

Metro

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



Metro®

Agenda - Final

Wednesday, November 15, 2017

1:00 PM

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

Finance, Budget and Audit Committee

Kathryn Barger, Chair

Paul Krekorian, Vice Chair

John Fasana

Janice Hahn

Ara Najarian

Carrie Bowen, non-voting member

Phillip A. Washington, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD 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 should be submitted in person at the meeting to the Board Secretary. Individuals requesting to speak on more than three (3) agenda items will be allowed to speak up to a maximum of three (3) minutes per meeting. For individuals requiring translation service, time allowed will be doubled.

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.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for up to three (3) minutes per meeting and may speak no more than once during the Public Comment period. Speakers will be called according to the order in which the speaker request forms are received. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant 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.

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.

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

Agendas for the Regular MTA Board meetings are prepared by the Board Secretary and are available

DISCLOSURE OF CONTRIBUTIONS

The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

ADA REQUIREMENTS

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 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Board Meetings. Interpreters for Committee meetings and all other languages must be requested 72 hours in advance of the meeting by calling (213) 922-4600 or (323) 466-3876.



323.466.3876 x2

Español

323.466.3876 x3

한국어

日本語

中文

русский

ភាសាខ្មែរ

ภาษาไทย

Tiếng Việt

မြန်မာစာ

HELPFUL PHONE NUMBERS

Copies of Agendas/Record of Board Action/Recordings of Meetings - (213) 922-4880 (Records Management Department)

General Information/Rules of the Board - (213) 922-4600

Internet Access to Agendas - www.metro.net

TDD line (800) 252-9040

NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

CALL TO ORDER**ROLL CALL****APPROVE Consent Calendar Items: 5 and 6.**

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

CONSENT CALENDAR

- 5. SUBJECT: MANAGEMENT AUDIT SERVICES FY2018** [2017-0726](#)
FIRST QUARTER REPORT

RECOMMENDATION

RECEIVE AND FILE the first quarter report of Management Audit Services (Management Audit) for the period ending September 30, 2017.

Attachments: [Attachment A - FY18 Q1 Report](#)

- 6. SUBJECT: TRAXX RESTAURANT LEASE AGREEMENT** [2017-0668](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a three-year exclusive lease agreement and a three-year extension option with Tara Thomas Enterprises, Inc., a California corporation for the Traxx Restaurant and the Bar located in Union Station.

Attachments: [Attachment A - Lease Area](#)
[Attachment B - Traxx Lease Agreement Key Terms](#)

NON-CONSENT

- 7. SUBJECT: FISCAL YEAR 2017 (FY17) - PRELIMINARY YEAR END** [2017-0695](#)
FINANCIAL REPORT

RECOMMENDATION

RECEIVE AND FILE status report on the Preliminary Fiscal Year 2017 (FY17) Year End Financial Report.

Attachments: [Presentation - FY17YearEnd](#)

8. **SUBJECT: PUBLIC HEARING FOR CUSTOMER READINESS
EFFORTS FOR TRANSFER ON 2nd BOARDING**

[2017-0706](#)

RECOMMENDATION

CONSIDER:

A. SCHEDULING a public hearing date on Wednesday, January 17, 2018 to receive public comment on possible customer readiness efforts for board approved Transfer on 2nd boarding; and

B. AUTHORIZING publication of the attached legal notice (Attachment A).

Attachments: [Attachment A - PublicHearing_Notice](#)
[Attachment B - Transferon2Boarding_TitleVI](#)
[Attachment C - TitleVIToken](#)
[Attachment D - TokenSaleAnalysis](#)

9. **SUBJECT: CURRENCY PROCESSING SERVICES**

[2017-0672](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award firm fixed unit price Contract No. OP39497-2000, to Los Angeles Federal Armored Services, for currency processing services for an amount not-to-exceed \$457,600 for the one-year base period, and \$514,800, \$572,000, \$629,000, and \$686,400 for each of the four, one-year option terms, respectively, for a combined total of \$2,859,800, effective January 1, 2018 to December 31, 2022, subject to resolution of protest(s), if any.

Attachments: [Attachment A - Procurement Summary.pdf](#)
[Attachment B - DEOD Summary.pdf](#)

45. **SUBJECT: SB1: STATE TRANSIT ASSISTANCE STATE OF
GOOD REPAIR PROGRAM (STASGR)**

[2017-0772](#)

RECOMMENDATION

APPROVE the Resolution in Attachment A to:

A. AUTHORIZE the Chief Executive Officer (CEO) or his designee to receive STASGR funds from the State Controller's Office (SCO); and

B. CERTIFY that Metro will comply with STASGR Recipient Certifications and Assurances, and authorize the CEO or his designee to execute all required documents and any amendments with the California Department of Transportation.

Attachments: [Attachment A - STASGR.pdf](#)

GENERAL PUBLIC COMMENT**Adjournment**

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



Metro

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

Board Report

File #: 2017-0726, **File Type:** Informational Report

Agenda Number: 5.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

**SUBJECT: MANAGEMENT AUDIT SERVICES FY2018
FIRST QUARTER REPORT**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the first quarter report of Management Audit Services (Management Audit) for the period ending September 30, 2017.

ISSUE

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the first quarter of FY 2018.

DISCUSSION

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management team. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in Management Audit: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and

resolution tracking.

The summary of Management Audit activity for the quarter ending September 30, 2017 is as follows:

Internal Audits: two internal audits were issued and fourteen were in process.

External Audits: four contract pre-award audits with a total value of \$10.4 million were completed and 14 incurred cost audits with a total value of \$300 million were completed. Two contract pre-award audits and 48 incurred cost audits were in process.

Audit Follow-up and Resolution: 21 recommendations were closed during the first quarter. At the end of the quarter, there were 37 open audit recommendations. In addition, 89 recommendations for the OIG were closed. Details of all open, extended, and closed recommendations can be found in the First Quarter Board Box titled "Status of Audit Recommendations".

Management Audit's FY 2018 first quarter report is included as Attachment A.

NEXT STEPS

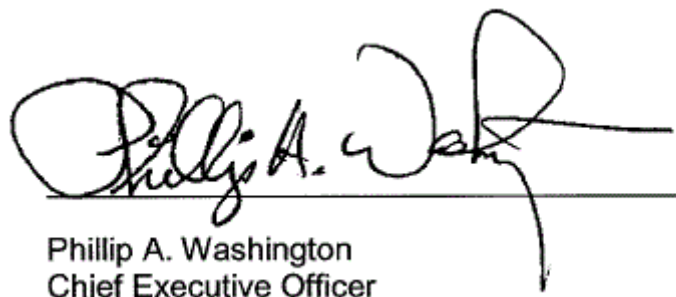
Management Audit will provide the FY 2018 Second Quarter report of audit activity to the Board at the February 2018 Finance, Budget and Audit Committee meeting.

ATTACHMENT

Attachment A - Management Audit Services Quarterly Report

Prepared by: Monica Del Toro, Audit Support
(213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor
(213) 922-2161



Phillip A. Washington
Chief Executive Officer

**MANAGEMENT AUDIT SERVICES
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan
Transportation Authority**

***First Quarter
FY 2018***



TABLE OF CONTENTS

EXECUTIVE SUMMARY	
Summary of Audit Activity	1
EXTERNAL AUDITS	
Contract Pre-Award Audit	4
Incurred Cost Audit	4
INTERNAL AUDITS	
Performance Audit of Accounts Receivable	5
Annual Audit of Business Interruption Fund	5
AUDIT SUPPORT SERVICES	
Audit Follow-Up and Resolution	6
SUMMARY TABLES	
Appendix A – Contract Pre-Award Audits Completed	7
Appendix B – Incurred Cost Audits Completed	8
Appendix C – Internal Audits in Process	10
Appendix D – Open Audit Recommendations	12
Appendix E – OIG Open Audit Recommendations	18

EXECUTIVE SUMMARY

Summary of Audit Activity

During the first quarter of FY 2018, 20 projects were completed. These include:

Internal Audits

- Performance Audit of Accounts Receivable
- Annual Audit of Business Interruption Fund

Pre-Award Audits

- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Inspection of Metro Structures Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Los Angeles Union Station Forecourt Esplanade Improvements Project;
- Independent Accountant's Report on Applying Agreed-Upon Procedures for Los Angeles Metro LAX/Crenshaw Transit Project Change Order No. 122.1; and
- Independent Accountant's Report on Applying Agreed-Upon Procedures for Los Angeles Metro LAX/Crenshaw Transit Project Change Order No.82.

Incurred Cost Audits

- Two Independent Auditor's Reports on Agreed-Upon Procedures for the FY14 and FY15 Incurred Indirect Cost Rates for Westside Subway Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the FY14 and FY15 Incurred Overhead Rates for Westside Purple Line Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the FY15 Interim Incurred Cost for Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of County of Los Angeles' Gateway Cities Traffic Signal Corridors Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Interim Review of Caltrans' I-5 Carmenita Road Interchange Improvement Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Lawndale's Citywide Improvements Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of County of Los Angeles' San Gabriel Valley Forum Traffic Signal Corridors Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Glendale's Verdugo Road / Honolulu Ave / Verdugo Blvd / Montrose Ave Intersection Modification Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Glendale's Construction of Bicycle Facilities Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Long Beach's Downtown Shoreline Drive Adaptive Traffic Management System Project;

EXECUTIVE SUMMARY

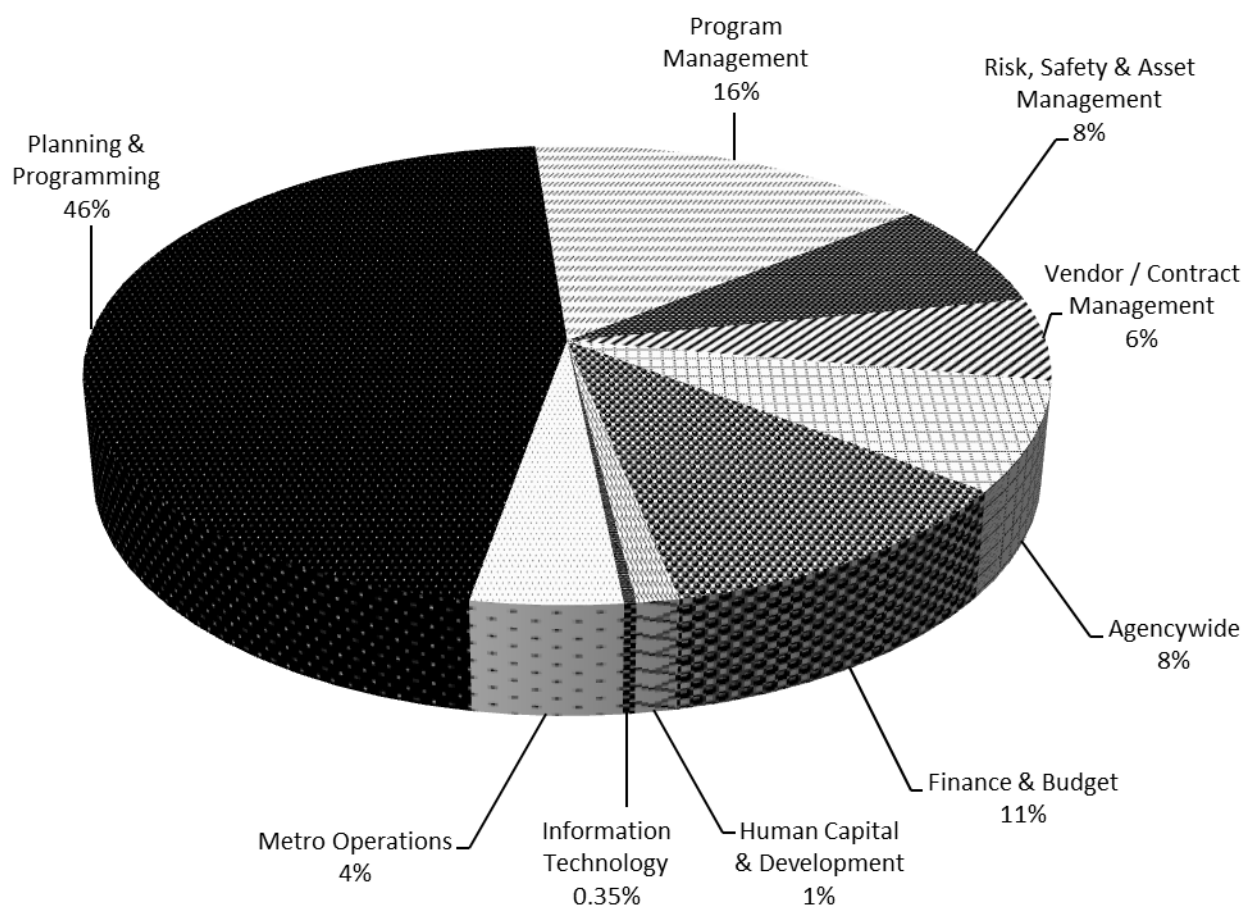
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Long Beach's Ocean Blvd Signal Synchronization and Enhancement Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Carson's I-405 Avalon Blvd Access and Congestion Relief Project; and
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Industry's ATMS Signal Upgrade and CCTV Video Surveillance Project.

The completed external audits are discussed on page 4. Discussions of the internal audits begin on page 5.

EXECUTIVE SUMMARY

Sixty-four projects were in process as of September 30, 2017; these include 14 internal audits, two contract pre-award audits, and 48 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during first quarter FY 2018:



Audit follow-up:

- Twenty-one recommendations were closed during the first quarter. At the end of the quarter there were 37 open audit recommendations.
- In addition, we closed 89 OIG recommendations. At the end of the quarter there were 42* open audit recommendations.

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, and Review of Metro Safety Culture and Rail Operational Safety, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.

