT
(Continued)

Disclaimer

This job specification is not to be construed as an exhaustive statement of duties, responsibilities, or requirements. Employees may be required to perform any other job-related instructions as requested by their supervisor.

Los Angeles County Metropolitan Transportation Authority

Job Class Specification

DEPUTY EXECUTIVE OFFICER, GOODS MOVEMENT

Pay Grade H1T

(\$ 147,388.80 - \$ 184,288.00 - \$ 221,166.40)

Basic Function

To direct Metro's mission, goals, and objectives of goods movement including planning, programming, policy and legislative analysis, and capital planning in support of furthering Los Angeles County's strategies and programs. The position is located in Metro's Countywide Planning and Development Strategic Business Unit.

Classification Characteristics

This classification is exempt/at-will and the incumbent serves at the pleasure of the hiring authority.

Supervised by: Chief Planning Officer; Managing Executive Officer, Executive Officer, Countywide Planning & Development

Supervises: Director, Countywide Planning and Development; Transportation Planning Manager I-V; Administrative Aide

FLSA: Exempt

Work Environment

In order to achieve Metro's goals in support of its mission, potential candidates are required to commit and continuously practice and demonstrate the following work values:

- **Safety** – To ensure that our employees, passengers and the general public's safety is always our first consideration.
- **Service Excellence** – To provide safe, clean, reliable, on-time, courteous service for our clients and customers.
- **Workforce Development** – To make Metro a learning organization that attracts, develops, motivates and retains a world-class workforce.
- **Accountability for Performance and Fiscal Responsibility** – To manage every taxpayer and customer-generated dollar as if it were coming from our own pocket and ensure the highest possible return on investment.
- **Innovation and Technology** – To actively participate in identifying best practices for continuous improvement.
- **Sustainability** – To reduce, reuse and recycle all internal resources and reduce green-house gas emissions.
- **Integrity** – To rely on the professional ethics and honesty of every Metro employee.
- **Teamwork** – To actively blend our individual talents to achieve world-class performance and service.

DEPUTY EXECUTIVE OFFICER, GOODS MOVEMENT

(Continued)

- **Civil Rights** – To actively promote compliance with all civil rights statutes, regulations and policies.
- **Community** – To actively engage with the Community as it relates to Metro interest/services.

Examples of Duties

- Assists the Chief Planning Officer/Managing Executive Officer/Executive Officer in directing Metro's multi-modal freight planning and programming; activities establishing goals, priorities, and developing strategies and resolutions; Advises the Chief Planning Officer/Managing Executive Officer/Executive Officer by formulates policy recommendations for consideration by the Metro Board of Directors; implements Board adopted goods movement policies
- Ensure that Metro Board adopted high priority goods movement corridors within Los Angeles County are included in State and Federal Freight Planning documents
- Keeps abreast of Federal and State Goods Movement Policies and funding programs to ensure maximum funding for Los Angeles County
- Works with outside agencies and policy makers to secure support for goods movement programs and projects and create partnerships; chairs and serves as a member of inter-departmental and inter-agency committees
- Reviews unit performance against goals and takes necessary management actions to address deviations
- Coordinates, manages and reviews project applications for goods movement funding programs
- Reviews and comments on Federal, State and Regional legislation and programs impacting or relating to Goods Movement
- Develops goods movement programs, projects, and plans in coordination with other Metro departments and outside agencies
- Monitors capital and operating budgets and adherence to policies and procedures
- Represents Metro at meetings and conferences with public agencies, the private sector, elected officials, and the general public
- Conducts studies, investigations, and analyses; presents oral and written reports of findings and recommendations
- Maintains and updates long-range staffing plans, resource needs, and contingencies to support Metro projects
- Supervises subordinate staff
- Prepares next generation staff
- Develops scopes of work, evaluates consultant proposals and works with procurement on the award of contracts; manages contracts including review and approval of invoices, deliverables, presentation materials, etc.
- Communicates Metro's safety vision and goals; oversees the implementation of agency and departmental safety rules, policies, and procedures; and

Non-Contract: 9928B

Date Originally Created: 1/4/16

Date Revised: 1/4/16

DEPUTY EXECUTIVE OFFICER, GOODS MOVEMENT

(Continued)

- maintains accountability for the safety performance of all subordinate employees
- Contributes to ensuring that the EEO policies and programs of Metro are carried out

