

# **Metro**

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



**Metro**

## **Agenda - Final**

**Wednesday, September 18, 2019**

**1:00 PM**

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

### **Finance, Budget and Audit Committee**

*Kathryn Barger, Chair  
Ara Najarian, Vice Chair  
Jacquelyn Dupont-Walker  
Paul Krekorian  
Mark Ridley-Thomas  
John Bulinski, 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 must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

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

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

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

**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**

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## 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

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**323.466.3876 x2**

*Español*

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

**CALL TO ORDER**

**ROLL CALL**

14. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2019 YEAR-END REPORT** [2019-0583](#)

**RECOMMENDATION**

RECEIVE AND FILE year-end report of Management Audit Services (Management Audit) for the period ending June 30, 2019.

Attachments: [Attachment A - FY19 Year-End Report.pdf](#)

15. **SUBJECT: BUDGET DEVELOPMENT PROCESS** [2019-0640](#)

**RECOMMENDATION**

RECEIVE AND FILE the Annual Budget Development Process.

(ALSO ON OPERATIONS, SAFETY AND CUSTOMER EXPERIENCE COMMITTEE)

16. **SUBJECT: DELEGATION OF AUTHORITY TO APPROVE REAL ESTATE TRANSACTIONS** [2019-0482](#)

**RECOMMENDATION**

AUTHORIZING the Chief Executive Officer (CEO) to:

- A. ESTABLISH just compensation for the acquisition of real property based on an approved appraisal of the fair market value as long as the amount is within the overall Life of Project (LOP) budget or within the approved current annual budget if LOP has not yet been adopted;
- B. APPROVE administrative or litigated settlements (including goodwill, furniture, fixtures, and equipment, and other acquisition costs) of up to \$1,000,000 above the appraised value or 20% above the appraised value (up to \$5 million), whichever is greater, if the amount is within the overall LOP budget or within the approved current annual budget if LOP has not yet been adopted;
- C. DIRECT the CEO to report back to the Board quarterly on just compensation and/or settlements over \$500,000; and

AUTHORIZE the Inspector General to perform periodic random spot-check audit of these transactions to ensure to the Board that the system and policy are performing in the manner described in the recommendation.

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**Attachments:**      [Attachment A - Approval of Real Estate Transactions CEO Authority](#)  
[Attachment B – Like Authority for Construction Related Contracts](#)  
[Attachment C - Real Estate Acquisitions Flowchart](#)  
[Presentation](#)

**17. SUBJECT:      GROUP INSURANCE PLANS** [2019-0485](#)

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to renew existing group insurance policies covering Non-Contract and AFSCME employees, including the life and disability coverage for Teamster employees, for the one-year period beginning January 1, 2020.

**Attachments:**      [Attachment A - Proposed Monthly Premium Rates](#)  
[Attachment B - Proposed Monthly Employee Contributions](#)

**18. SUBJECT:      TAP FARE COMPLIANCE VALIDATOR** [2019-0594](#)

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute Modification No. 8 to Contract No. PS30203139 with Axiom xCell, Inc. (Axiom) to improve functionalities and capabilities for the Mobile Phone Validator (MPV) used by fare compliance officers in an amount of \$627,516, and to extend the contract term for continued maintenance support through November 29, 2021 in an amount of \$437,815, thus, increasing the total contract value by \$1,065,331 from \$2,168,066 to \$3,233,397.

**Attachments:**      [Attachment A - Procurement Summary](#)  
[Attachment B - Contract Modification Change Order Log](#)  
[Attachment C - DEOD Summary](#)  
[Presentation](#)

**19. SUBJECT:      LOW INCOME FARE IS EASY (LIFE) PROGRAM  
ADMINISTRATOR SERVICES** [2019-0597](#)

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. AWARD a 54-month indefinite delivery indefinite quantity Contract No. PS6056400A to FAME Assistance Corporations for LIFE program administration services for the Southwest and Northwest service regions, in an amount not-to-exceed \$1,653,756 for the 30-month base term and \$669,104.50 for each of the two, 12-month options, for a combined total not-to-exceed amount of \$2,991,965 effective January 1, 2020, subject to resolution of protest(s), if any; and

- B. AWARD a 54-month indefinite delivery indefinite quantity Contract No. PS6056400B to International Institute of Los Angeles for LIFE program administration services for the Southeast service region in an amount not-to-exceed \$890,124 for the 30-month base term and \$357,562 for each of the two, 12-month options, for a combined total not-to-exceed amount of \$1,605,248, effective January 1, 2020, subject to resolution of protest(s), if any.

Attachments:      [Attachment A - LIFE Program Description](#)  
                                 [Attachment B - Procurement Summary](#)  
                                 [Attachment C - DEOD Summary](#)

**20. SUBJECT:      METROLINK ADDITIONAL FY 2020 FUNDING** [2019-0620](#)

**RECOMMENDATION**

CONSIDER:

- A. REPROGRAMMING \$2,088,793 of forecasted FY 2018-19 (FY19) surplus to fund the Southern California Regional Rail Authority's (SCRRA operated as "Metrolink") FY 2020 CEO Workplan; and
- B. AMENDING and APPROVING Metro's revised share of the FY 2019-20 (FY20) Metrolink Budget for a new total programming amount of \$119,976,796.

Attachments:      [Attachment A - Metrolink Board Item #19 Dated June 28, 2019.pdf](#)  
                                 [Presentation](#)

**21. SUBJECT:      CALIFORNIA SB1 STATE OF GOOD REPAIR PROGRAM** [2019-0639](#)

**RECOMMENDATION**

APPROVE the Resolution in Attachment A to:

- A. AUTHORIZE the Chief Executive Officer (CEO) or his designee to claim \$30,066,491 in fiscal year (FY) 2019-20 State of Good Repair Program (SGR) grant funds as the Regional Entity for Los Angeles County for this program; and
- B. APPROVE the regional SGR Project List for FY19-20; and
- C. CERTIFY that Metro will comply with all conditions and requirements set forth in the SGR Certification and Assurances document and applicable statutes, regulations and guidelines.

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**Attachments:**      [Attachment A - Resolution to Accept and Distribute Los Angeles County SGR Fi](#)  
[Attachment B - Submitted Project Listing From Metro and Municipal Operators.g](#)

**SUBJECT:      GENERAL PUBLIC COMMENT**      [2019-0695](#)

RECEIVE General Public Comment

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

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

**Adjournment**



## Board Report

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**File #:** 2019-0583, **File Type:** Informational Report

**Agenda Number:** 14.

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### FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 18, 2019

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2019 YEAR-END REPORT**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE year-end report of Management Audit Services (Management Audit) for the period ending June 30, 2019.

#### **ISSUE**

Management Audit must provide a quarterly activity report to the Finance, Budget and Audit Committee which includes information on: completed audits, audits that are in progress, our follow-up activities and any other pertinent matters.

