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

Agenda - Final

Thursday, September 17, 2026

10:00 AM

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Finance, Budget and Audit Committee

Tim Sandoval, Chair
Katy Yaroslavsky, Vice Chair
Kathryn Barger
Ara J. Najarian
Imelda Padilla
Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the general public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for one (1) minute during this General Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

TECHNOLOGY DISRUPTIONS - Although staff will do their due diligence to restore service, if joining the meeting virtually, please be aware that the Committee or Board may continue its meeting not withstanding a technical disruption that prevents members of the public from attending or observing the meeting via the two-way telephonic service or two-way audio visual platform.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM - The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
d. Any other unlawful interference with the due and orderly course of said meeting.

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Agendas for the Regular MTA Board meetings are prepared by the Board Clerk and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded and is available at https://www.metro.net or on CD's and as

DISCLOSURE OF CONTRIBUTIONS

The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding coming before an agency involving a license, permit, or other entitlement for use including all contracts (other than competitively bid contracts that are required by law, agency policy, or agency rule to be awarded pursuant to a competitive process , labor contracts, personal employment contracts, contracts valued under $50,000, contracts where no party receives financial compensation, contracts between two or more agencies, the periodic review or renewal of development agreements unless there is a material modification or amendment proposed to the agreement, the periodic review or renewal of competitively bid contracts unless there are material modifications or amendments proposed to the agreement that are valued at more than 10 percent of the value of the contract or fifty thousand dollars ($50,000), whichever is less, and modifications of or amendments to any of the foregoing contracts, other than competitively bid contracts), shall disclose on the record of the proceeding any contributions in an amount of more than $500 made within the preceding 12 months by the party, or the party's agent, to any officer of the agency. When a closed corporation is party to, or participant in, such a proceeding, the majority shareholder must make the same disclosure. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 working hours) in advance of the scheduled meeting date. Please telephone (213) 364-2837 or (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.
Requests can also be sent to boardclerk@metro.net.

LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 364-2837 or (213) 922-4600. Live Public Comment Instructions can also be translated if requested 72 hours in advance.
Requests can also be sent to boardclerk@metro.net.

323.466.3876
x2 *Español (Spanish)*
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x4 한국어 *(Korean)*
x5 Tiếng Việt *(Vietnamese)*
x6 日本語 *(Japanese)*
x7 русский *(Russian)*
x8 Հայերէն *(Armenian)*

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Live Public Comment Instructions:

Live public comment can be given by telephone or in-person.

The Meeting begins at 10:00 AM Pacific Time on September 17, 2026; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-978-8818 and enter
English Access Code: 5647249#
Spanish Access Code: 7292892#

Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

Instrucciones para comentarios publicos en vivo:

Los comentarios publicos en vivo se pueden dar por telefono o en persona.

La Reunion de la Junta comienza a las 10:00 AM, hora del Pacifico, el 17 de Septiembre de 2026. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

Marque: 888-978-8818 y ingrese el codigo
Codigo de acceso en ingles: 5647249#
Codigo de acceso en espanol: 7292892#

Los comentarios del público se tomaran cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.
Please include the Item # in your comment and your position of “FOR,” “AGAINST,” "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
Post Office Mail:
Board Administration
One Gateway Plaza
MS: 99-3-1
Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 17, 18, 19, 20, and 21.

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

CONSENT CALENDAR

17. SUBJECT: AMENDMENT TO LEASE AGREEMENT WITH DOWNTOWN PROPERTIES, LLC FOR THE OFFICE OF INSPECTOR GENERAL LOCATED AT 818 WEST 7TH STREET IN LOS ANGELES 2026-0386

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) or their designee to execute Amendment No. 9 to the Lease Agreement with Downtown Properties, LLC ("Lessor"), for the Office of the Inspector General ("OIG") located at 818 West 7th Street in Los Angeles (Attachment A - Location Map), extending the lease term for 65 months (5 years, 5 months), commencing August 1, 2027, at an initial rate of $39,274 per month with 3% annual escalations, for a total of $2,521,267.65 over the 65-month term.

Attachments: Attachment A - Location Map
Attachment B - Deal Points
Presentation

18. SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2025 TO SEPTEMBER 30, 2025 2026-0363

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2025, to September 30, 2025.

Attachments: Attachment A - Final Report on Statutorily Mandated Audit of Misc. Expenses
Presentation

19. **SUBJECT: PHARMACY BENEFIT MANAGEMENT FOR THE WORKERS' COMPENSATION PROGRAM** 2026-0601

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a firm fixed unit rate Contract No. PS134759000 to Matrix Healthcare Services, Inc., dba MyMatrixx, to administer and manage pharmacy benefits, and process and pass through prescription medications for Metro's Workers' Compensation Program (the "Program") in the Not-To-Exceed (NTE) amount of $9,672,000 for the initial three-year base term, $3,256,000 for the first, one-year option, and $3,320,000 for the second, one-year option, for a total NTE amount of $16,248,000, effective October 5, 2026, subject to the resolution of any properly submitted protest(s), if any; and

Attachments: Attachment A - Procurement Summary
Attachment B - DEOD Summary
Presentation

20. **SUBJECT: MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE SELECTION** 2026-0229

RECOMMENDATION

APPROVE the following recommendations for the Measure M Independent Taxpayer Oversight Committee (MMITOC):

A. Jay Gandhi, the recommended nominee for the area of expertise A, a retired federal or state judge; and

B. Daniel Freeman, the recommended nominee for the area of expertise F, a licensed architect or engineer.

Attachments: Attachment A - Committee Membership Requirements
Attachment B - Selection Panel Guidelines
Attachment C - Gandhi Candidate Bio
Attachment D - Freeman Candidate Bio
Presentation

21. SUBJECT: GROUP INSURANCE PLANS 2026-0606

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and American Federation of State, County and Municipal (AFSCME) employees, including long term disability coverage for Teamsters employees, and life insurance for all full-time Los Angeles County Metropolitan Transportation Authority (Metro) employees, for the one-year period beginning January 1, 2027 (Attachment A).

Attachments: Attachment A - Proposed Monthly Premium Rates
Attachment B - Proposed Monthly Employee Contributions
Presentation

NON-CONSENT

22. SUBJECT: METROLINK FISCAL YEAR 2026 CONTINUING RESOLUTION AND FISCAL YEAR 2027 PASSENGER RAIL SUPPORTIVE ACTIONS 2026-0140

RECOMMENDATION

CONSIDER:

A. AUTHORIZING the Chief Executive Officer or their designee to execute Metrolink's second continuing resolution to extend Fiscal Year 2026 (FY26) budget authorization through the second quarter of Fiscal Year 2027 (FY27) until January 1, 2027, and execute all necessary agreements between Metro and the Southern California Regional Rail Authority (SCRRA or Metrolink) based on the continuing resolution;

B. APPROVING additional funding in the amount of up to $365,202 for Metro's share of the San Bernardino Line 25% Fare Reduction Program using Proposition C 10%/Measure M 1% SCRRA dedicated funds and extending the program from June 30, 2025, to June 30, 2030;

C. APPROVING Burbank Airport-South Metrolink station safety improvements using Measure R 3% SCRRA dedicated funds in the amount up to $1.3 million;

D. APPROVING Pomona-Downtown Metrolink station Americans with Disabilities Act (ADA) improvements using Measure R 3% SCRRA dedicated funds in the amount up to $256,720;

E. EXTENDING the lapsing dates for funds previously allocated to SCRRA for 12 State of Good Repair and capital project Memoranda of Understanding (MOU); and

F. RECEIVING AND FILING an update on Metrolink Station Planning and Updates.

Attachments: Attachment A - Riverside Operating Agreement

Presentation

23. SUBJECT: METRO OFFSITE ADVERTISING MOTION 2026-0690

RECOMMENDATION

APPROVE Motion by Yaroslavsky, Bass, Padilla, Mitchell, and Horvath to direct the Chief Executive Officer, in consultation with any relevant County or City of Los Angeles departments, to:

A. Evaluate the feasibility of temporary advertising on construction walls or solid fencing at one Metro-owned property within the City of Los Angeles, including but not limited to the Metro-owned lots on (1) the southwest corner of Wilshire Boulevard and La Brea Avenue; and (2) relevant East San Fernando Valley line parcels. The evaluation should rank candidate sites based on financial feasibility and identify any additional properties that may be well suited for this use;

1. This evaluation should include an estimate of gross advertising revenue, projected net revenue, vendor costs, maintenance costs, permitting costs, enforcement costs to determine whether the program is likely to generate net revenue sufficient to justify implementation. If the analysis shows promise, identify options for dedicating net revenue to Metro priorities such as station maintenance, public safety, graffiti abatement, customer experience, construction mitigation, or service support;

B. Identify all existing policies and regulations related to advertising content, Olympic and Paralympic Games rules, public agency advertising standards, land use approvals, joint development agreements, federal funding requirements, or existing Metro advertising contracts; and

C. Report back in 90 days to the Finance, Budget, and Audit Committee with the findings from the evaluation, and if financially feasible, a proposed pilot framework, including recommended site or sites, legal findings, permitting pathway, revenue projections, maintenance and enforcement plan, community outreach plan, and timeline for implementation.

24. SUBJECT: MANAGEMENT AUDIT SERVICES FY 2026 FOURTH QUARTER AND CUMULATIVE YEAR-END REPORT 2026-0581

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services FY 2026 Fourth Quarter and Cumulative year-end report.

Attachments: Attachment A - FY 2026 Fourth Quarter and Cumulative Year-End Report

Presentation

SUBJECT: GENERAL PUBLIC COMMENT 2026-0665

RECEIVE General Public Comment

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.

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE’S SUBJECT MATTER JURISDICTION

Adjournment

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

File #: 2026-0386, **File Type:** Agreement **Agenda Number:** 17.

FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: AMENDMENT TO LEASE AGREEMENT WITH DOWNTOWN PROPERTIES, LLC FOR THE OFFICE OF INSPECTOR GENERAL LOCATED AT 818 WEST 7TH STREET IN LOS ANGELES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) or their designee to execute Amendment No. 9 to the Lease Agreement with Downtown Properties, LLC (“Lessor”), for the Office of the Inspector General (“OIG”) located at 818 West 7th Street in Los Angeles (Attachment A - Location Map), extending the lease term for 65 months (5 years, 5 months), commencing August 1, 2027, at an initial rate of $39,274 per month with 3% annual escalations, for a total of $2,521,267.65 over the 65-month term.

ISSUE

The current lease term for the OIG office space at 818 West 7th Street in Los Angeles (“OIG Office”) will expire on July 31, 2027, unless the term is extended. The window for Metro to exercise the option to extend the lease commences August 1, 2026, and closes October 31, 2026. Board approval is needed to allow Metro to timely execute the negotiated lease amendment, obtain favorable lease terms, and allow sufficient time for completion of tenant improvements prior to the commencement of the extended term. Both the term and the value of the proposed amendment exceed the delegated authority of the CEO; therefore Board approval is required.

BACKGROUND

The OIG has occupied office space at 818 West 7th Street in Los Angeles since 1998. The original lease was for 55,560 square feet (SF), but has been reduced by approximately 77% during the lease period to the current size of 12,912 SF. The space is used by OIG staff and OIG consultants and is strategically located directly across from the Metro 7th Street/Metro Center Station. The current lease term expires July 31, 2027..

Prior lease amendments include:

- First Amendment to memorialize the commencement date as March 1,1998 and expiration date of February 28, 2003.

- Second Amendment to reduce the footprint to 32,701 SF.
- Third Amendment to extend the term to February 28, 2005
- Fourth Amendment to extend the term to February 28, 2007
- Fifth Amendment to extend the term to February 29, 2012 and reduce the premises to 12,912 SF
- Sixth Amendment to extend the term to February 28, 2017
- Seventh Amendment to extend the term to February 28, 2022
- Eighth Amendment to extend the term through July 31, 2027

DISCUSSION

OIG has a continued need for the OIG Office to provide ongoing independent oversight duties. OIG requires office space separate from Metro Gateway Headquarters to maintain operational independence, confidentiality, and separation from other Metro departments and functions.

The current OIG Office location has adequately served the needs of OIG since 1998. Continuing operations at the existing OIG Office would provide the least disruption to OIG services and avoid relocation, build-out, furniture, fixtures, IT installation, communications, and service interruption costs that would be incurred if OIG relocated to another location.

Staff has negotiated new lease terms effective August 1, 2027, including an initial rental rate of $36.50 per SF, or approximately $39,274 per month, with 3% annual escalations (See Attachment B - Deal Points). After accounting for five months of free rent as negotiated by staff, the effective rental rate is approximately $33.45 per SF. Metro Real Estate conducted a survey of 12 comparable Downtown Los Angeles office buildings which showed rates ranging from $36 to $49 per SF, thereby validating the proposed rental rate.

The proposed Amendment represents approximately 20% savings from the current rental rate, including eliminating operating expense pass-throughs, five months of free rent and an increase in parking from two to six spaces. The table below shows the comparison between the current annual rent compared to the proposed rent:

Annual Rent	Current Rent	Proposed Rent
Base Rent	$523,172	$432,014
Operating Expense Estimate	$24,168	None
Operating Expense Reconciliation	$3,820	None
Total Annual Rent	**$551,160**	**$432,014**

The Lessor will provide tenant improvements for needed upgrades including adding a door for security and replacing the air conditioning unit in the computer room. Also included is an additional allowance of $96,840 for future needs. The existing space also provides access to other amenities in the 818 building that have served Metro management for off-site retreats and meetings at no additional charge.

The term of the Amendment is five years and five months, which was negotiated to incorporate additional rent concessions. The proposed Amendment also includes, at no additional charge, a 24-month first right of refusal for the remainder of the fifth-floor space. This additional space may be beneficial for future Metro security or operational needs due to its direct view of 7th Street and Figueroa station areas.

DETERMINATION OF SAFETY IMPACT

This Board Action will not have an impact on safety standards for Metro operations.

FINANCIAL IMPACT

The proposed Amendment would commence on August 1, 2027 (FY28) and will be included in Project 100002, Cost Center 0651 during the FY28 Annual budget preparation by the Real Estate staff for applicable fiscal years.

The total cost of the proposed lease amendment is $2,521,267.65 over the 65-month term. This amount reflects the negotiated rental rate, 3% annual escalations, and five months of free rent.

Impact to Budget

The funding for the proposed lease is the General Fund, Right of Way. The funding source is eligible for bus and rail operations and capital projects.

The five-year budget impact will be as follows:

Extended Term Rent:				
Period		Rent SF*	Monthly Rent	Annual Rent
Year 1*	8/1/2027 - 7/31/2028	$36.50	$39,274.00	$ 432,014.00
Year 2*	8/1/2028 - 7/31/2029	$37.60	$40,452.22	$ 444,974.42
Year 3*	8/1/2029 - 7/31/2030	$38.72	$41,665.79	$ 458,323.65
Year 4*	8/1/2030 - 7/31/2031	$39.88	$42,915.76	$ 472,073.36
Year 5*	8/1/2031 - 7/31/2032	$41.08	$44,203.23	$ 486,235.56
Year 6	8/1/2032 - 12/31/2032	$42.31	$45,529.33	$ 227,646.65
Total Rent				**$ 2,521,267.65**

*Each year March is rent-free through 2032.

EQUITY PLATFORM

There are no anticipated equity impacts identified as a result of this action. The proposed lease amendment supports the continued operation of OIG, which provides independent oversight and accountability functions for Metro.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as the proposed lease amendment supports the continued operation of OIG, which provides oversight and accountability functions necessary to support Metro's agency-wide operations. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports the Metro strategic plan goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the proposed Ninth Amendment. However, the time and resources required to identify another downtown office location, negotiate a new lease, construct tenant improvements, install communications and IT facilities, and relocate OIG staff would far exceed the cost of remaining in the existing location. This alternative is not cost effective and is not recommended.

There is no available space at Gateway Headquarters that would provide comparable operational separation, confidentiality, and independence for OIG operations.

NEXT STEPS

Upon Board approval, staff will execute the Ninth Amendment to Lease Agreement with Downtown Properties, LLC for the Office of Inspector General located at 818 West 7th Street in Los Angeles, as reviewed and approved by County Counsel.

ATTACHMENTS

Attachment A - Location Map
Attachment B - Deal Points

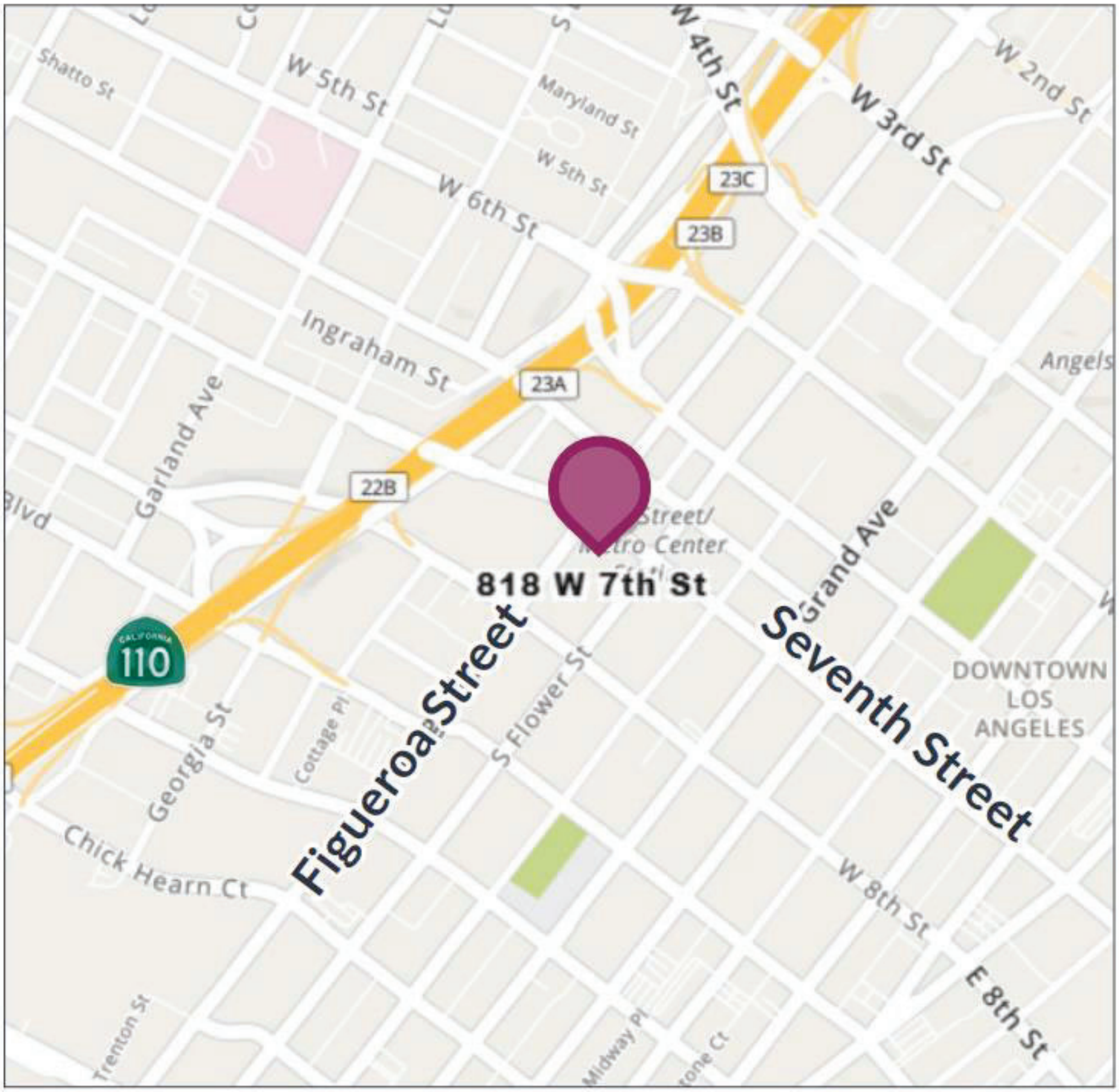
Prepared by: John Beck, Manager, Real Property Management, (213) 922-4435
Craig Justesen, Executive Officer, Real Estate (213) 922-7051
Holly Rockwell, Senior Executive Officer, Real Estate and Transit Oriented Communities, (213) 547-4325
Nicole Ferrara, Deputy Chief Planning Officer, (213) 547-4322

Reviewed by: Ray Sosa, Chief Planning Officer, (213) 547-4274
Karen Gorman, Inspector General, (213) 922-2975

Stephanie Wiggins
Chief Executive Officer

Attachment A – Location Map

Location Map



818 W. 7th Street, Suite 500, Los Angeles

Attachment B – Deal Points

New or renewal	Ninth Amendment to Lease
Landlord/Owner	Downtown Properties, LLC
Location	818 W. 7th Street, Los Angeles
Premises	12,912 square feet of office space
Purpose	Office of the Inspector General.
Commencement and Duration (note any extensions)	65 months commencing August 1, 2027.
Total Cost	The total lease value is $2,521,267.65 over the 65-month term.
Early Termination Clauses	None.
Determination of Lease Value	Survey of current market rental rates of similar buildings.
Background with this Landlord	This will be the ninth transaction with the landlord at this location.
Special Provisions	Five months of free rent (March of each year).

We're supporting thriving communities.

Amendment to Lease Agreement with Downtown Properties, LLC for the Office of Inspector General

Finance, Budget & Audit Committee - September 17, 2026

Legistar File #2026-0386

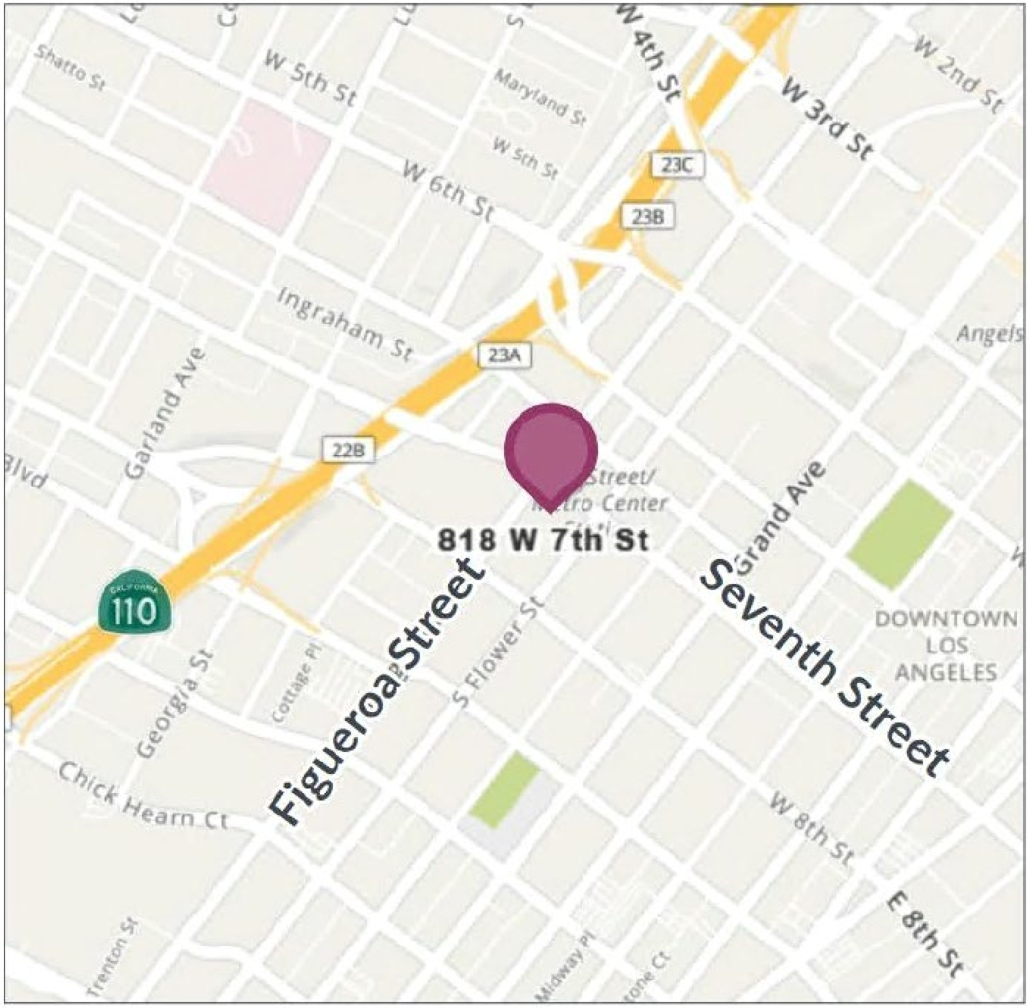
Metro

Recommendation

AUTHORIZE the Chief Executive Officer (CEO) or their designee to execute Amendment No. 9 to the Lease Agreement with Downtown Properties, LLC (“Lessor”), for the Office of the Inspector General (“OIG”) located at 818 West 7th Street in Los Angeles (Attachment A - Location Map), extending the lease term for 65 months (5 years, 5 months), commencing August 1, 2027, at an initial rate of $39,274 per month with 3% annual escalations, for a total of $2,521,267.65 over the 65-month term.