EXTERNAL AUDITS

Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During first quarter FY 2018, four audits were completed, reviewing a net value of \$10.4 million. Auditors questioned \$900 thousand or 9% of the proposed costs. The four audits supported procurements in the following areas:

- 2 Crenshaw Transit Project procurements;
- Los Angeles Union Station Improvement Project procurement; and
- Metro Structures Inspection Project procurement;

Two contract pre-award audits were in process as of September 30, 2017.

Details on Contract Pre-Award Audits completed during first quarter FY 2018 are in Appendix A.

Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, and various other transportation related projects, including CalTrans projects. The purpose of the audits is to ensure that funds are spent in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 14 audits during first quarter FY 2018. We reviewed \$300 million of funds and identified \$3.7 million or 1% of unused funds that may be reprogrammed. Forty-eight incurred cost audits were in process as of September 30, 2017.

Details on Incurred Cost Audits completed during first quarter FY 2018 are in Appendix B.

INTERNAL AUDITS

For the first quarter of FY 2018, two internal audits were completed. Fourteen internal audits were in process as of September 30, 2017. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the first quarter FY 2018. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

Performance Audit of Accounts Receivable

We found that the internal controls are adequate to confirm whether outstanding accounts receivable balances were collected in a timely manner; accounts receivable amounts were recorded accurately; and adequate segregation of duties were in place to prevent staff from performing conflicting duties. There are no recommendations associated with this audit.

Annual Audit of Business Interruption Fund

We found that the Business Interruption Fund is being administered in compliance with administrative guidelines and fund and disbursement procedures. There are no recommendations associated with this audit.

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During the first quarter, 21 recommendations were completed and closed. At the end of this quarter there were 37 outstanding audit recommendations. The table below summarizes the first quarter activity.

Summary of MAS and External Audit Recommendations As of September 30, 2017

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Program Management	1				
Vendor Contract Management	1				
Finance and Budget					
Information Technology	1			3	3
Metro Operations	12		17	1	18
Planning and Development	1		4		4
Communications			7		7
Systems Security & Law Enforcement					
Risk Management	5		5		5
Totals	21		33	4	37

In addition to the above MAS and external audit recommendations, we closed 89 recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 42* outstanding OIG audit recommendations.

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, and Review of Metro Safety Culture and Rail Operational Safety, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.

Appendix A

Contract Pre-Award Audit FY 2018 - Audits Completed During Fiscal Year						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
1	Planning & Development	17-PLN-A33 - Attestation Agreed-upon Procedures	Gruen Associates	Once for AE39616	VCM Policy	8/2017
2	Risk, Safety & Asset Management	17-RSK-A01 - Attestation Agreed-upon Procedures	Owen Group Inc.	Once for AE39820	VCM Policy	8/2017
3	Program Management	Attestation Agreed-upon Procedures	Walsh-Shea Corridor Constructors	Once for CO988 Change Order No. 122.1	VCM Policy	8/2017
4	Program Management	Attestation Agreed-upon Procedures	Walsh-Shea Corridor Constructors	Once for CO988 Change Order No. 82	VCM Policy	9/2017

Appendix B

Incurred Cost Audit FY 2018 - Audits Completed During Fiscal Year						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
1	Planning & Development	17-PLN-A02 - Closeout	County of Los Angeles	3rd Audit (Closeout)	Per Project Manager's request and MOU. P0004221 terms	7/2017
2	Program Management	12-PLN-A17 - Interim	Caltrans	1st Interim Audit	Per Project Manager's request and MOU. P0006376 terms	8/2017
3	Program Management	17-HWY-A12 - Closeout	City of Lawndale	Once	Per Project Manager's request and MOU. MR312.36 terms	8/2017
4	Planning & Development	16-PLN-A29 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU. P0006322 terms	8/2017
5	Program Management	17-HWY-A14 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU. MR310.20 terms	8/2017
6	Planning & Development	17-PLN-A10 - Closeout	County Los Angeles	Once	Per Project Manager's request and MOU. P0008121 terms	8/2017
7	Program Management	17-CON-A41 - Attestation Agreed-upon Procedures	Intueor Consulting, Inc.	4th Audit	VCM Policy & Contract Terms	8/2017
8	Program Management	17-CON-A29 - Attestation Agreed-upon Procedures	ABA Global, Inc.	2nd Audit	VCM Policy & Contract Terms	8/2017
9	Program Management	17-HWY-A16 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU. MR310.24 terms	9/2017
10	Planning & Development	17-PLN-A05 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU. P00F1341 terms	9/2017
11	Planning & Development	16-PLN-A08 - Closeout	City of Carson	Once	Per Project Manager's request and MOU. P00F3119 terms	9/2017

Appendix B

Incurred Cost Audit FY 2018 - Audits Completed During Fiscal Year						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
12	Planning & Development	17-PLN-A25 - Closeout	City of Industry	Once	Per Project Manager's request and MOU. P00F3303 terms	9/2017
13	Program Management	17-CON-A28- Attestation Agreed-upon Procedures	Lenax Construction Services, Inc.	2nd Audit	VCM Policy & Contract Terms	9/2017
14	Program Management	17-CON-A27 - Attestation Agreed-upon Procedures	Kal Krishnan Consulting Services, Inc.	2nd Audit	VCM Policy & Contract Terms	9/2017

Appendix C

Internal Audit FY 2018 - In Process as of September 30, 2017						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	Information & Technology Services	Performance Audit of Information Technology Project Management	To evaluate the efficiency and effectiveness of the Information Technology Services (ITS) Department's Project Management Process. A sample from all information technology systems acquired, upgraded, developed and/or implemented during the period from July 1, 2013 through June 30, 2016 will be selected to assess the efficiency and effectiveness of the Project Management Process, including the projects' success from the end user perspective.	First Time	Per FY17 Audit Plan	11/2017
2	Program Management	16-CON-P04 - Performance Audit of Construction Quality Assurance	Evaluate the efficiency and effectiveness of the agency's Construction Quality Assurance Program over minor construction projects (less than \$100 million) and to follow up on the implementation of recommendations from the prior Performance Audit of Construction Quality Assurance, No. 11-CON-K02.	2nd Time; Last Audit 3 years ago	Per FY16 Audit Plan	11/2017
3	Metro Operations	17-OPS-P07 - Performance Audit of Track Allocation	Determine the effectiveness of the track allocation process.	First Time	Per FY16 Audit Plan	11/2017
4	Finance & Budget	17-OMB-P02 - Performance Audit of Farebox Collections	Evaluate the effectiveness of internal controls over Farebox cash collections.	First Time	Per FY17 Audit Plan	11/2017
5	Finance & Budget	17-OMB- P01 - Performance Audit of Cash Counting Process	Evaluate internal controls over Cash Counting Process.	2nd Time; Last Audit 7 years ago	Per FY17 Audit Plan	11/2017
6	Vendor / Contract Management	16-VCM- P01 - Performance Audit of P-Card	Evaluate compliance to P-card purchase requirements.	3rd Time; Last audits 4 and 8 years ago	Per FY16 Audit Plan	11/2017
7	Program Management	12-CON-P03 - Performance Audit for Follow-Up of the I-405 Sepulveda Pass Improvement Project	Verify implementation of agreed upon corrective actions from the initial audit of the I-405 Sepulveda Pass Improvement Project, Report No. 11-CON-K01, issued in August 2011.	2nd Time; Last Audit 6 years ago	CEO Request	12/2017
8	Vendor / Contract Management	17-VCM-P02 - Performance Audit of Change Order Process	To determine the extent of Vendor/Contract Management's compliance with policies and procedures. To determine Vendor/Contract Management's adequacy of the justification documentation for approving contract change orders/modifications. To determine the extent of key information utilization for contract change orders/modifications. Identify best practices and present to Vendor/Contract Management for consideration.	First Time	Per CEO Request	12/2017

Appendix C

Internal Audit FY 2018 - In Process as of September 30, 2017						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
9	Vendor / Contract Management	17-VCM-P04 - Performance Audit of Pre-Award Process	To determine the extent of Vendor/Contract Management's compliance with policies and procedures. To determine Vendor/Contract Management's adequacy of the justification documentation for the vendor contract selection method (e.g. best value, lowest bid). To determine the extent of key information utilization to select vendors for contract awards. Identify best practices and present to Vendor/Contract Management for consideration.	First Time	Per CEO Request	12/2017
10	Metro Operations	16-OPS-P03 - Performance Audit of Accident Prevention Program	Determine the efficiency and effectiveness of Operations' Accident Prevention Practices.	First Time	Per FY16 Audit Plan	12/2017
11	Employee & Labor Relations / Finance & Budget	17-OMB-P04 - Performance Audit of Position Reconciliation Process	To evaluate the adequacy of the Position Reconciliation Process between the Cost centers, Human Resources and Office of Management and Budget.	2nd Time; Last Audit 6 years ago	Per FY17 Audit Plan	12/2017
12	Congestion Reduction	16-CEO-P02 - Performance Audit for Follow- Up of 511	Follow Up on 511 Audit.	2nd Time; Last Audit 5 Years Ago	CEO Request	12/2017
13	Agency-Wide	17-AGW-P01 - Performance Audit of Consultant Hours	Evaluate efficiency and effectiveness of the use of consultants.	First Time	Per FY17 Audit Plan	12/2017
14	Risk Management	18-RSK-P01 - Performance Audit of Continuity of Operations Plan	Evaluate the adequacy of the Continuity of Operations Plan (COOP) based on guidelines specified by Federal Transit Administration Emergency Protective Measures and report on progress to date on the COOP as of September 30, 2017.	2nd Time; Last Audit 8 years ago	Per FY18 Audit Plan	12/2017

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	11-OPS-006 - HASTUS	5	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution. Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.	6/30/2016	12/31/2017
2	Operations	11-OPS-006 - HASTUS	6	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Developing a more robust, realistic deadhead matrix and use the matrix during the vehicle blocking process to globally optimize its bus system schedules. Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.	6/30/2016	12/31/2017
3	Operations	11-OPS-006 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions. Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.	6/30/2016	12/31/2017
4	Operations	11-OPS-006 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts. Update: Upgrade of the HASTUS system to 2015 version is completed. Service Planning & Scheduling department is waiting for Giro to fine tune the CrewOpt module and train staff.	6/30/2016	12/31/2017
5	Communications	16-COM-P01 - Special Fares Programs	14	We recommend the Communications Department update the B-TAP Program Policy and/or Agreement terms so that the language on these two documents are consistent with the intended pricing level for B-TAP customers. Update: The B-TAP program is under review by OMB and TAP operations.	3/31/2017	12/31/2017
6	Communications	16-COM-P01 - Special Fares Programs	20	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making. Update: Pending completion of MOU which is currently being reviewed by County Council.	3/31/2017	12/31/2017
7	Communications	16-COM-P01 - Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement. Update: Pending completion of MOU which is currently being reviewed by County Council.	3/31/2017	12/31/2017
8	Communications	16-COM-P01 - Special Fares Programs	22	We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance. Update: Pending completion of MOU which is currently being reviewed by County Council.	3/31/2017	12/31/2017

Any findings that have not been corrected 90 days after the due date are reported as late.

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
9	Communications	16-COM-P01 - Special Fares Programs	23	We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements. Update: Pending completion of MOU which is currently being reviewed by County Counsel.	3/31/2017	12/31/2017
10	Communications	16-COM-P01 - Special Fares Programs	25	We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management. Update: Pending completion of MOU which is currently being reviewed by County Counsel.	3/31/2017	12/31/2017
11	Communications	16-COM-P01 - Special Fares Programs	26	We recommend the Communications Department to revisit the program purpose and assess the pricing model to generate the optimal program revenue. Update: The B-TAP program is under review by OMB and TAP operations. Once MCS receives an update from OMB regarding the B-TAP pricing, MCS will be implementing new rules and pricing models to ensure optimal program revenue.	3/31/2017	12/31/2017
12	Planning & Development	14-EDD-P01 - Real Estate Property	11	We recommend that Real Estate Management complete the required inspections and document inspection records on file. Update: Master schedule is in development as well as logistics, after-action, and resource requirements for successful execution of any Inspection Master Schedule.	6/30/2017	12/31/2017
13	Planning & Development	14-EDD-P01 - Real Estate Property	12	We recommend that Real Estate complete the write off process for delinquent accounts that are deemed uncollectable in accordance with the policy established for writing off uncollectable amounts. Update: Property management is in the process of revising its write off process and procedures as defined in Audit Recommendation 13 and then will begin the process of writing off all customer accounts deemed uncollectable with an expected completion timeline of 12/31/2017.	6/30/2017	12/31/2017
14	Planning & Development	14-EDD-P01 - Real Estate Property	13	We recommend that Real Estate Management develops policies and procedures for collecting and writing off past due accounts including when consultation with County Counsel is required. Policy should include timeframes to ensure timely actions are taken. Update: Asset Management will revise its dollar thresholds once senior management positions have been filled.	6/30/2017	12/31/2017

Any findings that have not been corrected 90 days after the due date are reported as late.