Essential Knowledge and Abilities

Knowledge of:

- Theories, principles, and practices of transportation planning, goods movement/freight programs and policies, public administration urban planning, programming
- Applicable local, state, and federal laws, rules, regulations, policies and programs
- Administrative principles and methods, including goal setting, program and budget development and implementation
- Capital and operating budgets
- Social, political, and environmental issues influencing transportation and goods movement/freight programs, modern management theory
- Los Angeles County freight and goods movement industry

Ability to:

- Plan, organize, and manage the integrated work of a major departmental division providing freight multi modal planning, countywide planning, integration of system elements, grants management
- Develop and implement objectives, policies, procedures, work standards, and internal controls
- Determine strategies to achieve goals
- Understand, interpret, and apply laws, rules, regulations, policies, procedures, budgets, contracts, and labor/management agreements
- Represent Metro before elected officials, external partners and the public
- Analyze situations, identify problems, implement solutions, and evaluate outcome
- Prepare comprehensive reports and correspondence
- Establish and maintain cooperative working relationships
- Exercise judgment and creativity in making decisions
- Communicate effectively orally and in writing
- Interact professionally with various levels of Metro employees, outside representatives, and public officials
- Read, write, speak, and understand English

Minimum Qualifications

Potential candidates interested in the DEPUTY EXECUTIVE OFFICER, GOODS MOVEMENT position SHOULD meet the following requirements:

- Bachelor's degree - Business, Public Administration, Urban Planning, Transportation Planning, or other related field

Non-Contract: 9928B

Date Originally Created: 1/4/16

Date Revised: 1/4/16

DEPUTY EXECUTIVE OFFICER, GOODS MOVEMENT

(Continued)

- 8 years' senior management-level experience in transportation planning, programming, public administration or project development
- Valid California Class C driver's license
- Master's degree in related field desirable

Special Conditions

- None.

Disclaimer

This job specification is not to be construed as an exhaustive statement of duties, responsibilities, or requirements. Employees may be required to perform any other job-related instructions as requested by their supervisor.

Non-Contract: 9928B

Date Originally Created: 1/4/16

Date Revised: 1/4/16

Los Angeles County Metropolitan Transportation Authority

Job Class Specification

EXECUTIVE OFFICER, DIVERSITY AND ECONOMIC OPPORTUNITY

Pay Grade HAA

(\$156,832.00 - \$196,060.80 - \$235,227.20)

Basic Function

To provide executive direction to the overall performance of Metro's Diversity & Economic Opportunity Department in the implementation and administration of the Construction Careers Policy, Project Labor Agreements, and Labor Wage Compliance, Contract Compliance, and Small and Disadvantaged Business Programs including Outreach, Certification, and Goal Attainment.

Classification Characteristics

This classification is exempt/at-will and the incumbent serves at the pleasure of the hiring authority.

Supervised by: Executive Director, Vendor/Contract Management

Supervises: DEO, Diversity & Economic Opportunity; Director Of Diversity And Economic Opportunity

FLSA: Exempt

Work Environment

In order to achieve the Agency's goals in support of its mission, potential candidates are required to commit and continuously practice and demonstrate the following work values:

- **Safety** – To ensure that our employees, passengers and the general public's safety is always our first consideration.
- **Services Excellence** – To provide safe, clean, reliable, on-time, courteous service for our clients and customers.
- **Workforce Development** – To make Metro a learning organization that attracts, develops, motivates and retains a world-class workforce.
- **Fiscal Responsibility** – To manage every taxpayer and customer-generated dollar as if it were coming from our own pocket.
- **Innovation and Technology** – To actively participate in identifying best practices for continuous improvement.
- **Sustainability** – To reduce, reuse and recycle all internal resources and reduce green house gas emissions.
- **Integrity** – To rely on the professional ethics and honesty of every Metro employee.
- **Teamwork** – To actively blend our individual talents to achieve world-class performance and service.

EXECUTIVE OFFICER, DIVERSITY AND ECONOMIC OPPORTUNITY

(Continued)

- **Civil Rights** – To actively promote compliance with all civil rights statutes, regulations and policies.
- **Community** - To actively engage with the Community as it relates to Metro interest/services.