Background

- OIG has occupied office space since 1998.
- Used by OIG staff and OIG consultants.
- Strategically located directly across from the Metro 7th Street/ Metro station.
- The current lease term covers the use of 12,912 SF and expires on July 31, 2027.
- Option to extend the lease for five years and five months commences August 1, 2026 and closes October 31, 2026.



Financial Impact & Next Steps

Approximately 20% savings from the current rental rate as shown below:

Annual Rent	Current Rent	Proposed Rent
Base Rent	$523,172	$432,014
Operating Expense Estimate	$24,168	None
Operating Expense Reconciliation	$3,820	None
Total Annual Rent	**$551,160**	**$432,014**

Total proposed rent schedule as shown below:

Extended Term Rent:				
Period		Rent SF*	Monthly Rent	Annual Rent
Year 1*	8/1/2027 - 7/31/2028	$36.50	$39,274.00	$ 432,014.00
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Year 3*	8/1/2029 - 7/31/2030	$38.72	$41,665.79	$ 458,323.65
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Total Rent				**$ 2,521,267.65**

*Each year March is rent-free through 2032.

Next Steps

Upon Board Approval:

Staff will execute the Amendment to Lease Agreement with Downtown Properties, LLC for the Office of Inspector General located at 818 West 7th Street in Los Angeles, as reviewed and approved by County Counsel.

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

Metro

Board Report

File #: 2026-0363, **File Type:** Informational Report **Agenda Number:** 18.

FINANCE, BUDGET & AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2025 TO SEPTEMBER 30, 2025

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2025, to September 30, 2025.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2025, to September 30, 2025. This audit was performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payments for miscellaneous expenses.

This audit covered a review of Metro miscellaneous expenses for the period of July 1, 2025, to September 30, 2025. For this period, miscellaneous expenses totaled $4,549,821 with 536 transactions. We selected 50 expense transactions totaling $2,752,536 for testing.

This audit also covered a review of international travel expenses for the period of July 1 to September 30, 2025. We identified eight international travelers at a cost of $15,766.

DISCUSSION

FINDINGS

The miscellaneous expenses we reviewed for the quarter of July 1, 2025, to September 30, 2025 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we noted the following issue:

- Clarification needed over mandatory fees associated with travel lodging

OBSERVATIONS

During our review of miscellaneous expenses for the period of July to September 2025, we observed the following:

- Missing receipt associated with a Travel and Business Expense Report (TBE).
- Eight persons traveled internationally at a cost of $15,766. Four employees attended the International Association of Public Transport (UITP) Conference in Hamburg, Germany. One employee attended HR5000 Carshell supplier pre-inspection visits at various supplier facilities in Seoul and Changwon, Korea. Another employee attended the 2025 Women's Transportation Seminar (WTS) International Annual Conference in Toronto, Canada. One employee attended the Smart Cities & Mobility Trade Mission In Helsinki, Finland and surrounding cities. The last employee traveled to Milan, Italy to study the city's preparations for the 2026 Winter Olympics.

RECOMMENDATIONS

We recommend the following:

Chief People Office (Administration Support & Workforce Data)

- Include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.
- Instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.

EQUITY PLATFORM

It is OIG's opinion that there are no equity considerations or impacts resulting from this audit.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it contributes to fiscal responsibility and reports on miscellaneous expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro). The Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency and is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENT

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2025 to September 30, 2025 (Report No. 26-AUD-08)

Prepared by: Dennis Young, Auditor, (213) 244-7326
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Senior Director, Special Projects, (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

Karen Gorman
Inspector General

Attachment A
Legistar File # 2026-0363

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Statutorily Mandated Audit of Miscellaneous Expenses July 1, 2025 to September 30, 2025

Report No. 26-AUD-08

June 5, 2026

Metro

TABLE OF CONTENTS

Los Angeles County
Metropolitan Transportation Authority
Metro

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
213.244.7318 Fax

DATE: June 5, 2026

TO: Metro Board of Directors
Metro Chief Executive Officer

FROM: Yvonne Zheng, Senior Manager, Audit
Office of the Inspector General

Yvonne Zheng

Digitally signed by Yvonne Zheng
Date: 2026.06.05 11:33:22 -07'00'

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2025, to September 30, 2025 (Report No. 26-AUD-08)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1 to September 30, 2025. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and were adequately supported by required documents. However, we noted the following issue with one of the sampled expenses reviewed:

- Clarification needed over mandatory fees associated with travel lodging

OBJECTIVES, METHODOLOGY, AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Program Management, Talent Development, Transit Security, Workforce Services, and Operations; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro's miscellaneous expenses for the period of July 1 to September 30, 2025. For this period, miscellaneous expenses totaled $4,549,821[1] with 536 transactions. We selected fifty (50) expense transactions totaling $2,752,536 for detail testing. Thirty (30) of the expense transactions were randomly selected, six (6) were selected due to their large dollar amounts, six (6) were selected due to their unique nature, and eight (8) were selected to add more samples from account number 50917 (Business Travel). See Attachment A for details.

This audit also covered a review of international travel expenses for the period of July 1 to September 30, 2025. We identified eight (8) employees/board members that traveled internationally at a cost of $15,766.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own respective policies, procedures, or guidelines.

The Accounting Department's Accounts Payable section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

[1] This total does not include transactions that are less than $200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

RESULT OF AUDIT

Our audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted the Business Travel Guidelines Policy (GEN 65) does not address whether mandatory fees associated with travel lodging should be counted towards the daily lodging per diem rates maximum allowance submitted for reimbursement.

During our review, we examined the Travel and Business Expense Report (TBE) submitted in June 2025 by an employee in Inventory Management for travel between June 15-19, 2025. This expense was for attendance in Technical User Forum sessions at a conference in Las Vegas, NV. We noted the expenses for lodging were more than the allowable GSA Daily Lodging Rates for this period and location. When the mandatory resort fee was combined with the daily lodging rate, the total amount exceeded the allowable GSA daily lodging rates. A justification memo for expenses over the allowable rate was not submitted.

Federal Travel Regulation (Bulletin FTR 19-04) issued by the U.S. General Services Administration (GSA) on February 1, 2019 states:

> *Conventional lodging properties, especially those in popular tourist areas, are increasingly charging fees variously termed "resort fees," "amenity fees," "urban destination fees," "facilities fees" and "daily destination fees," among others. Agencies should review these fees and see what they include before authorizing reimbursement, as they can vary from simply covering internet access to including items that may be considered gifts, like tours or tickets. If authorized, these fees can be reimbursed as a miscellaneous expense.* Furthermore, the bulletin states: *Agencies should apply the "prudent person" requirement as outlined in FTR § 301-2.3 in determining reasonability of any fees at both conventional and nonconventional lodging properties.*

Our review of Federal Travel Regulation (Bulletin FTR 19-04) found that certain fees associated with lodging may be treated as miscellaneous travel expenses and reimbursed upon determination that the fees are reasonable. Therefore, these fees may be excluded in the GSA daily lodging rates.

There is currently no specific language on Metro's Business Travel Guidelines (GEN 65) addressing whether such fees should be included in the lodging dollar limit that can be claimed for lodging.

It is important to have clear guidance on whether fees associated with lodging are included in the calculation of the allowable lodging per diem limit because these fees are often unavoidable charges associated with the cost of lodging. Without clear policy language, traveling employees and approving officials may interpret the per diem limit differently, which can lead to inconsistent expense reporting and reimbursement disputes. Clear policy language regarding the treatment of such fees would ensure consistent application of lodging per diem limits, strengthen internal controls, and support compliance with established travel guidelines.

When we inquired with the employee if a justification memo for lodging expenses over the allowable per diem rate was submitted, she said that the hotel reservation was within the GSA lodging dollar threshold and her travel expense report was already approved.

Recommendation:

Chief People Office (Administration Support & Workforce Data)

- Include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.

- Instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.

OBSERVATIONS

1. Missing Receipt on Travel and Business Expense Report (TBE)

During our review, we examined the Travel and Business Expense Report (TBE) submitted in August 2025 by an employee in Program Management for travel between June 9-11, 2025. This expense was for participation in an advisory board at a Sustainability Summit in Chicago, IL. We noticed that supporting documentation for one of the expenses listed on the TBE was not included.

Metro Business Travel Guidelines (GEN 65) 2.1 states:

> *The traveler must submit an electronic, new and completed TA Request with all applicable information and documents required on the Travel Authorization Checklist for each individual trip. LACMTA cannot approve blanket authorization to travel.*

The Administrator will only issue a Travel Authorization Number once a completed TA Request with all required documents has been received with all electronic workflow approvals.

It is important for TBEs to be completed and supported with all required documentation because they ensure compliance with internal policies while also promoting transparency, accountability, and sound internal controls. Proper documentation verifies that expenses were actually incurred, are business-related, and are accurate, which helps prevent fraud, duplicate payments, and misuse of funds. Complete reports also support accurate financial reporting, facilitate timely reimbursement, and protect the employee from questioned or disallowed costs during internal or external reviews.

When we brought this issue to the attention of the employee, he said that this TBE had been reviewed and approved by Workforce Services. When we inquired Workforce Services about this issue, they subsequently provided the receipt for the expense in question. Given the high volume of Travel and Business Expense (TBE) reports processed on a regular basis, it is understandable that occasional instances of missing supporting documentation may occur.

Management should continue to exercise due diligence during the review and approval process to ensure that all required supporting documentation is obtained, verified, and properly retained in accordance with established policies and recordkeeping requirements.

2. International Travel

During our review of miscellaneous expenses for the period of July to September 2025, we identified 8 international travelers at a cost of $15,766.

- Three deputy chief operations officers and a chief operations officer attended the International Association of Public Transport (UITP) Conference in Hamburg, Germany.
- A senior manager attended HR5000 Carshell supplier pre-inspection visits at various supplier facilities in Seoul and Changwon, Korea.
- A senior transportation planner attended the 2025 Women's Transportation Seminar (WTS) International Annual Conference in Toronto, Canada.
- A deputy executive officer attended the Smart Cities & Mobility Trade Mission In Helsinki, Finland and surrounding cities.
- A chief innovation officer traveled to Milan, Italy to study the city's preparations for the 2026 Winter Olympics.

Our review found international travel expenses were charged in accordance with Metro's Business Travel Guidelines (GEN 65).

COMPARISONS WITH PRIOR PERIODS

In the course of our audit, we noted the following when comparing the miscellaneous expenses for prior quarters and fiscal years. Note: All amounts were based on the audit population.

1. Reviewed Quarter (FY26 Q1) versus Prior Quarter (FY25 Q4) Miscellaneous Expenses

Miscellaneous expenses in the reviewed quarter totaled $4,549,821, a 17% decrease in expenses compared to the fourth quarter in FY 2025. This was mainly due to a decrease in advertising and business travel expenses. Account 50999 (MISC – EXPENSES – OTHERS) for this current quarter totaled $3,398,218 and, $3,050,167 for the fourth quarter of last fiscal year resulting in a $348,051 (11%) increase in spending. See Table 1 below.

Table 1: Reviewed Quarter versus Prior Quarter

Account	Jul-Sep 2025	Apr -Jun 2025	Increase (Decrease)
Advertising	$ 423,111	$ 1,295,974	$ (872,862)
Business Meals	126,739	288,963	(162,224)
Business Travel	102,314	391,590	(289,276)
Corporate Membership	313,870	140,108	173,762
Employee Relocation	0	1,655	(1,655)
Employee Activities and Recreation	0	23,042	(23,042)
Professional Membership	9,772	19,052	(9,280)
Seminar and Conference Fee	108,795	207,733	(98,938)
Miscellaneous (50999) *	3,398,218	3,050,167	348,051
Others (Mileage and Parking, etc.)	67,001	35,423	31,578
Total	**$ 4,549,821**	**$ 5,453,707**	**$ (903,886)**
Decrease over prior quarter			**(17%)**

** Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditures for fines and penalties incurred by Metro, books, and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)*

The dollar amounts for July - September 2025 have been rounded to the nearest whole dollar.

2. Reviewed Quarter (FY26 Q1) versus Same Quarter of Prior Year (FY25 Q1) Miscellaneous Expenses

Miscellaneous expenses for the reviewed quarter increased by $1,468,240 or 48% as compared to the same quarter of FY25. This was mainly due to an increase in Account 50999 (Miscellaneous Expenses - Others). See Table 2 below.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Jul-Sep 2025	Jul-Sep 2024	Increase (Decrease)
Advertising	$ 423,111	$1,634,510	$(1,211,399)
Business Meals	126,739	161,931	(35,192)
Business Travel	102,314	139,264	(36,950)
Corporate Membership	313,870	398,633	(84,763)
Employee Relocation	0	0	0
Employee Activities and Recreation	0	0	0
Professional Membership	9,772	18,501	(8,729)
Seminar and Conference Fee	108,795	53,777	55,018
Miscellaneous (50999) *	3,398,218	664,050	2,734,168
Others (Mileage and Parking, etc.)	67,001	10,915	56,086
Total	**$4,549,821**	**$3,081,581**	**$ 1,468,240**
Increase Over Same Quarter of Prior Year			**48%**

3. October 2024 to September 2025 versus October 2023 to September 2024

Miscellaneous expenses for the period October 2024 to September 2025 totaled $14,846,447, a 24% increase from the period October 2023 to September 2024, where expenses totaled $11,962,228. In the fourth quarter of each fiscal year, April to June, Metro's expenses were the highest. (In the fourth quarters of Fiscal Years 2024 and 2025, miscellaneous expenses totaled approximately $4.2 million and $5.5 million respectively. (See Figure 1).

Figure 1: Miscellaneous Expenses per Quarter
October 2024 to September 2025 versus October 2023 to September 2024

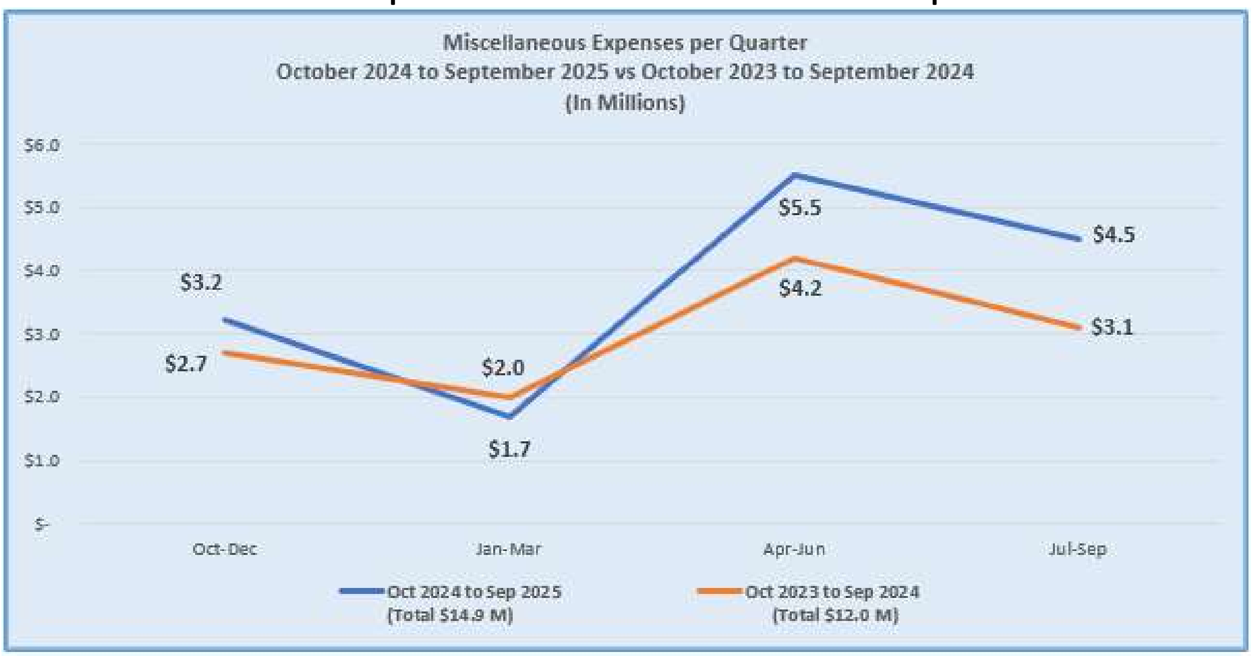
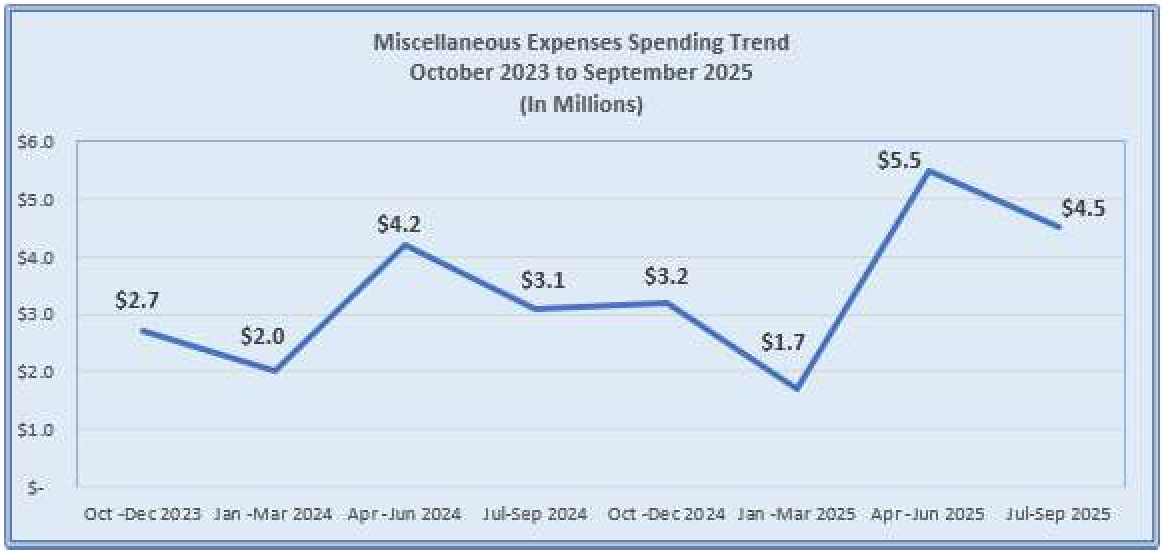


Figure 2 shows the spending trend for miscellaneous expenses for the last two years.

Figure 2: Miscellaneous Expenses Spending Trend
October 2023 to September 2025 (FY24 - FY26)



As noted earlier, miscellaneous expenses were highest during the last quarter of each fiscal year. Part of this increase can be attributed to the accrual of expenses in June of each fiscal year that are charged to the respective years' budget. It is a common practice to exhaust budgeted funds in the 4th quarter of a fiscal year to avoid trailing expenses to the following fiscal period. The decrease in spending this quarter was primarily attributable to reduced expenditures in advertising.

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2025, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found that clarification is needed over mandatory fees associated with travel lodging.

RECOMMENDATION

We recommend:

Chief People Office (Administration Support & Workforce Data)

1. Include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.

2. Instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On May 8, 2026, we provided Metro Management with our draft report. By May 13, 2026, Metro Management submitted their responses summarizing their corrective actions. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSES

Metro Management corrective actions are responsive to the recommendations in this report. In August 2026 we will confirm that language pertaining to mandatory fees has been added to Business Travel Guidelines Policy (GEN 65).

Summary of Samples Expenses Audited

Account	Account Description	Audit Population		Sample Amount
50213	Training Program	$ 58,163		$21,533
50903	Business Meals	126,739		23,028
50905	Corporate Membership	313,870		162,750
50908	Employee Relocation <a>	0		0
50910	Mileage and Parking	8,839		4,152
50912	Professional Membership	9,772		2,352
50914	Schedule Checkers Travel <a>	0		0
50915	Seminar and Conference Fee	108,795		16,422
50917	Business Travel	102,314		18,924
	International Travel			15,766
50918	Advertising	423,111		170,064
50930	Employee Activities & Recreation <a>	0		0
50999	Other Miscellaneous Expenses	3,398,218		2,333,312
	Total	**$4,549,821**	<b>	**$2,752,536**

<a> No expenses incurred for this quarter.

<b> This total does not include transactions that are less than $200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

Chief People Office

Metro Interoffice Memo

Date	May 12, 2026
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Dawn Jackson-Perkins Chief People Officer
Subject	Response to Audit Recommendation in Report No. 26-AUD-08

Thank you for the opportunity to respond to the findings and recommendations in the draft report (Audit Report No. 26-AUD-08, Statutorily Mandated Audit of Miscellaneous Expenses, July 1, 2025, to September 30, 2025). Please see our responses below to the recommendations pertaining to the Chief People Office.

Recommendations

1. Include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.

1. **Response:** Staff concur with the recommendation and will update GEN 65 policy to include recommended language that states "mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging".

   Completion Date: July 31, 2026

2. Instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.

   Response: Staff concur with the recommendation and will communicate during trainings and will include in travel checklist the importance of lodging expenses that may exceed allowable GSA rates may require over lodging approval. Will also clarify that "mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging".

   Completion Date: July 31, 2026

Final Report Distribution

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Inspector General

File# 2026-0363

Office of the Inspector General

Audit of Miscellaneous Expenses July to September 2025

Report No. 26-AUD-08

Presented By:

Karen Gorman

Inspector General

September 17, 2026 | Finance, Budget, and Audit Committee

Los Angeles County Metropolitan Transportation Authority

Objectives

- Expenses charged were proper, reasonable, and in accordance with Metro's policies & procedures

- Expenses had proper approval, receipts, & other supporting documentation

- Policies & Procedures are adequate

Metro

Results of the Audit

Staff generally complied with Metro policies & procedures; however, OIG found the following issues:

- Clarification needed over mandatory fees associated with travel lodging

Management agreed to both OIG recommendations.

Metro

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

File #: 2026-0601, **File Type:** Program **Agenda Number:** 19.

FINANCE, BUDGET, AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: PHARMACY BENEFIT MANAGEMENT FOR THE WORKERS' COMPENSATION PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a firm fixed unit rate Contract No. PS134759000 to Matrix Healthcare Services, Inc., dba MyMatrixx, to administer and manage pharmacy benefits, and process and pass through prescription medications for Metro's Workers' Compensation Program (the "Program") in the Not-To-Exceed (NTE) amount of $9,672,000 for the initial three-year base term, $3,256,000 for the first, one-year option, and $3,320,000 for the second, one-year option, for a total NTE amount of $16,248,000, effective October 5, 2026, subject to the resolution of any properly submitted protest(s), if any; and

ISSUE

Metro does not have an established Pharmacy Benefit Management program to efficiently manage workers' compensation (WC) claims. A dedicated contract is an effective tool to control prescription costs, ensure injured employees receive safe, injury-related medication, and streamline the WC claims management process.

BACKGROUND

Metro's FTE workforce of 12,300 employees reports an average of 1,600 WC claims annually, with approximately 2,400 open claims currently managed. The WC division administers the following California mandated benefits:

- Medical Care - Treatment to help an employee recover from a work-related injury or illness, including physician visits, diagnostic tests, medications, medical equipment, and necessary travel costs.
- Temporary Disability Benefits - Wage-replacement payments for employees who are unable to perform their usual job duties during recovery.
- Permanent Disability Benefits - Payments for employees who do not fully recover from their work-related injury, providing compensation for a measurable permanent loss of physical or mental function.