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
15	Planning & Development	14-EDD-P01 - Real Estate Property	14	<p>We recommend that Real Estate Management will establish a process for investigating customer's payment that has no invoice reference so proper application of payments received can be made or invoice can be prepared.</p> <p>Update: Real Estate Management is working with Accounting to resolve the reconciliation of discrepancy between invoices and actual payments made by the customer because Asset Management in Real Estate Department is responsible for preparing billing schedules and Accounting is responsible for generating invoices.</p>	6/30/2017	12/31/2017
16	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	1	<p>We recommend the Chief Operations Officer require Track management to develop an inventory of linear assets and their components that can be the basis of a PMP to accurately forecast maintenance requirements and component replacements.</p> <p>Update: Currently, a software system called OpTram is in the initial stages of being developed that will have an inventory of linear assets, including Wayside track assets. This will be a short term solution for the inventory of assets as the long term plan is to replace the M3 system which should include a requirement for linear assets inventory. ITS plans to begin the procurement process by the end of 2017.</p>	6/30/2017	12/31/2017
17	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	2	<p>We recommend the Chief Operations Officer require Track management to develop a formal risk assessment of potential failures for track components or assets aimed at supplementing the current inspection program with a scheduled maintenance plan for selected components or maintenance practices.</p> <p>Update: Maintenance & Engineering are working towards hiring consultants to pursue this effort.</p>	6/30/2017	12/31/2017
18	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	4	<p>We recommend the Chief Operations Officer require Track management to develop quality standards for track maintenance to proactively maintain Metro's unique track infrastructure.</p> <p>Update: Maintenance & Engineering are working towards hiring consultants to pursue this effort.</p>	6/30/2017	12/31/2017

Any findings that have not been corrected 90 days after the due date are reported as late.

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
19	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	6	<p>We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to revise inspection forms/reports to include: applicable checklists with inspection criteria for the different types of inspections; condition description, and ranking description of conditions with estimated completion for corrective actions.</p> <p>Update: The M3 Mobile apps for Bus, Rail and Wayside inspections is estimated to be completed in December 2017. However, 6 months are needed to train staff on how to use new M3 module for Wayside track.</p>	6/30/2017	12/31/2017
20	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	7	<p>We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to train inspectors to properly complete both inspection and maintenance forms.</p> <p>Update: Closed as of October 2017.</p>	6/30/2017	11/30/2017
21	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	8	<p>We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to log all conditions that impact the track structure in the inspection reports, including water damage in the tunnels.</p> <p>Update: This recommendation will potentially close in Quarter 2. Auditor will verify these tasks were included in new contract deliverables.</p>	06/30/2017	11/30/2017
22	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	10	<p>We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to work with other business units who are responsible to implement any corrective actions that may impact track maintenance and/or track condition.</p> <p>Update: This recommendation will potentially close in Quarter 2. Auditor will verify these tasks were included in new contract deliverables.</p>	6/30/2017	11/30/2017
23	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	12	<p>We recommend that the Chief Operations Officer, require Track management to provide training for track management, supervisors and/or leads that create work orders in the M3 system.</p> <p>Update: The M3 Mobile apps for Bus, Rail and Wayside inspections is estimated to be completed in December 2017. However, 6 months are needed to train staff on how to use new M3 module for Wayside track.</p>	6/30/2017	6/30/2018
24	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	13	<p>We recommend that the Chief Operations Officer, require Track management to log all open maintenance conditions in M3, as they are identified, to produce meaningful reports.</p> <p>Update: The M3 Mobile apps for Bus, Rail and Wayside inspections is estimated to be completed in December 2017. However, 6 months are needed to train staff on how to use new M3 module for Wayside track.</p>	6/30/2017	6/30/2018

Any findings that have not been corrected 90 days after the due date are reported as late.

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
25	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	15	We recommend the Chief Operations Officer require Tracks Management to develop departmental policies and procedures specific to Track Maintenance activities and specify the track maintenance standards and/or guidelines that should be followed. Update: An estimate for a consultant to work on developing a track maintenance manual, policies and procedures was completed in March 2017. Operations is looking into hiring consultants to assist in these tasks.	6/30/2017	12/31/2017
26	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	16	We recommend the Chief Operations Officer require Tracks Management to develop an illustrative field manual based on Metro's own criteria for track maintenance and allocate the necessary budget to do this. Update: An estimate for a consultant to work on developing a track maintenance manual, policies and procedures was completed in March 2017. Operations is looking into hiring consultants to assist in these tasks.	6/30/2017	12/31/2017
27	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	20	We recommend that the Chief Operations Officer require Track Management to define training and certification program requirements for each task performed by the unit, including the frequency for each course. Update: Closed as of October 2017.	6/30/2017	11/30/2017
28	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	21	We recommend that the Chief Operations Officer require Track Management to bring inspectors current on all their training and re-certification requirements including refresher and welding courses. Update: Closed as of October 2017.	3/31/2017	11/30/2017
29	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	22	We recommend that the Chief Operations Officer require Track Management to consider collaborating with ITS to determine whether Operations' existing OTTS system can be modified and used by Rail Instruction or implement and automated Track Training Management system to gain greater visibility of employee training records and data.	12/31/2017	
30	Risk Management/ Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority	1	LACMTA must review and/or revise Emergency Plans at intervals as required by LACMTA procedures. Update: Closed as of October 2017.	7/1/2017	10/1/2017

Any findings that have not been corrected 90 days after the due date are reported as late.

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
31	Risk Management/ Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority	2	LACMTA Management should properly complete and fill out the Ride Check Forms with accurate and correct information. Update: Closed as of October 2017.	7/15/2017	9/15/2017
32	Risk Management/ Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority	8	LACMTA should keep hard copies of maintenance records. Update: Closed as of October 2017.	7/11/2017	9/15/2017
33	Risk Management/ Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority	9	LACMTA should update the maintenance plans to reflect the systems equipment and conditions. Update: Closed as of October 2017.	9/1/2017	9/15/2017
34	Risk Management/ Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority	10	LACMTA maintenance personnel should completely fill out checklists before closing out work order. Update: Closed as of October 2017.	7/11/2017	9/15/2017
35	Information Technology Services	16-ITS-P02 - Performance Audit of IT Asset Management	2	We recommend that the ITS Department Management complete the update of the Standards Compliance and Asset Management (IT 7) Policy to clarify the roles and responsibilities of the ITS department and other cost centers in tracking and managing IT assets. The policy should include the types of IT assets that need to be maintained in IT asset inventory records. The policy revision should also include the extent of the periodic physical inventory/reconciliation based on the risk associated with the type of IT assets and the amount of investment on various types of IT assets.	12/31/2017	
36	Information Technology Services	16-ITS-P02 - Performance Audit of IT Asset Management	3	We recommend that the ITS Department Management establish a process to maintain a complete and accurate IT asset list by improving the monitoring/tracking for IT asset acquisition, issuance, retirement, disposal, etc.	10/31/2017	
37	Information Technology Services	16-ITS-P02 - Performance Audit of IT Asset Management	4	We recommend that the ITS Department Management oversee the periodic physical inventory (at least annually) of IT assets that are excluded from the physical inventory/ reconciliation for federally funded assets (below \$5000 unit price), but had been determined material in amount due to high frequency/volume purchases. Resolve any discrepancies to ensure the accuracy and completeness of IT asset inventory records.	3/31/2018	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

OIG Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	1	Consider ways to proactively set up a system to identify all employees who require mandatory training, and notify the employees to sign up for the required classes.	3/31/2017	8/31/2017
2	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	2	Update the SharePoint database by: a. Reviewing the mandatory training classes listed in the SharePoint database to ensure that all mandatory training classes are annotated as "mandatory" in the database, and b. Periodic reviewing the database to ensure that the information listed is current and all mandatory training classes are annotated.	3/31/2017	12/31/2017
3	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	3	Update the Metro Policy on Training, HR 8-2, in accordance with General Management Policy GEN 5. Update: Revised Policy is complete and awaiting comments and approval from other Strategic Business Units.	8/31/2016	8/31/2017
4	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	8	The Metro System Safety and Law Enforcement Division should consider developing or acquiring and implementing a resource oversight and monitoring application for use on the smartphones currently used by Metro safety and security personnel. Metro should also consider identifying specific reporting requirements as input into the development of the new Computer Aided Dispatch (CAD) system by the LASD.	1/31/2017	9/31/2017
5	Program Management	16-AUD-01 - Capital Project Management Best Practices Study	38 total	The 109 recommendations included in this report address findings in low bid contracting, project delivery method selection process and criteria, contract administration, obtaining necessary approvals from cities to avoid delays, etc. Update: As of September 30, 2017, 71 of 109 recommendations have been completed.		

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, and Review of Metro Safety Culture and Rail Operational Safety, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.



Board Report

File #: 2017-0668, File Type: Agreement

Agenda Number: 6.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

SUBJECT: TRAXX RESTAURANT LEASE AGREEMENT

ACTION: APPROVE 3-YEAR LEASE WITH A 3-YEAR OPTION TO EXTEND

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a three-year exclusive lease agreement and a three-year extension option with Tara Thomas Enterprises, Inc., a California corporation for the Traxx Restaurant and the Bar located in Union Station.

ISSUE

The lease area consists of 4,276 square feet on the west side of Union Station including seating area in the waiting room, entry vestibule, and north patio. In addition, the tenant has an office and two storage areas with stair access on the 2nd floor and in the basement totaling 702 square feet (see Attachment A).

Metro and Tara Thomas Enterprises, Inc. (Lessee) have conducted negotiations and desire to enter into a new lease that will replace and supersede all prior agreements and understandings between the parties. The prior lease expired and, per that agreement, the tenancy reverted to a month-to-month lease term. A new agreement and monthly base rent of \$9,080.00 has been negotiated with the assistance of County Counsel.

Over the proposed 6-year term (3 years plus one 3-year option dependent on performance per Attachment B term sheet), this lease is anticipated to generate in excess of \$1,100,000 in base rent, three percent annual increase, eight percent of gross sales percentage rent, and common area maintenance fees. Board authorization is requested because the expected lease revenue exceeds the CEO's current authority.

DISCUSSION

The Traxx Restaurant and Bar is a fine dining amenity for our public transit customers. It has been in operation in Union Station for twenty years and has created a following. Over the years, Traxx has been featured in many articles in restaurant magazines, the Los Angeles Times, and LA Weekly. The tenant also negotiates on a case-by-case basis special event catering services to various event licensees throughout the station.

As a material consideration of Metro entering into this agreement and subject to Metro's approval, the Lessee is to install certain improvements to the premises, including but not limited to, internet speed upgrade, new point of sale system, restroom remodel, bar fixtures and plumbing upgrade and new seating and umbrellas for the patio. Tenant shall be entitled to reimbursement of actual out-of-pocket costs of the foregoing not to exceed \$34,050.

DETERMINATION OF SAFETY IMPACT

The proposed lease will have no impact on safety.

FINANCIAL IMPACT

Adoption of the proposed lease could generate an excess of \$1,100,000 in rent including the 3 percent annual increase, CAM charges, and percentage rents, over the initial 3 years of the lease and 3-year option.

Impact to Budget

Adoption of the recommended action will have no impact on the FY18 budget for bus or rail operations.

ALTERNATIVES CONSIDERED

The Board may choose to disapprove the negotiated lease terms. Staff does not recommend this since it would likely leave the retail space vacant for a time causing an interruption in service to regular Metro and Traxx customers. This would also trigger a loss of rent income to Metro during the vacancy. The Board may instead decide to go back to the open market to find an alternate tenant. This is not recommended as any new tenant would want to negotiate new improvements to the premises at Metro's expense. Additionally staff has already conducted an exhaustive lease negotiation process and settled with the tenant on terms and conditions within market parameters and favorable to Metro.

NEXT STEPS

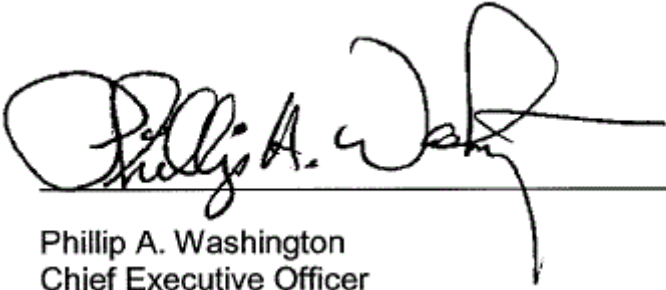
Upon approval by the Metro Board of Directors, the lease agreement will be executed with all new terms, conditions and exhibits as of the retroactive date of October 1, 2017 per the negotiated lease start date.