Examples of Duties

- Provides overall direction and management in the establishment and development of policies, goals and strategies for Metro's Diversity & Economic Opportunity Department.
- Directs, oversees and manages the implementation and administration of activities for Metro's Diversity & Economic Opportunity, Disadvantaged Business Enterprise, Small Business Enterprise, and Minority and Women Business Enterprise Programs.
- Implements and oversees the Construction Careers Policy and the Construction Project Labor Agreement.
- Oversees the enforcement of Metro's Labor Wage Compliance Program to ensure workers performing on construction projects are paid the appropriate predetermined prevailing wage rate.
- Oversees the implementation of an aggressive Small Business Outreach Program which communicates contracting opportunities and develops methods to facilitate small business participation in all contracting areas.
- Directs the establishment and monitoring of long-range goals, budgets, schedules, and strategies.
- Oversees and reviews all funding for various projects to determine the appropriate application of small business program requirements.
- Provides direction in the oversight of activities of Metro's Transportation Business Advisory Council (TBAC).
- Represents Metro at meetings, conferences, and public events.
- Prepares and presents reports to the CEO, Board of Directors, and management.
- Directs studies, investigations and analyses; presents oral and written reports of findings and recommendations to the CEO/CASO.
- Supervises subordinate staff and fosters an open, professional, team working environment.
- Develops and maintains liaison with federal, state, and local transportation regulatory agencies.
- Communicates Metro's safety vision and goals; oversees the implementation of agency and departmental safety rules, policies, and procedures; and maintains accountability for the safety performance of all subordinate employees.
- Contributes to ensuring that the EEO policies and programs of Metro are carried out.

EXECUTIVE OFFICER, DIVERSITY AND ECONOMIC OPPORTUNITY
(Continued)

Essential Knowledge and Abilities

Knowledge of:

- Theories, principles, and practices of Small Business, Labor Wage Compliance, Outreach, Certification Programs, and Project Labor Agreements.
- Applicable local, state, and federal laws, rules, and regulations governing Small Business, Labor Wage Compliance, Outreach, Certification, and Targeted Hiring Programs.
- Administrative methods, including goal setting, program and budget development and implementation, capital and operating budgets, and funding sources.
- Modern management theory.

Ability to:

- Direct the overall operations of all Diversity and Economic Opportunity Programs.
- Communicate effectively orally and in writing.
- Interact professionally with various levels of Metro employees and outside representatives.
- Represent Metro before the public.
- Prepare comprehensive reports and correspondence.
- Analyze situations, identify problems, recommend solutions, and evaluate outcome.
- Exercise judgment and creativity in making decisions.
- Determine strategies to achieve goals.
- Plan financial and staffing needs.
- Make financial decisions within a budget.
- Establish and implement policies and procedures.
- Compile, analyze, and interpret complex data.
- Understand, interpret, and apply laws, rules, regulations, policies, procedures, contracts, budgets, and labor/management agreements.
- Supervise subordinate staff.
- Read, write, speak, and understand English.

Minimum Qualifications

Potential candidates interested in the EXECUTIVE OFFICER, DIVERSITY AND ECONOMIC OPPORTUNITY position SHOULD meet the following requirements:

- Bachelor's degree - Business, Law, Public Administration, or other related field.
- 8 years' senior management-level experience developing and implementing equal opportunity/small business/labor wage compliance programs.
- Master's degree in related field desirable.

EXECUTIVE OFFICER, DIVERSITY AND ECONOMIC OPPORTUNITY
(Continued)

Special Conditions

- None.

Disclaimer

This job specification is not to be construed as an exhaustive statement of duties, responsibilities, or requirements. Employees may be required to perform any other job-related instructions as requested by their supervisor.

**Board Report**

File #: 2015-1799, **File Type:** Informational Report

Agenda Number: 57.

**EXECUTIVE MANAGEMENT COMMITTEE
JANUARY 21, 2016**

**SUBJECT: UPDATE ON ADVERTISING CONTRACTS AND EXERCISING FINAL CONTRACT
OPTION YEAR WITH OUTFRONT MEDIA**

ACTION: EXERCISE OPTION

RECOMMENDATION

AWARD the third, and final, **one-year option for year 2017 with Outfront Media's revenue-generating bus and rail advertising contracts**; a \$24,000,000 fixed, guaranteed amount of revenue to be received from these agreements by Metro for calendar year 2017.