- Death Benefits - Financial support provided to a deceased employee’s spouse, children, or other dependents when a work-related injury or illness results in fatality.
- Supplemental Job Displacement Benefit - A voucher to assist with retraining or skill enhancement for eligible employees who do not return to work or receive permanent disability benefits.

The WC division, comprising of 35 FTEs, supports employees injured on the job and processes their benefits. The division also provides responsive customer service, processes medical bills promptly, and reviews all incoming legal and medical correspondence in strict compliance with the California Labor Code timelines.

The WC landscape in California continues to evolve, presenting increasing challenges for employers like Metro with large WC programs. These complexities are largely driven by rising costs of litigation, an increase in complex cumulative trauma claims, and significantly higher state regulatory assessments.

To address these challenges, the WC division is committed to enhancing the delivery of WC benefits by adopting industry best practices, such as implementing a PBM program to ensure employee safety, streamline claims management, and contain costs. Implementation of the PBM will improve the current process which lacks a centralized approach to pharmacy management. The existing process falls upon each individual adjuster to approve over the counter medication and submit all others through Utilization Review. Additionally, each adjuster must field pharmacy or injured employee inquiries regarding prescription dispensing.

DISCUSSION

Pharmacy Benefit Managers (PBMs) act as intermediaries between workers' compensation insurers or employers, pharmacies, and drug manufacturers. In California, they manage the prescription drug portion of injury claims by processing payments, enforcing clinical guidelines to ensure medications are tied to the workplace injury, and managing costs. PBMs perform several core functions, including:

- Claim Adjudication - They verify if an injured worker's claim is open and process and pass through real-time billing directly at the pharmacy counter, so the worker does not pay out-of-pocket.
- Clinical Management - They review prescriptions to prevent dangerous drug interactions, monitor against excessive opioid use, and ensure medications align with the diagnosis.
- Formulary Compliance - They enforce statutory rules (like the California Division of Workers’ Compensation Formulary) that dictate which medications are preferred or require prior authorization.
- Network Contracting - They negotiate discounted pricing with a network of retail and mail-order pharmacies.

Staff continues to leverage best practices to enhance the WC program. In FY26, medical costs accounted for 27% of the overall Program costs, of which pharmacy costs are a component. The annual average pharmacy spend from FY22 to FY26 was $1,792,158. Industry benchmarks indicate that PBM partnerships can reduce pharmacy spending by 15% to 25% while improving compliance and safety. These savings are achieved by enforcing state fee schedules, utilizing customized formularies, and intercepting expensive, non-approved drugs before dispensing. Further, the recently signed California Senate Bill 41 requires that 100% of drug manufacturer rebates be passed directly to the payer.

In addition, PBM implementation will significantly streamline the claims management process for Metro's in-house claims staff. By automating real-time pharmacy-counter eligibility verification, managing the entire prior-authorization workflow for non-formulary drugs, and handling direct pharmacy dispute resolutions, the PBM removes highly technical, manual clerical tasks from Metro's internal team. This automation allows Metro's in-house adjusters to redirect their time toward core case management, accelerating overall claim closures.

The five-year NTE pass-through costs for the base term and option periods is estimated based on annual average projections plus claims experience inflation. Annually, Metro averages about 4,800 prescriptions.

DETERMINATION OF SAFETY IMPACT

Receiving timely medical care is critical to injured Metro employees. Approval of this item will support the WC division's ability to administer claims promptly.

FINANCIAL IMPACT

The FY27 Budget includes $2.1 million for the contract and pass-through pharmacy payment in Cost Center 0531, Non-Departmental - Operations Risk Management, under Project 100004, PRMA - Workers' Compensation.

Since this is a multi-year contract, the cost center manager and the Chief Risk, Corporate Safety, and Asset Management Officer will be accountable for budgeting the cost in future years, including any options exercised.

Impact to Budget

The source of funding for this action will come from federal, state, and local funding sources that are eligible for bus and rail operations.

EQUITY PLATFORM

The proposed action supports Metro's ability to safely serve the communities and customers who rely on Metro's transportation services and assets by promoting the use of industry best practices to reduce costs associated with administering Metro's WC program.

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE)/Disabled Veteran Business Enterprise (DVBE) goal for this procurement due to the lack of certified small businesses that perform the required services.

VEHICLE MILES TRAVELED OUTCOME

Vehicle Miles Traveled (VMT) and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides workers' compensation pharmacy services in accordance with State-approved fee schedules and helps reduce medical expenditures. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goals #1), "Provide high-quality mobility options that enable people to spend less time traveling," and #5), "Provide responsive, accountable, and trustworthy governance within the Metro organization." This Board action supports the use of industry best practices that reduce costs associated with the administration of the Program.

ALTERNATIVES CONSIDERED

The Board may elect not to approve the recommendation. This option is not recommended because relying on existing internal process limits Metro's efforts to contain rising Program costs, causes the agency to miss out on significant pharmacy savings through negotiated discounts and fee schedules, fails to capture 100% of drug manufacturer rebates mandated by California law, and results in longer claim closures and limited support for injured employees.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS134759000, with Matrix Healthcare Services, Inc., dba MyMatrixx, to administer and manage pharmacy benefits for Metro's Workers' Compensation Program, effective October 5, 2026.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - DEOD Summary

Prepared by: Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518

Reviewed by: Kenneth Hernandez, Chief Risk, Corporate Safety, and Asset Management Officer, (213) 922-2990
Mat Antonelli, Chief Vendor/Contract Management Officer, (213) 893-7114

Stephanie Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

PHARMACY BENEFIT MANAGEMENT/PS134759000

1.	**Contract Number**: PS134759000	
2.	**Recommended Vendor**: Matrix Healthcare Services, Inc. dba MyMatrixx	
3.	**Type of Procurement (check one):** ☐ **IFB** ☒ **RFP** ☐ **RFP–A&E** ☐ **Non-Competitive** ☐ **Modification** ☐ **Task Order**	
4.	**Procurement Dates**:	
	A. Issued: November 25, 2025	
	B. Advertised/Publicized: November 25, 2025	
	C. Pre-Proposal Conference: December 5, 2025	
	D. Proposals Due: January 12, 2026	
	E. Pre-Qualification Completed: July 29, 2026	
	F. Ethics Declaration Forms submitted to Ethics: January 13, 2026	
	G. Protest Period End Date: September 22, 2026	
5.	**Solicitations Downloaded**: 21	**Bids/Proposals Received**: 4
6.	**Contract Administrator**: Bryan Truong	**Telephone Number**: (213) 922-4241
7.	**Project Manager**: Claudia Castillo del Muro	**Telephone Number**: (213) 922-4518

A. <u>Procurement Background</u>

This Board Action is to approve Contract No. PS134759000 to administer and manage pharmacy benefits for Metro's Workers' Compensation Program. Board approval of contract award is subject to the resolution of any properly submitted protest(s), if any.

On November 25, 2025, Request for Proposals (RFP) No. PS134759 was issued as a competitive procurement in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate. The Diversity & Economic Opportunity Department did not recommend a Small Business Enterprise/Disabled Veteran Business Enterprise (SBE/DVBE) participation goal for this procurement.

Five amendments were issued for this RFP:

- Amendment No. 1, issued on December 12, 2025, revised Exhibit 3, Phase 1 Evaluation, Minimum Qualification Requirements, by removing the required registration with the Department of Managed Health Care, updated LOI 01, Notice of Invitation, to clarify that the period of performance is five years, consisting of a three-year base term and two, one-year options, and revised Section 1.2, Proposal Content of the Submittal Requirements, to align with changes to Exhibit 3.
- Amendment No. 2, issued on December 17, 2025, provided clarification to Exhibit 3, Evaluation Criteria, sub-criteria for Management Plan/Approach, and Section 1.2, Proposal Content of the Submittal Requirements.

- Amendment No. 3, issued on December 19, 2025, corrected the numbering for the Exhibit A, Scope of Services, Deliverables section.
- Amendment No. 4, issued on December 29, 2025, extended the proposal due date from January 5, 2026, to January 12, 2026.
- Amendment No. 5, issued on June 2, 2026, revised Exhibit 2, Schedule of Quantities and Prices, to incorporate new regulatory requirements regarding PBM income and pharmacy reimbursements per Senate Bill 41 (SB 41).

A total of 21 downloads of the RFP were included in the planholders' list. A virtual pre-proposal conference was held on December 5, 2025, and was attended by five participants representing four firms. There were 42 questions received and responses were issued prior to the proposal due date.

A total of four proposals were received by the proposal due date of January 12, 2026, and are listed below in alphabetical order:

1. Enlyte
2. Matrix Healthcare Services, Inc., dba MyMatrixx
3. PMSI, LLC, dba Optum Workers Compensation Services of Florida
4. Prodigy Care Services, LLC

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Risk Management, County Counsel, and Return to Work Departments was convened and conducted a comprehensive technical evaluation of the proposals received.

From January 26, 2026, through June 8, 2026, the PET independently evaluated the proposals based on the following evaluation criteria:

Phase I: Minimum Qualifications Requirements: Proposers must meet the following minimum qualifications requirements at the time of proposal submittal:

A. Proposer must have a minimum of five years of experience providing Pharmacy Benefits Management (PBM) services.

B. The proposed Account Manager must have a minimum of three (3) years of experience within the last five (5) years in implementing and managing Workers Compensation (WC) PBM programs for clients of similar type, size, scope, and complexity as those required in the Scope of Services.

C. Proposed key personnel (i.e. other than the Account Manager) must have three (3) years of direct experience working with California WC Insurers (i.e. insurance carriers), California Self-Administered and/or Self-Insured Employers, and/ or California Public Agencies (that administer their own WC programs).

D. Proposer's computerized systems must meet technology requirements to interface with Metro's Riskonnect iVOS system, including electronic data interchange (EDI) via file transfer protocol (FTP).

E. Must have a 24/7 Customer Help Desk to respond to questions from injured workers, pharmacies, and Metro Claim Representatives which includes outreach for prior authorizations (PAs).

The PET deemed all four proposals met the Phase I Minimum Qualifications Requirements and continued with the Phase II Technical Evaluation based on the following evaluation criteria:

• Qualifications of Proposed Key Personnel	10%
• Qualifications of the Proposer	40%
• Management Plan/Approach	20%
• Price	30%

Several factors were considered when developing these weights, giving the greatest importance to qualifications of the proposer.

On April 23, 2026, the PET determined that all four firms were within the competitive range and were invited to oral presentations to present their team's qualifications, discuss their technical approach, and respond to the PET's questions.

The procurement timeline was extended due to the March 2026 network outage and complex lengthy fact finding discussions with proposers regarding SB 41 pricing impacts and PBM income and pharmacy reimbursement regulations.

At the conclusion of the evaluation process, the PET determined MyMatrixx to be the highest ranked firm.

Qualifications Summary of Firms within the Competitive Range:

<u>Matrix Healthcare Services, Inc. dba MyMatrixx</u>

Matrix Healthcare Services, Inc., dba MyMatrixx, founded in 2001 and headquartered in Tampa, Florida, specializes in providing pharmacy benefit solutions for workers' compensation payers and injured workers. MyMatrixx proposed their privately owned network with retail locations in all 50 states including approximately 97% of all pharmacies nationwide. MyMatrixx's key personnel, with a collective 22 years of experience working with California based Workers Compensation accounts, along with an in-house pharmacy network, brings a comprehensive plan to ensure accessibility, cost savings and compliance to California regulations.

MyMatrixx has provided PBM services for Southern California clients, including County of Los Angeles, Athens Administrators, City of Anaheim, City of Burbank, City of San Diego, County of Riverside, County of San Bernardino, California State Compensation Insurance Fund, Disneyland, and Warner Brothers.

PMSI, LLC, dba Optum Workers Compensation Services of Florida (Optum)

PMSI, LLC, dba Optum Workers Compensation Services of Florida (Optum), was founded in April 2011 and is headquartered in Eden Prairie, Minnesota. Optum is a provider of PBM, medical equipment, settlement services, and clinical solutions designed specifically for the workers' compensation and property and casualty insurance industries.

Optum implemented a PBM system for Florida Department of Financial Services, County of San Diego and Secura Insurance.

Enlyte

Enlyte, founded in 1946, is headquartered in San Diego, California. Enlyte is a provider of integrated pharmacy and cost-containment solutions for the workers' compensation, auto, and disability insurance sectors.

Enlyte has provided PBM services to public entities, transportation organizations, and large self-insured employers across California such as Los Angeles Department of Water and Power, California Insurance Guarantee Association, University of California in Oakland, and Sutter Health.

Prodigy Care Services, LLC

Prodigy Care Services, LLC (Prodigy Care Services), was founded in 2020 and is headquartered in Austin, Texas. It is a healthcare services and technology firm focused on PBM, post-acute care, specialty drug management, and ancillary cost-containment solutions.

Prodigy Care Services has provided PBM services to the City of Los Angeles, City of Huntington Beach and EMC Insurance.

A summary of the PET scores is provided below:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	**MyMatrixx**				
3	Qualifications of Proposed Key Personnel	79.00	10.00%	7.90	
4	Qualifications of the Proposer	95.83	40.00%	38.33	

5	Management Plan/Approach	87.40	20.00%	17.48	
6	Price	100.00	30.00%	30.00	
7	**Total**		**100.00%**	**93.71**	**1**
8	**Optum**				
9	Qualifications of Proposed Key Personnel	75.00	10.00%	7.50	
10	Qualifications of the Proposer	80.43	40.00%	32.17	
11	Management Plan/Approach	79.65	20.00%	15.93	
12	Price	73.33	30.00%	22.00	
13	**Total**		**100.00%**	**77.60**	**2**
14	**Enlyte**				
15	Qualifications of Proposed Key Personnel	69.30	10.00%	6.93	
16	Qualifications of the Proposer	77.93	40.00%	31.17	
17	Management Plan/Approach	76.40	20.00%	15.28	
18	Price	80.17	30.00%	24.05	
19	**Total**		**100.00%**	**77.43**	**3**
20	**Prodigy Care Services, LLC**				
21	Qualifications of Proposed Key Personnel	49.00	10.00%	4.90	
22	Qualifications of the Proposer	64.58	40.00%	25.83	
23	Management Plan/Approach	50.00	20.00%	10.00	
24	Price	77.20	30.00%	23.16	
25	**Total**		**100.00%**	**63.89**	**4**

C. Price Analysis

The proposed rates have been determined to be fair and reasonable based upon a price analysis, technical evaluation, and fact-finding.

Metro will pay the PBM an administrative fee of $29.50 per prescription and will receive discounts ranging from 19.25% to 92.25% on all prescriptions, depending on the type of drug, that are processed and passed through the PBM.

D. Background on Recommended Contractor

MyMatrixx specializes in providing PBM services tailored for workers' compensation claims and injured employees. Its core expertise includes specialized drug utilization reviews, compliance with California state-specific workers' compensation regulations, the capability to provide injured workers with immediate access to medications right after an accident through a vast nationwide pharmacy network, and the use of proprietary software to give adjusters predictive analytics on claim costs, duration, and recovery.

The proposed Account Manager has 19 years of experience serving worker's compensation clients and has managed MyMatrixx's largest California-based accounts for the past five years. The proposed Account Manager also has 14 years of experience working in MyMatrixx's contact center and demonstrated a thorough understanding of operational processes and problem resolution.

DEOD SUMMARY

PHARMACY BENEFIT MANAGEMENT
PS134759000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE)/Disabled Veteran Business Enterprise (DVBE) goal for this procurement due to the lack of certified small businesses that perform the required services. It is expected that Matrix Healthcare Services, Inc., dba MyMatrixx, will perform the services of this contract with its own workforce.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of $2.5 million.

E. Manufacturing Careers Policy

The Manufacturing Careers Policy (MCP) does not apply to this contract. The MCP is required on Metro's Rolling Stock RFPs, with an Independent Cost Estimate of at least $50 million.

PHARMACY BENEFIT MANAGEMENT FOR THE WORKERS' COMPENSATION PROGRAM

Metro

Finance, Budget, and Audit Committee
September 17, 2026

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a firm fixed unit rate Contract No. PS134759000 to Matrix Healthcare Services, Inc., dba MyMatrixx, to administer and manage pharmacy benefits, and process and pass through prescription medications for Metro’s Workers’ Compensation Program (the “Program”) in the Not-To-Exceed (NTE) amount of $9,672,000 for the initial three-year base term, $3,256,000 for the first, one-year option, and $3,320,000 for the second, one-year option, for a total NTE amount of $16,248,000, effective October 5, 2026, subject to the resolution of any properly submitted protest(s), if any; and

Metro

ISSUE

Metro does not have an established Pharmacy Benefit Management (PBM) program to efficiently manage workers' compensation (WC) claims. A dedicated PBM contract is essential to control prescription costs, ensure injured employees receive safe, injury-related medication, and streamline the WC claims management process.

Metro

DISCUSSION

- Pharmacy Benefit Managers (PBMs) act as intermediaries between workers' compensation insurers or employers, pharmacies, and drug manufacturers.
- PBMs perform several core functions, including claims adjudication, clinical management, formulary compliance, and network contracting.
- Metro’s annual average pharmacy spending from FY22 to FY26 was $1,792,158. Industry benchmarks indicate that PBM partnerships can reduce pharmacy spending by 15% to 25% while improving compliance and safety.
- California Senate Bill 41 requires that 100% of drug manufacturer rebates be passed directly to the payer.

Metro

PROCUREMENT EVALUATION

Evaluation Criteria	Max. Points	MyMatrixx	Optum	Enlyte	Prodigy Care Services, LLC
Qualifications of Proposed Key Personnel	10.00	7.90	7.50	6.93	4.90
Qualifications of the Proposer	40.00	38.33	32.17	31.17	25.83
Management Plan/ Approach	20.00	17.48	15.93	15.28	10.00
Price	30.00	30.00	22.00	24.05	23.16
Total Score	**100.00**	**93.71**	**77.60**	**77.43**	**63.89**

DEOD did not establish an SBE/DVBE goal due to the lack of certified small businesses that perform the required services.

Metro

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS134759000, with Matrix Healthcare Services, Inc., dba MyMatrixx, to administer and manage pharmacy benefits for Metro's Workers' Compensation Program, effective October 5, 2026.

Thank You!

Metro®

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

File #: 2026-0229, **File Type:** Appointment **Agenda Number:** 20.

FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE SELECTION

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

APPROVE the following recommendations for the Measure M Independent Taxpayer Oversight Committee (MMITOC):

A. Jay Gandhi, the recommended nominee for the area of expertise A, a retired federal or state judge; and

B. Daniel Freeman, the recommended nominee for the area of expertise F, a licensed architect or engineer.

ISSUE

The MMITOC consists of seven members representing various areas of expertise (Attachment A). Currently, there are two open positions on the MMITOC. This action seeks to fill both vacancies

BACKGROUND

The Measure M Ordinance (Ordinance), approved by voters in November 2016, requires the establishment of a Taxpayer Oversight Committee to provide an enhanced level of accountability for expenditures of sales tax revenues made under the Expenditure Plan. The MMITOC carries out the responsibilities laid out in the Ordinance. It plays a valuable and constructive role in the ongoing improvement and enhancement of project delivery contemplated under the Measure M Ordinance. See Attachment A for committee requirements.

The MMITOC is comprised of seven members representing the following areas of expertise (Attachment A):

A. A retired federal or state judge;
B. A professional from the field of municipal/public finance and/or budgeting with a minimum of 10 years of relevant experience;
C. A transit professional with a minimum of 10 years of experience in senior-level decision

making in transit operations and labor practices;

D. A professional with a minimum of 10 years of experience in management and administration of financial policies, performance measurements, and reviews;

E. A professional with demonstrated experience of 10 years or more in the management of large-scale construction projects;

F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of 10 years of relevant experience; and

G. A regional association of business representative with at least 10 years of senior-level decision making experience in the private sector.

In October 2020, the member representing Expertise A - a retired federal or state judge, resigned. In March 2025, the member representing Expertise F - a licensed architect or engineer, notified staff of her intent to resign once a suitable replacement was identified.

The Ordinance states that the Selection Panel, consisting of Metro's Board Chair, Vice Chair, and Second Vice Chair or their designees, shall select the MMITOC Members for approval (Attachment B). On August 13, 2026, staff presented the eligible candidates for these areas of expertise on the MMITOC to the Selection Panel for their review. The Ethics Officer also conducted a screening of the candidates to ensure compliance with the conflict of interest provisions outlined in the Ordinance.

The Board approves recommended candidates by a simple majority in accordance with the Selection Panel guidelines (Attachment B).

DISCUSSION

There are currently two open positions on the MMITOC. This action aims to fill both of those vacancies: a retired federal or state judge and a licensed architect or engineer.

Metro conducted targeted outreach to fill MMITOC vacancies, including issuing a press release, launching an online application system, and engaging professional associations, judicial officers, and industry-specific professionals. An additional press release was issued in December 2025, and Metro continued to highlight the committee's work and impact through sustained communications and outreach. A promotional video was developed to support ongoing outreach and recruitment for current and future vacancies.

Following this outreach process, candidate applications were evaluated, and staff presented eligible candidates to the Selection Panel for review. The Selection Panel reviewed the candidates' qualifications and recommended the following candidates be approved for the MMITOC.

- **Judge Jay Gandhi**, the recommended nominee for Expertise A (retired federal or state judge). He is a former U.S. Magistrate Judge whose career in the federal judiciary and complex dispute resolution reflects a strong record of impartial oversight and sound judgment. (Attachment C)

- **Daniel J. Freeman,** the recommended nominee for Expertise F (licensed architect or engineer). He is a retired Caltrans Deputy Director with over 30 years of experience in design, engineering, construction, operation, and maintenance of large-scale highway projects. (Attachment D)

This recommendation reflects the Measure M Ordinance's requirement that members have specific professional backgrounds to ensure the Committee benefits from a range of relevant expertise when reviewing the expenditure of Measure M funds. The retired judicial expertise and licensed architect/engineer expertise represented by these positions provide valuable experience in impartial evaluation and technical review of construction and design matters, supporting compliance and integrity in oversight activities. Approval of the staff recommendation will result in a full committee.

DETERMINATION OF SAFETY IMPACT

Approval of this item promotes the safety of Metro's patrons or employees, as the MMITOC regularly reviews funds that support operations.

FINANCIAL IMPACT

Approving the recommended action has no financial impact on the agency.

EQUITY PLATFORM

Responsible and transparent stewardship of taxpayer dollars is an important component of equitable governance. This action will fill vacancies on this oversight committee.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it supports governance and oversight of Measure M investments that fund transit and mobility improvements. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from the highway performance monitoring system data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization, as the MMITOC was established to ensure that Metro and local sub-recipients comply with the terms of the Ordinance.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the recommended nominees for the MMITOC and direct staff to re-solicit applications. This alternative is not recommended, as it would prolong the current vacancies and may affect the Committee's ability to maintain consistent participation and quorum for meetings where important Measure M matters are reviewed.

NEXT STEPS

Upon approval, staff will schedule an orientation session for the selected members.

ATTACHMENTS

Attachment A - Committee Membership Requirements
Attachment B - Selection Panel Guidelines
Attachment C - Gandhi Candidate Bio
Attachment D - Freeman Candidate Bio

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Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101

Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

Measure M Independent Taxpayer Oversight Committee Membership

Requirements:

Committee Members shall be comprised of seven (7) voting members representing the following professions or areas of expertise:

A. A retired Federal or State judge
B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience
C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices
D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews
E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects
F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience
G. A regional association of businesses representative with at least ten (10) years of senior-level decision making experience in the private sector

The intent is to have one member representing each of the specified areas of expertise. If, however, after a good faith effort, qualified individuals have not been identified for one (1) or more of the areas of expertise, then no more than two (2) members from one (1) or more of the remaining areas of expertise may be selected.

The members of the Committee must reside in Los Angeles County and be subject to conflict of interest provisions. No person currently serving as an elected or appointed city, county, special district, state, or federal public officeholder shall be eligible to serve as a member of the Committee.