ATTACHMENTS

Attachment A - Lease Area
Attachment B - Traxx Lease Agreement Key Terms

Prepared by: Rich Darby, Manager, Transportation Planning, (213) 418-3298
Ken Pratt, DEO, Countywide Planning & Development, (213) 418-3297
Calvin E. Hollis, SEO, Countywide Planning & Development, (213) 922-7319

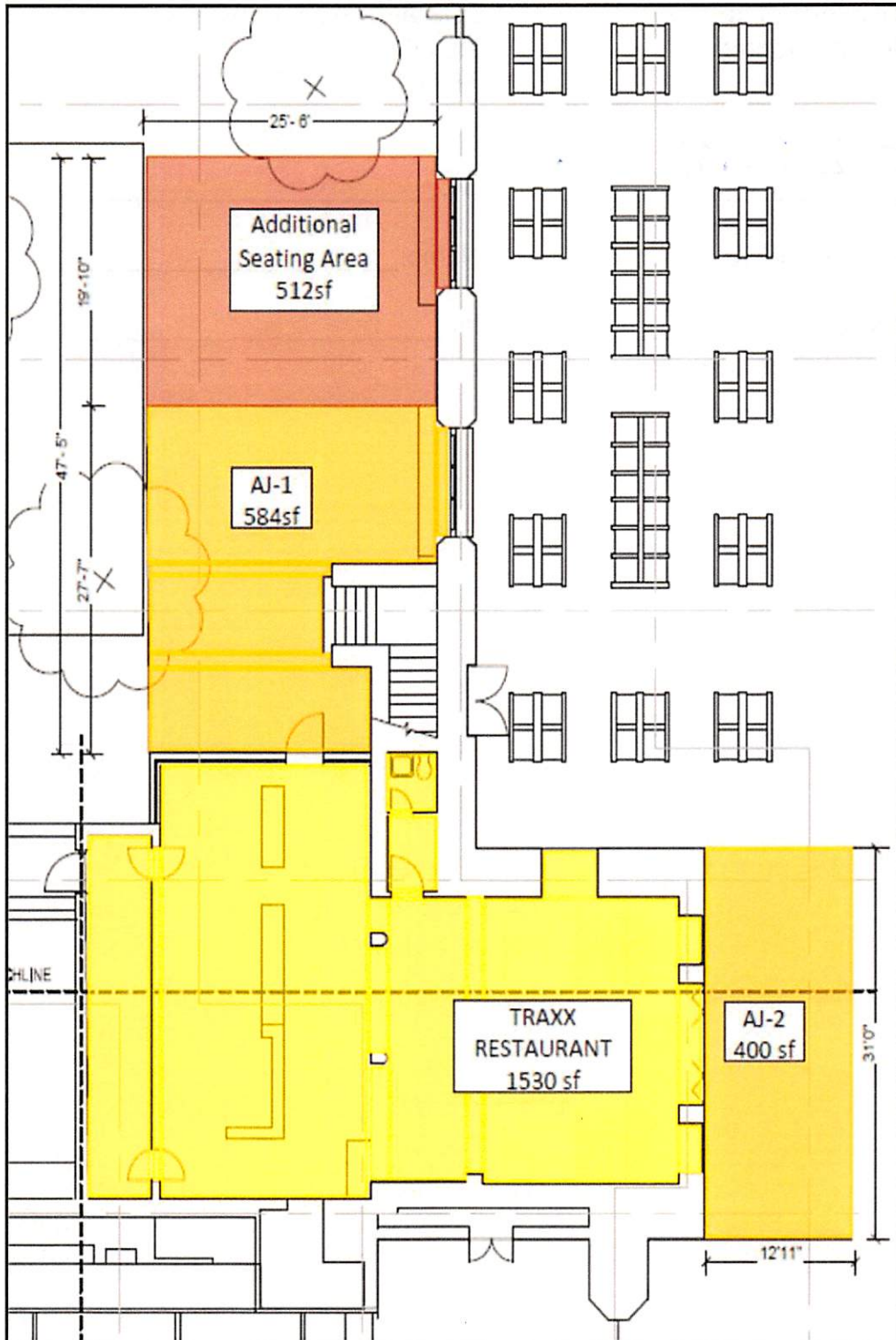
Reviewed by: Therese W. McMillan, Chief Planning Officer, (213) 922-7077



Phillip A. Washington
Chief Executive Officer

EXHIBIT "A-1"

DEPICTION OF RESTAURANT AND BAR
ADJACENT AREAS AND ADDITIONAL SEATING AREA
(plan not to scale)



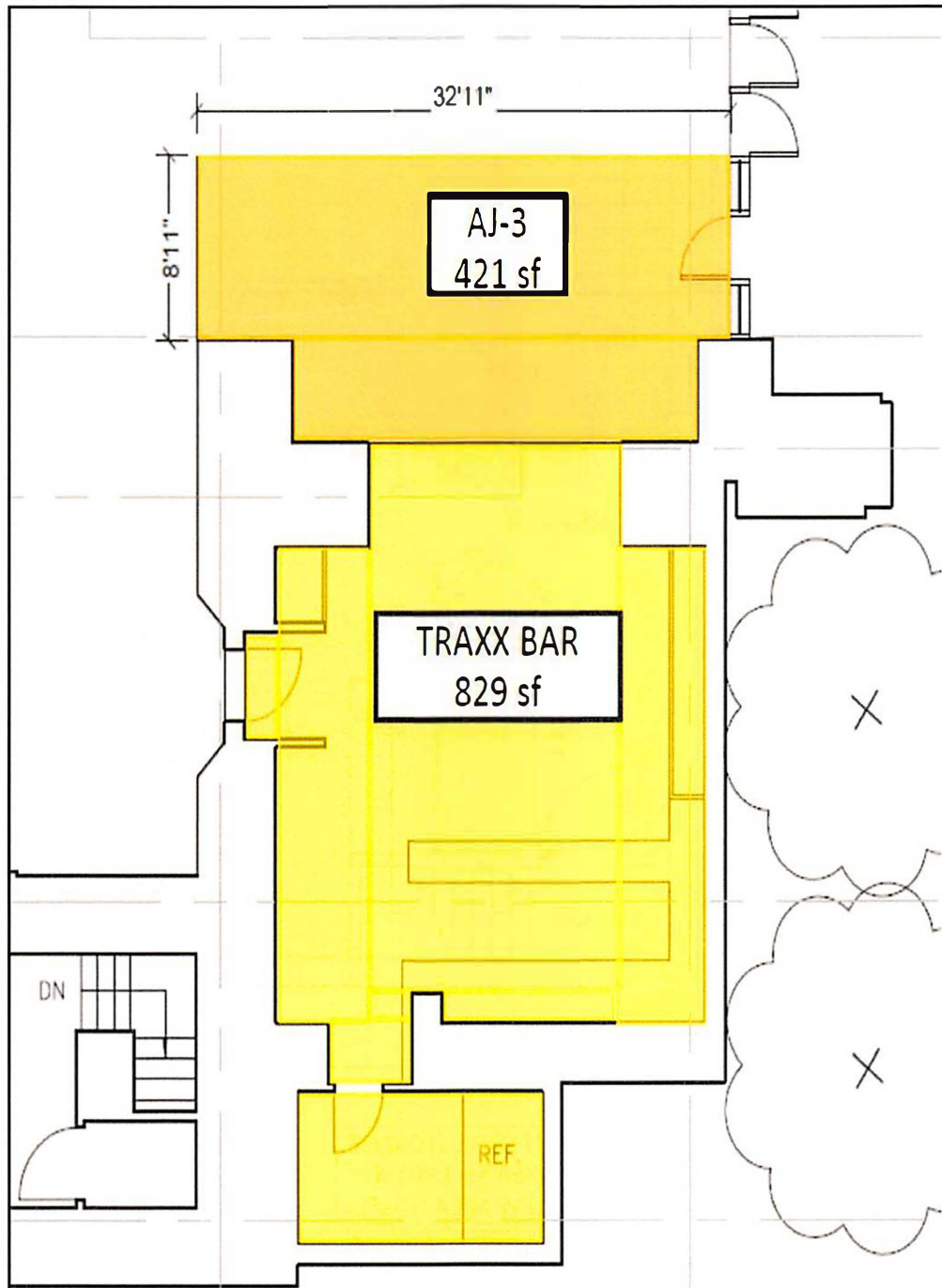
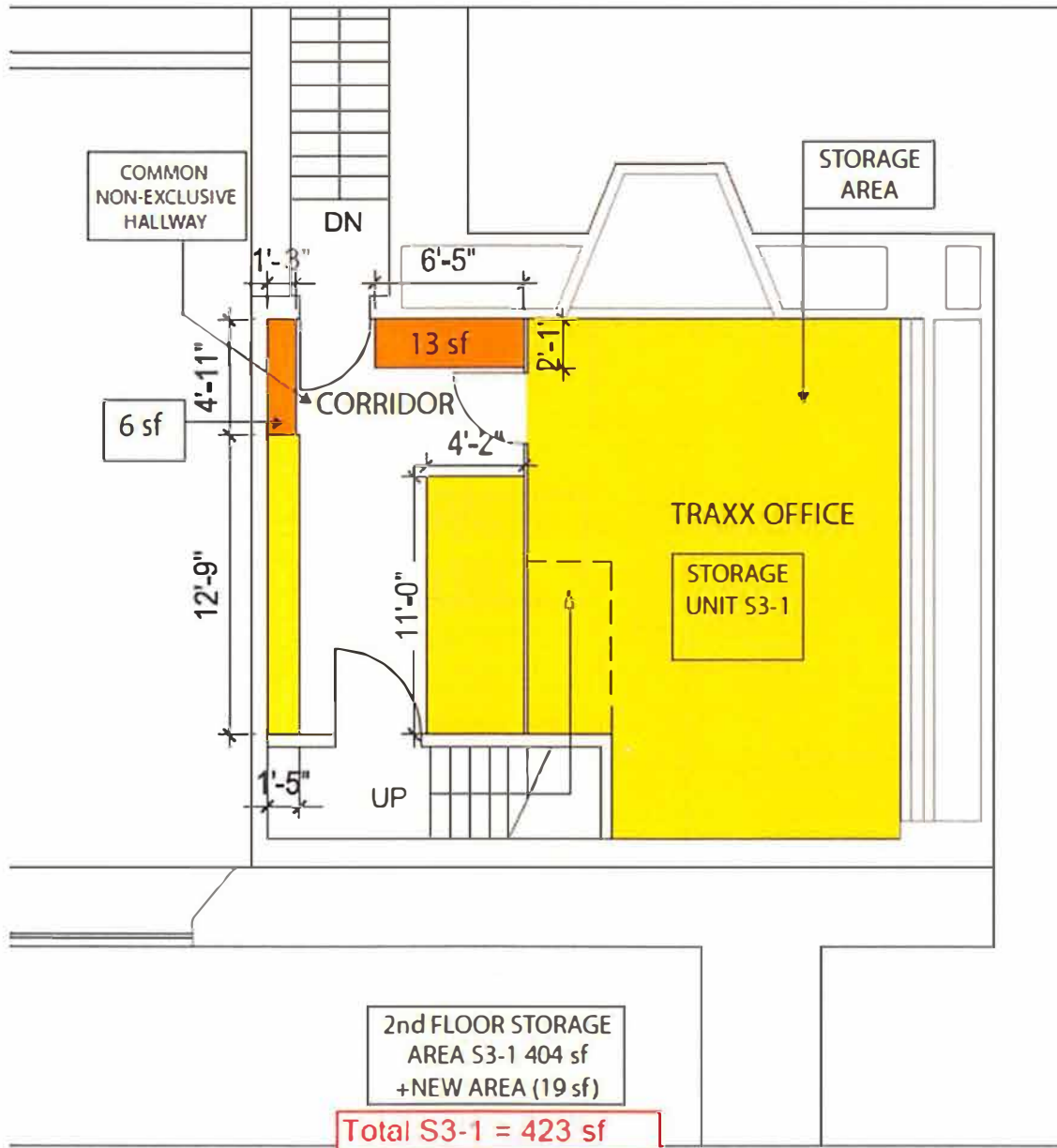
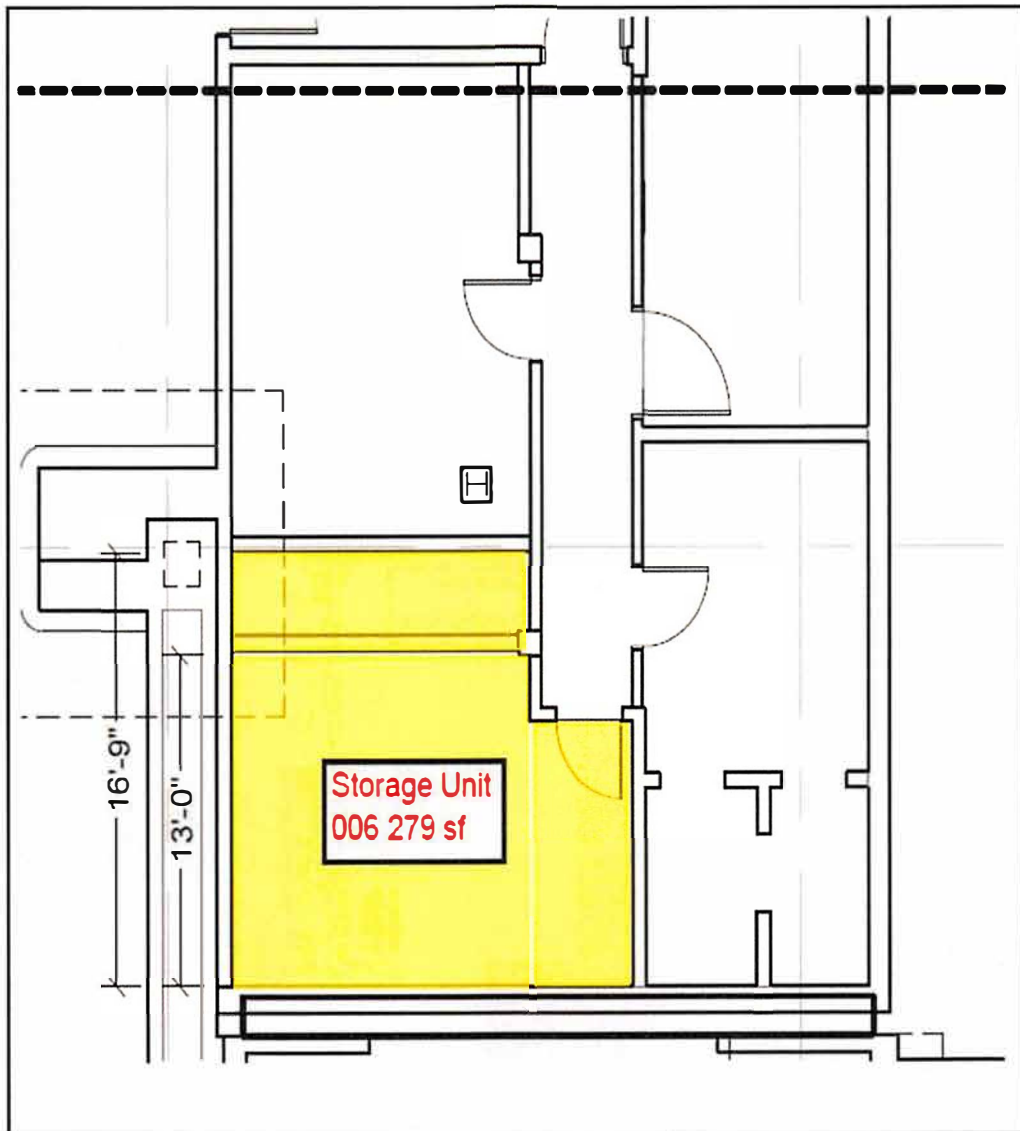


EXHIBIT "A-2"

DEPICTION OF STORAGE AREAS
(plan not to scale)





ATTACHMENT "B"**SUMMARY OF LEASE AGREEMENT KEY TERMS**

TARA THOMAS ENTERPRISES, INC., A CALIFORNIA CORPORATION (aka, TRAXX RESTAURANT AND BAR) AT LOS ANGELES UNION STATION (LAUS)

Premises	The Premises consists of <u>2,359 square feet</u> of retail tenant improvements (Restaurant and Bar areas) installed by Traxx.
Term	Lease Agreement is <u>three (3) years</u> commencing on October 1, 2017. Allowing for a <u>three (3) year</u> extension for a total term of six (6) years.
Rent	Six year base rent including 3% annual escalations \$704,798. Six year common area maintenance charges \$481,250. Total \$1,186,048.
Indemnification	Tenant will indemnify and hold Landlord and its agents harmless from all claims, liabilities and damages resulting from its use of the Premises.
Termination Clause	Terminable with <u>three (3) months' written notice</u> if required for any transportation or master plan project purposes.