#### **BACKGROUND**

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 fourth quarter of FY 2019.

#### **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's activities for the fourth quarter and for the fiscal year ending June 30, 2019 are as follows:

Internal Audits: three internal audits were completed during the fourth quarter; total of nine reports were completed for the year. As of June 30, 2019, twelve internal audits were in process.

External Audits: 14 incurred cost audits with a total value of \$64 million were completed during the fourth quarter; total of 48 incurred cost audits with a total value of \$1.2 billion were completed for the year. Additionally, eight contract pre-award audits with a total value of \$69.2 million were completed for the year. As of June 30, 2019, forty-eight incurred cost audits were in process.

Other Audits: 154 financial and compliance audits were issued during the fiscal year. Details of other audits completed by external certified public accountants (CPAs) during the year are included starting on page 7 of Attachment A.

Audit Follow-up and Resolution: eleven recommendations were closed during fourth quarter; total of 51 were closed for the year. In addition, 64 recommendations for the OIG were closed during fourth quarter; total of 213 were closed for the year. Details of all open, extended, and closed recommendations can be found in the Fourth Quarter Board Box titled "Status of Audit Recommendations".

Other Activities: Management Audit Services partnered with Vendor/Contract Management to put together a series of educational training programs for Small Business Enterprise (SBE) and Disadvantaged Business Enterprise (DBE). The trainings were in support of the SBEs and DBEs in their compliance efforts with the Federal Acquisition Regulations (FAR) Cost Principles and Procedures which are included in all Metro contracts. Approximately 80 attendees participated in these trainings.

Management Audit's FY 2019 year-end report is included as Attachment A.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. However, the projects completed directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

## **NEXT STEPS**

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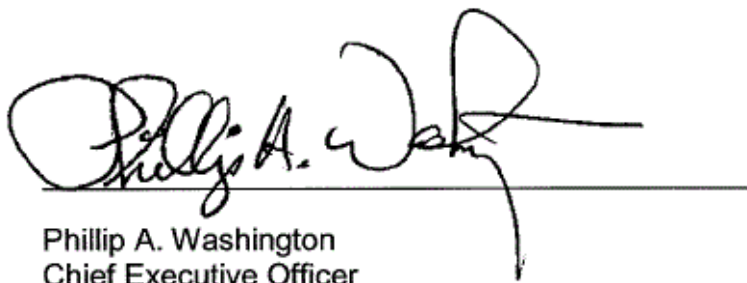
Management Audit will provide the first quarter summary of FY 2020 audit activity to the Board at the November 2019 Finance, Budget and Audit Committee meeting.

**ATTACHMENT**

Attachment A - Management Audit Services Quarterly Report to the Board for the period ending June 30, 2019.

Prepared by: Monica Del Toro, Audit Support Manager  
(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**

***YEAR-END REPORT  
FY 2019***

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# EXECUTIVE SUMMARY

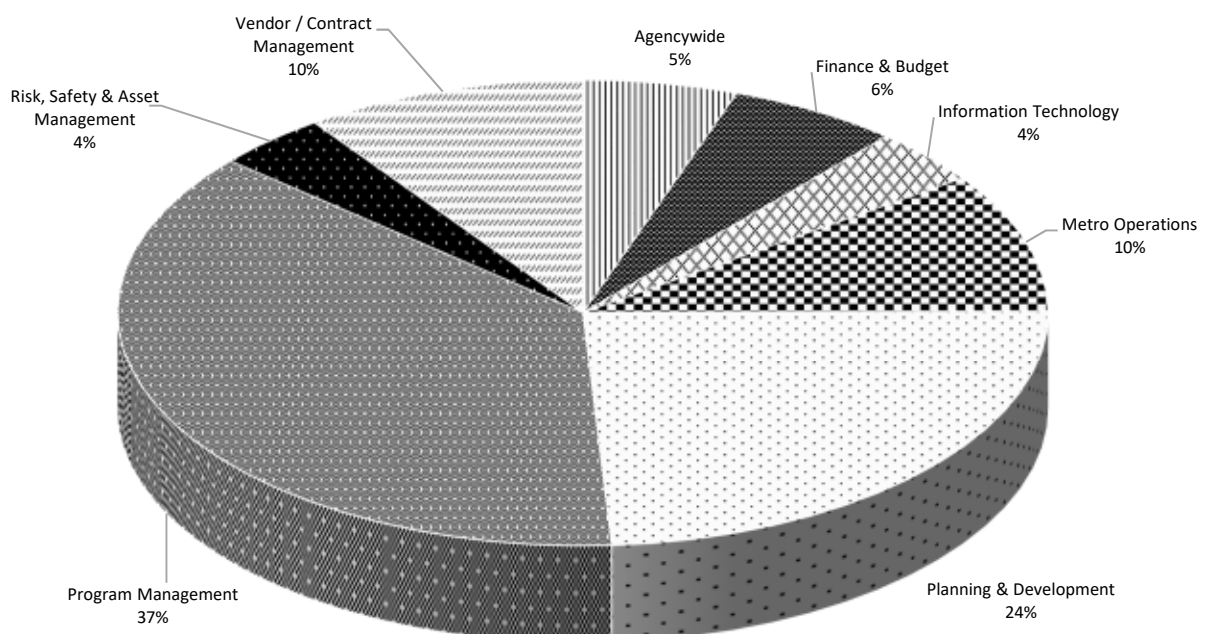
## FY19 Summary of Audit Activity

During FY 2019, we completed or managed 219 engagements consisting of 65 audits issued by MAS and 154 external CPA firms' reports. Details are as follows:

- 16 audit reports issued in the first quarter;
- 19 audit reports issued in the second quarter;
- 13 audit reports issued in the third quarter;
- 17 audit reports issued in the fourth quarter;
- 154 financial and compliance audits issued during the fiscal year (mostly legally mandated such as Propositions A&C, Measure R, Measure M, STA, TDA, NTD, and other funds distributed to the cities and County of Los Angeles).