The Committee members shall be subject to Metro's conflict of interest policies. The members shall have no legal action pending against Metro and are prohibited from acting in any commercial activity directly or indirectly involving Metro, such as being a consultant to Metro or to any party with pending legal actions against Metro during their tenure on this Committee. Committee members shall not have direct commercial interest

Measure M Independent Taxpayer Oversight Committee Membership

or employment with any public or private entity, which receives sales tax funds authorized by this Ordinance.

Each member of the Committee shall serve for a term of five (5) years, and until a successor is appointed, except that initial appointments may be staggered with terms of three (3) years. A Committee member may be removed at any time by the appointing authority. Term limits for Committee members will be staggered to prevent significant turnover at any one time. There is no limit as to the number of terms that a Committee member may serve. Members will be compensated through a stipend and they may choose to waive.

Any member may, at any time, resign from the Committee upon written notice delivered to the Metro Board. Acceptance of any public office, the filing of intent to seek public office, including a filing under California Government Code Section 85200, or change of residence to outside the County shall constitute a Member's automatic resignation.

ATTACHMENT B

Selection Panel Guideline
Measure M Independent Taxpayer Oversight Committee

<u>Independent Taxpayer Oversight Committee Selection</u>

I. Solicitation/Outreach

Metro's Communications Department will be responsible for developing an outreach plan to solicit applicants for the Measure M Independent Taxpayer Oversight Committee which requires the following seven (7) areas of expertise:

A. A retired federal or state judge.
B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience.
C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices.
D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews
E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects.
F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience.
G. A regional association of businesses representative with at least ten (10) years of senior-level decision making experience in the private sector.

Management Audit Services will partner with Information Technology Services and Communications in the maintenance and update of the Independent Taxpayer Oversight Committee Webpage that links to the Measure M website. The Independent Taxpayer Oversight Committee Webpage will include the purpose, responsibilities, membership of the Committee including eligibility requirements as stipulated in the Ordinance, vacancies and recruitment information at a minimum. The website will also include links to the full Ordinance and online application; as well as a centralized email address for applicant inquiries. Inquiries on the application will be forwarded to the respective department or personnel and response time will be within three to five business days.

II. Application Process

Management Audit Services in partnership with various business units within Metro will develop the draft application questions for the Selection Panel's input and approval. Once approved, the questions will be converted to an online application. The online application and bulletin will be approved by the Selection Panel prior to posting on the Independent Taxpayer Oversight Committee Webpage which links to the Measure M website. The application will be open to the public for at least sixty (60) days to allow for adequate outreach.

III. Collection of Applications

Submitted application forms will be collected using the online application process approved by the Selection Panel. At the end of at least the 60 day period of online application process, a summary of applications received together with the completed

Selection Panel Guideline
Measure M Independent Taxpayer Oversight Committee

applications and associated attachments will be turned in to the Selection Panel within seven business days after the online application closes. The summary will include but will not be limited to:

1. Total applicants received including areas of expertise that they applied for,
2. Total applicants that meet the eligibility requirements per area of expertise applied for, and
3. Total applicants that did not meet the eligibility requirements per area of expertise applied for.

IV. Selection Panel's Review of Applications

The Selection Panel, which will consist of Metro's Board Chair, Vice Chair, and second Vice Chair or designees, will be responsible for reviewing applications received from eligible applicants and for screening the applicants. The Panel shall recommend potential candidates for the Independent Taxpayer Oversight Committee membership to the Metro Board for approval. The successful candidates will receive notification from the Selection Panel at least three weeks prior to Metro Board Meeting.

V. Board Approval

Once the Selection Panel recommends the final candidates, it will be added as an agenda item for the Metro Board Meeting. The recommended candidates for Independent Taxpayer Oversight Committee Membership shall be approved by the Metro Board by a simple majority.

VI. Term

Each member of the Independent Taxpayer Oversight Committee shall serve for a term of five (5) years, and until a successor is appointed, except that initial appointments may be staggered with terms of three (3) years. A Committee member may be removed at any time by the appointing authority. Term limits for Committee members will be staggered to prevent significant turnover at any one time. There is no limit as to the number of terms that a Committee member may serve.

Six (6) months prior to expiration of term, the Selection Panel will convene to determine if there is any need to replace any of the Committee members. The Selection Panel will also confirm whether the incumbent Committee members still wish to serve for additional term(s).

VII. Compensation

Members will be compensated through a stipend, the amount of which is approved by the Metro Board. Members may choose to waive stipend.

VIII. Resignation/Replacement of Committee Members

Any member may, at any time, resign from the Committee upon written notice delivered to the Metro Board. Acceptance of any public office, the filing of intent to seek public office,

Selection Panel Guideline
Measure M Independent Taxpayer Oversight Committee

including a filing under California Government Code Section 85200, or change of residence to outside Los Angeles County shall constitute a Member's automatic resignation.

The filling of membership vacancies, due to removals and reappointments will follow the above procedures in this Guideline.

IX. Committee Orientation

Management Audit Services will work with various departments to prepare an orientation handbook and presentation will conduct the orientation at least one month prior to the first scheduled Independent Taxpayer's Oversight Committee.

X. Establishment of Committee Officers and Bylaws

Subsequent to the orientation, the Independent Taxpayer's Oversight Committee may elect to develop their own bylaws including rules for the establishment of Committee Officers (e.g. Chair, Vice Chair, etc.) including a rotation schedule for these positions.

Jay C. Gandhi (Ret.)

Mediator | Arbitrator | Former U.S. Magistrate Judge

Experience

Jay C. Gandhi (Ret.) is a highly experienced mediator and arbitrator with a distinguished career spanning the federal judiciary, complex commercial litigation, and high-stakes dispute resolution. He is widely recognized for his ability to manage and resolve sophisticated matters involving significant financial exposure, institutional stakeholders, and complex legal issues.

Judge Gandhi has overseen and facilitated resolutions in major cases, including billion-dollar class-action settlements involving consumer finance, privacy, environmental, and commercial disputes. His work frequently involves intricate procedural challenges, large groups of stakeholders, and matters requiring careful coordination and strategic negotiation.

Prior to joining private dispute resolution practice, Judge Gandhi served for eight years as a United States Magistrate Judge for the Central District of California. In that role, he presided over a broad spectrum of complex civil litigation, including class actions, multidistrict litigation, intellectual property disputes, business torts, employment matters, and federal statutory claims. He was also deeply involved in the court's Alternative Dispute Resolution program, helping shape the effective use of mediation within the federal system.

Before his judicial appointment, Judge Gandhi spent twelve years as a litigation partner at Paul Hastings LLP, where he represented clients in high-profile commercial litigation in both federal and state courts. His practice included multidistrict litigation, large-scale business disputes, and matters involving substantial reputational and financial risk. His experience as a trial lawyer informs his practical, results-oriented approach to mediation and arbitration.

Judge Gandhi began his legal career clerking for a United States District Judge. He earned his law degree from the University of Southern California Gould School of Law, graduating with Order of the Coif honors.

In addition to his professional work, he has served in various civic and legal leadership roles, including as a settlement monitor in significant public-interest litigation and as an advisor in reform and oversight initiatives. His combined judicial, litigation, and neutral experience provides parties with a balanced, pragmatic perspective focused on resolution and efficiency.

Dan Freeman, PE

30-year Construction Executive | Design-build Project Leader | Structures and Claims Expert

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Experience

A 30-year veteran of Caltrans District 7 where he served in multiple roles as a manager including Deputy Director of the Construction Division, as well as Deputy Director of the Maintenance Division. Mr. Freeman has both broad, high-level management experience, as well as specific hands-on project experience in the design, engineering, construction, operation, and maintenance of large-scale highway projects in Southern California. He excels in coordinating construction projects including preparing and maintaining project budgets and schedules and preparing monthly project reports; reviewing and making recommendations on contractor submittals; and interfacing with various agencies, departments, and consultants to coordinate planning and resolve problems. He has implemented effective claims management techniques from the start of projects through final closeout. He is also a former instructor for the Caltrans Resident Engineers Academy training session that Caltrans uses to train its Resident Engineers. He currently is Disputes Resolution Board Member for over 50 projects.

I-405 Design-Build Widening from I-605 to SR73, OCTA, Caltrans D12 Orange County, CA

Structures Segment Lead. Construction management oversight for Structure work on $2B design-build project. Focus was to ensure that Caltrans requirements were met throughout the life of the project such that turn-over to Caltrans at end of project would not be an issue.

I-5 North Corridor Impact Mitigation Management, METRO, Los Angeles, CA

Construction Impact Mitigation Manager. Single focal point between Metro, Caltrans, and Local Agencies for the implementation of strategies to maintain traffic and reduce the construction related impacts of the $1.2B I-5 North widening project. Working closely with cities and agencies to identify potential traffic mitigation projects, obtain funding for, and implement projects to minimize the impact of corridor construction activities to the adjacent communities.

I-405 HOV Widening Design-Build, Caltrans District 7, Los Angeles, CA

Deputy District Director. Project constructed a HOV lane on I-405 utilizing the design-build concept. Funded by the State and administered by METRO with Caltrans oversight, this ambitious high profile, billion-dollar project was the largest design-build project attempted in Los Angeles County. Oversaw conceptual development of both “Carmageddon” bridge demolition events on the I-405, including traffic control and coordination with various police, fire, and local agencies. Developed contingency plans, reviewed D-B's hourly resource loaded critical path method (CPM) schedule, and coordinated Caltrans and media staff with D-B's staff. Staffed the Emergency Operations Center.

Measure M Independent Taxpayer Oversight Committee – Recruitment

Kimberly Houston
Deputy Chief Auditor

September 17, 2026

Metro
MANAGEMENT
AUDIT SERVICES

Committee Composition

	Area	Member	Start Date	Vacant Date
1.	**Retired Federal / State Judge**	**Vacant**		**October 2020**
2.	Municipal / Public Finance / Budget	J. Soto	July 2025	
3.	Transit (Operations and Labor Practices) Professional	M. Moore	July 2025	
4.	Financial Policies, Performance Measurements and Reviews	R. Campbell	June 2017	
5.	Management of Large-Scale Construction Projects	P. Rajmaira	October 2022	
6.	**Licensed Architect or Engineer**	**V. Tanzmann**	**June 2017**	**Resignation pending new appointment**
7.	Business Representative	L. Briskman	June 2017	

Committee Responsibilities

Reports directly to Metro Board of Directors and the public.

Meet at least (4) times each year to carry out the purposes of the Ordinance.

Responsibilities

Review the annual audits and hold an annual public hearing to report on the results.

Review any proposed debt financing and amendments to the Ordinance, including the Expenditure Plan.

Recommended Applicants

Expertise A - Judge

Judge J. Gandhi

- Retired United States Magistrate Judge for the Central District of California
- Presided over complex civil litigation, including class actions, property disputes, business torts, employment matters, and federal statutory claims
- Currently mediator and arbitrator in a private dispute resolution practice

Expertise F – Licensed Architect/Engineer

D. Freeman

- Retired Caltrans Deputy Director
- 30+ years of high-level management experience
- Hands-on project experience in design, engineering, construction, operation, and maintenance of large-scale highway projects

Next Steps

- Conduct orientation sessions for new committee member(s).
- New member(s) attend first meeting in December 2026.

Thank you.

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

File #: 2026-0606, **File Type:** Contract **Agenda Number:** 21.

FINANCE, BUDGET, AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: GROUP INSURANCE PLANS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and American Federation of State, County and Municipal (AFSCME) employees, including long term disability coverage for Teamsters employees, and life insurance for all full-time Los Angeles County Metropolitan Transportation Authority (Metro) employees, for the one-year period beginning January 1, 2027 (Attachment A).

ISSUE

Existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamsters and life insurance for all full-time Metro employees end on December 31, 2026, and must be renewed on an annual basis. Renewal of the existing group insurance plan coverage for a one-year period must be approved and in effect on January 1, 2027, to provide continuous seamless group insurance coverage for Metro employees.

BACKGROUND

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994 with AFSCME joining in 1996. Metro's health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees with a foundation to maintain or improve their health. The Los Angeles County Metropolitan Transportation Authority, including the Public Transportation Services Corporation (PTSC), seeks to offer benefit plans that promote efficient use of health resources and are cost-effective for the agency and employees. Approximately 98% of eligible employees are covered by Metro's benefit plans.

DISCUSSION

Employees who work 30 hours per week or more are eligible to enroll in a medical plan and other benefits. On an annual basis, employees are encouraged to review their enrollment and may choose medical, dental, vision, supplemental life, long-term disability, and accidental death and dismemberment plans that meet their needs. Alternatively, employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit, provided proof of other medical coverage is submitted and the employee does not obtain subsidized coverage from an exchange. Employees may also participate in flexible spending accounts, a vehicle to pay for certain out-of-pocket healthcare and dependent care expenses on a pre-tax basis. New employees are provided with an orientation session and assistance in enrolling in their selected plan(s). Additionally, existing employees are also provided with information and outreach to assist them in making informed decisions or changes to their plan selections.

The overall group insurance premium cost will increase by 6.3% for calendar year 2027. Factors contributing to the additional premium costs include an increased number of high-dollar medical claims and the impact of inflation. The Delta Dental PPO/HMO, VSP and Long-Term Disability plans did not have a rate increase and will keep their current rates until January 1, 2028.

The recommended medical, dental, and vision premiums are shown on Attachment A. Non-Contract and AFSCME participants contribute 10% of the actual premium for each medical and dental plan selected. The monthly employee contributions are shown in Attachment B.

DETERMINATION OF SAFETY IMPACT

Approval of this item will positively impact the safety of our workforce. Metro’s group insurance plans offer employees cost-effective and efficient access to health resources, ultimately contributing to their overall health and wellness.

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans, along with life insurance for all full-time Metro employees and long-term disability plans for Teamsters employees, is included in each department’s FY27 budget and on the balance sheet for accrued retiree medical liabilities. Based on current employee participation by plan, estimated group insurance of $45.6M are within the FY27 adopted budget. Remaining costs will be budgeted through the annual budget process, as group insurance expenses are incurred on a calendar-year basis. These costs are allocated to departments based on budgeted FTEs.

Impact to Budget

Sources of funds will parallel the projects charged by full-time equivalent staff agency wide and will include operating and capital eligible funds encompassing sales tax, fares, federal, state and local funds.

EQUITY PLATFORM

Approximately 98% of Metro employees receive benefits under Metro's health plans. The Pension and Benefits department is committed to ensuring that employees have access to information and resources regarding group insurance plans and alternative healthcare options available. References are provided in the Benefits Enrollment Guide for CoveredCA.com <http://coveredca.com/> and Healthcare.gov <http://healthcare.gov/> and staff provide additional guidance on an individual basis as requested. Additionally, annual open enrollment training sessions are offered both in-person and online to ensure employees have the information they need to make informed decisions for continuous healthcare coverage. Employees may also access informational materials and forms online and are welcome to call the Pension and Benefits Department directly to receive personalized assistance. These efforts help promote equity and inclusion by ensuring that employees have direct access to information, understand, and utilize their healthcare benefits effectively.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as Metro AFSCME and Non-Contract employees play an important role in the delivery of reliable, multi-modal transit service throughout Los Angeles County. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #5 "Provide responsive, accountable, and trustworthy governance within the LA Metro organization." The responsible administration of Metro's Group Insurance Policies promotes efficient use of health resources and are cost effective for the agency and its employees.

ALTERNATIVES CONSIDERED

The Board could decide to self-insure and self-administer health benefits. However, this is not recommended due to the resources required to establish the medical expertise and operational infrastructure required to review and process claims, as well as the liability that would be assumed.

NEXT STEPS

Metro will hold annual open enrollment for Non-Contract and AFSCME employees during November 2026 and implement benefit elections effective January 1, 2027.

ATTACHMENTS

Attachment A - Proposed Monthly Premium Rates

Attachment B - Proposed Monthly Employee Contributions

Prepared by: Nancy Saravia, Deputy Executive Officer, Administration, (213) 922-1217
Don Howey, Senior Executive Officer, Special Programs, (213) 922-8867

Reviewed by: Dawn Jackson-Perkins, Chief People Officer, (213) 418-3166

Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

Proposed Monthly Premium Rates

Provider	Coverage Option	CY 2026	CY 2027	%Change	Est # of Employees (1/1/27)
Anthem (PPO)	Single	$1,639.48	$1,834.57	11.9%	312
	Couple	$3,300.20	$3,692.93	11.9%	252
	Family	$4,426.49	$4,953.24	11.9%	367
Anthem (HMO)	Single	$1,005.76	$1,125.45	11.9%	107
	Couple	$2,112.07	$2,363.41	11.9%	95
	Family	$3,017.00	$3,376.02	11.9%	145
Kaiser (HMO)	Single	$969.71	$971.72	0.2%	736
	Couple	$1,939.42	$1,943.44	0.2%	257
	Family	$2,744.28	$2,749.97	0.2%	648
Delta Dental (PPO)	Single	$65.46	$65.62	0.2%	849
	Couple	$113.76	$114.04	0.2%	744
	Family	$170.94	$171.37	0.2%	936
DeltaCare (DHMO)	Single	$20.21	$20.21	0.0%	81
	Couple	$36.71	$36.71	0.0%	44
	Family	$54.32	$54.32	0.0%	69
Dental Health Services (DHMO)	Single	$20.15	$20.65	2.4%	49
	Couple	$39.05	$40.02	2.4%	24
	Family	$58.90	$60.37	2.4%	76
Vision Service Plan	Single	$11.25	$11.44	1.7%	388
	Couple	$16.27	$16.54	1.7%	428
	Family	$29.15	$29.64	1.7%	525
Voluntary Waiver of Coverage:*					
Medical		$304.00			250
Dental		$44.00			125

* Waiver of Medical coverage requires proof of alternative coverage.

ATTACHMENT B

Proposed Monthly Employee Contributions

Provider	Coverage Option	NC & AFSCME Employee Contribution (Current)	NC & AFSCME Employee Contribution (Proposed) Effective 1/1/27	Change
Blue Cross (PPO)	Single	$164.00	$183.00	$19.00
	Couple	$330.00	$369.00	$39.00
	Family	$443.00	$495.00	$52.00
Blue Cross (HMO)	Single	$101.00	$113.00	$12.00
	Couple	$211.00	$236.00	$25.00
	Family	$302.00	$338.00	$36.00
Kaiser (HMO)	Single	$97.00	$97.00	$0.00
	Couple	$194.00	$194.00	$0.00
	Family	$274.00	$275.00	$1.00
Delta Dental (PPO)	Single	$7.00	$7.00	$0.00
	Couple	$11.00	$11.00	$0.00
	Family	$17.00	$17.00	$0.00
DeltaCare (DHMO)	Single	$2.00	$2.00	$0.00
	Couple	$4.00	$4.00	$0.00
	Family	$5.00	$5.00	$0.00
Dental Health Services (DHMO)	Single	$2.00	$2.00	$0.00
	Couple	$4.00	$4.00	$0.00
	Family	$6.00	$6.00	$0.00
Vision Service Plan	Single	$1.00	$1.00	$0.00
	Couple	$2.00	$2.00	$0.00
	Family	$3.00	$3.00	$0.00

Non-Contract and AFSCME Employees contribute 10% (rounded to whole dollar) towards their individually selected plan's medical and dental premiums.

Group Insurance Plans

Metro

Finance Budget & Audit Committee
September 17, 2026

Background

- Existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamsters and life insurance for all full-time Metro employees, end on December 31, 2026, and must be renewed on an annual basis

- Renewal of the existing group insurance plan coverage, for a one-year period must be approved and in effect on January 1, 2027, to provide seamless group insurance coverage for Metro employees

- Approximately 98% of employees are covered by Metro's benefit plans

- Metro's health insurance plans are part of the total compensation package that helps attract and retain qualified employees

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Discussion

- Employees who work 30+ hours are eligible to enroll in a medical plan and other benefits

- The overall health and dental premium cost will increase by 6.3% for calendar year 2027

- Factors contributing to additional premium costs include:
  - ✓ Increased number of high-dollar medical claims
  - ✓ Impact of inflation

- Non-Contract and AFSCME employees contribute 10% of the actual premium for each medical and dental plan selected

- The life insurance for all full-time employees and long-term disability plans for Teamsters employee rates are guaranteed until January 1, 2028

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Staff Recommendation

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and American Federation of State, County and Municipal (AFSCME) employees, including long term disability coverage for Teamsters employees, and life insurance for all full-time Los Angeles County Metropolitan Transportation Authority (Metro) employees, for the one-year period beginning January 1, 2027.

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

File #: 2026-0140, **File Type:** Budget **Agenda Number:** 22.

FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: METROLINK FISCAL YEAR 2026 CONTINUING RESOLUTION AND FISCAL YEAR 2027 PASSENGER RAIL SUPPORTIVE ACTIONS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. AUTHORIZING the Chief Executive Officer or their designee to execute Metrolink's second continuing resolution to extend Fiscal Year 2026 (FY26) budget authorization through the second quarter of Fiscal Year 2027 (FY27) until January 1, 2027, and execute all necessary agreements between Metro and the Southern California Regional Rail Authority (SCRRA or Metrolink) based on the continuing resolution;

B. APPROVING additional funding in the amount of up to $365,202 for Metro's share of the San Bernardino Line 25% Fare Reduction Program using Proposition C 10%/Measure M 1% SCRRA dedicated funds and extending the program from June 30, 2025, to June 30, 2030;

C. APPROVING Burbank Airport-South Metrolink station safety improvements using Measure R 3% SCRRA dedicated funds in the amount up to $1.3 million;

D. APPROVING Pomona-Downtown Metrolink station Americans with Disabilities Act (ADA) improvements using Measure R 3% SCRRA dedicated funds in the amount up to $256,720;

E. EXTENDING the lapsing dates for funds previously allocated to SCRRA for 12 State of Good Repair and capital project Memoranda of Understanding (MOU); and

F. RECEIVING AND FILING an update on Metrolink Station Planning and Updates.

ISSUE

The Southern California Regional Rail Authority (SCRRA) is a Joint Powers Authority (JPA) comprising Metro and four adjacent counties (Orange, Riverside, San Bernardino, and Ventura) as member agencies and operates the Metrolink commuter rail service. Metro provides the majority of the member-agency subsidy that SCRRA uses in its annual budget, which comprises Metrolink Operations, SGR, and New Capital projects. The JPA requires each member agency to approve their share of the SCRRA budget annually prior to SCRRA adopting its annual budget. Pursuant to the terms of the JPA, SCRRA is required to transmit the Metrolink budget to the member agencies by May 1st.

SCRRA has delayed the transmission of its FY27 budget to the JPA Member Agencies. At Metrolink's request, the Board approved <https://boardagendas.metro.net/board-report/2026-0209/> a three-month continuing resolution at its May 2026 Board meeting, extending budget authority through October 1, 2026, to allow additional time for budget development and service planning. As the FY27 budget development remains unresolved, SCRRA is now requesting a second three-month continuing resolution through December 31, 2026, to continue operations while finalizing the budget.

Independent of the FY27 budget development delays, several Metrolink-related items require Board consideration at this time, including providing additional funding to extend the San Bernardino Line 25% Fare Reduction Program through FY30 and programming funding for various Metro-obligated safety and ADA improvements at Metrolink stations. This report also provides an update on the progress made on several new Metrolink station projects.

BACKGROUND

SCRRA operates the Metrolink commuter rail system, providing service throughout Los Angeles County and the neighboring counties of Orange, Riverside, San Bernardino, Ventura, and northern San Diego. Metrolink also connects with the Los Angeles-San Diego-San Luis Obispo (LOSSAN) intercity rail corridor, operated by Amtrak, and will ultimately provide direct connections to the future statewide high-speed rail network being developed by the California High Speed Rail Authority, Brightline West, and High Desert Corridor JPA. Union Station serves as the key transfer hub among Metrolink, LOSSAN, and Metro Rail services. In addition to Union Station, the Metrolink system also connects directly to the Cal State LA (J Line) Station, the Chatsworth (G Line) Station, and the Pomona-North (A Line) Station, with future Metro Rail station connections planned in Van Nuys and Pacoima.

Metro funds the Metrolink operating budget through Proposition C 10% and Measure M 1%, both dedicated funding sources for commuter rail.