ISSUE

In January 2015, Metro's Board approved Director Antonovich's Substitute to Director Fasana's Motion 79.1 (Attachment A), directing the CEO to exercise the next one-year option (for Calendar Year 2016) with Outfront Media. And that the Metro Board direct the CEO to provide quarterly updates to the Board on the contract performance of Outfront Media, specifically regarding the contractor's timely implementation of new opportunities (e.g. bike rack advertising space) as described in its January 2015 presentation to the Metro Executive Management Committee.

DISCUSSION

Outfront Media was awarded two related 5-year revenue contracts (PS12714022 License to sell and display advertising on Metro buses, and PS12714023 License to sell and display advertising on Metro Rail system), each inclusive of three 1-year options. The period of performance for the initial term started January 1, 2013, and ends December 31, 2014. In January 2015, Metro's Board approved to exercise the next one-year option, which extends the term of this contract to December 31, 2016.

Metro receives a fixed, guaranteed amount of revenue from these agreements (\$22 million in calendar year 2015 and \$23 million in calendar year 2016) rather than a percentage of actual sales. This method shields Metro's revenue from fluctuations in the advertising industry, and relieves the agency of having a financial stake in the acceptance or rejection of any particular ad. Advertising acceptability is governed by the Content Guidelines in Metro's Board-approved Advertising Policy.

Per direction of the Board, in January 2015, Metro staff and Outfront Media presented their

recommendations for increasing the advertising revenue generated on the Metro system and moved forward with the installation of bike racks on all Metro buses. In 2015 Outfront Media bike rack ad sales have generated \$80,000 in gross sales with Metro receiving \$56,000, which is 70% of revenue generated. Once fully implemented, this program is expected to generate roughly \$400,000 in additional revenue for Metro over and above the current contract.

Option one currently being pursued is the installation of bike rack ad displays

Outfront Media will manufacture and install bike rack ad display panels on all Metro buses. Outfront Media will front the cost of the torsion springs, and the manufacture and installation of the display ad panels. Outfront Media will recover those costs by selling ads on the bike rack displays. Once Outfront Media has been reimbursed for the initial investment, the revenue generated from selling ad space will go to Metro as per the terms of the current contract; and the bike rack ad display installations will become the property of Metro.

In 2015 Outfront Media bike rack sales have generated \$80,000 in gross sales with Metro receiving \$56,000 which is 70% of revenue.

Second recommended option is the installation of 2- sheet ad panels on the Expo, Gold, Blue, and Green Line stations

Currently Outfront Media sells 2- sheet (46" X 60") ad panels that are only installed on the Red / Purple Line. In order to generate additional revenue for Metro, we would like to propose the expansion of up to an additional 200 2- sheet posters to be built on the Expo, Gold, Green, and Blue line stations.

Plan overview:

Select high profile Expo, Gold, Green, and Blue stations to install 200 - 2- sheet ad panels.

All manufacturing and installation costs will be paid by Outfront Media to get the program up and running. Outfront Media will be reimbursed from first revenues generated by the advertising sales of the 2- sheet panels. Once Outfront Media has been reimbursed for the manufacturing and installation of the new ad panels, Metro will own this new asset.

Projected Fabrication and Installation Costs: \$150,000.00

Projected Annual Net Revenues paid to Metro: \$100,000.00

This project will be part of the Innovative Approach clause of the contract with a revenue share of 70% being paid to Metro and is contingent upon Metro approval of the fifth and final option year of the contracts between Metro and Outfront Media.

DETERMINATION OF SAFETY IMPACT

This Board action will have no impact on safety standards for Metro.

FINANCIAL IMPACT

Adoption of third, and final, one-year option would have a net-positive impact on the agency, generating \$24,000,000 in revenue for calendar year 2017, while concurrently providing additional revenue from the Bike Rack program, as well as from sales of the additional 2-sheet ad panels Outfront Media is proposing to install on Metro's expanding rail lines.

Impact to Budget

Adoption of Metro's final one-year option with Outfront Media would generate \$24,000,000 in revenue for the agency, along with additional revenue provided by the Bike Rack program and the 2-sheet ad panels installed on Metro's rail lines.