The work completed in the first, second, and third quarters of FY 2019 were summarized in the quarterly reports issued in November 2018, February 2019, and May 2019. The completed audits for fourth quarter include three internal audit reports and 14 incurred cost audits. The completed contract pre-award and incurred cost audits are summarized on page 4 and completed internal audits begin on page 5. Sixty audits were in process at the end of FY 2019. A list of all contract pre-award and incurred cost audit projects completed in FY 2019 are included in Appendix A and B, respectively. All internal audits completed during FY 2019 are included in Appendix C. All internal audits in process as of June 30, 2019 are included in Appendix D.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during FY 2019:



# EXECUTIVE SUMMARY

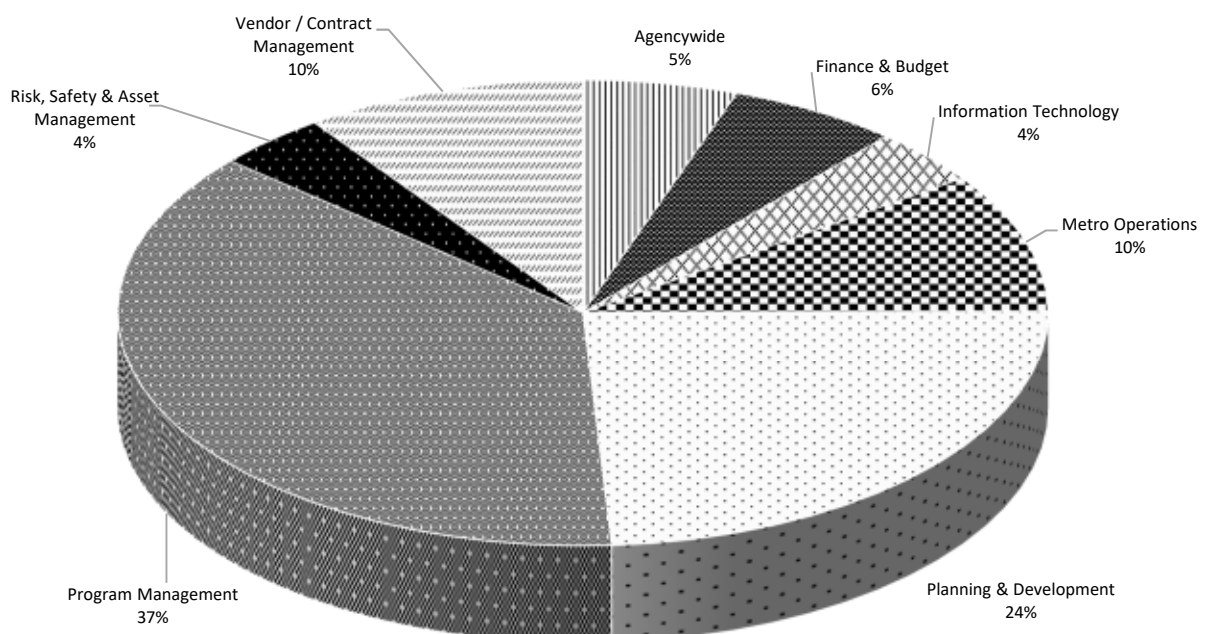
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The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during FY 2019:



# *EXECUTIVE SUMMARY*

## Other Activities

### Small Business Enterprise/Disadvantaged Business Enterprise Trainings

Metro recognizes that the SBE/DBE firms may have challenges including limited knowledge to comply with the requirements of Federal Acquisition Regulations (FAR) Part 31, Contract Cost Principles and Procedures which are included in all Metro contracts and limited resources to support the audit efforts.

Management Audit Services (MAS) partnered with V/CM to put together a series of educational training programs for SBE/DBEs to better understand contract and audit requirements including FAR Part 31 cost allowability, audit process, adequate accounting system and the different types of contract audits (e.g. pre-award, incurred cost, close out, etc.) including the associated level of audit support and effort that goes with each type. Training programs include speaking at Metro sponsored events such as How to Do Business with Metro workshop, Transportation Business Advisory Council (TBAC), and other training programs dedicated for SBE/DBEs. MAS conducted two workshops (March and April) at Metro's Headquarters and trained approximately 80 attendees. Attendees had the opportunities to ask their audit and contract questions to the MAS and V/CM executives during these events.

# *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 FY 2019, we completed eight audits, reviewing a net value of \$69.2 million. Auditors questioned \$8.7 million or 12.5% of the proposed costs. The eight audits supported procurements in the following areas:

- Four (4) of Metro Countywide Bikeshare Program;
- Three (3) of Metro Eastside Transit Corridor Phase 2 Project; and
- SR-91 Auxiliary Lane Improvement Project.

Details on Contract Pre-Award Audits completed during FY 2019 are in Appendix A.

## Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects and Transit Oriented Development programs, 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 grantees spend funds in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 48 audits during FY 2019. We reviewed \$1.2 billion of funds and identified \$74 million or 6% of unused funds that may be reprogrammed. Forty-eight incurred cost audits were in process as of June 30, 2019.

Details on Incurred Cost Audits completed during FY 2019 are in Appendix B.



# *INTERNAL AUDITS*

Management Audit completed nine internal audit reports in FY 2019. Twelve internal audits were in process as of June 30, 2019. A list of the internal audits in process is included in Appendix D. Details of the three internal audits completed during the fourth quarter are listed below.

## *Performance Audit of the Regional Connector Transit Corridor Project*

Management Audit contracted Talson Solutions, LLC (Talsol) to complete a performance audit of the Regional Connector Transit Corridor Project. The purpose of the audit was to evaluate the efficiency and effectiveness of overall project management processes for the following areas:

- Budgeted vs. Actual Costs and Schedule
- Risk Assessment and Risk Mitigation
- Compliance with the Full Funding Grant Agreement (FFGA) in the areas of funding, schedule, quality management and risk management

Talsol found that Metro is compliant with the FFGA in adopting a financial plan for financing all project costs, which includes identifying the state, local and private sources of funding for the project along with the value of funds available and committed to the project. However, some inconsistencies were noted in the reported funding values for two fund sources:

- Lease Revenue
- Congestion Mitigation & Air Quality Program

The total reported values for these two fund sources differed among the various project related reports. Management concurred with all recommendations and is implementing the corrective actions.

## *Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes*

The purpose of the audit was to evaluate whether changes from the Sheet Metal, Air, Rail & Transportation (SMART) Union Collective Bargaining Agreement effective July 1, 2017 were effectively implemented in HASTUS, and to assess the adequacy of the implementation plans for the pending system changes.

We found that of the nine total changes resulting from the SMART Bargaining Agreement effective July 1, 2017, seven were effectively implemented in HASTUS. However, the manual processes and controls for the remaining two system changes which were related to Off Call-Back (OCB) and Line Instructor Premium (LIP) were inadequate to prevent errors and to fully comply with the SMART agreement. In addition to the above findings, we identified three process improvement opportunities related to vacation balances, timely release of assignments and accuracy of payroll processing for fallback. Management concurred with all recommendations and is implementing the corrective actions.

## *INTERNAL AUDITS*

### *Performance Audit of the Tracking of Small Business Enterprise / Disadvantaged Business Enterprise (SBE/DBE) Goals*

The purpose of the audit was to evaluate the effectiveness of the process used by the Diversity & Economic Opportunity Department (DEOD) to track and monitor SBE/DBE goal achievement and the reliability of the information captured and reported from the SBE/DBE goal achievement monitoring process.