Metrolink's operating budgets post-COVID have increasingly relied on member agency operating subsidies to backfill reduced fare revenue generation needed to support the system's increased costs and expansion. In FY19, Metrolink's farebox recovery ratio was 34%; in FY25, it dropped to 14%. Fare revenues depend on ridership levels, and strong ridership depends on reliable service and on-time performance. Metrolink's ongoing mechanical failures and ineffective management and procurement of parts and materials have undermined efforts to increase ridership and revenue recovery post-pandemic. In March 2026, Metrolink took emergency action to reduce its FY26 service level by approximately 20% due to these mechanical failures. In May 2025, the SCRRA CEO announced that this temporary action would be made permanent. The chronic mechanical failures have persisted into the first quarter of FY27.

On July 18, 2026, SCRRA submitted its first FY27 written budget proposal to the member agencies, reflecting this continued reduced level of service, for review. The proposed budget did not meet the funding targets established by either Metro or OCTA. SCRRA's proposed $149.3 million subsidy request from Metro was $12.1 million more than Metro's stated subsidy target of $137.2 million.

DISCUSSION

RECOMMENDATION A

Second Continuing Resolution to Extend Budget Authorization

At the request of SCRRA, Metro staff recommend that the Board approve a second FY26 continuing resolution through January 1, 2027, to provide SCRRA with additional time to develop a revised FY27 budget and service plan that aligns with the protocol of consensus among all of the member agencies.

RECOMMENDATION B

San Bernardino Line 25% Discount Program Extension

In April 2018 <https://metro.legistar.com/ViewReport.ashx?M=R&N=TextL5&GID=557&ID=4831&GUID=LATEST&Title=Board+Report> and May 2019 <https://boardagendas.metro.net/board-report/2019-0228/>, the Board approved $4,190,969 to support the San Bernardino Line (SBL) 25% Fare Reduction 12-month pilot program, which was developed in collaboration with the San Bernardino County Transportation Authority (SBCTA). Upon reviewing and analyzing the program's performance, staff recommend extending the program through June 30, 2030, at which time the program is projected to reach its breakeven point.

To cover anticipated expenditures from July 1, 2025, through June 30, 2030, staff request approval for an additional $365,202. This would increase the total program costs from $4,690,969 to $5,056,171.

RECOMMENDATION C

Burbank Airport - South Metrolink Station Safety Improvements
The Metrolink Burbank Airport - South Station was transferred from the State of California to Metro several years ago and is now Metro-owned. Prior to the transfer, a maintenance agreement was in place with the state and LOSSAN. Following the ownership transfer, Mero assumed responsibility for station maintenance and identified several safety and capital improvements.

Given that the station serves multiple rail operators-including UPRR, LOSSAN, and Metrolink-and directly serves the Hollywood Burbank Airport, the city of Burbank has expressed interest in assuming maintenance responsibilities. This interest is contingent upon Metro completing specified safety and state-of-good-repair improvements, as the city is not willing to accept the station in its current condition.

Metrolink recently conducted a site inspection and developed a cost estimate to address the required safety improvements. Staff recommend approval of these improvements to enable Metro to initiate negotiations with the city of Burbank for a Construction and Maintenance (C&M) Agreement under which the city would assume ongoing maintenance responsibilities.

The estimated cost to bring the station into a state of good repair is $1.3 million, to be funded with Measure R 3% funds dedicated to commuter rail capital uses.

RECOMMENDATION D

Pomona-Downtown Metrolink Station ADA Improvements

The Pomona-Downtown Metrolink station serves the San Gabriel Valley's most populous city on the Metrolink Riverside Line that runs between downtown Riverside and Union Station. Metro is responsible for making passenger rail station-related improvements on the Metrolink Riverside Line in Los Angeles County, per Section 4c of the Riverside Operating Agreement (see Attachment A).

In February 2022, the city of Pomona secured a contractor to address the US Department of Justice (DOJ) findings of 96 ADA accessibility barriers at the station, four of which were to be funded by Metro. In an October 27, 2025, letter to Metro, the city requested that Metro reimburse the city up to $256,720 for the actual costs incurred to remedy the four findings.

Metro recommends programming $256,720 in Measure R 3% funds to reimburse the city of Pomona for the costs of these four ADA improvements.

RECOMMENDATION E

Extend Lapsing Dates for 12 SGR and Capital MOUs

SCRRA rehabilitation/renovation and capital projects maintain Metrolink's system safety and safety culture, ensure the state of good repair, and modernize the Metrolink system. SCRRA's project delivery schedule for rehabilitation/renovation projects spans over a five-year period.

Recommendation F will extend the following 12 projects (seven SCRRA SGR and five capital project MOUs) that would otherwise lapse on or before June 30, 2026:

- Ticket Vending Machine Replacement Project extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2017 SGR Program extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2018 SGR Program extended from June 30, 2026, to June 30, 2029
- Fiscal Year 2019 SGR Program extended from June 30, 2026, to June 30, 2029
- Fiscal Year 2020 SGR Program extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2021 SGR Program extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2022 SGR Program extended from June 30, 2026, to June 30, 2029
- Fiscal Year 2023 SGR Program extended from June 30, 2026, to June 30, 2029
- Rotem Rail Cars Project extended from June 30, 2026, to June 30, 2029

- Ramona Grade Separation Project from June 30, 2026, to June 30, 2027
- Link Union Station Project from June 30, 2026, to June 30, 2028
- Brighton to Roxford Double Track Project from June 30, 2026, to June 30, 2028

Due to unforeseen delays from material suppliers and project work, time extensions are being requested. SCRRA indicated that their work is in progress, that many projects are close to completion, and that they will be completed and invoiced by the requested extension date.

RECOMMENDATION F

Metrolink Station Planning and Activities

The Countywide Planning and Development Passenger Rail team continues to lead a range of Metrolink station planning, environmental clearance, and design efforts. These proposed stations are expected to deliver significant benefits, including improved regional connectivity, expanded access to reliable transit options, and enhanced first/last-mile connections for surrounding communities. In addition, the stations can support transit-oriented development, stimulate local economic activity, and increase ridership by providing convenient access to key employment, education, and activity centers. Collectively, these investments advance a more integrated, accessible, and sustainable regional transportation network.

Pico Rivera Metrolink Station - Preliminary Engineering

In February 2026, Metro completed a technical feasibility study which evaluated alternative sites for relocating the Commerce Metrolink station. An optimal location was identified in the City of Pico Rivera which offers strong regional and multi-modal connectivity and ridership potential, improved operational and freight efficiencies, and advances state, regional and local land use, housing, climate, economic, and mobility objectives. As part of the prior technical feasibility study, there was consensus from the three key cities at the staff level on the benefits of relocating the Commerce Station to Pico Rivera.

Staff have worked with key partners, such as the City of Pico Rivera, and the California High Speed Rail Authority (CHSRA) on opportunities to advance the next phase of the project. Preliminary engineering is estimated to cost $4-6 million, depending upon the level of environmental review needed. Staff are in discussions with the city on partnerships to advance the preliminary engineering. Staff is also in discussions with the CHSRA regarding a supplemental LA - Anaheim environment document or re-examination of relocating the Commerce Station to Pico Rivera. Staff are also in discussions with the City of Pico Rivera as to which agency is best suited to advance the preliminary engineering based upon available staffing and resources. Staff will return to the Board with more information and an update on efforts to advance preliminary engineering for the Pico Rivera Metrolink Station.

Pacoima Metrolink Infill Station and Mobility Hub - Preliminary Engineering

In July 2026 <https://boardagendas.metro.net/board-report/2026-0103/>, the Board programmed $6.9 million to advance the conceptual planning, environmental clearance, preliminary engineering, and community outreach for the Pacoima Metrolink Station and Mobility Hub.

To advance Board direction, staff executed a consultant task order to support the project in August 2026, initiated conceptual planning for the Metrolink station, and held a project kick-off meeting in September 2026. Staff are currently reviewing various high-level station layout concepts and coordinating with the nearby Brighton to Roxford double-track project team to identify and gain consensus on a preferred station concept.

Los Angeles General Medical Center - Preliminary Engineering

In May 2022, Metro completed the Los Angeles General Medical Center (LAGMC) Metrolink Infill Station Feasibility Study on behalf of Los Angeles County, which found that an infill station would provide increased multimodal transportation options and mobility benefits for Medical Center patients, employees, and residents of the surrounding community. The county and the city of Los Angeles agreed to support the project by reallocating $2,696,000 in State Route 710 North Mobility Improvements Projects funding to advance the LAGMC project to the next phase-preliminary engineering.

Preliminary engineering commenced in November 2024. Successful community meetings were held in February 2026, with over 75 community members participating in person and virtually. The 30% design review, geotechnical field work, and additional NEPA environmental work were completed in August 2026. This phase of the project is in the final close-out stage, with the construction cost estimate at 30% design between $100-150 million.

DETERMINATION OF SAFETY IMPACT

Approval of these recommendations will help the Metrolink system meet ADA requirements and improve safety for Metrolink passengers and the local communities where Metrolink operates. By approving this item, Metro will fund safety-related improvements to the Metrolink system to support safer travel for LA County residents and visitors, particularly those who need ADA access.

FINANCIAL IMPACT

Recommendation A extends the prior Board-approved FY26 Metrolink continuing resolution funding level for an additional three months. As this funding level may be higher than the expressed funding level the Board approved in the Metro FY27 budget, staff will reconcile any discrepancies for the remainder of the fiscal year when it brings the Metrolink FY27 budget to the Board for consideration. Therefore, no long-term financial impact is anticipated at this time.

Recommendation B will be funded with Proposition C 10% and Measure M 1% funds dedicated to Metrolink operations. The total cost for this program is $365,202.

Recommendations C and D will be funded with Measure R 3% funds dedicated to Metrolink capital and state of good repair. The total cost for these programs is $1,556,720.

Recommendations E and F have no financial impact.

EQUITY PLATFORM

The recommendations support SCRRA's Metrolink commuter rail operations, providing residents, workers, students, and families with a regional public transportation option to access jobs, resources, and services across the Greater Los Angeles region. Metrolink enables residents who may not be able to afford to live in high-cost areas to access quality jobs and services there while living in more affordable neighborhoods. These neighborhoods include Equity Focus Communities, such as Palmdale/Lancaster, the East San Fernando Valley, El Monte, Pomona, and Gateway Cities. Metro funds its share of Metrolink's overall operations as a JPA member agency. Metrolink establishes its own equity-based programs separate from Metro.

To ensure equitable access for all disabled passengers, Metro is remedying accessibility barriers at the downtown Pomona Metrolink Station to fully meet federal standards and deliver a seamless transit experience.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT by investing in Metrolink operations that will improve long-distance rail transportation and further encourage transit ridership, ridesharing, and active transportation. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendations support the Metro Vision 2028 Strategic Plan goals 1, 4 and 5 as follows:

- Goal 1.2: Invest in a world-class transit system that is reliable, convenient, and attractive to more users for more trips;
- Goal 4.1 Work with partners to build trust and make decisions that support the goals of the Vision 2028 Plan;
- Goal 5.2 Exercise good public policy judgment and sound fiscal stewardship.

ALTERNATIVES CONSIDERED

The Metro Board may elect to authorize an alternative course of action or deny the requested continuing resolution for Metrolink operations at the FY26 funding level. However, staff do not recommend this approach, as Metro has worked in partnership with SCRRA and the member agencies to ensure the continuation of Metrolink's current operations and uninterrupted service to passengers while the FY27 budget is being finalized.

The Board may also elect not to provide the funding needed to extend the San Bernardino Line 25% Discount Program through the end of FY30. The alternative would be to end the program, which would then result in San Bernardino Line riders losing access to the 25% fare reduction policy, increasing costs by 33.3% for riders during a time when economic pressures, such as high gas prices, impose additional costs to access employment, education, healthcare, and other quality of life needs. The Board could instead decide to invest the $365,202 to reduce the funding gap Metro needs to close to meet its FY27 operating subsidy target. Staff do not recommend these alternatives, as the funding makes a greater difference in attracting and retaining ridership for Metrolink at a time when growing ridership and revenue levels long-term is the most important strategy to mitigate the lack of additional operating subsidy available for Metrolink in FY27.

NEXT STEPS

Metro staff will continue to meet regularly with SCRRA executive staff and actively support the development of a revised FY27 budget proposal that will meet Metro’s FY27 operating subsidy target, gain consensus with the other member agencies, and be acceptable to bring to the Board for consideration. Following SCRRA Board action to transmit a final proposed FY27 budget to its member agencies for approval, staff will return to the Board with a recommendation for consideration and approval of Metro’s subsidy allocation.

Upon approval of this Board item, Metro will provide funding to Metrolink to complete the Burbank-South station improvements, continue the San Bernardino Line 25% fare discount program, and extend applicable MOUs to allow state of good repair and capital projects to continue through completion.

Staff will provide updates on the Pico Rivera, Pacoima and LAGMC Metrolink Station projects as needed with standalone Board items if applicable.

ATTACHMENT

Attachment A - Riverside Operating Agreement

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Stephanie Wiggins
Chief Executive Officer

RIVERSIDE OPERATING AGREEMENT

THIS RIVERSIDE OPERATING AGREEMENT (this "Agreement") dated as of December 3, 1991, is entered into by Union Pacific Railroad Company, a Utah corporation ("UP"), and the Los Angeles County Transportation Commission ("LACTC") with reference to the following facts:

A. UP owns the railroad right-of-way from Riverside to Los Angeles more particularly described in Exhibit A attached hereto.

B. LACTC desires to acquire from UP, and UP desires to grant to LACTC, the right to operate passenger train service on UP's rail tracks running along such right-of-way, upon the terms and conditions contained in this Agreement.

C. Concurrently herewith, UP and LACTC are also entering into the Riverside Lease Agreement and the Hobart Operating Agreement. This Agreement and the Riverside Lease Agreement shall be construed together as provided herein and therein and are generally intended to cover LACTC's passenger service from Los Angeles to Riverside. The Hobart Operating Agreement is intended to cover LACTC's passenger service over the portion of UP's property as described therein and is not intended to include LACTC's passenger service from Los Angeles to Riverside.

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions. The following capitalized terms are used in this Agreement with the following meanings:

"AAR" shall mean the Association of American Railroads.

"Costs" shall have the meaning set forth in Section 6(f) of this Agreement.

"CPUC" shall mean the California Public Utilities Commission.

"Fee" shall have the meaning set forth in Section 6(b) of this Agreement.

"FRA" shall mean the Federal Railroad Administration.

"Full Operations Date" shall be the later of the date of completion of the construction described in the Riverside Lease Agreement and March 31, 1993.

"Hobart Operating Agreement" shall mean that certain Hobart Operating Agreement of even date herewith between UP and LACTC regarding operations over UP's right of way between Hobart Junction and Ninth Street Junction, as more fully set forth therein.

"Non-Peak Commuter Periods" shall mean time periods other than Peak Commuter Periods.

"Operating Land" shall mean that portion of the operating land owned or controlled by UP between Riverside, California and Ninth Street Junction in Los Angeles, California, as more particularly identified in Exhibit A attached hereto.

"Operator" shall mean an operator designated by LACTC to operate its commuter trains and to exercise the respective rights or obligations of LACTC under this Agreement in connection with such operation, which designation shall be subject to the approval of UP, which approval shall not be unreasonably withheld. Any Operator for LACTC (i) shall be financially and operationally capable of performing its obligations under this Agreement, (ii) shall be qualified under the General Code of Operating Rules, and (iii) shall not be a Class 1 freight railroad or an affiliate of a Class 1 freight railroad (provided, however, that a potential operator for LACTC shall not be disqualified under this clause (iii) solely by reason of its being the operator for a Class 1 freight railroad or a joint venturer or partner of a Class 1 freight railroad). Any Operator, acting for LACTC under this Agreement, shall do so pursuant to a written agreement between such Operator and LACTC. Any Operator shall be obligated to comply with all of the provisions of this Agreement relating to use of the Operating Land or the Tracks.

"Peak Commuter Periods" shall mean the hours of 5:30 a.m. to 8:30 a.m. for westbound LACTC trains and the hours of 4:15 p.m. to 7:00 p.m. for eastbound LACTC trains, Monday through Friday, or such other time period(s) as the parties may agree.

"Per Train Mile Rate" shall have the meaning set forth in Section 6(b) of this Agreement.

"Recalculation Date" shall have the meaning set forth in Section 6(f) of this Agreement.

"Riverside Lease Agreement" shall mean that certain Riverside Nonexclusive Lease of Railroad Facilities of even date herewith between UP and LACTC.

"Service" shall consist of Trains, whether occupied or empty, which are used to provide commuter rail service pursuant to the authority granted by this Agreement. "Service," as more fully defined herein, shall consist of LACTC's right to operate, along and over the Tracks and Operating Land:

(1) not more than five (5) westbound Trains and not more than five (5) eastbound Trains, Monday through Friday, with such five (5) westbound Trains including not more than one (1) Train commencing its movement during Non-Peak Commuter Periods and with such five (5) eastbound Trains including not more than one (1) Train commencing its movement during Non-Peak Commuter Periods;

(2) non-revenue generating Trains, including "deadhead" movements, which are reasonably necessary to enable LACTC to provide the Service described in clause (i) immediately above; and

(3) such additional Trains as LACTC and UP may agree upon from time to time.

Trains commencing their movements during the Peak Commuter Periods shall be considered trains moving during the Peak Commuter Periods.

"Service Commencement Date" shall mean the date which is the earlier to occur of (i) the date on which LACTC commences regularly scheduled commuter service over the Tracks or (ii) the date which is the later of December 31, 1993 or the completion of the construction described in the Riverside Lease Agreement. The parties agree to confirm such date in writing.

"Tracks" shall mean all the main line tracks, structures (including, without limitation, bridges) passing tracks, rights-of-way, signals and signal systems, switches, crossovers, interlocking devices and plants, terminal facilities, track improvements and other rail facilities now located or hereafter constructed or installed on the Operating Land.

"Train" shall consist of one or two locomotive units and commuter or passenger cars not to exceed eight in number; provided, however, that during any morning or evening Peak Commuter Period, LACTC shall be permitted to operate up to two Trains consisting of one locomotive and not more than ten commuter or passenger cars; provided further, however, that, for Per Train Mile Rate purposes, nonpassenger trains that are delivering construction materials for the benefit of LACTC and "hi-rail" vehicles shall not be included.

"Train Mile" shall mean the movement of a Train, whether or not revenue-generating, inclusive of all engines and passenger cars, over a one-mile distance on the Tracks.

Riverside Operating Agreement

2. Grant of Trackage Rights. (a) Subject to the terms and conditions set forth herein, UP hereby grants to LACTC trackage rights on and over and continued access to and use of the Operating Land and the Tracks to provide Service. LACTC and its Operator, their agents, servants, employees, consultants and contractors, shall also have the right to enter upon the Operating Land and Tracks and operate such equipment "hi-rail" vehicles, rerouting equipment, and other machinery and equipment reasonably necessary to provide the Service.

(b) LACTC and its Operator shall also have the right to enter upon any portion of the Operating Land, as may reasonably be required, to exercise all of its rights and perform all of its duties set forth in this Agreement; provided, however, that with respect to any entry other than Trains providing Service or any "hi-rail" vehicles, LACTC and its Operator shall give reasonable notice of at least forty-eight 48 hours to UP if such entry is in the ordinary course of its operations, and such other notice as reasonably possible in the case of emergency. In no event shall LACTC or its Operator, or any of their agents, servants, employees, consultants or contractors, enter upon the Operating Land without having first received permission from UP's dispatching center in accordance with then existing procedures of UP.

3. Dispatching and Control. (a) The management, operation and maintenance of the Operating Land and the Tracks

shall, at all times, be under the exclusive direction and control of UP, and the movement of any and all Trains, cars, locomotives and other equipment over and along the Tracks shall, at all times, be subject to the exclusive direction and control of UP's superintendent, train dispatchers and other authorized agents and in accordance with such reasonable operating rules as UP shall, from time to time, institute in accordance with the terms and conditions of this Agreement. UP shall schedule and dispatch trains along the Tracks in a safe, reliable and on-time manner, in a manner that minimizes disruption of LACTC's passenger service as described in this Agreement and in a manner that complies with all applicable laws, regulations or rules, state or federal. UP shall provide to LACTC such reports and information as may be reasonably necessary for LACTC to conduct its operations and provide the Service.

(b) LACTC shall determine the schedules for its Trains and shall provide such schedules, and any changes thereto, in a timely manner to UP. Schedules and changes shall be subject to UP's approval, which shall not be unreasonably withheld.

(c) All operating, dispatching and maintenance decisions by UP affecting the movement of trains, cars, and engines on the Tracks shall give priority to LACTC's passenger Trains generating revenue and commencing their movements during Peak Commuter Periods, and such priority shall continue through the end of the scheduled trip for any such Train. LACTC may schedule one, but only one, Train in the morning Non-Peak

Commuter Period and one in the evening Non-Peak Commuter Period. UP shall schedule its trains so as to minimize interference with LACTC's scheduled Service but UP shall be allowed to schedule its trains in a manner that will enable UP to provide competitive freight service, including time-sensitive services to existing and future customers, during Non-Peak Commuter Periods. UP agrees that non-revenue generating Trains (including "deadhead" movements) commencing their movements during Peak Commuter Periods and all Non-Peak Commuter Period Trains shall be accorded the same priority as UP currently gives to its own intermodal and double-stack trains.

(d) UP shall not adopt, except by mutual agreement with LACTC (which shall not be unreasonably withheld), a new communications systems or signal system for use on the Operating Land or the Tracks which would adversely affect LACTC's commuter operations, unless required by any statute, law, ordinance, or governmental regulation.

(e) UP shall provide employees of LACTC or its Operator with reasonable access to UP's dispatch facilities to allow monitoring of the dispatching.

4. <u>Train Operations</u>. (a) UP and LACTC (directly or through its Operator) shall each be responsible for providing and operating its own trains on the Tracks and each shall operate its trains in a safe manner. UP and LACTC shall each maintain an

adequate and experienced staff sufficient to operate its respective trains on the Tracks.

(b) UP shall provide to the staff of LACTC and LACTC's Operator the training as is necessary regarding UP's rules and procedures for operations on the Tracks and shall qualify the staff of LACTC and LACTC's Operator under the General Code of Operating Rules, at LACTC's expense; provided, however, that once the staff of LACTC and LACTC's Operator are so trained and qualified, and, in the reasonable opinion of UP, have become sufficiently experienced with respect to operations on the Tracks, such staff of LACTC or LACTC's Operator may conduct such training and qualifying for new members of its staff.

(c) LACTC shall be responsible for providing, operating and maintaining station, platform and ticketing facilities and parking to serve LACTC's passengers and any and all security for such station, platform and ticketing facilities and parking. No passenger stations or ticketing facilities or parking therefor shall be located on the Operating Land without the prior mutual agreement of UP and LACTC. Any platforms for passenger loading and unloading shall be at such locations as proposed by LACTC and approved by UP, which approval shall not be unreasonably withheld and shall be subject to a lease agreement by UP as lessor and LACTC as tenant, substantially in the form of Exhibit C attached hereto. It is understood that subject to the foregoing sentence, LACTC shall be entitled to such platforms at five (5) locations along the tracks (not including the platform to be located in Riverside) or such larger number of platforms as UP may approve, which approval shall not be unreasonably withheld. Any such stations, platforms and ticketing facilities and parking and any other construction performed under this Agreement shall comply with all standards of the CPUC. UP shall not require that any such stations, platforms and ticketing facilities and parking or any such other construction comply with standards more restrictive than applicable CPUC standards.

(d) UP and LACTC and its Operator shall comply (i) with all applicable laws, regulations or rules, state or federal, covering the operations on, and the inspection, testing or safety of, the Operating Land, the Tracks, trains and other equipment thereon, and any personnel employed in the maintenance and operation thereof, (ii) with the General Code of Operating Rules and any successor publication, and (iii) with all of UP's timetables, general orders and bulletins and other standards relating to such operation, maintenance, condition, inspection, testing or safety, which timetables, general orders, bulletins and other standards shall be provided in writing by UP to LACTC.