Board Report

File #: 2017-0695, File Type: Informational Report

Agenda Number: 7.

FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 15, 2017**SUBJECT: FISCAL YEAR 2017 (FY17) - PRELIMINARY YEAR END
FINANCIAL REPORT****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE status report on the Preliminary Fiscal Year 2017 (FY17) Year End Financial Report.

ISSUE

This report summarizes Metro's financial performance for FY17 through the end of the year. Financial performance through the end of the year demonstrates Metro's ability to deliver safe and reliable transportation services within budget.

For purposes of this report, the budgeted amounts reflect the reforecasted budget as of April 2017. The budgeted numbers are within the Board authorized amounts and bounded by the legally controlled fund levels. All data in this report is based on preliminary FY17 year end data.

DISCUSSION

A. Summary of Revenues and Expenses

		YTD June 30, 2017			
Revenues / Expenses (\$ in millions)		Budget	Actual	Variance	% of Budget
1	Sales Tax and Operating Revenues	\$ 3,236.1	\$ 3,352.5	116.5	103.6%
2	Reimbursement Revenues ¹	\$ 2,791.7	\$ 2,651.2	(140.5)	95.0%
3	Total Expenses/Expenditures	6,027.8	5,254.6	773.2	87.2%
4	Revenues Over/(Under) Expenses	\$ -	\$ 749.2	\$ 749.2	

¹ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

Overall for FY17 the agency delivered \$5.2 billion worth of services of which \$3.4 billion came

from sales tax and operating revenues and \$2.7 billion from resources based on reimbursement from grant and debt financing. Sales tax and operating revenues exceeded the budget by \$116.5 million while reimbursement revenues ended short of the budget by \$140.5 million. Total expenses of \$5.2 billion came in under the budgeted amount of \$6.0 billion resulting in a \$773.2 million variance. The net result leads to a favorable position of \$749.2 million.

B. Summary of Revenues

		YTD June 30, 2017			
Source (\$ in millions)		Budget	Actual	Over / (Under) Budget	% of Budget
1	<u>Sales Tax, TDA & STA Revenues</u>				
2	Proposition A	\$ 780.0	\$ 789.4	\$ 9.4	101.2%
3	Proposition C	780.0	789.3	9.3	101.2%
4	Measure R	780.0	787.9	7.9	101.0%
5	Transportation Development Act	390.0	393.9	3.9	101.0%
6	Subtotal Sales Tax & TDA Revenues	2,730.0	2,760.5	30.5	101.1%
7	State Transit Assistance Fund	52.9	74.0	21.2	140.1%
8	Subtotal Sales Tax, TDA & STA Revenues ¹	\$ 2,782.9	\$ 2,834.5	\$ 51.7	101.9%
9	<u>Operating & Other Revenues</u>				
10	Passenger fares	\$ 323.4	\$ 313.1	\$ (10.3)	96.8%
11	Toll Revenue	60.0	72.1	12.1	120.2%
12	Advertising	25.1	23.9	(1.1)	95.5%
13	Union Station	8.0	10.4	2.3	128.7%
14	Bike Revenue	1.7	0.5	(1.2)	27.1%
15	Parking Unit	1.1	0.2	(1.0)	14.6%
16	Low Carbon Fuel Standard Sales	0.4	8.2	7.8	2024.1%
17	Investment Income	2.0	11.7	9.7	585.2%
18	Other Income ²	31.5	78.1	46.5	247.6%
19	Subtotal Operating & Other Revenues	\$ 453.2	\$ 518.0	\$ 64.8	114.3%
20	Total Sales Tax & Operating Revenues	\$ 3,236.1	\$ 3,352.5	\$ 116.5	103.6%
21	Reimbursement Revenues ³	\$ 2,791.7	\$ 2,651.2	\$ (140.5)	95.0%
22	Total Revenues	\$ 6,027.8	\$ 6,003.8	\$ (24.0)	99.6%

¹ Actual Proposition A, Proposition C, Measure R, and TDA Revenues represent amounts released by the State Board of Equalization for the fourth quarter. The actual for STA represents amounts released by State Controller's Office for the fourth quarters.

² Includes CNG tax credits, lease revenues, vending, and other miscellaneous revenues.

³ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

- Sales Tax, TDA & STA Revenues

Sales Tax and TDA revenues for FY17 came in \$30.5 million, 1.1% higher than the reforecasted budget, reflecting economic growth as Metro forecasted for the region.

State Transit Assistance (STA) revenue is dependent upon actual consumption of diesel fuel combined with changes in fuel price. The information presented below reflects actuals for the

year end, which translates into much higher than expected diesel fuel usage and related STA revenue.

- **Passenger Fare Revenue**

Passenger fare revenues of \$313.1 million are lower than the reforecasted budget by \$10.3 million, primarily due to lower than expected boardings. Fare revenue per Boarding continues to be steady as \$0.78/per boarding. Metro is aware of the situation and are working to turn around the trend by improving route efficiencies and increasing security presence on the system to enhance our customer's experience and attract riders.

- **Toll Revenue**

Metro ExpressLanes toll revenue of \$72.1 million exceeded the budget by \$12.1 million. The variance is the result of better than anticipated patronage of the Metro ExpressLanes, which has seen traffic volume increases by over 3.2 million trips (approximately 8%) from FY16. State law requires the net toll revenues generated from the Metro ExpressLanes be reinvested in the corridors from which they were derived, pursuant to a board approved expenditure plan.

- **Advertising, Union Station, Bike Program and Parking Revenue**

Total revenues for this category are slightly lower than budgeted by \$1.0 million which is the net product of several subcomponents:

- Metro's bus and rail operating advertising revenue is close to forecast. The projected revenue of advertisement for parking, property wrap and bike rack have not generated the revenue as planned in FY17.
- The net revenue for park and ride permit was less than expected because of higher than anticipated contractor service charges. In addition, the projected pilot parking revenues weren't implemented until April 2017, experiencing a delay of six months.
- Bike share program and bike locker/hub revenue came in lower than expected due to lower than expected usage. FY17 winter was one of the rainiest seasons on record for the last 7 years, causing ridership and revenue to dip below our forecast.
- Union Station operating revenue is higher than budget due to better parking revenue and common area maintenance expense recoveries.

- **Low Carbon Fuel Standard (LCFS) Credit Revenue**

The sale of LCFS credit budget is based on market conditions. For FY17 Metro had only budgeted for the Southern CA Edison rebate for the Green Fund. Metro executed three direct sales of LCFS credit bringing in \$8.2 million of revenue which significantly exceeded the conservative budget estimate of \$0.3 million. These sales were timed to take advantage of market conditions favorable to Metro's interests. These revenues are used to reimburse the sustainability

program's initial investment and its on-going program cost.

- Investment Income

Investment income of \$11.7 million exceeded the budget by \$9.7 million. The higher than anticipated balances are the result of slower than expected cash/investment balance draw-downs to pay for capital projects, call for projects and subsidies during the period. Metro continues to invest unused funds according to the Board approved investment policy.

- Other Income

Other income of \$78.1 million exceeded the budget by \$46.5 million. Several factors are at play to explain the better than expected results:

- One-time sale for \$24 million of Metro's interest in the 1st and 2nd promissory notes secured against Grand Central Square (unbudgeted). This revenue was unplanned/unbudgeted and is offset by the debt service expense required to defease the notes.
- Calendar Year 2016 Federal CNG credits of \$8 million were recognized in FY17 via retro legislative action in early calendar year 2016 (which was after Metro's FY17 budget was adopted). These credits are programmed in the FY18 budget.
- The remaining variances are due to several revenue streams performing better than budgeted. These sources include better than expected TAP card fees, one- time sale proceeds of asset retirements, residual land sale related to the Orange Line, termination of two defeased leases, grant management fees and wifi revenue generated from the subway operations.

- Resources Based On Reimbursement

The actual reimbursements ended the year below budget by \$140.5 million, or 95.0% of budget. These resources are recognized on a reimbursement basis driven by actual expenditure activities. Details of the related expenses can be found in the "*Summary of Expenditures*" section of this report.

C. Summary of Expenditures

Overall, the FY17 expenditures totaled \$5.25 billion or 87.2% of the \$6.03 billion budget, presenting an underrun of \$773.3 million.

		YTD June 30, 2017		
Program Type (\$s in millions)		Budget	Actual	Under/(Over) Budget
1	Metro Transit - Operations and Maintenance	\$1,612.6	\$1,597.8	\$14.8
2	Metro Transit - State of Good Repair	367.5	316.7	50.8
3	Transportation Infrastructure Development	2,199.7	1,607.1	592.6
4	Subsidy Funding Programs	1,071.0	1,011.9	59.1
5	Congestion Management	120.5	77.6	42.9
6	Regional Rail	154.2	137.4	16.8
7	General Planning & Programs	121.3	101.5	19.8
8	Debt Service	322.0	361.1	(39.1)
9	Audit, County Counsel and Government Relations	59.0	43.3	15.6
10	Grand Total	\$6,027.8	\$5,254.6	\$773.3

- Metro Transit - Operations and Maintenance

The Metro Transit - Operations and Maintenance Program delivered actual Revenue Service Hours (RSH) of 7.57 million hours while spending within the budget at 99.1%. Bus was underspent by \$35.2 million or 96.9% of the budget due to lower than expected RSH while rail was overspent by \$22.7 million or 104.8% of the budget due to the new security contract as approved by the Board.

- Metro Transit - State of Good Repair (SGR)

The Metro Transit - State of Good Repair Program ended the year at \$50.8 million under budget or 86.2% of budget spent. The variance is primarily as a result of aggressive cash flow projections for Rail Vehicle Maintenance projects and Blue Line Wayside projects.

- Transportation Infrastructure Development

The Transportation Infrastructure Development program totaled \$1.6 billion or 73.1% of the \$2.2 billion budget. \$80 million of the \$592.6 million variance is due to the EXPO Line which included invoice timing issues related to Rail Vehicles Acquisitions and ongoing final claim settlements and closeout. The remaining \$512.6 million is largely due to Measure R transit construction projects from Westside Purple Line Extensions 1,2 and 3 for invoice and schedule delays resulting in a cumulative \$431 million underrun between the 3 projects.

- Subsidy Funding Programs

Subsidy programs came in at 94.5% of the budget with an underrun of \$59.1 million due to delays in drawdowns of programmed funds for regional transportation projects which includes highways.

- Congestion Management

The Congestion Management Program totaled \$77.6 million which is 64.4% of the total budget. The variance is due to invoice timing and delays in the Atkinson and I-105 PA/ED contracts for ExpressLanes. Caltrans has over a six month lag for billing of regular maintenance and California Highway Patrol (CHP) has a four month invoicing lag. The additional variance is also due to the delay of planned operational improvements: beacons, Earthcam & data segmentation, which will be implemented in FY18.

- Regional Rail

The Regional Rail program consists of subsidies to Metrolink and Metro directed capital projects and studies spent \$137.4 million of the \$154.2 million budget or 89.1% of the total budget spent. Total Metrolink expenditures were \$6.4 million. Metro directed regional rail expenditures were under budget by \$10.4 million due primarily to the impact of four projects: The delayed NTP for the Bob Hope Airport Metrolink station and the current year deferral of three projects (Doran St Grade Separation, Bob Hope Pedestrian Bridge, Branford).

- General Planning and Programs

The General Planning and Programs ended the year at \$101.5 million which is 78.5% of the budget of \$129.3 million. The variance is primarily due to invoice delays for multiple planning projects including the Union Station Renovation Plan and schedule delays in Project Westlake/Macarthur (Phase B).

- Debt Service

The debt principal and interest expenses were \$361.1 million of the \$322.0 million budget which is 112.2% spent. The overrun of \$39.1 million is contributed by two primary factors: 1) A new Measure R bond issued in November 2016 in the amount of \$522.1 million with approval of the Board and the associated payment and 2) the overrun in CRA bond debt service due to retirement for the CRA 2002 and 2007 bonds. This payment overrun is partially offset by a one-time sales revenue generated from Grand Central Square.

- Audit, County Counsel and Government Relations

Audit, County Counsel and Government Relations spent \$43.3 million of the \$51.0 million budget. This program consists of activities that provide legally required oversight and support for the

agency as well as efforts to administer Measure R and Measure M.

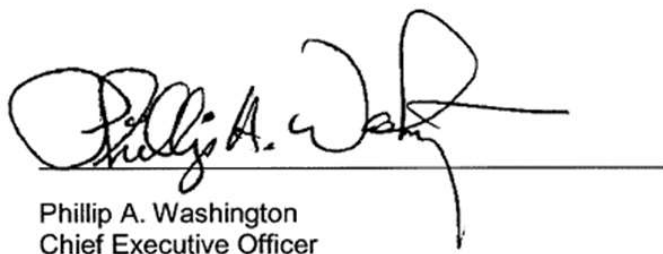
NEXT STEPS

Staff will update the Board as necessary if there are significant changes from the finalized financials since this report is based on preliminary year-end data.