We found that DEOD has implemented procedures and has provided training amongst the responsible parties to pro-actively track the achievement of SBE/DBE goals while the contracts are still on-going. However, we found that the tracking and monitoring of SBE/DBE goal achievement can be significantly improved by maintaining accurate contract information, timely communicating shortfall information to contractors and documenting resolutions on shortfall status. Management concurred with all recommendations and is implementing the corrective actions.

## *OTHER AUDITS*

Other audits completed during FY19 by external CPA firms contracted by MAS include:

### STIP/PPM Program Year 2015 and 2016 – Issued October 2018 and May 2019

In June 2013, Metro entered into a Fund Transfer Agreement (Agreement) with Caltrans to provide planning, programming and monitoring of projects for the development and preparation of the Regional Transportation Improvement Program.

Metro is required to comply with the Agreement and to ensure that State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

Vasquez completed the financial and compliance audits of STIP for the period December 10, 2014 through December 31, 2018. The auditor found that the financial schedule presents fairly, in all material respects and that Metro complied, in all material respects, with the compliance requirements of the Agreement and Article XIX of the California State Constitution applicable to Metro's STIP PPM Program for the period December 10, 2014 to December 31, 2018.

### LACMTA Gateway Center - Basic Financial Statements – Issued November 2018

Metro acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.

We contracted BCA to conduct an audit of the financial statements for these two entities for the year ended June 30, 2018. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

### Los Angeles Union Station Property - Basic Financial Statements – Issued November 2018

Metro acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.

We contracted BCA to conduct an audit of the financial statements for these two entities for the year ended June 30, 2018. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

### Metro ExpressLanes Fund - Financial Statements – Issued November 2018

Metro ExpressLanes started as a one-year demonstration program that tested innovations to improve existing transportation systems in three sub-regions: San Gabriel Valley, Central Los Angeles, and South Bay. The first Metro ExpressLanes commenced revenue operations in November 2012 on the I-110 Harbor Freeway, between Adams Blvd. and the 91 freeway. The second began revenue operations in February 2013 on the I-10 El

## *OTHER AUDITS*

Monte Freeway between Alameda St. and the 605 Freeway. In April 2014, the Board voted unanimously to make the ExpressLanes on the I-110 and I-10 Freeways permanent. Later that year the California State Legislature approved a motion making the toll lanes permanent in Los Angeles and that the Governor sign it to become official.

An audit of the financial statements of Metro ExpressLanes, an enterprise fund of Metro, was performed by BCA for the fiscal year ended June 30, 2018. BCA found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes fund as of June 30, 2018.

### PTSC - MTA PRMA - Basic Financial Statements – Issued November 2018

In October 1998, the Public Transportation Services Corporation (PTSC) and Metro entered into a joint powers agreement to create the PTSC-MTA Risk Management Authority (PRMA) for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA receives all of its funding from Metro and PTSC. As PTSC also receives its funding from Metro, PRMA is a component unit of Metro and is included in its financial statements as a blended component unit.

An audit of PRMA's financial statements by an independent CPA firm is required annually. We retained BCA to conduct the audit for the fiscal year ended June 30, 2018. BCA found that the financial statements present fairly, in all material respects, the financial position of PRMA as of June 30, 2018.

### Regional Transit Access Pass (TAP) Service Center TAP Settlement and Clearing Account - Basic Financial Statements – Issued November 2018

Los Angeles TAP was created by Metro through Board action to implement a region-wide universal fare system which provides a fully integrated, electronic fare collection system that allows seamless multi-modal travel throughout the region using smart card technology. This universal fare system is known today as the Regional TAP Program. The Regional TAP Program is managed by the Regional TAP Service Center utilizing Metro staff resources.

We contracted BCA to conduct an audit of the financial statements for the year ended June 30, 2018. The auditor found that the statement of net position present fairly, in all material respects, the financial position of the Regional TAP Service Center Settlement and Clearing Accounts as of June 30, 2018.

### Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds – Issued November 2018

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by Metro with the provisions of Propositions A and C.

BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the

## OTHER AUDITS

requirement for the year ended June 30, 2018. The auditor found that the schedules present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2018. As required by law, BCA presented the results of the audit to the Independent Citizen's Advisory Oversight Committee in January 2019. A Public Hearing was also conducted to receive public input in April 2019.

### Schedule of Revenues and Expenditures for Measure R Special Revenue Fund – Issued November 2018

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Metro complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year.

BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2018. The auditor found that the schedule present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America. As required by law, BCA presented their audit report to the Measure R Independent Taxpayers Oversight Committee in March 2019. A Public Hearing was also conducted to receive public input in June 2019.

### Schedule of Revenues and Expenditures for Measure M Special Revenue Fund – Issued November 2018

The voter approved Measure M Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Metro complies with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year.

BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure M Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2018. The auditor found that the schedule present fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America. As required by law, BCA will present their audit report to the Measure M Independent Taxpayer Oversight Committee in March 2019.

### Basic Financial Statements and Component Audits – All parts issued by February 2019

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the year ended June 30, 2018:

## *OTHER AUDITS*

- Comprehensive Annual Financial Report;
- Single Audit Report for fiscal year ended June 30, 2018;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2018;
- National Transit Database Financial Data Procedures by Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2018;
- Transportation Development Act Operations Agency for the fiscal year ended June 30, 2018;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency for the fiscal year ended June 30, 2018;
- State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ended June 30, 2017 and 2018;
- Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) basic financial statements as of June 30, 2018;
- Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements for the year ended June 30, 2018; and
- Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the fiscal year ended June 30, 2018.

Metro's basic financial statements include our audited financial statements, supplemental information and unmodified audit opinion from Crowe, the independent external auditor. Crowe issued unmodified opinions on all audit reports for FY18, meaning that all financial statements for FY18 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements respectively. However, in the Single Audit Report, Crowe noted one significant deficiency in our internal control over compliance with major federal programs pertaining to sub-recipient monitoring of federal awards. Metro's Grants Management will implement preventative controls by clarifying to sub recipients that in completing their annual self-certification, the response applies to the entire entity federal awards and not just the particular grant. Additionally, Grants Management will verify the sub-recipients' responses using the search on Federal Audit Clearinghouse to ensure that no single audit is required for the sub-recipients.