ALTERNATIVES CONSIDERED

If Outfront Media's final one-year option is not approved, the contract would go out as an RFP in February. Outfront would then be given a 6-month notice in June informing them of the contract's conclusion on December 31st, 2016, and a new vendor would be in place to take over the new contract on January 1, 2017. The Communications/Marketing staff does not recommend this approach, but instead supports executing the third and final option to take advantage of the \$1,000,000 increase (\$23,000,000 in 2016 to \$24,000,000 in 2017) in the contract for 2017 and allow for the build-out of the 2-sheet advertising program on our rail system before we release an RFP in January of 2017, creating more value for Metro's advertising infrastructure. Also, when comparing other, like-size transportation systems (Washington DC, Chicago, Boston), our advertising revenue, comparatively, is in-line with these systems.

NEXT STEPS

Metro staff will continue to monitor trends, projections and other relevant developments in the outdoor advertising industry. Metro staff and Outfront Media will continue to install bike rack ad displays as part of the five phase installation project and Outfront Media will install up to 200 2- sheet posters.

Bike Rack Ad Display Project Update

Phase One - Install Displays on 648 buses will complete December 31, 2015

1. May 18, 2015: Outfront Media orders display panels and mounting hardware for 648 45-foot vehicles; in hand by July 1, 2015. Estimated cost for fabrication and installation borne by Outfront Media: \$97,200 (\$150 x 648)
2. September 1, 2015: Metro installd torsion springs and relocate license plates on 648 buses. Cost for torsion springs and heavy duty bolt kits borne by Outfront Media: \$84,240 (\$130 x 648)

3. September 1, 2015: Outfront Media installed displays on 648 buses during the months of September through December 2015 , after installation of springs were completed. Installations were done.
4. December 31, 2015: 648 bike rack displays available for ad posting.

Phase Two - Install Displays on 500 buses

1. November 1, 2015: Metro identifies the next 500 buses for bike rack ads.
2. December 3, 2015: Outfront Media orders display panels and mounting hardware for 500 vehicles; in hand by January 10, 2016. Cost for fabrication and installation borne by Outfront Media: \$82,500 (\$165 x 500)
3. November 1, 2015: Metro relocates license plates on the next 500 buses identified.
4. January 10, 2016 : Outfront Media installs displays on the next 500 buses identified during the month of November. Installations are done at the rate of 25 per night, five nights per week, 125 per week.
5. February 10, 2016: 1,148 bike rack displays now available for ad posting.

Phase Three - Install Displays on 500 buses

1. January 1, 2016: Metro identifies the next 500 buses for bike rack ads.
2. January 15, 2015: Outfront Media orders display panels and mounting hardware for 500 vehicles; in hand by February 15, 2016. Cost for fabrication and installation borne by Outfront Media: \$82,500 (\$165 x 500)
3. January 15, 2015: Metro installs torsion springs and relocate license plates on the next 500 buses identified. Cost for torsion springs and heavy duty bolts borne by Outfront Media: \$67,500 (\$135 x 500) Note we may not need to install torsion springs on all 500 so the cost may be less.
4. February 15, 2016: Outfront Media installs displays on the next 500 buses identified during the month of February. Installations are done at the rate of 25 per night, five nights per week, 125 per week.
5. March 15, 2016: 1,648 bike rack displays now available for ad posting.

Phase Four - Install Displays on 500 buses

1. February 10, 2016: Metro identifies the next 500 buses for bike rack ads.
2. February 15, 2016: Outfront Media orders display panels and mounting hardware for 500 vehicles; in hand by March 15, 2016. Cost for fabrication and installation borne by Outfront Media: \$82,500 (\$165 x 500)
3. February 15, 2016: Metro installs torsion springs and heavy duty bolts, and relocate license plates on the next 500 buses identified. Cost for torsion springs, and bolts borne by Outfront Media: \$67,500 (\$135 x 500)
4. March 15, 2016: Outfront Media installs displays on the next 500 buses identified during the month of January. Installations are done at the rate of 25 per night, five nights per week, 125 per week.
5. April 15, 2016: 2,148 bike rack displays now available for ad posting.

Phase Five - Install Displays on 52 buses

1. March 10, 2016: Metro identifies the next 52 buses for bike rack ads.
2. March 15, 2016: Outfront Media orders display panels and mounting hardware for 52 vehicles; in hand by April 15, 2016. Cost for fabrication and installation borne by Outfront Media: \$8,580 (\$165 x 52)
3. March 15, 2016: Metro installs torsion springs heavy duty bolts, and relocate license plates on the next 52 buses identified. Cost for torsion springs borne by Outfront Media: \$7,020 (\$135 x 52)
4. April 15, 2016: Outfront Media installs displays on the next 52 buses identified during the month of March. Installations are done at the rate of 25 per night, five nights per week, 125 per week.
5. May 10, 2016: 2,200 bike rack displays now available for ad posting.