(e) Neither LACTC nor UP shall have any responsibility for inspecting, maintaining, servicing or repairing any locomotives, hi-rail vehicles, passenger cars, freight cars or other equipment used by the other party on the Operating Land or the Tracks. If, by any reason of mechanical failure or for any other cause, the trains or other hi-rail vehicles of UP or LACTC or its Operator become stalled or disabled on the Tracks and are unable to proceed, or fail to maintain the speed required of trains to meet normal schedules or if in emergencies crippled or otherwise defective trains or items of equipment are on or otherwise blocking or impeding operations on the Tracks, then the party whose trains or items of equipment are involved in the incident shall be responsible for furnishing motive power or such other assistance as may be necessary to haul, help or push such equipment or trains, or remove the disabled equipment. By mutual agreement of the parties or upon receipt of reasonable notice from the other party that the response of the party whose trains or items of equipment are involved in the incident has not been adequate relative to the scheduled uses of the Tracks, such other party may, but shall not be required to, render such assistance as may reasonably be required in light of such scheduled uses, and the party whose trains or items of equipment are involved in the incident shall reimburse the other party, within thirty (30) days after receipt of the bill therefor, for the cost and expense of rendering any such assistance.

(f) UP shall, at least three (3) days in advance or as soon as otherwise practicable, notify LACTC of any investigation or hearing concerning the violation of any operating rule, safety rule, regulation or order or instructions of UP by any of the employees of LACTC or its Operator. Such investigation or hearing may be attended by any official of LACTC or its Operator, and any such investigation shall be conducted in accordance with any applicable collective bargaining agreement.

(g) Each of UP and LACTC shall obtain and maintain all regulatory approvals as may be required for the conduct of their respective operations on the Operating Land and the Tracks.

(h) UP and LACTC shall have exclusive responsibility for the provision of claims handling service in connection with any aspect of their respective operations on the Operating Land and the Tracks, and in no event shall either assert any right to require the other or any of the other's affiliates to provide, or bear any of the costs and expenses arising from, such operations.

(i) UP and LACTC shall have exclusive responsibility for the provision of the services of railroad police or law enforcement personnel in connection with their respective operations on the Operating Land or the Tracks, and in no event shall either assert any right to require the other or any of the other's affiliates to provide, or bear any of the costs and expenses arising from such services.

5. <u>Maintenance, Repairs and Capital Expenditures</u>.

(a) UP shall be solely responsible for performing all construction, maintenance and repairs on the Operating Land and the Tracks, including, without limitation, the repair of trackage, structures and signals, installation of ties and ballast, surfacing work, and replacement in-kind of existing facilities such as trackage, structures and signals. UP shall use reasonable and customary care, skill and diligence in the performance of construction, maintenance and repairs on the Operating Land and the Tracks. All construction, maintenance and repairs shall be done in a manner that minimizes disruptions to operations of LACTC and in a manner that complies with all applicable laws, regulations or rules, state or federal.

If UP desires to conduct construction, maintenance or repair activities on a portion of the Tracks over which LACTC has regularly scheduled commuter Service such that there is less than eight hours between the scheduled moving of LACTC's last scheduled westbound Train in the morning Peak Commuter Period and LACTC's first scheduled eastbound Train in the afternoon Peak Commuter Period, then UP may request that LACTC reschedule one or more of its trains to allow UP to utilize, in an efficient manner, an eight-hour crew for such construction, maintenance or repair activities. Any such request shall be in writing and shall be delivered to LACTC no less than one week in advance. LACTC shall have no obligation so to reschedule its trains, but LACTC shall cooperate with UP to coordinate such construction, maintenance or repair activities and shall make reasonable efforts to accommodate any such request.

(b) Not less than once every six (6) months, UP shall provide to LACTC a written estimated schedule of all scheduled construction, maintenance and repairs anticipated by UP for the forthcoming twelve (12) months. To the extent not disclosed in such schedule, then whenever practicable, UP shall provide to LACTC at least one (1) week advance written notice of any construction, maintenance or repairs to the extent that the same may interfere with LACTC's operations. When one (1) week advance written notice is not practicable (for example, in emergencies), UP shall nonetheless provide to LACTC, as soon as practicable, written notice of any construction, maintenance or repairs.

(c) UP shall maintain an adequate and experienced staff sufficient to maintain and repair the Operating Land and the Tracks.

(d) UP shall maintain (which maintenance shall include capital expenditures as appropriate) all of the main line Tracks at no less than FRA Class 4 standards, except as outlined in UP's timetable in effect on the date hereof. With respect to those portions of the main line Tracks which currently would not allow Lessee's Trains to travel thereon at speeds of up to 70 miles per hour (according to FRA standards), UP shall investigate the cost and feasibility of improving such portions to allow Lessee's Trains to travel at speeds of up to 70 miles per hour (according to FRA standards) and to the extent that such improvements are feasible and can be made at a reasonable cost, UP shall, at its cost and expense make such improvements. Additionally, UP and LACTC shall jointly investigate the cost and feasibility of improving the existing Tracks, or portions thereof as the parties may agree, to allow trains to travel at speeds of

79 miles per hour (according to FRA standards); provided, however, that LACTC shall bear the cost and expense of any improvements necessary to allow trains to travel at speeds in excess of 70 miles per hour.

(e) Without the prior written consent of LACTC, UP shall not materially re-locate the Tracks or otherwise modify or remove any of the Tracks in a manner that would have a material effect on the operations of LACTC on the Tracks, including the scheduling or timeliness of LACTC Trains on the Tracks; provided that this Section 5(e) shall not prohibit UP from maintaining and repairing the Tracks in accordance with its obligations under this Agreement.

(f) The parties understand that LACTC intends to construct certain passenger facilities in connection with the passenger service operated under this Agreement and that such passenger facilities will comply with all standards of the CPUC. To the extent such standards apply to any construction under this Agreement, such construction shall comply with such standards. Additionally, UP shall not require that any such construction comply with standards more restrictive than applicable CPUC standards, without the consent of LACTC.

(g) After the date hereof, before UP hires or contracts with any outside firm to do (i) any designing or engineering of any improvements to be made on the Property relating to the Tracks or (ii) any construction thereof, UP shall first consult with LACTC regarding such outside firm and any such outside firm shall be subject to the approval of LACTC, which shall not be unreasonably withheld.

6. Consideration. (a) UP is granting to LACTC the trackage rights set forth in this Agreement in partial consideration of the "Purchase Price" being paid by LACTC under that certain Purchase and Sale Agreement dated as of November 1, 1991. As further consideration for UP's agreement to perform as described in this agreement, LACTC shall make the payments to UP described in Section 6(b) of this Agreement.

(b) LACTC shall pay to UP a fee (the "Fee") equal to $5.75 (the "Per Train Mile Rate") for each Train Mile moved by LACTC over the Tracks pursuant to this Agreement. Such calculation shall not include trains moved under the Hobart Operating Agreement.

(c) The Fee calculated under this Section 6 and the "Fee" calculated under Section 7 of the Riverside Lease Agreement shall be calculated jointly to determine the aggregate Fee payable hereunder and thereunder. Because the Per Train Mile Rate under this Agreement shall always equal the Per Train Mile Rate under the Riverside Lease Agreement, the aggregate Fee payable hereunder and thereunder shall equal the Per Train Mile Rate multiplied by the aggregate number of Train Miles moved by LACTC over the Tracks pursuant to this Agreement and over the "Tracks" pursuant to, and as defined in, the Riverside Lease Agreement.

(d) Within forty-five (45) days after the end of each calendar month, LACTC shall (1) furnish to UP the number of Train Miles moved over the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) by LACTC during such calendar month and (2) subject to the aforesaid minimum, pay to UP the Fee for such calendar month.

(e) From and after the Full Operations Date, the aggregate Fee hereunder and under the Riverside Lease Agreement shall be computed at a minimum of six (6) trains per day, Monday through Friday, regardless of whether or not that many number of Trains actually operate. Prior to the Full Operations Date, the Per Train Mile Rate shall apply to each train providing public passenger service, without any applicable minimum number of trains per day.

(f) As of July 1 of the year in which the seventh anniversary of the Service Commencement Date occurs and as of July 1 in every seventh year thereafter (each such date being referred to as a "Recalculation Date"), the Per Train Mile Rate shall be, upon the request of either party, recalculated by the parties, as set forth in this Section 6(f). The parties shall agree on the Per Train Mile Rate which will allocate to LACTC its share of Costs, based on the anticipated annual number of train miles that LACTC will move over the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) in the succeeding seven year period as compared to the anticipated annual number of total train miles that all parties using the

Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) will move over the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) in the same period. In determining such share of Costs and the anticipated annual number of train miles, the parties shall consider the actual Costs and the actual train miles for the three years preceding the Recalculation Date in addition to their expectations for the succeeding seven year period. "Costs" shall mean all costs and expenses incurred with respect to the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) which are normally included as Dispatching Costs, Maintenance-of-Way & Structures--Operating Expenses and Maintenance-of-Way & Structures--Capital Expenditures. In the absence of agreement, the matter will be arbitrated in the manner prescribed in Section 10 of this Agreement.

(g) The parties understand and agree that the original Per Train Mile Rate of $5.75 is based on the assumptions that LACTC's allocable share of costs per train mile is as follows:

Dispatching Costs	$ .89
Maintenance, Way and Structures--Operating Expenses	$1.90
Maintenance, Way and Structures--Capital Expenditures	$2.96
TOTAL PER TRAIN MILE RATE	$5.75

(h) Commencing on July 1, 1994, the Per Train Rate shall be adjusted upward or downward as of July 1 of each year (other than a year in which the Per Train Mile Rate is recalculated under Section 6(f) of this Agreement) to compensate for the increase or decrease in the cost of labor and material, excluding fuel, as reflected in the final Annual Indexes for Charge-Out Prices and Wage Rates (1977=100) included in the Railroad Cost Indexes issued by the AAR. In making such determination, the final "Material Prices, Wages Rates, and Supplements Combined (excluding fuel) Index" for the West shall be used, and the final index figure for the calendar year 1993 shall be taken as the base; provided, however, that after any recalculation under Section 6(f) above, the final index figure for the calendar year preceding the most recent Recalculation Date shall be taken as the base. Adjustment for the Per Train Mile Rate shall be achieved by calculating the percent of increase or decrease, as the case may be, in the index figure for the calendar year ending on the December 31 prior to the July 1 on which the adjustment is to be made relative to the index figure for 1993 (or the calendar year preceding the most recent Recalculation Date, as the case may be) and increasing or decreasing the Per Train Mile Rate Fee by such percentage; provided, that such adjustment shall be made to the nearest cent.

i) By way of example, assuming "A" to be the "Material Prices, Wage Rates, and Supplements Combined (excluding fuel) Final Index Figure, Western District" for the calendar year

1993; "B" to be the "Material Prices, Wage Rates and Supplements Combined (excluding fuel) Final Index Figure for the calendar year 1994; and "C" to be the original $5.75 Per Train Mile Rate, the Per Train Mile Rate to be effective July 1, 1994, would be determined by the following formula:

$$\frac{B}{A} \times C$$

ii) In the event the base for the AAR Railroad Cost Indexes issued by the Association of American Railroads shall be changed from the year 1977, appropriate revision shall be made in the base (established as herein provided) for the calendar year 1993 (or the calendar year preceding the most recent Recalculation Date, as the case may be). If the AAR or any successor organization discontinues publication of the AAR Railroad Cost Indexes, an appropriate substitute for determining the percentage of increase or decrease shall be negotiated by the parties hereto. In the absence of agreement, the matter will be arbitrated in the manner prescribed in Section 10 of this Agreement.

7. Property Taxes. To the extent any real property taxes are payable with respect to any portion of the Operating Land, UP shall pay such real property taxes prior to delinquency and shall protect, defend, indemnify and hold LACTC harmless from and against any and all liability, loss, cost, damage or expense (including, without limitation, reasonable attorneys' fees) LACTC may sustain or incur on account of any such real property taxes.

8. Liability, Indemnification and Insurance. The liability, indemnification and insurance provisions set forth in Exhibit D attached hereto are hereby incorporated by reference.

9. Breaches and Defaults. (a) Subject to the arbitration provision set forth in Section 10, should either party hereto fail to perform any of its respective obligations hereunder (the defaulting party), the aggrieved party shall give to the defaulting party reasonable written notice of such non-performance, breach or default. The defaulting party shall have a reasonable period of time to cure that default, but in no event to exceed thirty (30) days from the date of notice. If the defaulting party fails, refuses or neglects to cure within such time, the aggrieved party shall have the right to cure the breach or default itself, charge the costs and expenses thereof to the defaulting party and pursue its remedies pursuant to Section 9(e) of this Agreement.

(b) If any failure on the part of any party to perform in accordance with this Agreement shall result in a governmental fine, penalty, cost or charge being imposed or assessed on or against the other party, such other party shall give prompt notice to the non-complying party, and the non-performing party shall promptly reimburse, defend and indemnify the other party for such fine, penalty, cost or charge and all expenses and attorneys' fees incurred in connection therewith.

(c) Failure on the part of LACTC to comply with any of the provisions of Section 8, requiring insurance coverage, shall constitute a default giving rise to a right to UP to terminate this Agreement by giving LACTC ten (10) days' prior written notice.

(d) Failure on the part of LACTC to replace any Operator which, on a "for cause" basis, becomes reasonably unacceptable to UP, within a reasonable time following notice, shall constitute a default hereunder, giving the UP the right to terminate this Agreement upon giving LACTC thirty (30) days' written notice.

(e) Should LACTC fail to make any payment required hereunder when due or fail in any other respect to perform as required under this Agreement, and such default shall continue for a period of ninety (90) days after notice in writing of such default is given by UP to LACTC, or LACTC shall fail to cure defaults described in paragraphs 9(b), (c), and (d), above, within the time periods set forth, UP may, at its sole election, exclude LACTC from the use of the Track and Operating Land and/or may terminate this Agreement. Thereupon, LACTC shall surrender to UP all of the Track and Operating Land, and LACTC shall have no claim or demand upon UP as a result thereof.

UP may waive any default, but no such action of UP in waiving any default shall affect any subsequent default of LACTC or impair any rights of UP resulting therefrom.

10. <u>Arbitration</u>. If at any time a question or controversy shall arise between the parties hereto dealing with the construction of any part of this Agreement or concerning the observance or performance of any of the conditions herein contained or the rights or obligations of either party under this Agreement, either party shall submit such question or controversy to arbitration under the Commercial Arbitration Rules of the American Arbitration Association as hereinafter provided. Such question or controversy shall be submitted to a single, competent disinterested arbitrator if the parties hereto are able to agree upon such arbitrator within twenty (20) days after the party desiring such arbitration shall notify in writing the other party. If such single arbitrator cannot be agreed upon before the expiration of the twenty (20) days, and either party wishes to pursue arbitration of the matter, arbitration shall be had before a board of three (3) persons to be named as follows: the party demanding such arbitration shall give the other party notice of such demand, stating specifically the question or questions to be submitted for decision or the point or points in controversy, and nominating a person who has the required qualification to act as one arbitrator; the party to whom such notice is given shall appoint a second arbitrator and give the party hereto demanding arbitration notice in writing of such appointment within twenty (20) days from the time of such notice. If, at the expiration of the twenty (20) days from the receipt of such notice, the party receiving it has not notified the party

demanding the arbitration of its nomination of a second arbitrator, the party making the demand may make such selection. The first and second arbitrators shall select a third, and if the arbitrators chosen shall be unable to agree upon a third arbitrator within a period of twenty (20) days from the date of appointment of the second arbitrator, the third arbitrator may be appointed upon ten (10) days' notice upon motion or application of either party hereto by the Chief or Presiding Judge, or judge acting as Chief or Presiding Judge, of the Superior Court of Los Angeles County, California. The parties agree that each shall bear its own costs of arbitration, including any costs associated with the arbitrator selected by each said party. The parties agree to split equally the costs of the third arbitrator. In the event a dispute is arbitrated by a single arbitrator, the parties agree to share all costs of said arbitrator equally.

The arbitrator or board of arbitrators (hereafter "arbitrator(s)") so constituted as aforesaid shall set the date, time and place for each hearing, shall give to each of the parties, at least ten (10) days' advance written notice of the date, time and place of the initial hearing and shall proceed without delay to hear and determine the matters in dispute. The parties may offer such evidence as is relevant and material to the dispute and shall produce such evidence as the arbitrator(s) may deem necessary to an understanding and determination of the dispute. The arbitrator(s) or other person authorized by law to subpoena witnesses or documents may do so upon the request of any party. The award shall be made promptly by the arbitrator(s) and, unless otherwise agreed by the parties or specified by law, no later than thirty (30) days from the date of closing the hearing. Each of the parties hereto may be represented by counsel or other authorized representative at any hearing. The party intending to be so represented shall notify the arbitrator(s) and the other party of the name and address of the representative at least three (3) days prior to the date set for the hearing.

The award of such arbitrator(s), or of a majority of them, shall be final and binding upon the parties to such arbitration, and each party shall immediately make such changes in the conduct of such party's business or such payment as restitution, as the case may be, as required by such award. The books and papers of the parties hereto, so far as they relate to matters submitted to arbitration, shall be open to the investigation of the arbitrator(s).

The parties agree that the arbitrator's(s') award may be entered with any Court having jurisdiction and the award may then be enforced as between the parties, without further evidentiary proceedings, the same as if entered by the Court at the conclusion of a judicial proceeding in which no appeal was taken. Arbitration shall be the sole remedy for defaults under this Agreement.

11. <u>Memorandum of Agreement</u>. The parties shall cause a memorandum of this Agreement in the form attached hereto as Exhibit B to be recorded in the real property records of Los Angeles County and Riverside County, California.

12. <u>Effectiveness; Termination</u>. (a) This Agreement shall not become effective until it has been approved by the Los Angeles County Transportation Commission, the Riverside County Transportation Commission and the San Bernardino Associated Governments, as members of LACTC, and thereafter this Agreement shall be effective and shall burden the Operating Land in perpetuity, unless terminated pursuant to Section 12(b) or Section 12(c).

(b) LACTC may terminate this Agreement upon sixty (60) days prior advance written notice to UP of LACTC's intention to terminate, which notice shall set forth the termination date. After such termination date, LACTC shall have no further obligation under this Agreement.

(c) If LACTC ceases to operate Trains over the Tracks for a period of five years, then this Agreement shall terminate and LACTC shall have no further rights hereunder.

13. <u>Assignment</u>. (a) LACTC may assign all of its rights hereunder to, and all of LACTC's obligations and duties hereunder may be assumed by, a financially and operationally capable joint powers governmental agency, including, without

limitation, the Southern California Regional Rail Authority. LACTC shall give UP at least sixty (60) days' prior written notice of any such assignment and, at UP's request, LACTC shall provide reasonable evidence that such proposed assignee is financially and operationally capable. The enabling legislation and other charter documents for the proposed joint powers governmental agency shall provide it with powers and authority that are not less extensive than those of LACTC set forth in this Agreement, and such powers and authority as are required to incur and satisfy the obligations and duties so assumed. Thereafter, the successor governmental agency, and not LACTC, shall be primarily obligated to UP hereunder for performance of, and compliance with, all of the obligations and duties of LACTC set forth in this Agreement.

(b) UP may not sell all or any portion of its interest in the Operating Land and the Track, and UP may not assign or otherwise delegate any of its rights and duties hereunder in connection with a sale of its interest in the Operating Land and the Track, without the prior written consent of LACTC which shall not be unreasonably withheld (and in any event shall not be withheld if such sale will not have a materially adverse impact on the current or intended operations of LACTC), except that UP may, without the consent of LACTC, transfer:

(i) the Operating Land and the Tracks and assign its rights and duties hereunder to a financially and operationally capable class 1 railroad; provided that UP shall give LACTC at least forty-five (45) days' prior written notice of any such sale, assignment, or delegation and, at LACTC's request, UP shall provide reasonable evidence that any purchaser, assignee, or delegee is financially and operationally capable;

(ii) any portion of the Operating Land not within fifty (50) feet of the centerline of any now or hereafter existing main line Track; and

(iii) any portion of the Operating Land to any party if (1) UP shall have first offered to sell such portion to LACTC at the fair market value thereof, (2) LACTC shall have expressly declined such offer or shall have failed to accept such offer within three months after receiving written notice thereof from UP and (3) within one year after first offering to sell such portion to LACTC, LACTC shall have closed such sale, at a purchase price no less than offered to LACTC.

Any sale or assignment of UP's interest in the Operating Land or the Tracks shall be subject to LACTC's rights under this Agreement.

14. Force Majeure. Each party will be excused from the performance of any of its obligations hereunder to the other party where such nonperformance is occasioned by any event beyond its control, which shall included without limitations, any order, rule, or regulations of any federal, state, or local governmental body, agency, or instrumentality, work stoppage, accident, natural disaster, or civil disorder, provided the party so

excused hereunder shall use all reasonable efforts to minimize its nonperformance and to overcome, remedy, cure, or remove such event as soon as reasonably practicable.

15. Notices. All notices, demands, requests, and other communications under this Agreement shall be in writing and shall be deemed properly served if delivered by hand to the party to whose attention it is directed, or same shall be deemed to have been properly served and delivered on the fifth day after being mailed by registered or certified mail, return receipt requested, with postage prepaid and addressed as follows:

If intended for LACTC:	Los Angeles County Transportation Commission 818 West Seventh Street Los Angeles, CA 90017 Attention: Mr. Richard Stanger
If intended for UP:	Union Pacific Railroad 1416 Dodge Street Omaha, Nebraska 68179 Attention: Mr. A. L. Shoener
With a copy to:	Vice President-Law Union Pacific Railroad Company 1416 Dodge Street, Room 830 Omaha, NE 68179

Each party may designate by notice in writing substitute parties and/or a new address to which any notice, demand, request or communication shall thereafter be served.

From time to time by written notice to the other party, each party shall designate its representative for operations matters under this Agreement. With respect to discussions with such representative on matters of operations under this Agreement, each party shall be entitled to rely on the responses and decisions made by the other party's representative so designated.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

17. Severability. Each provision of this Agreement shall be interpreted so as to be effective and valid under applicable law to the fullest extent possible. If any provision contained herein shall for any reason be held invalid, illegal or unenforceable in any respect, then, in order to effect the purposes of this Agreement, it shall be construed as if such provision had never been contained herein.

18. Entire Agreement. This Agreement, including the exhibits attached hereto, contains the entire agreement between LACTC and UP with respect to operations on the Operating Land and the Tracks. No modifications or amendments to this Agreement shall be binding upon either party unless set forth in a document duly executed by both LACTC and UP.

19. No Third Party Beneficiaries. This Agreement, including, without limitation, the provisions set forth on

Exhibit D hereto, is for the benefit of the parties hereto and their successors and assigns only, and shall not be deemed to inure to the benefit of any third parties.

20. No Partnership. It is the intention of the parties not to render the parties liable as partners of each other. Neither party shall be liable for obligations incurred by the other party, except as expressly provided in this Agreement. Nothing in this Agreement nor any of the activities of parties pursuant to this Lease shall be construed to create a partnership of any kind between the parties.

IN WITNESS WHEREOF, the parties to this Agreement have duly executed it as of the day and year first above written.

UNION PACIFIC RAILROAD COMPANY

By: L.B. Schoultz

Printed Name: L.B. SCHOULTZ
Title: EX. ASST. TO EX. VICE PRESIDENT-OPERATION

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

~~By:~~

Richard Stanger
Title: [illegible]

December 20, 1991
28327j11

EXHIBIT A

DESCRIPTION OF OPERATING LAND

All of Sellers right-of-way along Seller's Los Angeles Subdivision line between Milepost 2.09 near 9th Street in Los Angeles, California to Milepost 56.6 at West Riverside, California, just short of the switch to the Atchison, Topeka and Santa Fe Railway Company railroad.

Los Angeles County Metropolitan Transportation Authority

Metrolink FY26 Continuing Resolution and FY27 Passenger Rail Supportive Actions

Finance, Budget and Audit Committee

September 17, 2026

Metro

Recommendations

A. AUTHORIZING the CEO or their designee to **execute Metrolink's second continuing resolution to extend Fiscal Year 2026 (FY26) budget authorization through the second quarter of FY27 until January 1, 2027**, and execute all necessary agreements between Metro and the Southern California Regional Rail Authority (SCRRA or Metrolink) based on the continuing resolution;

B. APPROVING additional funding in the amount of up to $365,202 for **Metro's share of the San Bernardino Line 25% Fare Reduction Program** using Proposition C 10%/Measure M 1% SCRRA dedicated funds and extending the program from June 30, 2025, to June 30, 2030;

C. APPROVING **Burbank Airport–South Metrolink station safety improvements** using Measure R 3% SCRRA-dedicated funds in the amount up to $1.3 million;

D. APPROVING **Pomona–Downtown Metrolink station Americans with Disabilities Act (ADA) improvements** using Measure R 3% SCRRA-dedicated funds in the amount up to $256,720;

E. EXTENDING the **lapsing dates for funds previously allocated to SCRRA** for 12 State of Good Repair and capital project Memoranda of Understanding (MOU).