### Consolidated Audit – Issued various dates

These financial and compliance audits are needed to ensure that the recipients (e.g. 88 cities) of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The Consolidated Audit process includes financial and compliance audits for the fiscal year ended June 30, 2018 for the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
  - Proposition A Local Return
  - Proposition C Local Return
  - Measure R Local Return

## *OTHER AUDITS*

- Measure M Local Return
- Transit Development Act (TDA) Article 3 and Article 8 Programs
- Proposition A Discretionary Incentive Program
- Transit System Funds to Commerce, Redondo Beach, and Torrance
- Transit Development Act (TDA) Article 4
- State Transit Assistance (STA)
- Proposition A 95% of 40% Discretionary
- Proposition C 5% Security
- Proposition C 40% Discretionary
- Proposition 1B Funds
- Measure R 20% Bus Operations and Clean Fuel Bus Funds
- Measure M 20% Bus Transit Operation Fund
- Proposition A 40% Discretionary – Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena Transit System Operators
- Fare Subsidies Programs
  - Immediate Needs Transportation Program (INTP)
  - Rider Relief Transportation Program (RRTP)
  - Support for Homeless Re-Entry (SHORE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT Operating Data (Proposition A Incentive Programs)

### Local Return

#### **Proposition A and C**

Vasquez and Simpson & Simpson found that the Cities and County, with the exception of the City of Compton, complied in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2018.

The auditors found 48 instances of non-compliance for Proposition A and C. Questioned costs totaling \$1.1 million and \$1.7 million for Proposition A and Proposition C, respectively represent approximately 1% of each total fund reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

#### **Measure R**

Vasquez and Simpson & Simpson found that the County and Cities, with the exception of City of Compton, complied in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2018. The Measure R Local Return audit results were presented to the Measure R Independent Taxpayers Oversight Committee

## *OTHER AUDITS*

(MRITOC) on March 6, 2019. A Public Hearing for MRITOC was also conducted to receive public input on June 5, 2019.

The auditors found 28 instances of non-compliance for Measure R. Questioned costs totaling \$4 million for Measure R represent approximately 3% of the total amount reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

### **Measure M**

Vasquez and Simpson & Simpson found that the Cities and County complied in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2018. The Measure M Local Return audit results were presented to the Measure M Independent Taxpayer Oversight Committee (MMITOC) on March 6, 2019.

The auditors found 14 instances of non-compliance for Measure M. Questioned costs totaling \$700 thousand for Measure M represent less than 1% of the total amount reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

### Non-Local Return

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; two findings for Metrolink program, nine findings for the TDA Article 3 program and three for the EZ Transit Pass Program. Fourteen compliance findings were also identified for the Immediate Needs Transportation Program (INTP) (9), and Rider Relief Transportation Program (RRTP) (5). Metro Program Managers are working with the funds recipients to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.



# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During FY 2019, 47 recommendations were added and 51 recommendations were closed. At the end of the quarter, there were 42 outstanding audit recommendations. The table below summarizes the fourth quarter activity.

### Summary of MAS and External Audit Recommendations As of June 30, 2019

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Communications	3		2		2
Finance & Budget	1			1	1
Information Technology Services			2	3	5
Metro Operations				12	12
Planning and Development				3	3
Program Management	5		2	3	5
System Security and Law Enforcement				1	1
Vendor/Contract Management	2			13	13
Total	11		6	36	42

In addition to the above MAS and external audit recommendations, 64 were closed during fourth quarter for the Office of the Inspector General (OIG); total of 213 were closed for the year. At the end of the quarter there were 59\* outstanding OIG audit recommendations.

Details of open audit recommendations for MAS and OIG are included in Appendix E and Appendix F, respectively.

\*This total does not include recommendations for the Audit of Westside Purple Line Extension Section 2- Modification No. 52 as the management response and/or estimated completion dates are still pending.

## Appendix A

Contract Pre-Award Audit - Audits Completed During FY19						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
1	Planning & Development	18-PLN-A18 - Attestation Agreed-upon Procedures	Bcycle, LLC	2nd Time	VCM Policy	7/2018
2	Planning & Development	18-PLN-A19 - Attestation Agreed-upon Procedures	Accel Employment Service, Inc.	2nd Time	VCM Policy	7/2018
3	Planning & Development	18-PLN-A20 - Attestation Agreed-upon Procedures	Alameda Bicylce, Inc.	2nd Time	VCM Policy	7/2018
4	Program Management	18-CON-A23 - Attestation Agreed-upon Procedures	TRC Solutions, Inc.	Once	VCM Policy	8/2018
5	Planning & Development	19-PLN-A02 - Attestation Agreed-upon Procedures	HNTB Corporation	Once	VCM Policy	9/2018
6	Planning & Development	19-PLN-A03 - Attestation Agreed-upon Procedures	Mott MacDonald Group, Inc.	Once	VCM Policy	9/2018
7	Planning & Development	18-PLN-A17 - Attestation Agreed-Upon Procedures	Bicycle Transit Systems, Inc.	2nd Time; Last Audit 3.5 years ago for Pre-Award	V/CM Policy and Contract Terms	10/2018
8	Planning & Development	19-PLN-A01 - Attestation Agreed-Upon Procedures	Cordoba Corporation	First Time	V/CM Policy and Contract Terms	11/2018

## Appendix B

Incurred Cost Audit - Audits Completed During FY19						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
1	Program Management	18-CON-A07 - Agreed-Upon Procedures	DHS Consulting, Inc.	Once	V/CM	7/2018
2	Program Management	17-CON-A31 - Agreed-Upon Procedures	Brierley Associates	Once	V/CM	7/2018
3	Planning & Development	18-PLN-A05 - Closeout	City of Signal Hill	Once	Per Project Manager's request and MOU.P0008095 terms	7/2018
4	Program Management	18-CON-A18 - Agreed-Upon Procedures	AMEC Environment & Infrastructure, Inc.	Once	V/CM	8/2018
5	Program Management	17-CON-A43 - Agreed-Upon Procedures	Safe Utility Exposure, Inc.	Once	V/CM	8/2018
6	Program Management	18-CON-A19 - Agreed-Upon Procedures	AMEC Environment & Infrastructure, Inc.	Once	V/CM	8/2018
7	Program Management	18-HWY-A02 - Closeout	City of Torrance	Once	Per Project Manager's request and MOU.MR312.58 terms	8/2018
8	Program Management	18-CON-A08 - Agreed-Upon Procedures	Ramos Consulting Services, Inc.	Once	V/CM	9/2018
9	Program Management	18-CON-A15 - Agreed-Upon Procedures	EPC Consultants, Inc.	Once	V/CM	9/2018
10	Program Management	18-HWY-A09 - Closeout	City of Burbank	Once	Per Project Manager's request and MOU.MR310.08 terms	10/2018
11	Planning & Development	17-PLN-A31 - Closeout	City of Inglewood	Once	Per Project Manager's request and MOU.TOD.312.02.03 terms	10/2018
12	Planning & Development	19-PLN-A04 - Closeout	City of Culver City	Once	Per Project Manager's request and FA92000000F7401 terms	10/2018
13	Planning & Development	18-PLN-A16 - Closeout	City of Santa Clarita	Once	Per Project Manager's request and MOU.P00F3105 terms	10/2018
14	Planning & Development	18-PLN-A15 - Closeout	City of Huntington Park	Once	Per Project Manager's request and MOU.TOD.312.02.14 terms	10/2018
15	Program Management	18-HWY-A07B - Closeout	WKE, Inc.	First Time	V/CM Policy and Contract Terms	11/2018
16	Program Management	18-CON-A10 - Agreed-Upon Procedures	ABCS Consulting Services	First Time	V/CM Policy and Contract Terms	11/2018
17	Program Management	18-HWY-A07A - Closeout	Cambridge Systematics, Inc.	First Time	V/CM Policy and Contract Terms	11/2018
18	Planning & Development	17-PLN-A26 - Closeout	City of Compton	Once	Per Project Manager's request and MOU.P0006297 terms	11/2018
19	Program Management	19-CON-A04 - Agreed-Upon Procedures	Intueor Consulting, Inc.	First Time	V/CM Policy and Contract Terms	11/2018