Staff will continue to monitor the financial performance throughout FY18 and will provide quarterly updates to the Board. There will also be efforts to enhance the financial report to include Key Performance Indicators (KPIs) which continues to strengthen the fiscal discipline in this agency and enforces accountability.

Prepared by: Linda Wang, Sr. Manager, (213) 922-2464
Irene Fine, Deputy Executive Officer, (213) 922-4420
Perry Blake, Executive Officer, (213) 922-6171
Melissa Wang, Senior Executive Officer, (213) 922-6024

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

Fiscal Year 2017 (FY17) - Preliminary Year End Financial Report

Finance, Budget and Audit Committee
November 15, 2017

Summary of Revenues and Expenses

		YTD June 30, 2017			
	Revenues / Expenses (\$ in millions)	Budget	Actual	Variance	% of Budget
1	Sales Tax and Operating Revenues	\$ 3,236.1	\$ 3,352.5	116.5	103.6%
2	Reimbursement Revenues ¹	\$ 2,791.7	\$ 2,651.2	(140.5)	95.0%
3	Total Expenses/Expenditures	6,027.8	5,254.6	773.2	87.2%
4	Revenues Over/(Under) Expenses	\$ -	\$ 749.2	\$ 749.2	

¹ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

Summary of Revenues

Source (\$ in millions)	YTD June 30, 2017			
	Budget	Actual	Over / (Under) Budget	% of Budget
1 Sales Tax, TDA & STA Revenues				
2 Proposition A	\$ 780.0	\$ 789.4	\$ 9.4	101.2%
3 Proposition C	780.0	789.3	9.3	101.2%
4 Measure R	780.0	787.9	7.9	101.0%
5 Transportation Development Act	390.0	393.9	3.9	101.0%
6 Subtotal Sales Tax & TDA Revenues	2,730.0	2,760.5	30.5	101.1%
7 State Transit Assistance Fund	52.9	74.0	21.2	140.1%
8 Subtotal Sales Tax, TDA & STA Revenues ¹	\$ 2,782.9	\$ 2,834.5	\$ 51.7	101.9%
9 Operating & Other Revenues				
10 Passenger fares	\$ 323.4	\$ 313.1	\$ (10.3)	96.8%
11 Toll Revenue	60.0	72.1	12.1	120.2%
12 Advertising	25.1	23.9	(1.1)	95.5%
13 Union Station	8.0	10.4	2.3	128.7%
14 Bike Revenue	1.7	0.5	(1.2)	27.1%
15 Parking Unit	1.1	0.2	(1.0)	14.6%
16 Low Carbon Fuel Standard Sales	0.4	8.2	7.8	2024.1%
17 Investment Income	2.0	11.7	9.7	585.2%
18 Other Income ²	31.5	78.1	46.5	247.6%
19 Subtotal Operating & Other Revenues	\$ 453.2	\$ 518.0	\$ 64.8	114.3%
20 Total Sales Tax & Operating Revenues	\$ 3,236.1	\$ 3,352.5	\$ 116.5	103.6%
21 Reimbursement Revenues ³	\$ 2,791.7	\$ 2,651.2	\$ (140.5)	95.0%
22 Total Revenues	\$ 6,027.8	\$ 6,003.8	\$ (24.0)	99.6%

¹ Actual Proposition A, Proposition C, Measure R, and TDA Revenues represent amounts released by the State Board of Equalization for the fourth quarter. The actual for STA represents amounts released by State Controller's Office for the fourth quarters.

² Includes CNG tax credits, lease revenues, vending, and other miscellaneous revenues.

³ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

Summary of Expenses

		YTD June 30, 2017		
Program Type (\$s in millions)		Budget	Actual	Under/(Over) Budget % of Budget
1	Metro Transit - Operations and Maintenance	\$1,612.6	\$1,597.8	\$14.8 99.1%
2	Metro Transit - State of Good Repair	367.5	316.7	50.8 86.2%
3	Transportation Infrastructure Development	2,199.7	1,607.1	592.6 73.1%
4	Subsidy Funding Programs	1,071.0	1,011.9	59.1 94.5%
5	Congestion Management	120.5	77.6	42.9 64.4%
6	Regional Rail	154.2	137.4	16.8 89.1%
7	General Planning & Programs	121.3	101.5	19.8 83.7%
8	Debt Service	322.0	361.1	(39.1) 112.2%
9	Audit, County Counsel and Government Relations	59.0	43.3	15.6 73.5%
10	Grand Total	\$6,027.8	\$5,254.6	\$773.3 87.2%



Board Report

File #: 2017-0706, **File Type:** Public Hearing

Agenda Number:

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

**SUBJECT: PUBLIC HEARING FOR CUSTOMER READINESS
EFFORTS FOR TRANSFER ON 2nd BOARDING**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. SCHEDULING a public hearing date on Wednesday, January 17, 2018 to receive public comment on possible customer readiness efforts for board approved Transfer on 2nd boarding; and
- B. AUTHORIZING publication of the attached legal notice (Attachment A).

ISSUE

In June, 2015, the Metro Board of Directors approved Transfer on 2nd Boarding. After obtaining all regional transfer agencies' approval, developing, testing and implementing new software and building campaign strategies for distribution of one Million TAP cards, final implementation has been set for Spring, 2018. Transfer on 2nd Boarding refers to the regional interagency transfer policy that eliminates the need for paper transfers for customers transferring between agencies. Transfer fare will be automatically paid with existing Stored Value on a TAP card when boarding a second transit agency within 2.5 hours from the first boarding. Customers will benefit from faster boarding time and will no longer need to carry exact change.

To prepare regional TAP customers for Transfer on 2nd, staff recommends the following: (1) replace Day Pass sales with ability to purchase Stored Value and Metro base fare onboard bus, (2) eliminate Metro tokens and transition customers to TAP, and (3) charge \$2 for TAP cards system wide to ensure consistency of pricing. By implementing these efforts, staff seeks to ensure successful implementation of Transfer on 2nd Boarding, as well as incentivize all riders to utilize TAP as their primary method of regional fare payment by enhancing the seamless use of the system.

In compliance with federal public hearing requirements and Metro policy, the Board is required to hold a public hearing and receive public testimony before approving customer readiness

recommendations for Transfer on 2nd Boarding. Additionally, the Board will consider the potential impacts these changes may have on the community.

The Notice of Public hearing is proposed for January 17, 2018 and includes a description of the changes, if approved, which help prepare customers for Transfer on 2nd Boarding. Plans call for the notice to be distributed beginning December, 2017. The Board will preside over the public hearing and receive testimony from the public on these matters. A report will then be prepared, summarizing the findings of the public hearing along with specific staff recommendations. The report will be presented to the Board of Directors in February, 2018 for action. Plans call for initial implementation of customer readiness recommendations in March 2018.

DISCUSSION

The following recommendations will help prepare TAP customers for Transfer on 2nd Boarding and support efficiency and consistency in fare collection.

...Replace Day Pass Purchases with Stored Value Aboard Bus

Onboard TAP Day Pass purchases have declined by over 50% since January, 2015. In comparison, Stored Value fare payments are growing and are expected to increase significantly once Transfer on 2nd Boarding is implemented. With approval, onboard Day Pass sales will be replaced with the ability to purchase or reload TAP cards with either Stored Value or base fare at the farebox. The findings from the Title VI analysis for Transfer on 2nd boarding (see ATTACHMENT B) also support the recommendation to add Stored Value reloading on bus. This change will align internal efforts with customer demand and increase accessibility of TAP card and Stored Value purchases.

...Transition tokens to TAP

The use of TAP cards has caused Metro tokens to become obsolete. Tokens are used as one-ride fares, are expensive to count, handle, secure and maintain. A Title VI evaluation of the proposed action found no Disparate Impact as the minority share of token users is not significantly different from the minority share of TAP card users. TAP Stored Value users below the poverty threshold are 6.1% higher than the share of token users. Additionally, tokens are no longer cheaper than the base fare, so there is no customer benefit to this method of fare payment. Transitioning token customers to TAP will provide customers with several benefits including faster and safer fare payment as well as the ability to transfer easily across regional TAP agencies. The proposed efforts help to ensure broad availability of TAP media in lieu of tokens, and the de minimis cost of the TAP card substantially mitigates this impact. (see ATTACHMENT C).

The implementation plan for phasing out Metro tokens will take place over 13 months. The first 2 months will be dedicated to a customer friendly campaign notifying patrons of final token sale and use dates, and how to transition to TAP. During the third month, Metro token sales will end. However,

tokens will be accepted for at least one year. This length of time ensures that customers can utilize their existing tokens and obtain a TAP card. Additionally, a special token replacement plan will be implemented for social service agencies and other heavily token-reliant programs.

...TAP card cost consistency

Internal costs for TAP cards are currently \$2 per card. This includes manufacturing, processing, inventory oversight, distribution, testing, initialization and more. Currently, the customer cost for a TAP card varies depending on the purchase method. For example, the TAP card cost is \$2 when purchased online, by phone, at a Metro Customer Center or at a retail vendor. A TAP card costs \$1 if purchased at a TAP vending machine or on a Metro bus. These lowered prices were a result of a pilot program where Metro subsidized half the cost in order to stimulate TAP sales. Making this cost consistent across all point-of-sale locations will rectify inequities, reduce customer confusion and encourage customers to retain and reuse their cards (see Table 1). In addition, the life of a TAP card has increased from three years to ten years, so the cost of the card, amortized over ten years is quite low.

Reduced Fare Senior, Disabled, Student and College TAP cards are currently free and will remain so.

Table 1

	Taptogo.net	866.TAPTOGO	Metro Customer Center	TAP Vendors	TAP Vending Machines	Metro Bus
Current	\$2	\$2	\$2	\$2	\$1	\$1
Proposed	\$2	\$2	\$2	\$2	\$2	\$2

Notice of Public Hearing

Upon approval, pursuant to Metro's Administrative Code Section 2-5-025, the notice for this public hearing will be provided to the general public as follows:

WEB

Metro Website

Fares page

Rotating banner on metro.net

Social Media

Facebook, Twitter, Instagram posts

The Source

E-Blasts

Metro general information e-mail lists

Key stakeholders e-mail lists

PRINT ADS

Printed legal notice of public hearing - published 30 days before hearing

Los Angeles Daily News

Long Beach Press - Telegram

Orange County Register

Torrance Daily Breeze

Asbarez Armenian Daily

Sarashi News

Panorama

LA Sentinel

Asian Journal Publication

La Opinion

Chinese Daily

The Rafu Shimpo

Korean Times

ON METRO SYSTEM

“Take One” brochure in English and Spanish

System Drop on bus and rail

DETERMINATION OF SAFETY IMPACT

Reducing the use of cash and increasing TAP use will enhance safety by speeding up boardings. TAP also provides registered cardholders with the benefit of Balance Protection to safeguard their TAP purchase against loss or theft.

FINANCIAL IMPACT

The proposed recommendations will enable Metro to operate more efficiently by reducing costs for fare collection (see ATTACHMENTS C and D). Based on current sales, TAP card \$2 cost consistency will bring an additional \$3,600,648 revenue from TVM sales per year and \$51,756 revenue from bus sales per year. Removing Day Pass purchases on board the bus and eliminating Metro tokens has no financial impact.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the request for a public hearing regarding the aforementioned recommendations, however this action would not be recommended or consistent with the Board approved Transfer on 2nd Boarding mitigation strategies.

NEXT STEPS

With Board approval, staff will initiate the publication of the legal notice and prepare for the upcoming public hearing.

ATTACHMENTS

Attachment A - Notice of Public Hearing
Attachment B - Transfer on 2nd Boarding
Attachment C - Token Elimination
Attachment D- Token Sale Analysis

Prepared by: Kyle Holland, Manager, Transportation Planning, TAP, (213) 922-2446

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington
Chief Executive Officer



NOTICE OF PUBLIC HEARING

Los Angeles County Metropolitan Transportation Authority

The Los Angeles County Metropolitan Transportation Authority will hold a public hearing on January 17, 2018 to receive community input on the **proposed customer readiness efforts surrounding Transfer on 2nd Boarding**, set for implementation Spring 2018. Details of the hearing date, time, and location are shown below.

The upcoming public hearing is being held in conformance with federal public hearing requirements outlined in Section 5307 (d) 1 of Title 49 U.S.C., and public hearing guidelines adopted by Metro's Board of Directors in 1993, as amended.

Transfer on 2nd Boarding was approved by the Board in June, 2015 and refers to the approved interagency transfer policy that eliminates the need for paper transfers for customers transferring between agencies. Transfer fare will be automatically paid with Stored Value on a TAP card when boarding a second transit agency within 2.5 hours from first boarding. Customers will benefit from faster boardings and will no longer need to carry exact change.

In order to prepare customers for Transfer on 2nd Boarding, the following efforts are recommended:

Replace Day Pass and Add Stored Value sales aboard Buses

Discontinuation of Day Pass sales on bus will enable the sale of Stored Value. Replacing onboard TAP Day Pass purchases with the ability to reload Stored Value will allow passengers to add fare immediately to their TAP card, which is necessary in preparation for transfer on 2nd boarding.

Transition Tokens to TAP

Phase out of Metro tokens as a payment option they are obsolete due to advances in TAP acceptance. The TAP card is a viable, cost effective replacement that enables simpler, safer and automatic farebox collection.

Implementation of a consistent \$2 TAP card price to customers across all purchase touch points

It is recommended that the cost of TAP cards be consistent by making them \$2 across all purchasing platforms. Costs of cards remain the same at TAP vendors, Metro Customer Centers and online. The card will go from \$1 to \$2 onboard buses and TAP vending machines. The extra cost of the TAP cards in vending machines and buses is negligible as amortized over its life of 10 years.