F. RECEIVING AND FILING an **update on Metrolink Station Planning**.

Metro

Recommendation A: Metrolink FY27 Budget Development Update

- FY27 budget unresolved; Metrolink requests a second three-month continuing resolution to continue operations while the budget is finalized.
- Metro's $137.2M operating subsidy is consistent with actual expenditures in recent years
  - Funding: Proposition C 10% and Measure M 1%
- SCRRA submitted its first FY27 budget proposal on July 18, 2026
  - Continues current service level following the March 2026 20% service reduction
  - Exceeds Metro's FY27 funding target by $12.1M and OCTA's by $6.0M (combined 70% of subsidy)
  - Cost drivers: Mandated 5% Alstom contract escalation, fuel (+31%), FY26 crew levels, wage increases
  - A revenue forecast error accounts for ~$8M of Metro's $12.1M gap
- Member agencies must revise budget assumptions and service levels to meet subsidy targets

Metro

Recommendations B-C: Passenger Rail Supportive Actions

- Recommendation B: San Bernardino Line 25% Fare Reduction Program
  - Extends the program through 2030, when it is projected to break even
  - No additional funding needed after 2030; program then integrates into Metrolink's permanent fare structure

- Recommendation C: Burbank Airport–South Station Safety Improvements
  - City of Burbank has expressed interest in assuming maintenance once Metro completes safety and ADA work
  - Site inspections estimate up to $1.3M needed for state of good repair and ADA compliance

Metro

Recommendations D-F: Passenger Rail Supportive Actions

- Recommendation D: Pomona–Downtown Station ADA Improvements
  - DOJ identified 96 ADA accessibility findings at this station
  - Measure R 3% funds reimburse the City of Pomona up to $256,720 for four deficiencies

- Recommendation E: MOU Extensions for State of Good Repair and Capital Projects
  - Extends lapsing dates on 12 MOUs due to supply chain and unforeseen project delays

- Recommendation F: Metrolink Station Planning Update
  - Staff continue leading station planning, environmental clearance, and design efforts, including preliminary engineering for:
    - Pico Rivera Metrolink Station – Preliminary Engineering
    - Pacoima Metrolink Infill Station and Mobility Hub – Preliminary Engineering
    - Los Angeles General Medical Center – Preliminary Engineering

Metro

Next Steps

- Staff continue working with SCRRA to develop a revised FY27 budget proposal that meets Metro’s operating subsidy target
  - Once the SCRRA Board transmits a final FY27 budget, staff will return to the Board with a recommendation

- Upon approval, Metro will fund the Burbank–South improvements, the San Bernardino Line fare discount program, and the Pomona station ADA improvements

- Updates on the Pico Rivera, Pacoima, and LAGMC station projects will come as standalone Board items if needed

- If the FY27 budget is not finalized by December 31, 2026, the CEO will amend the FY26 Metrolink MOU to authorize the second-quarter continuing resolution

Metro

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

File #: 2026-0581, **File Type:** Informational Report **Agenda Number:** 24.

FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2026 FOURTH QUARTER AND CUMULATIVE YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services FY 2026 Fourth Quarter and Cumulative year-end report.

ISSUE

Management Audit Services (MAS) is required to provide a quarterly activity report to the Board that presents information on audits that have been completed or are in progress, including information related to audit follow-up activities. The FY 2026 fourth quarter report covers the period from April 1, 2026, to June 30, 2026, and the cumulative FY 2026 year-end for the period from July 1, 2025, through June 30, 2026.

BACKGROUND

MAS provides audit services in support of Metro's ability to provide responsive, accountable, and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency, while external audits analyze contractors, cities, and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups: Performance Audit; Contract, Financial and Compliance Audit; and Administration and Policy, which includes audit support functions. Performance Audit is mainly responsible for internal audits related to Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management including the Chief Executive Office, and other internal areas. Contract, Financial, and Compliance Audit is primarily responsible for external audits in Planning, Program Management, and Vendor/Contract Management. MAS' functional units provide assurance to the public that internal processes and programs are being managed efficiently, effectively, economically, ethically, and equitably; and that desired outcomes are being achieved. This assurance is provided by MAS' functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Administration and Policy is responsible for administration, quality assurance, financial management, including audit support, audit follow-up, and resolution tracking.

DISCUSSION

The following table summarizes MAS activity for FY 2026 fourth quarter and FY 2026 year ending June 30, 2026:

	FY 2026 Fourth Quarter	FY 2026 Year-End	In-Progress as of June 30, 2026
Performance Audits		5 audit projects completed	10 audit projects
Contract, Financial and Compliance Audits	5 audit projects completed with a total value of $10 million	33 audit projects completed with a total value of $1.2 billion	83 audit projects
Financial Compliance Audits of Metro	13 audit projects completed	153 audit projects completed	
Audit Follow-up and Resolution*	4 closed	33 closed	13 open recommendations
	26 closed (OIG)	80 closed (OIG)	35 open recommendations (OIG)

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG).

The FY 2026 Fourth Quarter and Cumulative Year-End Report is included as Attachment A.

DETERMINATION OF SAFETY IMPACT

There are no known safety impacts or concerns from audit services conducted during this period.

EQUITY PLATFORM

Management Audit Services' quarterly audit activities provide an additional level of review and assessment to identify potential equity impacts from Metro's work and performance. For example, performance audits are selected with consideration of social, governance, environmental, and other relevant risks. In addition, audits of public-facing programs include discussions with program sponsors about how they incorporate equity into their program management. There are no known equity impacts or concerns from audit services conducted during this period.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides information on audits in support of Metro's various projects and programs. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2026 Fourth Quarter and Cumulative Year-End Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Management Audit Services will continue to report audit activity throughout the current fiscal year.

ATTACHMENT

Attachment A - FY 2026 Fourth Quarter and Cumulative Year-End Report

Prepared by: Kimberly Houston, Deputy Chief Auditor, (213) 922-4720
Lauren Choi, Sr. Director, Audit, (213) 922-3926
Monica Del Toro, Senior Manager, Audit, (213) 922-7494
Yvette Suarez, Senior Manager, Audit, (213) 922-1096
Andre Wills, Manager, Audit, (213) 922-2816

Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101

Stephanie Wiggins
Chief Executive Officer

Quarterly Report to Metro Board of Directors

FY 2026 Fourth Quarter and Cumulative Year-End Report

MANAGEMENT
AUDIT SERVICES

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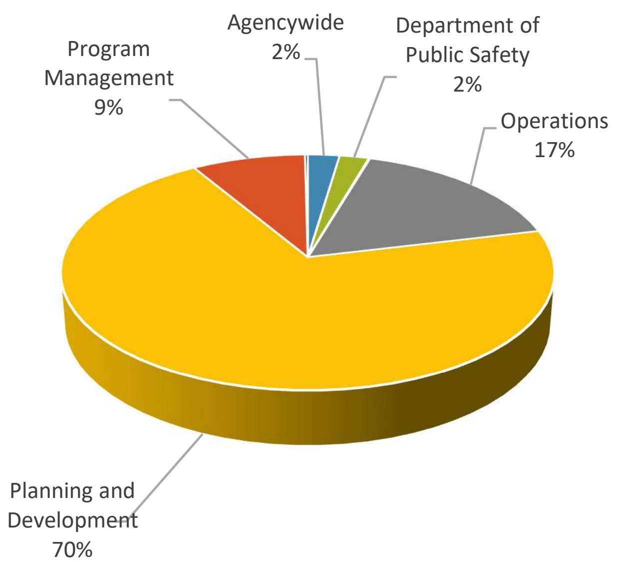
93 AUDIT PROJECTS IN PROGRESS

5 COMPLETED CONTRACT, FINANCIAL, AND COMPLIANCE AUDITS

13 FINANCIAL AND COMPLIANCE AUDITS ISSUED BY EXTERNAL FIRMS

48 OPEN AUDIT RECOMMENDATIONS

Summary of Audit Activity by Department
Reporting Period
April 1, 2026 – June 30, 2026



Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 93 in-progress projects as of June 30, 2026, which include 10 performance projects and 83 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 13 open MAS audit recommendations and 35 open for the Office of the Inspector General (OIG).

Summary of Fourth Quarter Completed Audit Activity

MAS completed 18 audit projects. The projects are comprised of 5 contract, financial and compliance audits, and 13 financial and compliance audits of Metro issued by external Certified Public Accountant (CPA) firms.

The completed contract, financial and compliance audits are highlighted on page 5. The other audits issued by external firms are highlighted on page 6.

A summary of the open audit recommendations is included on page 7.

This section includes performance audits completed in accordance with Global Internal Audit Standards and Generally Accepted Government Auditing Standards, in addition to other types of projects performed by the Performance Audit team to support Metro. Other projects may include independent reviews, analyses, or assessments of select areas. All performance projects are intended to help support decision-making and promote organizational effectiveness.

More performance audit projects were carried over from FY26 to FY27 than in previous fiscal years. Contributing factors included key staff shortages, delays in receiving necessary documentation, complex data analysis requirements, additional information requests on projects already in the reporting phase, and the implementation of strengthened internal quality review procedures. In FY27, the Performance Audit team will focus on completing these carry-over projects to ensure their timely resolution. This will also position the team to begin work on the priority projects identified in the FY27 Annual Audit Plan.

Canceled Audits

Information Technology Governance Project

This project's overall objective was to assess the effectiveness of Metro's IT Governance, including whether established practices are functioning as intended and the adequacy of the IT Continuity of Operations Plan. The project was to be outsourced to a third-party subject matter expert, but initial procurement efforts were not successful. While checking in with Executive Management to confirm the project's next steps and timeline, MAS learned that the Office of the CEO had initiated a major internal review of information technology-related structures and processes, which would encompass a review of significant elements of IT Governance. After considering the duplicative nature of the proposed work and the best use of finite MAS resources, MAS made the decision to cancel the project.

MAS staff completed 5 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Downey - Lakewood Blvd. Improvement Project Phase 3C	$5,635,307	$1,367,106
City of Pasadena - Cordova Street Road Diet Project	$4,204,433	$0
City of Burbank - Burbank Traveler Information and Wayfinding System Project	$286,659	$4,832
Reviewed and questioned costs were not identified for the following as these audits reviewed labor rates for pre-award or indirect cost rates and/or Local Employment Program Compliance.		
Alstom Transportation, Inc.	N/A	N/A
PQM, Inc.	N/A	N/A
Total Amount	**$10,126,399**	**$1,371,938**

Contract, financial and compliance audits completed during FY 2026 are included in Appendix C.

The following highlights financial and compliance audits of Metro completed by external CPA firms:

Consolidated Audits – Issued Various Dates

Access Services

MAS contracted with Simpson and Simpson, CPAs (Simpson) to conduct the financial and compliance audit of Access Services (Access) for the year ended June 30, 2025. The auditor found that their financial statements were presented fairly, in all material respects. The auditor also found that Access complied, in all material respects, with applicable compliance requirements. The audit identified one internal control finding related to an unsupported balancing entry in net assets, which the auditor attributed to inadequate and untimely reconciliation procedures and ineffective review and validation controls. To address this, the auditor recommended investigating the root cause of this journal entry, recording any necessary correcting entries, and designing and implementing a net asset roll forward reconciliation control as part of the standard financial closing process for each reporting fund.

Low-Income Fare is Easy (LIFE) Eligibility

MAS contracted Simpson to assess the compliance of the International Institute of Los Angeles (IILA) with the LIFE program's eligibility verification requirements for the periods of July 1, 2024 through December 31, 2024 and January 1, 2025 through June 30, 2025. The auditor sampled 118 patrons from the LIFE program for both audits. Of these, 63 patrons responded for the first audit, and 59 patrons responded for the second audit. All were confirmed as meeting the program's minimum income and other eligibility criteria. Simpson noted an improvement in the response rate for FY25 compared to FY24. However, the auditor encountered challenges in contacting the remaining sampled patrons due to inaccurate contact information provided and was unable to verify eligibility. To address this, Simpson recommends implementing a process for patrons to update their contact information when clear inaccuracies are identified. This proactive measure will help maintain data integrity and enhance communication during the verification process. The Metro Program Manager is working with the administrators to implement this recommendation.

Business Interruption Fund

MAS contracted with BCA Watson Rice to conduct an audit of the Business Interruption Fund and Pacific Coast Regional Small Business Development Corporation's (PCR) compliance with Metro's Business Interruption Fund (BIF) Administrative Guidelines and Fund Disbursement Procedures for the fiscal year ended June 30, 2025.

The auditors found that PCR complied, in all material respects, with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures. The audit identified one Other Matter finding related to non-compliance caused by PCR's inadvertent omission of a specific certification requirement related to breach and remedy provisions per the BIF Administrative. There is no known impact on the program cost due to this non-compliance item, and this is the first year that this non-compliance item has been identified.

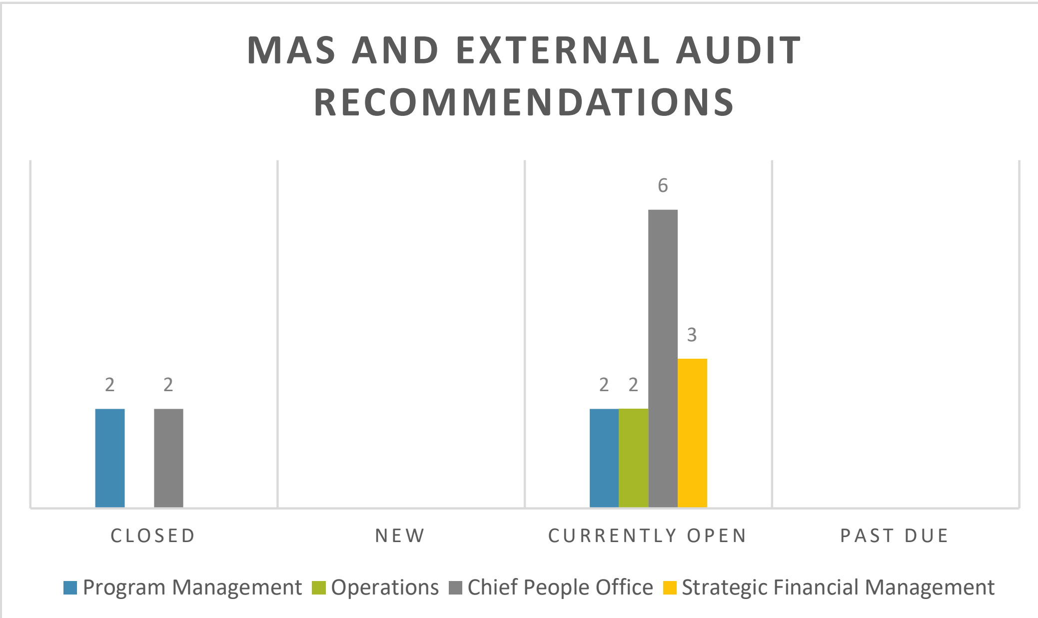
Financial and Compliance Audits – Issued Various Dates

MAS contracted with BCA Watson Rice to conduct financial and compliance audits for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The resulting reports include:

- Propositions A&C Schedules of Revenues and Expenditures;
- Measure R Schedule of Revenues and Expenditures;
- Measure M Schedule of Revenues and Expenditures;
- Gateway Center Financial Statements;
- Los Angeles Union Station Property Financial Statements;
- PTSC-MTA Risk Management Authority (PRMA) Financial Statements;
- Regional Transit Access Pass (TAP) Service Center TAP Settlement and Clearing Accounts;
- ExpressLanes Fund Financial Statements; and
- ExpressLanes Pay-As-You-GO (PAYG) Fee Adjustment

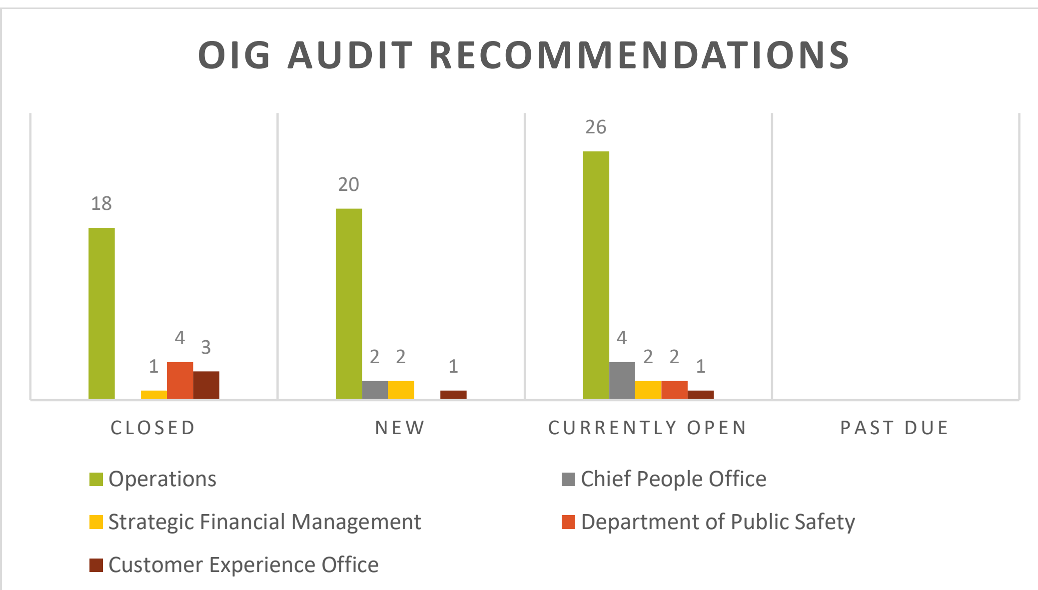
The auditor found that the above financial statements were presented fairly, in all material respects, for the reporting period. The auditor also found that Regional TAP Services Center complied, in all material respects, with the compliance requirements described in the TAP Financial Position Rules. Finally, the auditor found that Metro complied, in all material respects, with Metro’s PAYG Fee Policy. There were no findings or recommendations issued as a result of these audits.

The graphs below summarize the open audit recommendations as of June 30, 2026:



13 open recommendations

4 closed recommendations



35 open OIG recommendations

26 closed OIG recommendations

Details of open audit recommendations for MAS are included in Appendix D. Details of open audit recommendations for OIG are included in Appendix E.

Cumulative FY 2026 Completed Audit Activity

As of the FY 2026 year-end, MAS completed 191 audit projects and closed 33 recommendations.

Summary of Completed Projects

The completed audit projects comprise of:

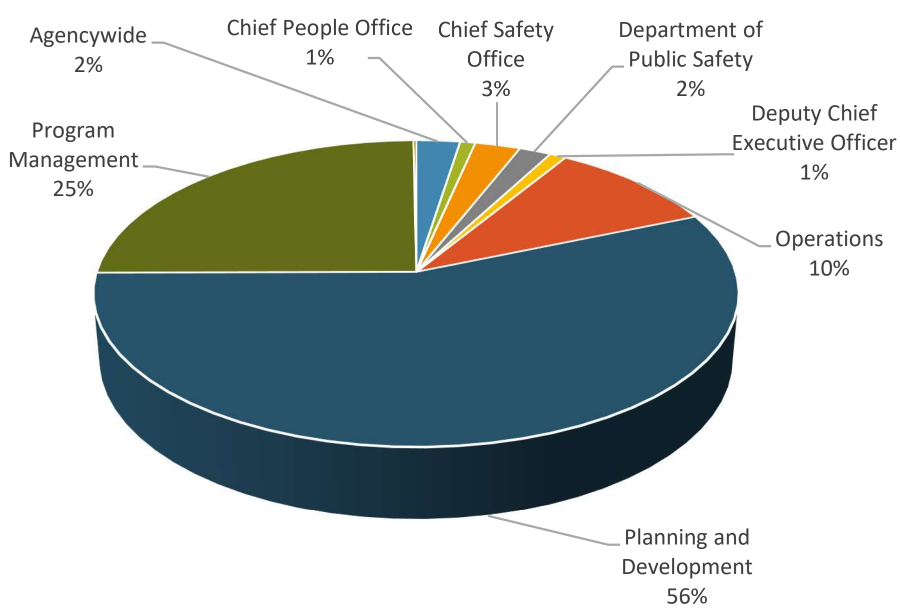
- Five (5) performance audits, which also include independent reviews, analysis, or assessments of select areas;
- 33 contract, financial, and compliance audits with an audit value amount of $1.14 billion, of which $7.5 million or 0.66% of identified unused funds that may be reprogrammed; and
- 153 financial and/or compliance audits issued by external auditors comprised mainly of legally mandated audits of the cities and County of Los Angeles.

Refer to Appendix B – Performance Audits Completed; and Appendix C – Contract, Financial and Compliance Audits Completed.

Audit Follow-up

MAS closed 33 open recommendations and 80 OIG recommendations during the fiscal year.

Cumulative FY 2026 Audit Activity by Department



Department Highlights

Quality Assurance Improvement Program

During FY26, MAS concluded its review of the updated Yellow Book standards. These standards contain guiding principles that enable effective internal auditing. This review supports MAS' efforts to ensure quality is assessed at both an individual audit engagement level and an internal audit activity level. Additionally, the review facilitated the identification of required updates for the MAS' Policy Manual, as well as the Board-approved Audit Charter.

Following is a summary of the various activities to support improved performance, quality, and value-added internal audit services:

- **Completed Activities**
  - Task force preliminary review of the Yellow Book standards
  - Performed a comprehensive review and update of MAS' Audit Charter
- **In-progress Activities**
  - Internal Quality Self-Assessment for FY25 and FY26 underway: Assessment will evaluate MAS' conformance against the updated standards
- **Upcoming Activities**
  - Upon CEO review and Board approval of the Audit Charter, MAS will finalize its Policy Manual and procedures in TeamMate, the electronic work paper system, to ensure consistent procedures across MAS engagements

Construction Audit Training

To build internal capacity and strengthen internal knowledge, MAS contracted with RL Townsend & Associates to design and deliver live, targeted training in construction audit practices. This training was a key step toward equipping audit staff with the foundational knowledge, tools and practical techniques needed to conduct effective audits of construction projects. Strengthening this capability will enable MAS to better support management in monitoring project risks, evaluating controls, and identifying areas for improvement within the capital program.

This training session focused on construction auditing and was tailored to Metro's operational processes. The vendor delivered a customized and interactive course designed for audit professionals responsible for conducting effective construction audits. The course provided technical insight and practical audit techniques specific to this area, along with key industry terminology and relevant internal controls. Attendees earned continuing professional education (CPE) credits through sessions covering a wide range of technical topics.