## Appendix B

Incurred Cost Audit - Audits Completed During FY19						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
20	Program Management	18-CON-A16 - Agreed-Upon Procedures	Ghirardelli Associates, Inc.	First Time	V/CM Policy and Contract Terms	11/2018
21	Planning & Development	18-PLN-A22 - Closeout	City of Pasadena	Once	Per Project Manager's request and MOU.P000F1320 terms	12/2018
22	Program Management	17-HWY-A05 (P) - Closeout	City of South Gate	Once	Per Project Manager's request and MOU.P00F1178 terms	12/2018
23	Program Management	17-HWY-A05 (H) - Closeout	City of South Gate	Once	Per Project Manager's request and MOU.MR306.17 terms	12/2018
24	Program Management	17-PLN-A19 - Agreed-Upon Procedures	LSA Associates, Inc.	6th Time; Last Audit 3.5 years ago for Contract Modification	V/CM Policy and Contract Terms	12/2018
25	Program Management	18-CON-A21 - Agreed-Upon Procedures	Barrio Planners, Inc.	First Time	V/CM Policy and Contract Terms	1/2019
26	Program Management	18-HWY-A08 - Closeout	Caltrans	Once	Per Project Manager's request and MOU. P0002198 Terms	2/2019
27	Program Management	18-HWY-A04 - Closeout	City of Calabasas	Once	Per Project Manager's request and MOU.MR311.33 Terms	2/2019
28	Program Management	17-CON-A33 - Agreed-Upon Procedures	Carbinha, Hearn & Associates	First Time	V/CM Policy and Contract Terms	2/2019
29	Program Management	18-CON-A09 - Agreed-Upon Procedures	ABA Global, Inc.	First Time	V/CM Policy and Contract Terms	2/2019
30	Planning and Development	19-PLN-A07 - Closeout	Los Angeles County	Once	Per Project Manager's request and FA.920000000F7703 Terms	3/2019
31	Program Management	18-CON-A20 - Agreed-Upon Procedures	LKG-CMC, Inc.	First Time	V/CM Policy and Contract Terms	3/2019
32	Program Management	19-HWY-A04 - Closeout	City of Torrance	Once	Per Project Manager's request and FA 920000000MR31259 Terms	3/2019
33	Program Management	19-HWY-A08 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU. 310.40Terms	3/2019
34	Planning and Development	18-PLN-A09 - Closeout	City of Los Angeles	Once	Per Project Manager's request and MOU. P0008084 Terms	3/2019
35	Planning and Development	17-HWY-A13 - Closeout	Caltrans	Once	Per Project Manager's request and MOU. MR312.24 Terms	4/2019
36	Planning and Development	18-HWY-A10 - Interim	Caltrans	First Time	Per Project Manager's request and MOU. MR312.25 Terms	4/2019
37	Planning and Development	19-HWY-A02 - Closeout	Caltrans	Once	Per Project Manager's request and MOU. MR315.28 Terms	4/2019

## Appendix B

Incurred Cost Audit - Audits Completed During FY19						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
38	Planning and Development	19-PLN-A06 - Closeout	City of Glendale	Once	Per Project Manager's request and FA. P003715 Terms	4/2019
39	Program Management	19-CON-A02 - Agreed-Upon Procedures	Safeprobe, Inc.	Once	V/CM Policy and Contract Terms	5/2019
40	Program Management	18-CON-A17 - Agreed-Upon Procedures	Ninyo & Moore	First Time	V/CM Policy and Contract Terms	6/2019
41	Planning and Development	18-PLN-A23 - Closeout	City of Los Angeles	Once	Per Project Manager's request and MOU. P000F1342 Terms	6/2019
42	Planning and Development	18-HWY-A05 - Closeout	City of Calabasas	Once	Per Project Manager's request and MOU. MR311.07 Terms	6/2019
43	Program Management	17-PLN-A16B - Agreed-Upon Procedures	Ramboll Environ	First Time	V/CM Policy and Contract Terms	6/2019
44	Program Management	17-PLN-A16C - Agreed-Upon Procedures	Ramboll Environ	First Time	V/CM Policy and Contract Terms	6/2019
45	Program Management	17-PLN-A16D - Agreed-Upon Procedures	Ramboll Environ	First Time	V/CM Policy and Contract Terms	6/2019
46	Program Management	17-PLN-A16E - Agreed-Upon Procedures	Ramboll Environ	First Time	V/CM Policy and Contract Terms	6/2019
47	Program Management	19-CON-A06 - Agreed-Upon Procedures	Ted Tokio Tanaka Architects	First Time	V/CM Policy and Contract Terms	6/2019
48	Program Management	17-PLN-A15 - Agreed-Upon Procedures	URS/AECOM	First Time	V/CM Policy and Contract Terms	6/2019