PUBLIC HEARING SCHEDULE

1:00 PM
Metro Headquarters Building
January 17, 2018
Board Room
One Gateway Plaza
Los Angeles, CA 90012-2932

Additional details about these proposals will be available for public review after **December 1**. To obtain this information contact the address listed below, or visit your nearest Metro Customer Relations Center. Information can also be accessed at: www.metro.net

Note these proposals may be approved in whole or in part at a date following the public hearings. Approved changes may also include other alternatives derived from public comment. Interested members of the public are encouraged to attend the upcoming hearing and provide testimony on the fare proposals under consideration. Persons unable to attend the hearings may submit written testimony postmarked through midnight, January 17, the close of the public record. All written testimony should be addressed to:

Metro Customer Relations:

Attn: Transfer on 2nd Boarding Readiness
One Gateway Plaza, 99-PL-4
Los Angeles, CA 90012-2952

Comments can also be sent via e-mail with **“Transfer on 2nd Boarding Readiness”** as the subject to:

customerrelations@metro.net
Facsimile at: 213-922-6988

Upon request, foreign language translation, 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 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday.

**Title VI Evaluation
Replacement of Existing Interagency Transfers
With TAP-Based Method**

This is a Title VI evaluation of the replacement of current methods of providing Interagency Transfers (IATs) with a TAP-based method. The affected operators are those Los Angeles County fixed route service providers that receive some form of formula operating subsidy from the Los Angeles County Metropolitan Transportation Authority (Metro)(Table 1).

***Table 1
Los Angeles County
Formula Funded Fixed Route Operators***

Antelope Valley	Gardena	Norwalk
Beach Cities Transit	Long Beach	Santa Clarita
Culver City	Los Angeles DOT	Santa Monica
Foothill Transit	Metro	Torrance
	Montebello	

For this evaluation the Universe of potentially impacted persons is all persons within one-quarter mile of any bus stop served by one or more of the above operators, and/or within one-half mile of any rail station. Ethnic data for this population is obtained from the 2010 US Census, and Household Income data for this population is obtained from the 2006-2010 American Consumer Survey (ACS). Because the Census data is provided at the block group level, and the ACS data is at the tract level the size of the impacted population is slightly greater for the ACS data (block groups that are more than one-quarter mile from a bus stop would be excluded from the Census data, but could be included in the ACS data if the tract containing such block groups was within that one-quarter mile of a bus stop).

For reference purposes this evaluation will refer to the Ethnic population as the Title VI data, and the Household Income population will be referred to as the Environmental Justice data. The Title VI population consists of 9,648,798 persons of whom 6,826,725 are minorities (70.8%). The Environmental Justice population consists of 9,742,481 persons of whom 1,531,488 are living in households below the federally defined Poverty income levels (15.7%).

Evaluation Methodology

The Universe of potentially impacted persons has been defined as essentially all persons who can walk to fixed route transit. Under current methods any passenger

desiring an IAT may purchase it at the time that they board a bus, or at a rail station at the time that they purchase their rail ticket. In order to be unaffected by the introduction of TAP-based IAT's a passenger must still be within walking distance of the means to purchase the IAT before taking their transit ride. Otherwise, a person would be adversely affected by the new method.

The mechanics of the proposed IAT process require that the passenger have a TAP card with a cash purse holding sufficient value to purchase an IAT. Such a rider would pay their initial fare by whatever means they normally use (either a cash deduction from the TAP card purse, or the use of whatever pass is stored on the TAP card). When the transfer boarding occurs, the cost of the transfer would be debited from the TAP card purse.

The relevant factors for this evaluation are 1) does the rider have a TAP card, or not, and 2) can the rider add value to that TAP card to ensure the ability to pay for the trip. The ability to add value to a TAP card adds an additional level of complexity to this evaluation – some of the fixed route operators have the ability to add value to a TAP card on board a bus and some do not have this capability. In the latter instance, whether a rider remains unaffected by the proposed method will depend on whether or not they are within walking distance of an alternative means of adding value to the TAP card. The alternatives consist of rail and Orange Line stations which have TVM's capable of issuing and upgrading TAP cards, or customer service outlets which can sell and/or upgrade TAP cards (there are several hundred of these). The possible combinations of these factors and nature of rider impacts are shown in Table 2.

This evaluation assumes that having to purchase a TAP card is inconsequential because the \$1-\$2 cost of the card can be amortized over its multiple year validity. Therefore, the No TAP Card riders whose only potential adverse impact would be the need to buy a TAP card are considered to be Not Impacted as long as they are otherwise able to walk to a location where they can add value to the card.

As can be seen from Table 2 there are three scenarios that result in an adverse impact for riders so situated:

1. The rider has No TAP Card and adding value to the TAP purse on the bus has no value because they are not within walking distance of a location where they could obtain the TAP card itself;
2. The rider has a TAP Card but cannot add value to it anywhere; and
3. The rider has No Tap Card and cannot add value to it or buy one.

Table 2
Rider Impact Categorizations

	<u>TAP Card</u>	<u>No TAP Card</u>
Can Add Value Can Walk to Outlet	No Impact	No Impact
Can Add Value Cannot Walk to Outlet	No Impact	Adverse Impact
Cannot Add Value Can Walk to Outlet	No Impact	No Impact
Cannot Add Value Cannot Walk to Outlet	Adverse Impact	Adverse Impact

Results of Evaluation

The next step in this evaluation was to determine the number of persons associated with each Impact Category, and for the potential Adverse Impact categories, whether or not the resulting impacts were Disparate (disproportionately affecting minorities) or imposed a Disproportionate Burden (disproportionately impacted persons in Poverty).

Metro has defined a Disparate Impact as an adverse impact affecting a group having an absolute 5% greater minority share than the overall population (Universe) (in this instance, $70.8\% + 5\% = 75.8\%$ or greater) or a 20% greater share ($70.8\% \times 1.20 = 85.0\%$). This evaluation uses the lesser threshold of 75.8%. A Disproportionate Burden has been defined as an adverse impact affecting a group having an absolute 5% greater Poverty share ($15.7\% + 5\% = 20.7\%$), or a 20% greater Poverty share than the overall population (in this instance, greater than $15.7\% \times 1.20 = 18.8\%$ or greater). This evaluation uses the lesser share of 18.8%.

The first adversely impacted group consists of those riders who do not have a TAP card, but could add value to it if they did. This is the non-TAP card portion of the second group in Table 3. The minority share of this group (75.9%) exceeds the Disparate Impact threshold (75.8%) so this group is **Disparately Impacted**. The Poverty share (14.7%) is less than the threshold for Disproportionate Burden (18.8%) so there is no Environmental Justice consequence for this group.

Table 3

Intra Agency Transfer Tap Proposal
Title VI and Environmental Justice Analysis Results

Scenario	Sub Categories	Title VI			Environmental Justice		
		Total Population	Minority Population	% Minority	Total Population	Poverty Population	% Poverty
Existing Universe		9,648,798	6,826,725	70.8%	9,742,481	1,531,488	15.7%
Existing Conditions							
	Can add value	1,968,742	1,553,530	78.9%	2,553,977	533,158	20.9%
	Can walk to Tap Local						
	Can add value	2,874,232	2,181,275	75.9%	3,220,858	473,102	14.7%
	Can't walk to Tap Local						
	Can't add value	3,990,023	3,060,150	76.7%	4,901,898	970,510	19.8%
	Can walk to Tap Local						
	Can't add value	8,270,940	5,816,187	70.3%	8,492,017	1,364,653	16.1%
	Can't walk to Tap Local						

Notes

1. Title VI is performed at the census block group level using 2010 Census Data
2. Environmental Justice is performed at the census tract level using 2010 5 Year American Community Survey Data
3. Transit buses and stations where one can add value to the tap card - AVTA, Foothill, Gardena, Montebello, Torrance and Metro Orange Line and Rail
4. Transit buses where one can't add value to the tap card - Metro buses, Beach Cities, Culver City, Long Beach, LADOT, Norwalk, Santa Monica and SCVTA
5. Used quarter mile buffers for bus stops and half mile buffers for rail stations.

The remaining two adversely impacted groups comprise the totality of the fourth category in Table 3 (whether or not they have a TAP card, they have no way to add value to it). Both the minority share (70.3% compared with 75.8%) and the Poverty share (16.1% compared with 18.8%) are less than the thresholds for Disparate Impact and Disproportionate Burden, respectively, so there are no Title VI or Environmental Justice consequences for these groups.

Findings

The group of riders having no TAP card, and not within walking distance of a place to obtain one (though they could add value to it if they had one) was found to be **Disparately Impacted** by the proposed TAP-based IAT. The most recently processed Customer Satisfaction Survey indicates that about 72% of Metro riders have a TAP card (probably a higher percentage now as this data is over a year old). This yields a group of approximately 800,000 people who are constituents of Antelope Valley, Foothill Transit, Gardena, Montebello, and Torrance (those affording the opportunity to add value to the TAP purse at the trip origin). This group constitutes about 8.3% of all persons within walking distance of fixed route transit.

The proposed TAP-based IAT should be pursued given that more than 91% of the population would not be Disparately Impacted nor Disproportionately Burdened by the program. Customer convenience for those having to transfer would be improved with faster boarding times, and not having to carry added cash for transfer charges. It is clearly in Metro's interest to pursue improved multi-operator coordination and the provision of seamless fare mechanisms for riders which the proposed program would accomplish. Given the significant investment in TAP, there is no other cost-effective mechanism for providing a consistent multi-operator transfer program without printed fare media than the proposed TAP program.

EVALUATION OF DISCONTINUED TOKENS

Federal Transit Administration (FTA) Circular 4702.1B provides guidance for the conduct of equity evaluations of proposed service and fare changes. A transit operator must have a locally adopted process for determining when public hearings, and the equity evaluations associated with such proposals, are required. Impacts to both minority and poverty level persons must be assessed, and there must be locally adopted standards for when differences between impacted persons and everyone else are significant.

Metro's Administrative Code contains these rules and definitions in Section 2-50. A public hearing and equity evaluation is required for any fare change. The difference between the minority/poverty shares of impacted riders and all others is deemed significant if the absolute difference is 5% or greater, or the relative difference is 35% or more, whichever is less.

Proposal for Evaluation

At the present time, Metro riders may purchase Tokens in packages of 10 for \$17.50. Each token is good for one boarding on Metro and has a value equivalent to the Cash base fare of \$1.75. Tokens are also used as a means of funding transit travel for participants in Metro's Immediate Needs Program with each Token providing one boarding on Metro.

The proposed action would discontinue the availability of Tokens. Patrons who buy tokens would need to obtain or use a TAP card to load passes or Stored Value to fund travel. TAP cards and the ability to add stored value or Metro passes to them are available at the same places where Tokens can be obtained, and are also available through Ticket Vending Machines (TVM's), online at taptogo.net, by calling 866.TAPGO and from Metro Customer Centers.

In addition, if a TAP card with stored value is used to board Metro, then the patron receives an added benefit of free transfers for up to two and a half hours from the initial boarding. While the TAP card initially costs \$1 to \$2 depending on where it is purchased, its 10-year expected lifetime (it is reusable) means that the costs of the card is inconsequential.

For those who receive Tokens through the Immediate Needs Program, there is a separate action being undertaken to replace that benefit with another form of media. Thus, the benefit would be maintained using different media, and the added benefit of free transfers as described above would also be conferred. A separate Title VI evaluation of proposed changes to the Immediate Needs Program (as well as the Rider Relief Program) has been prepared. (See attached.)

Title VI Evaluation and Findings

The most current available ridership data was collected as part of the Fall 2016 Customer Satisfaction Survey. The relevant data provided by this survey includes method of payment, ethnicity, and poverty status. Comparative statistics for Token and TAP users are provided in Table 1.

Table 1

	<u>TAP Users</u>	<u>Token Users</u>	<u>Absolute Diff.</u>	<u>Relative Diff.</u>
Minority Share	87.9%	91.4%	3.5%	4.0%
Poverty Share	56.1%	74.0%	17.9%	31.9%

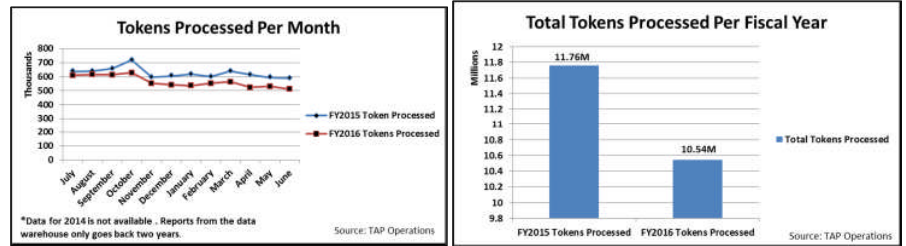
The minority shares of Token and TAP card users are not significantly different, so the proposed action would have **no Disparate Impact** on Token users.

On the other hand, the share of Token users is significantly poorer than TAP card users. With poverty level incomes significantly greater than for TAP card users, this creates a Disproportionate Burden on Token users from the proposed action. However, because the replacement media will have greater availability than Tokens, it will confer a greater benefit when used by virtue of the free transfers provided. Therefore, there is **no Disproportionate Burden** on poverty level income Token users from the proposed action.