2-Sheet Ad Panel Expansion Plan for Rail

1. Once Metro exercises the final contract option year staff will report a timeline and implementation schedule.
2. All manufacturing and installation costs will be paid by Outfront Media, and Outfront Media will be reimbursed from first revenues generated by the advertising sales of the 2-sheet panels. Once Outfront Media has been reimbursed then Metro will own the ad panel structures.
3. Projected Fabrication and Installation Costs: \$150,000.00

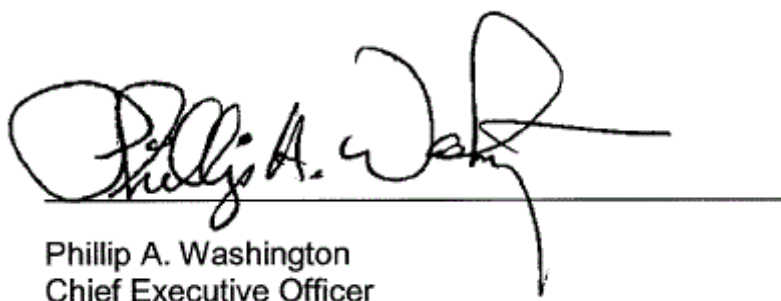
4. Projected Net Revenues paid to Metro: \$100,000.00
5. This will be part of the Innovative Approach clause of the contract with a revenue share of 70% being paid to Metro and contingent upon Metro approval of the fifth option year of the contracts between Metro and Outfront Media.
6. Timeline for implementation
 - a. Lead time planning each station One Month
 - b. Metro approval of each station plan three to four months
 - c. Fabrication time six weeks
 - d. Installation time six weeks

ATTACHMENTS

Attachment A - Motion 79.1

Prepared by: Glen Becerra, Deputy Executive Officer, Communications,
(213) 922-5661

Reviewed by: Pauletta Tonilas, Chief Communications Officer, (213) 922-3777



Phillip A. Washington
Chief Executive Officer

FASANA MOTION January 15, 2015

Since MTA rebid its advertising contract in early 2012 there have been three large transit authorities that have also rebid their contracts with significant increases in revenue to those agencies.

Unlike MTA, all of the three transit authorities have revenue sharing agreements rather than a flat fee contract. They have a “minimum annual guarantee” against a percentage share of the gross revenue. Twenty-three of the twenty-five larger transit properties have revenue sharing agreements.

SEPTA’s previous contract had a total minimum guarantee of \$84.5 million for the term of the contract of 9 years. The new contract beginning in May of 2014 has a total guarantee of \$150 million, on a 5-year, with 2-2year extensions (a total of 9 year)s. A 77% increase.

SEMTA’s previous contract had a guarantee of \$22.1 million on a 5 year contract. Their new contract beginning in July of 2014 has a guarantee of \$28.5 million on a 5 year contract. A 29% increase.

WMATA’s previous guarantee was \$40 million over 5 years. Its new guarantee beginning in January 2014 is \$103 million over 5 years. A 157% increase.

The MTA RFP requested both a minimum annual guarantee and a flat fee contract. MTA chose a flat fee contract for the five year term. CBS had proposed \$110 million. Titan had proposed \$117.25 million. MTA selected CBS and left more than \$7 million on the table.

MTA has completed the first two years of the contract which began in January of 2013 and is began the first of three option years January 1, 2015. The contract calls for the next option year decision to be made in June of 2015.

The advertising market has recovered quite well from the recession. There is still time to test the market by releasing the RFP to determine if there is more revenue to be realized from transit advertising. Based on the healthier economy and the results of four recent bids, it would appear that there is more money to be realized from this contract and MTA should test the market by releasing the RFP with sufficient time for a decision before the next option year determination.

In an effort to ensure that Metro is receiving the maximum revenues from advertising, the Board needs issue an RFP to test the market and determine whether or not to award a new contract in June 2015 or exercise the next option.

I THEREFORE MOVE THAT in an effort to generate the maximum amount of revenue from advertising, staff is directed issue a Request for Proposals for advertising revenues from bus and rail. Staff needs to include information related to potential revenue from a fixed guaranteed revenue option and a revenue sharing option and any other revenue generating opportunities.