## Appendix C

Internal Audit - Audits Completed During FY19						
No.	Area	Audit Number & Title	Description	Frequency	Requirement	Date Completed
1	Vendor / Contract Management	17-VCM-P04 - Performance Audit of Pre-Award Process	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.	First Time	Per FY17 Audit Plan	8/2018
2	Program Management	16-CON-P04A - Follow-Up Performance Audit Construction Quality Assurance Program	To verify implementation of recommendations from the prior audit of the Construction Quality Assurance Program (11-CON-K02).	First Time	Per FY16 Audit Plan	10/2018
3	Vendor / Contract Management	18-VCM-P01 - Annual Audit of Business Interruption Fund	Evaluate Business Interruption Fund Program.	3rd Time; Last Audit a year ago	Per FY18 Audit Plan	11/2018
4	Program Management	16-CON-P04B - Performance Audit of Effectiveness of Quality Assurance Processes	To evaluate the efficiency and effectiveness of quality assurance practices and process for minor projects (less than 100 million).	First Time	Per FY16 Audit Plan	1/2019
5	Vendor/Contract Management	16-VCM-P01 - Performance Audit of P-Card	Evaluate compliance to P-card purchase requirements.	3rd Time; Last Audit 6 and 10 years ago	Per FY16 Audit Plan	3/2019
6	Agency-Wide	18-RSK-P01 - Performance Audit of Vendor/Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	Evaluate the adequacy of V/CM's COOP and Standard Operating Procedures to support V/CM's mission essential functions during emergencies.	2nd Time; Last Audit 12 years ago	Per FY18 Audit Plan	3/2019
7	Program Management	18-CON-P01 Performance Audit of Project Management of the Regional Connector Transit Project	Evaluate the adequacy and effectiveness of project management controls for Regional Connector Project.	First Time	Per FY18 Audit Plan	5/2019
8	Information Technology Services / Metro Operations	18-ITS-P01 - Performance Audit of HASTUS - Confirmation of Collective Bargaining Agreement Changes	Evaluate whether changes from the SMART Collective Bargaining Agreement effective July 1, 2017 were effectively implemented in the HASTUS System, and assess the adequacy of the implementation plans for the pending system changes.	First Time	Per FY18 Audit Plan	5/2019
9	Vendor/Contract Management	18-VCM-P02 - Performance Audit of Tracking of SBE/DBE Goals	To evaluate the process of tracking and monitoring SBE/DBE goals achievement and reliability of the information captured by DEOD.	First Time	Per FY18 Audit Plan	6/2019

## Appendix D

Internal Audit - In Process Audits as of June 30 2019						
No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	Agency-Wide	18-RSK-P02 - Performance Audit of Finance (Payroll)'s Continuity of Operations Plan (COOP)	Evaluate the adequacy of Finance (Payroll)'s COOP and Standard Operating Procedures (SOPs) to support Payroll's mission essential function during emergencies.	2nd Time; Last Audit 9 years ago	Per FY18 Audit Plan	7/2019
2	Metro Operations	19-OPS-P04 - Contracted Bus Services	To determine compliance with contract requirements as it relates to bus maintenance, quality control and driver safety of MV Transportation Inc.	First Time	Board Request	8/2019
3	Human Capital & Development / 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 Capital & Development and Office of Management and Budget.	2nd Time; Last Audit 9 years ago	Per FY17 Audit Plan	9/2019
4	Metro Operations	19-OPS-P03 - Performance Audit of Rail Communication Systems	Determine the adequacy of the security controls over Rail Communication network system for Rail Operations Control equipment, including but not limited to the firewall, and password policies; logical security of remote sites; protocol including criteria and guidelines used to protect the network; rail communication systems redundancy; change management process, and incident response process.	First Time	Per FY19 Audit Plan	9/2019
5	Pension and Benefits	19-BEN-P01 - Performance Audit of Benefit Eligibility	Evaluate adequacy of internal controls over eligibility process for employee dependents for medical benefits.	First Time	Per FY19 Audit Plan	9/2019
6	Metro Operations	19-OPS-P03 - Performance Audit of SCADA Security Controls	To determine the adequacy of the security controls for the SCADA Systems, including but not limited to the new virtualized SCADA server/workstations for Rail Operations Control Room (ROC) equipment, logical and physical security of remotes for external remote connection, and other additional areas as deemed necessary.	2nd Time; Last Audit 7 years ago	Per FY19 Audit Plan	9/2019
7	System Security & Law Enforcement	19-SEC-P01 - Agreed-Upon Procedures over Assets Purchased by Metro for Los Angeles Sheriff's Department (LASD) Contracts	Verify the existence, location, condition and use of assets, final disposition of retired assets and disposal proceeds, and completeness and accuracy of LASD's and Metro's records of these assets.	First Time	Per FY19 Audit Plan	9/2019
8	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	10/2019
9	Vendor/Contract Management	17-VCM-P02 - Performance Audit of Change Order Internal Controls	To evaluate the adequacy and effectiveness of internal controls over the Contract Change Order Process, and to evaluate the utilization of Key Information by VCM.	First Time	Per FY17 Audit Plan	10/2019
10	Metro Operations / System Security & Law Enforcement	18-AGW-P01 - Performance Audit of Internal Controls over Overtime Payments for AFSCME	Verify compliance with PUC regulation (e.g. 12 hours workhour limit) for Rail Transit Operation Supervisor and evaluate adequacy of current controls and oversight for overtime requests. In addition, follow up on prior audit recommendations.	First Time	Per FY18 Audit Plan	10/2019

## Appendix D

Internal Audit - In Process Audits as of June 30 2019						
No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
11	Metro Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase I	Determine whether existing and newly hired employees of Wayside Systems Engineering & Maintenance completed the required training (technical, safety, and mandated) including required refresher courses; required certification per position is current; and employees have the right certification for the tasks assigned.	First Time	Per FY19 Audit Plan	10/2019
12	Agency-Wide	19-RSK-P01 - Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan (COOP)	Evaluate the adequacy of System Security and Law Enforcement's COOP and Standard Operating Procedures (SOPs) to support Payroll's mission essential function during emergencies.	2nd Time; Last Audit 9 years ago	Per FY18 Audit Plan	11/2019



## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Communications	16-COM-P01 Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement. <b>Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.</b>	3/31/2017	9/30/2019
2	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. <b>Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.</b>	3/31/2017	12/31/2019
3	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	3	We recommend that the Chief Information Officer require that all IT required project documentation be completed for each phase of all IT projects, based on the IT Project Management Methodology. This is especially important to show adequate requirements analysis and measurement of end-user involvement, testing, and acceptance. <b>Update: ITS reports that it is in the process of recruiting additional members for its executive management team who will focus on project management and the PMO (project management office) function. The recruitment of these executive has not been completed but is expected to be finalized by the end of the calendar year.</b>	6/30/2019	12/31/2019
4	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	5	We recommend that the Chief Information Officer require that IT controls are designed into new systems and reflected within IT project management plans, and resulting operational procedures. A risk-based approach to the design and implementation of controls, related to application and related systems and business processes, should be utilized. Focus should be placed on risks that have the highest impact and likelihood to occur. At a minimum, the following controls should be addressed on all IT projects to ensure a sound control environment upon completion: Data Security Controls, Financial Controls, Application Controls, General Computer Controls (Infrastructure), Data Conversion Controls, Interface Controls, Data Integrity Controls. <b>Update: ITS reports that it is in the process of obtaining a subject matter expert to assist in reviewing its proposed IT Project Management Methodology that it plans to roll out in the future, which will address the subject matter of this recommendation.</b>	6/30/2019	12/31/2019