Attachment D Decline in Token sales & processing

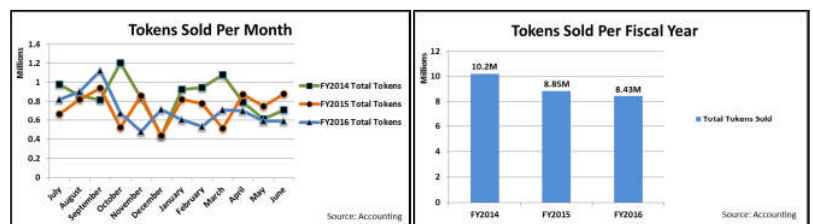
Tokens Processed

Token processing from 2015–2016 has decreased by **1.2M** or **.10%** system-wide (bus and rail). Refer to the below chart for processed token counts.



Token Sales

Token sales from 2014–2016 has decreased by **\$1.8M** or **.17%** system-wide (bus and rail). Refer to the below chart for token sales.





Board Report

File #: 2017-0672, **File Type:** Contract

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

SUBJECT: CURRENCY PROCESSING SERVICES

ACTION: AWARD CONTRACT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award firm fixed unit price Contract No. OP39497-2000, to Los Angeles Federal Armored Services, for currency processing services for an amount not-to-exceed \$457,600 for the one-year base period, and \$514,800, \$572,000, \$629,000, and \$686,400 for each of the four, one-year option terms, respectively, for a combined total of \$2,859,800, effective January 1, 2018 to December 31, 2022, subject to resolution of protest(s), if any.

ISSUE

The current bill processing contract is set to expire on December 31, 2017. Metro collects over \$104 million in bus farebox revenues, currency and coins, including about 45 million \$1 bills annually. Due to the large amount of \$1 bills, it is necessary to procure the services of a vendor that will accept weighed bills and deposit them daily.

DISCUSSION

The current contract with Los Angeles Federal Armored Services will expire on December 31, 2017. Award of this contract shall ensure that revenue from bus fareboxes is collected daily and processed for deposit. The bills are manually sorted by staff to separate the singles from large denomination bills. The \$1 bills are bagged and counted by weight. The vendor keeps or absorbs the minor over/under variances.

Metro's Revenue Department ensures accuracy by calibrating its one dollar bill scale daily and by randomly selecting bags of bills to be stacked and counted. Through this process, staff has maintained an accuracy of 99.62%.

The process for counting bills in TAP (TVM) vending machines differs from farebox bills because the bills come out from the TVMs pre-stacked. The bills are then counted by machine and staff bands the bills by denomination and quantity for deposit.

DETERMINATION OF SAFETY IMPACT

No safety impact.

FINANCIAL IMPACT

The funding for this service is included in the FY18 budget in cost center 5440, Revenue Collections, under line item 50906, Misc. Disc. Sales of Currency, and allocated to bus operations.

Since this is a multi-year contract, the cost center manager and Chief Financial Officer will be accountable for budgeting the cost in future years, including any option exercised.

Impact to Budget

The FY18 budget includes these fees and is funded with bus operating revenues including fares and sales tax.

ALTERNATIVES CONSIDERED

No other alternatives offer the efficiency and effectiveness of using an armored service to accept \$1 bills that have been bagged and weighed, ready for deposit.

NEXT STEPS

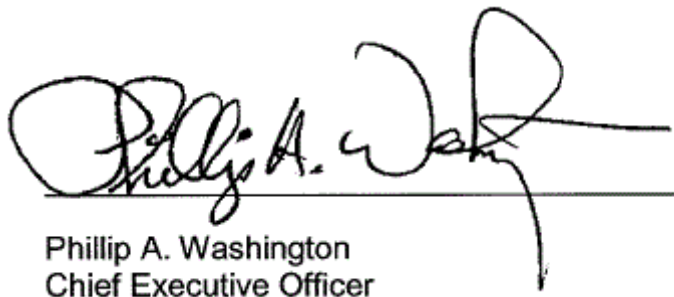
Upon approval by the Board, staff will execute Contract No. OP39497-2000 to Los Angeles Federal Armored Services for currency processing services, effective January 1, 2018.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - DEOD Summary

Prepared by: David Sutton, Executive Officer, TAP, (213) 922-5633

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088
Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

CURRENCY PROCESSING SERVICES/ OP39497-2000

1.	Contract Number: OP39497-2000	
2.	Recommended Vendor: Los Angeles Federal Armored Services, Inc.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: July 18, 2017	
	B. Advertised/Publicized: July 24, 2017	
	C. Pre-Proposal Conference: July 31 2017	
	D. Proposals Due: August 21, 2017	
	E. Pre-Qualification Completed: September 7, 2017	
	F. Conflict of Interest Form Submitted to Ethics: August 31, 2017	
	G. Protest Period End Date: November 27, 2017	
5.	Solicitations Picked up/Downloaded: 7	Bids/Proposals Received: 1
6.	Contract Administrator: Antwaun Boykin	Telephone Number: 213-922-1056
7.	Project Manager: Mark Simpson	Telephone Number: 213-922-4842

A. Procurement Background

This Board Action is to approve Contract No. OP39497-2000 issued in support of currency processing services. Board approval of contract awards are subject to resolution of any properly submitted protest.

The Request for Proposal (RFP) was issued in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit price.

One amendment was issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on August 1, 2017, provided documents from the pre-proposal conference.

One proposal was received on the due date of August 21, 2017 from Los Angeles Federal Armored Services (LAFAS). In addition to LAFAS, several out of state firms were also listed as plan holders of this RFP, including IT firms, a construction company, online solicitation firms, and US Bank. When contacted for a market survey, staff did not receive any responses as to why they did not propose.

B. Evaluation of Proposals

As stated in the RFP, proposers were required to pass the minimum qualifications before being considered for further review. The proposal received from LAFAS passed minimum qualifications.

A Proposal Evaluation Team (PET) consisting of staff from Revenue Collection, Treasury and Accounting was convened and conducted a comprehensive technical evaluation of the proposal received.

The proposal was evaluated based on the following evaluation criteria and weights:

- Degree of Skills and Experience of the Prime and/or Firms on the Contractor's Team 30 percent
- Understanding of Work and Appropriateness of Approach for Implementation 30 percent
- Cost Proposal 40 percent

The evaluation criteria are appropriate and consistent with criteria developed for similar procurements. Several factors were considered when developing these weights, giving the greatest importance to the cost proposal.

The PET conducted a technical review of LAFAS' proposal and references were contacted, reviewed, and confirmed.

Qualifications Summary of Firms within the Competitive Range:

Los Angeles Federal Armored Services

LAFAS was founded in 1990 and has served as Metro's currency counting contractor for over ten years. LAFAS also provides currency counting services for Orange County Transportation Authority and Keolis Transit America.

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Los Angeles Federal Armored Services, Inc.				
3	Degree of Skills and Experience of the Prime and/or Firms on the Contractor's Team	87.76	30.00%	26.33	
4	Understanding of Work and Appropriateness of Approach for Implementation	89.30	30.00%	26.79	
5	Cost Proposal	100.00	40.00%	40.00	
6	Total		100.00%	93.12	1

C. Cost/Price Analysis

The proposed unit price has been determined to be fair and reasonable based upon Metro's Independent Cost Estimate, technical evaluation, and negotiations with the proposer. As a result of negotiations, staff realized a cost savings of \$520,200.

	Proposer Name	Proposal Amount	Metro ICE	NTE Amount
1.	L.A. Federal Armored Services	\$3,380,000.00	\$3,146,000.00	\$2,859,800.00

D. Background on Recommended Contractor

The recommended firm, LAFAS, located in Los Angeles, has been in business for 17 years in the field of secure transportation and currency counting. Jesse Ash, President and CEO has over 25 years of experience with the Los Angeles Branch of the Federal Reserve Bank, as well as experience in bundling and transporting currency, coins, gold, jewelry, and precious gems.

LAFAS is Metro's incumbent currency processing services contractor and has performed satisfactorily.

DEOD SUMMARY

CURRENCY PROCESSING SERVICES / CONTRACT NO. OP39497-2000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not establish a Disadvantaged Business Enterprise (DBE) goal for this solicitation due to lack of subcontracting opportunities. According to the Project Manager, the Prime Contractor performs 100% of the required scope of work. It is expected that the Los Angeles Federal Armored Services will perform this scope 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.



Board Report

File #: 2017-0772, File Type: Resolution

Agenda Number: 45.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

**SUBJECT: SB1: STATE TRANSIT ASSISTANCE STATE OF
GOOD REPAIR PROGRAM (STASGR)**

ACTION: APPROVE RESOLUTION FOR RECIPIENT CERTIFICATIONS AND ASSURANCES

RECOMMENDATION

APPROVE the Resolution in Attachment A to:

- A. AUTHORIZE the Chief Executive Officer (CEO) or his designee to receive STASGR funds from the State Controller's Office (SCO); and
- B. CERTIFY that Metro will comply with STASGR Recipient Certifications and Assurances, and authorize the CEO or his designee to execute all required documents and any amendments with the California Department of Transportation.

ISSUE

The California Department of Transportation (Caltrans) issued the formal draft of the SB1 State of Good Repair Program Guidelines on October 6, 2017. The guidelines state that in order to qualify for eligibility to receive funding allocations, potential recipients must submit a signed, dated and Board-approved Certifications and Assurances document and a signed and dated Authorized Agent Form to Caltrans. Therefore, staff is seeking Board approval to submit the resolution contained in Attachment A.

DISCUSSION

On April 28, 2017, Governor Brown signed Senate Bill 1 (SB1) into law. Section 19 of SB1 modifies the State Transit Assistance (STA) program to provide new funding to transit operators in California for eligible state of good repair capital projects. The STASGR is funded from a portion of the new Transportation Improvement Fee on vehicle registrations commencing January 1, 2018.

Even with only six months' worth of revenues in Fiscal Year 2018, the State Controller's Office (SCO) estimates the STASGR will provide \$105 million statewide, with more than \$31.6 million coming to Los Angeles County. Fiscal Year 2019 is projected to be approximately double that amount. The funds will be distributed using the STA formula, so the Municipal Operators also will receive funding

from this program. While the funding is formula driven, all eligible recipients are required to submit to Caltrans lists of capital projects on which they plan to use the funds. These projects must be approved by Caltrans before the SCO will release the funds. Metro staff will meet with the Municipal operators to ensure all eligible recipients in the county are updated and aware of program requirements, submittals and deadlines.

Since this is a new program, Caltrans is in the process of drafting guidelines. The formal draft of the guidelines was issued on October 6 and is expected to be finalized in mid-December. Metro staff have distributed the draft guidelines to the eligible operators in the county and are participating in the review process. The program schedule in the formal draft gives a January 31, 2018 deadline for submission of all required documentation in order to be eligible for the first quarterly distribution. Agencies that miss this deadline risk forfeiture of their first quarter funds.

Two of the required documents are standard procedural forms: the Authorized Agent form and the Certifications and Assurances form. A Board-adopted resolution accompanying the Certifications and Assurances form is required by Caltrans. Since the Metro Board is not scheduled to meet again until just before the January 31 deadline, staff is requesting approval of the resolution in Attachment A so Metro may submit the necessary documents in a timely manner.

DETERMINATION OF SAFETY IMPACT

The requested actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

Adoption of the STASGR resolution and authorization of the CEO to execute the required documents and receive STASGR funds will enable Metro to access a significant new funding source to support the agency's state of good repair program.

Impact to Budget

By itself, this action has no impact on the FY18 budget. Staff is currently reviewing state of good repair projects to determine the optimal candidates for the initial submittal to claim Metro's share of the STASGR funding.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the resolution in Attachment A. Staff does not recommend this alternative because delays would risk loss of Metro's initial quarterly STASGR fund allocation amount.

NEXT STEPS

- Execute and submit the required forms and Board-adopted resolution to Caltrans;
- Meet with Municipal Operators to ensure they are aware of program requirements, submittals

and deadlines;

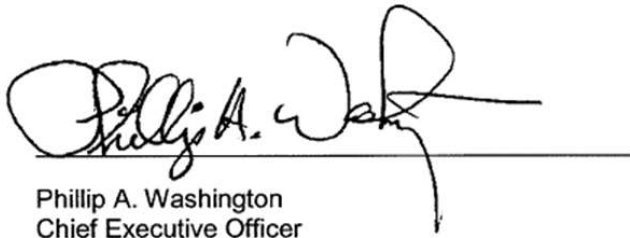
- Develop Metro state of good repair project list for initial submittal.

ATTACHMENTS

Attachment A - Resolution to Execute STASGR Certifications and Assurances and Authorized Agent Forms

Prepared by: Timothy Mingle, Director, OMB, (213) 922-7665

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

Los Angeles County Metropolitan Transportation Authority

Board Resolution

**Authorization for the Execution of Certifications and Assurances
for the
State Transit Assistance State of Good Repair Program**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (Metro) is the Regional Transportation Planning Agency (RTPA) for Los Angeles County and may receive funding from the State Transit Assistance State of Good Repair Program (STASGR) for transit projects; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

WHEREAS, Senate Bill 1 (2017) named the Department of Transportation (Department) as the administrative agency for STASGR; and

WHEREAS, the Department has developed guidelines for the purpose of administering and distributing STASGR funds to eligible project sponsors (local agencies); and

WHEREAS, Metro wishes to receive STASGR funds for transit state of good repair projects in accordance with applicable statutes, regulations and guidelines; and

WHEREAS, Metro wishes to delegate authorization to execute these documents and any amendments thereto to the Chief Executive Officer (CEO), or his designee;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Los Angeles County Metropolitan Transportation Authority that the fund recipient agrees to comply with all conditions and requirements set forth in the Certifications and Assurances document and applicable statutes, regulations and guidelines for all STASGR funded transit projects.

NOW THEREFORE, BE IT RESOLVED that the CEO or his designee is authorized to execute all required documents of the STASGR program and any Amendments thereto with the California Department of Transportation.

CERTIFICATION

The undersigned, duly qualified and acting as the Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct representation of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on Thursday, November 30, 2017.

Michelle Jackson
LACMTA Secretary

Dated:

(SEAL)