Appendix A

No.	Area	Project Number & Title	Description	Estimated Date of Completion
		Performance Audit - In Progress Projects as of June 30, 2026		
1	Planning and Development	25-PLN-P01 - Project Grant Funding	Assess whether Metro is adequately allocating its resources to maximize funding identified and received.	9/2026
2	Program Management	24-CON-P01 - Purple (D-Line) Extension 1 (PDLE1)	Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations.	9/2026
3	Department of Public Safety	25-SEC-P02 - Safety Response to Reported Incidents	Evaluate whether existing policies and procedures are adequate to ensure timely decision-making and effective deployment of resources in response to safety-related service requests from employees and the public.	9/2026
4	Department of Public Safety	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	10/2026
5	Planning and Development	26-PLN-P01 - Measure M Subregional Program (MSP)	Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP is maximizing the program's capacity and adhering to project schedule(s).	10/2026
6	Operations	26-OPS-P02 - Wayside Track Maintenance	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	11/2026
7	Operations	26-OPS-P01 - Non-revenue Vehicles	Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.	12/2026
8	Planning and Development	26-PLN-P02 - Real Estate Condition and Utilization	Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.	1/2027
9	Program Management	25-CON-P02 - Division 20 Portal Widening Turnback Facility	Evaluate Metro's project management processes for the Project to date, including managing and mitigating project risks.	3/2027
10	Operations	26-OPS-P03 - Bus Division Operations Efficiencies	Examine Metro's Bus Divisions' administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals.	5/2027

Appendix B

Performance Audit - Audits Completed as of June 30, 2026				
No.	**Area**	**Audit Number & Title**	**Description**	**Date of Completion**
1	Program Management	24-CON-P01 - Eastside Access Improvement Project (EAIP)	Assess whether usage of EAIP funds, including grants, complied with applicable terms, conditions, and restrictions, and determine whether the executed scope of the EAIP aligned with the scope described in the Board Report, Grant, and other funding agreements and assess reasons for variances, including change orders.	8/2025
2	Chief People Office	24-BEN-P01 – Employee Health Care Benefits	Verify the accuracy and completeness of the health and dental benefits enrollment and the corresponding payroll deductions for all active eligible recipients, excluding represented employees and retirees, and confirm elected coverages correspond with payroll deductions and benefits received.	10/2025
3	Chief People Office	24-PEN-P01 – Employee Pension Benefits	Verify the accuracy of pension payroll deductions and contributions for active eligible employees.	11/2025
4	Program Management / Operations	25-CON-P01 - Gold Line Extension Phase 2B	Evaluate Metro's oversight of the Metro Gold Line Foothill Extension Construction Authority's project management of Gold Line Extension Phase 2B Project, and Metro Operations' project management over final year processes leading to revenue service.	2/2026
5	Deputy Chief Executive Officer	25-DEO-P01 - Small Business Enterprise (SBE) Certification Processes	Evaluate if the Diversity and Economic Opportunity Department (DEOD)'s SBE certification procedures effectively identify eligible businesses and comply with relevant laws, regulations, and policies.	3/2026

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2026				
No.	**Area**	**Audit Number & Type**	**Auditee**	**Date Completed**
1	Planning and Development	24-PLN-A12 - Grant	City of Los Angeles Department of Transportation	7/2025
2	Planning and Development	24-PLN-A27 - Grant	County of Los Angeles Department of Public Works	7/2025
3	Planning and Development	25-PLN-A06 - Grant	City of Downey	7/2025
4	Planning and Development	25-PLN-A01 - Grant	City of El Monte	7/2025
5	Planning and Development	25-HWY-A05 - Grant	City of Torrance	7/2025
6	Program Management	25-CON-A02 - Contract	NSI Engineering	8/2025
7	Planning and Development	24-PLN-A23 - Grant	City of Huntington Park	8/2025
8	Planning and Development	25-PLN-A05 - Grant	City of Los Angeles	8/2025
9	Program Management	24-CON-A05(A) - Contract	Barrio Planners, Inc.	9/2025
10	Program Management	25-CON-A04 - Contract	Global ASR Consulting, Inc.	9/2025
11	Planning and Development	24-PLN-A13 - Grant	Port of Los Angeles	9/2025
12	Planning and Development	24-HWY-A03 - Grant	City of Agoura Hills	9/2025
13	Planning and Development	20-PLN-A09 - Grant	Port of Long Beach	9/2025

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2026				
No.	**Area**	**Audit Number & Type**	**Auditee**	**Date Completed**
14	Program Management	24-CON-A06(B) - Contract	JAD & Associates	9/2025
15	Planning and Development	24-PLN-A20 - Grant	City of Burbank	10/2025
16	Planning and Development	25-PLN-A16 - Grant	City of Culver City	11/2025
17	Planning and Development	25-HWY-A11 - Grant	City of Pico Rivera	11/2025
18	Planning and Development	25-PLN-A27 - Grant	City of South Pasadena	12/2025
19	Planning and Development	25-PLN-A26 - Grant	City of Carson	12/2025
20	Planning and Development	25-PLN-A30 - Grant	City of Gardena	12/2025
21	Planning and Development	24-PLN-A26	City of Hawthorne	1/2026
22	Planning and Development	26-HWY-A03	City of La Canada Flintridge	1/2026
23	Planning and Development	24-CON-A05(B)	Barrio Planners, Inc.	2/2026
24	Planning and Development	24-CON-A04(E)	ABCS Consulting Services	2/2026
25	Planning and Development	25-CON-A06	Thornton Tomasetti	2/2026

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2026				
No.	**Area**	**Audit Number & Type**	**Auditee**	**Date Completed**
26	Planning and Development	25-PLN-A15	City of Santa Clarita	2/2026
27	Planning and Development	26-PLN-A04	City of Glendale	2/2026
28	Planning and Development	26-PLN-A03	City of Beverly Hills	3/2026
29	Planning and Development	25-HWY-A04	City of Downey	5/2026
30	Planning and Development	26-PLN-A12	City of Pasadena	6/2026
31	Operations	25-OPS-A01	Alstom Transportation, Inc.	6/2026
32	Planning and Development	25-PLN-A08	City of Burbank	6/2026
33	Program Management	25-CON-A01	PQM, Inc.	6/2026

Appendix D

Open Audit Recommendations as of June 30, 2026

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1-2	Operations	21-SEC-P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	2 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
3-5	Strategical Financial Management	23-ITS-P01 - Performance Audit of Third-Party Risk Management - Outsourced Service Providers	3 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
6	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1b	Perform monthly reconciliations of human resource/payroll deduction report to validate that payroll deductions align with carrier invoices.	10/31/2025	12/31/2026[1]
7	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1d	Implement monitoring of dependent eligibility and 'age-out' events.	9/30/2025	12/31/2026[1]
8	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1e	Identify methods to automate the procedures in 1(b) and 1(c) above as part of the new payroll system implementation.	12/31/2025	12/31/2026[1]
9	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	2a	The Chief People Officer should direct Pension and Benefits management to develop detailed SOPs covering the employee pension contribution process, including report generation, review, and exception handling.	11/30/2025	12/31/2026[1]
10	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	7	The Chief People Officer should direct Pension and Benefits to evaluate the upcoming Oracle HCM Cloud Suite implementation to assess opportunities for automating the pension process, replacing manual workflows, scanning employee documents, improving change history, and ensuring enhanced integration across Human Resources, Payroll, and Pension and Benefits functions to improve accuracy and efficiency in pension management.	12/31/2025	12/31/2026[1]
11	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	8	The Chief People Officer should direct Pension and Benefits and ITS Administration management to incorporate enhanced controls and validations into the upcoming Oracle HCM Cloud Suite system. These enhanced controls and validations should include mechanisms such as logical checks to prevent contradictory or missing pension codes from being assigned, particularly for ineligible job classes. Also, job status changes should automatically trigger reviews to ensure pension codes are updated promptly. Increased automation will help minimize manual data entry errors.	12/31/2025	12/31/2026[1]
12	Program Management	25-CON-P01 - Gold Line Extension Phase 2B	4.1	Metro should review the current project (GLE2B1) forecast and identify any cost savings and the impact of allocated funding sources.	9/30/2026	

[1] Extension is related to Oracle Human Capital Management (HCM) project, which is tentatively scheduled to go live in December 2026.

Appendix D

Open Audit Recommendations as of June 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
13	Program Management	25-CON-P01 - Gold Line Extension Phase 2B	4.2	Metro should consult with Strategic Financial Management to determine if any revision to the LOP budget is required to reflect current forecasts for sections to Pomona or Montclair.	9/30/2026	

[1] Extension is related to Oracle Human Capital Management (HCM) project, which is tentatively scheduled to go live in December 2026.

Appendix E

Open OIG Audit Recommendations as of June 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
1	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	16	Continue to test and determine the effectiveness of the independent solar panel lights on top of the signposts. Consider expanding use of the solar lights if the cost and benefits of these lights prove to be a good solution.	6/30/2025	10/31/2026
2	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	19	Consider sustainable options like lights generated by small solar panels or other environmentally conscious methods, as stated earlier.	6/30/2025	10/31/2026
3	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	20	Monitor the effectiveness of the Bus Lane Enforcement (BLE) program in keeping Metro bus lanes clear from parked vehicles across the system to improve transit safety and reliability.	6/30/2027	
4	Chief People Office	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	1	When providing training for staff, ensure that there are no cost-free in-house programs or external programs that Metro partners with who provides similar highly qualified training at a substantially lower cost that still meet the quality and expertise level, before purchasing these services outside of Metro.	3/31/2026	9/30/2026
5	Chief People Office / Vendor/Contract Management	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	4	Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.	3/31/2026	9/30/2026
6	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	13	Consider installing clear signage stating that the emergency call box is for emergency use only, and misuse is subject to penalties.	9/30/2025	9/30/2026
7	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	16	Once the prototypes of the Call Point Blue Light Project are installed, evaluate their effectiveness and conduct a comprehensive cost-benefit analysis based on the knowledge gained from the Call Point Blue Light Project..	6/30/2026	10/31/2026
8	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	17	Conduct a comprehensive evaluation of the existing camera infrastructure to identify performance gaps and limitations.	12/31/2026	
9	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	18	Ensure any new system being considered meets Metro's needs as an upgrade to high resolution, reliable camera systems with enhanced capabilities such as pan, tilt, and zoom (PTZ) functionality for improved coverage and flexibility, and will replace obsolete call boxes and legacy cameras with a unified system that offers superior image quality and remote monitoring capabilities.	12/31/2027	
10	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	19	Consider integrating Artificial Intelligence and automation in any future camera systems deployed in Metro Rail Stations.	12/31/2028	
11	Department of Public Safety	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	21	Expand surveillance coverage by installing functional cameras in previously unmonitored areas, such as the Willow Station patron and employee parking lot.	12/31/2028	
12	Department of Public Safety	25-AUD-06 - Supplemental Billings Review FY24	6	Metro should enforce the contract requiring LAPD to submit annually the List of Maximum Fully Burdened Hourly Rates and all the required supporting documentation ninety (90) days prior to the start of each fiscal year, and any changes to the CAP rates during the fiscal year. Metro should also review the billing rates for all invoices not reviewed by BCA for FY2024 to determine the extent of overbillings for FY 2024.	Pending Review	

Appendix E

Open OIG Audit Recommendations as of June 30, 2026

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
13	Strategic Financial Management	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	1	Consider enhancing the parking payment system by enabling customers to pay for parking directly using their TAP card, with the parking fee automatically deducted from the card balance.	4/30/2028	
14	Strategic Financial Management	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	2	Implement an “Open Pay” option for parking lot fees where patrons may simply use a bank card to complete the parking fee transaction.	4/30/2028	
15	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	3	Coordinate with parking enforcement personnel to strengthen monitoring and enforcement activities at locations where unauthorized or abandoned vehicles are observed.	6/30/2026	7/31/2026
16	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	4	Instruct enforcement personnel to prioritize high-risk locations and 2026 World Cup Lots and address long-standing violations promptly.	6/30/2026	7/31/2026
17	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	5	Increase the frequency of signage inspections beyond quarterly audits, particularly at high-traffic stations and during special event periods, particularly for the Lots serving the 2026 World Cup.	6/30/2026	7/31/2026
18	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	6	Develop and implement standard operating procedures for the timely repair, cleaning, or replacement of damaged, defaced, or improperly installed signage. Define response timelines based on severity and high-traffic parking facilities, particularly for the Lots serving the 2026 World Cup.	6/30/2026	7/31/2026
19	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	8	Provide training to facility staff on accessibility standards and the importance of maintaining compliant spaces.	8/31/2026	
20	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	1A	Enhance integration between incident reporting and TAGRS.	9/30/2026	
21	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	3A	Strengthen end-to-end incident-to-work-order integration and closure documentation by requiring work order references (or other documented rationale).	11/30/2026	
22	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	3B	Improve documentation of incident work orders to ensure accountability between FM and the responsible department assigned to make incident repairs. Establish an incident report showing the response and closure with measurable timelines to repair depending on the incident category.	11/30/2026	
23	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	3C	Strengthen data input standard that allows the real time measurement of incident time between opening and closing.	11/30/2026	
24	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	3D	Develop reporting capabilities to identify incidents by rail station and rail line.	5/30/2026	7/31/2026
25	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4A	Standardize incident coding and description requirements (i.e., minimum data fields and definitions by incident types and utilizing the “Notes” section for additional commentary).	11/30/2026	
26	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4B	Require meaningful closure notes and evidence (what was done, by whom, date completed, and reference work order/task order, where applicable).	5/31/2026	7/31/2026

Appendix E

Open OIG Audit Recommendations as of June 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
27	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4C	Implement supervisory quality assurance for incident entry and closure, including periodic data audits and exception reporting for vague descriptions, missing notes, or closure codes without documentation.	7/31/2026	
28	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4D	Provide targeted training to employees to improve consistency across EAMS' users and departments.	11/30/2026	
29	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	5A	Leverage peer practices to strengthen incident management by moving toward a more integrated asset management platform (similar to NYCT's EAMS) with supervisor validation of entries.	11/30/2026	
30	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	8A	Strengthen field-to-system reporting by requiring all incidents identified during inspection to be promptly entered into reporting system, with periodic reconciliation between inspection logs and the incident List.	11/30/2026	
31	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	8B	Develop targeted action plans with emphasis on elevator/escalator reliability, cleanliness, and safety-critical items.	12/31/2026	
32	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	8C	Enhance strategies to address recurring issues such as odors, vandalism/etching, and damaged finishes by increasing cleaning frequency, deploying deterrents, and using more durable/protective materials.	12/31/2026	
33	Customer Experience Office	26-AUD-05 - Review of Metro Rail Station Repairs	9C	Metro should adopt a coordinated, multi-pronged approach to identifying, resolving, and communicating rail station repairs, including: Communicate status and closure of these items back to reporting parties through CCATS, social media channels and the Transit Watch (Everbridge) application to enhance transparency and customer confidence.	Pending Review	
34	Chief People Office	26-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses July 1, 2025 to September 30, 2025	1	We recommend the Chief People Office include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.	7/31/2026	
35	Chief People Office	26-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses July 1, 2025 to September 30, 2025	2	We recommend the Chief People Office instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.	7/31/2026	

MANAGEMENT AUDIT SERVICES

FY 2026 Fourth Quarter and Cumulative Year-End Report

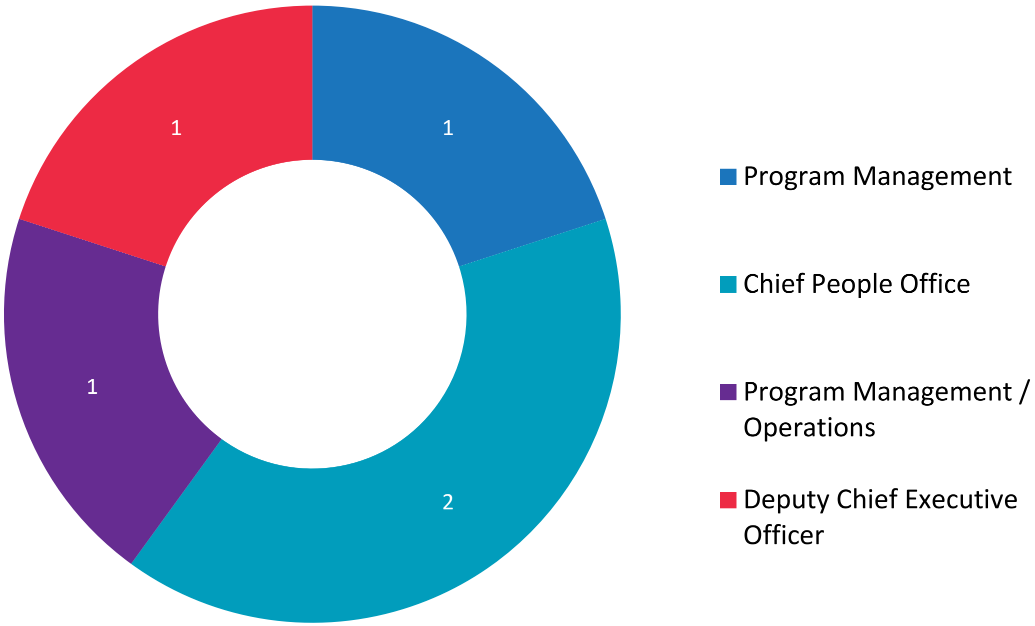
Finance, Budget and Audit Committee
September 17, 2026

Kimberly Houston, Deputy Chief Auditor
Lauren Choi, Sr. Director, Audit
Yvette Suarez, Sr. Manager, Audit

Metro

Completed Annual: Performance Audits

Agency Representation



5 Completed Performance audits

1. Eastside Access Improvement Project
2. Employee Health Care Benefits
3. Employee Pension Benefits
4. Gold Line Extension Phase 2B
5. SBE Certification Processes

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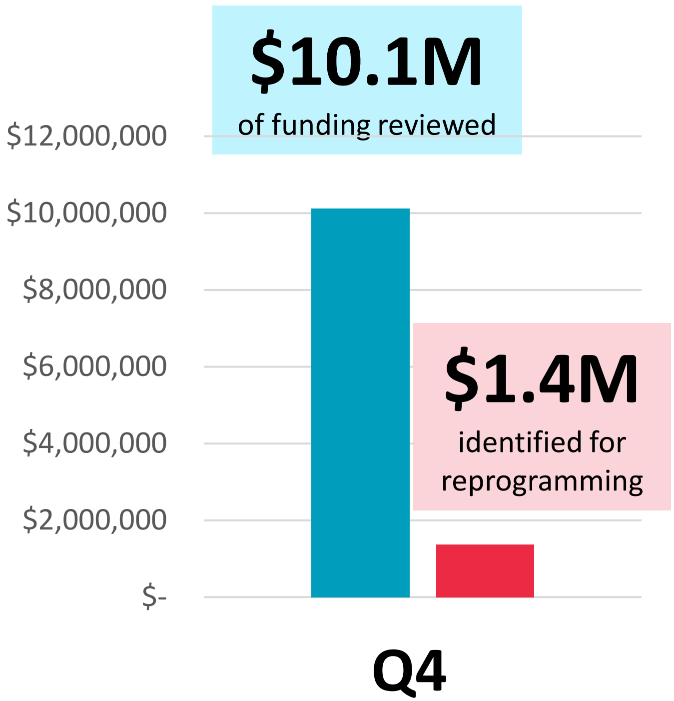
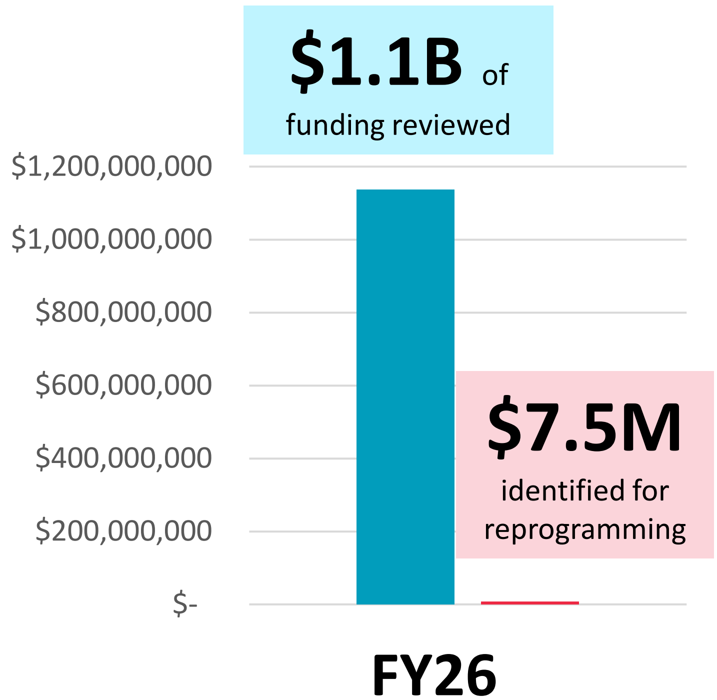
Completed Q4 and Annual: Contract, Financial & Compliance Audits



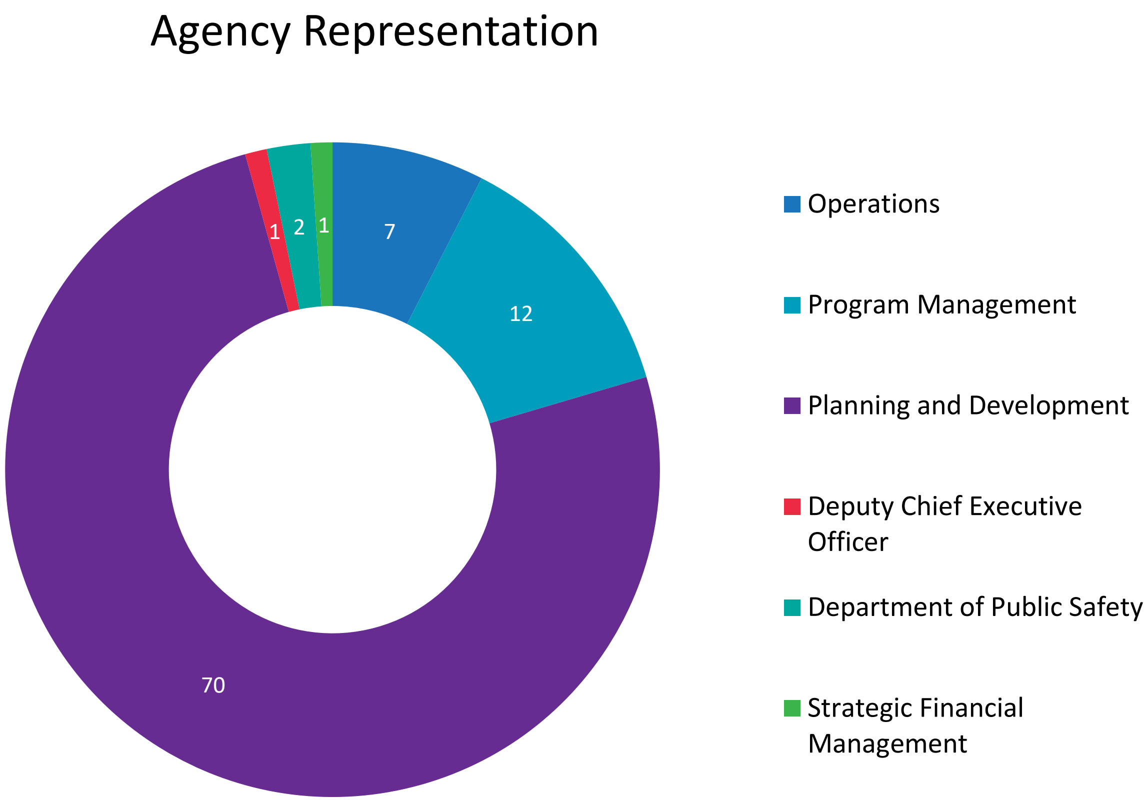


5 audit reports issued in Q4

33 audit reports issued in FY26

Metro

In Progress: MAS Audit Activity by Area



10 Performance audits in progress

83 Contract, Financial, and Compliance Audits in progress

Metro

In Progress: Performance Audits

No.	Project Title	Area	Description	Estimated Date of Completion
1	Project Grant Funding	Planning and Development	Assess whether Metro is adequately allocating its resources to maximize funding identified and received.	**FY27 Q1**
2	Purple (D-Line) Extension 1 (PDLE1)	Program Management	Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations.	**FY27 Q1**
3	Safety Response to Reported Incidents	Department of Public Safety	Evaluate whether existing policies and procedures are adequate to ensure timely decision-making and effective deployment of resources in response to safety-related service requests from employees and the public.	**FY27 Q1**
5	Physical Security Monitoring Equipment	Department of Public Safety	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	**FY27 Q2**
6	Measure M Subregional Program (MSP)	Planning and Development	Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP is maximizing the program's capacity and adhering to project schedule(s).	**FY27 Q2**
7	Wayside Track Maintenance	Operations	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	**FY27 Q2**
8	Non-revenue Vehicles	Operations	Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.	**FY27 Q2**
9	Real Estate Condition and Utilization	Planning and Development	Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.	**FY27 Q3**
4	Division 20 Portal Widening Turnback Facility	Program Management	Evaluate Metro's project management processes for the Project to date, including managing and mitigating project risks.	**FY27 Q3**
10	Bus Division Operations Efficiencies	Operations	Examine Metro's Bus Divisions' administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals.	**FY27 Q4**

Thank you!

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