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

## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
5	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4a	We recommend the Chief Operations Officer consider directing Rail Operations to add more fields in the electronic Track Allocation Request Form to assist Rail Operations Controllers in minimizing some of their manual entries. For example, the Track Allocation Request Form could be further configured to include a check box indicating if the schedule was activated or not, as well as the time and date it was activated, and a drop down menu to include reasons for schedule modification.	6/30/2019	
6	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4b	We recommend the Chief Operations Officer consider directing the Track Allocation Coordinator to measure effectiveness of schedules by periodically assessing whether crews that were scheduled to access the ROW actually accessed the ROW. This will provide visibility to the stakeholders as well as assist the Track Allocation Coordinator in modifying future schedules. This periodic review will only be possible once the data from the newly implemented log has been collected.	6/30/2019	
7	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	2	We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to document and maintain the results of the Quality Management quality assurance services provided for each minor construction project. Records of these activities include inspection reports, test activities, reports of non-conforming work found, reports of corrective actions taken and surveillances performed.	4/25/2019	
8	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	4	We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to continue to develop the IQMS as a centralized document control system for the maintenance of quality records for all minor construction projects. Use a consistent naming convention for the file name and use titles that correspond to the content so that files are easily searchable and accessible. <b>Update: A contract for a Quality Management Consultant was approved and the program unit intends to issue task orders in the future that will involve review of the numbering system and development of key performance indicators.</b>	4/25/2019	8/30/2019

## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
9	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	5	<p>We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to develop unit specific key performance indicators to help measure the efficiency and effectiveness of the quality services provided by Quality Management. Quality Management's KPI should consider both workload and results factors, and could include but not be limited to the following: Length of time between the opening and closing of NCRs; Percentage of reoccurring NCRs; Trends on NCRs; and Number of quality audits performed on schedule.</p> <p><b>Update: A contract for a Quality Management Consultant was approved and the program unit intends to issue task orders in the future that will involve review of the numbering system and development of key performance indicators.</b></p>	4/25/2019	8/30/2019
10	Vendor/Contract Management	16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program	2	We recommend that Executive Officer of Vendor/Contract Management, support services direct the Agency Program Coordinator to work with Talent Development to add P-Card refresher training to the training profile of all Cardholders and Approving Officials showing it as mandatory training to automatically trigger a refresher training reminder. This would afford the mandatory P-Card refresher training similar process such as Human Trafficking Awareness and Basic IT Security Awareness training which both are required for all Metro employees.	9/30/2019	
11	Finance & Budget	16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program	4	We recommend that Accounts Payable coordinate with Information Technology Systems and the Agency Program Coordinator to automate the approval process to improve processing time of P-Card statements as well as authentication of the approvers.	8/30/2019	
12	System Security and Law Enforcement	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1a	We recommend that the Emergency Management Unit collaborate with the business units, starting with V/CM, to ensure that the business unit COOPs, and all related documents (e.g., SOPs), include the essential content necessary to support the agency-wide program.	6/30/2020	
13	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1b	We further recommend that over the next 12 to 18 months, V/CM should consider focusing its efforts on completing and including the following content with Emergency Management's support and guidance: criteria for COOP activation and relocation decisions; flow charts and decision trees; step-by-step instructions applicable to Gateway or agency-wide emergencies; names, titles and contact details such as phone numbers and emails for all continuity personnel (e.g., Advance Team, CMG, and successors); distribution and logistics dependencies, such as MEFs, mission essential systems, records, databases, supplies and equipment; mission essential records and database storage locations.	10/30/2020	

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

## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
14	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	2	We recommend that V/CM management review and reassess the COOP and SOPs periodically to verify that any resulting updates are implemented, including updating V/CM's COOP contact details in the event of key personnel changes.	4/30/2020	
15	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	3	We recommend that V/CM management work with Emergency Management to arrange for COOP execution training by an emergency management expert concurrently with each annual update.	7/31/2020	
16	Program Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	4	We recommend that the Chief Program Management Officer take the lead role in collaborating with all responsible parties, such as V/CM, Project Delivery Third Party Coordination, County Counsel, etc., to establish agreements with utility companies to guarantee service continuity and restoration in emergency situations.	3/31/2020	
17	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	5	We recommend that V/CM management consider referencing all the existing COOP-related SOPs to the COOP and/or attaching them as appendices to the COOP, doing the same to the SOPs under development as they are completed.	10/30/2020	
18	Planning & Development	18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project	1	We recommend Metro's Countywide and Planning Development Management to corroborate with the project team to perform a reconciliation of the funding sources in status reports and identify causes for the differences in funding amounts reported among the various reports.	6/30/2019	
19	Planning & Development	18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project	2	We recommend Metro's Countywide and Planning Development Management to conduct Fiscal Stability Overview and Funding Commitment Inventory analyses annually for the planned capital programs.	12/31/2019	
20	Planning & Development	18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project	3	We recommend Grants Management and Oversight Unit Strategic Management to review if existing procedures are in-place to corroborate or document the allocation and changes in project revenue streams such as the Lease Revenue and FAST/CMAQ funds in fiscal years, 2020/2021 and 2021/2022.	6/30/2019	
21	Program Management	18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project	7	We recommend Project Controls Management to consider including a discussion and/or illustration on the forecasted contingency amount as part of the Cost Contingency Drawdown Analysis in the monthly and quarterly project status reports.	6/30/2019	

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

## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
22	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	1	We recommend Operations management develop a procedure to track operators that were already assigned OCB for the week to reduce the risk of assigning them OCB again the same week.	9/30/2019	
23	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	2	We recommend Operations management ensure that Division Staff require Operators to provide a signed VCB request form to prevent the VCB from being erroneously recorded as OCB.	9/30/2019	
24	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	3	We recommend Operations management periodically monitor OCB assignments and identify Division(s) with high exception rates. Perform a root cause analysis to evaluate alternatives to resolve, e.g., requesting support to cover workforce shortages in certain Division(s).	12/31/2019	
25	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	4	We recommend Operations management continue working with ITS to implement the planned automated controls to prevent OCB more than once per week.	7/31/2019	
26	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	5	We recommend Operations management immediately perform all the needed corrections for underpayments and overpayments for all LIP eligible hours from July 1, 2017 to date.	12/31/2019	
27	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	6	We recommend Operations management, after completing recommendation number 5 above, partner with ITS to perform periodic true ups to determine any over/underpayment, and submit required corrections to Payroll regularly and in a timely manner until calculations can be automated.	12/31/2019	
28	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	7	We recommend Operations management reinforce the training with the Division Staff to properly record all LIP eligible hours and pay codes including special conditions for non-certified Line Instructors.	12/31/2019	

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

## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
29	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	8	We recommend Operations management collaborate with ITS, in consultation with Employee and Labor Relations, to assess possibilities to automate LIP calculations and reporting as practical in either HASTUS or the Payroll system.	12/31/2019	
30	Information Technology Services	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	9	We recommend ITS management collaborate with Operations to explore possible solutions to prevent negative vacation balances in the Payroll System calculation.	9/30/2019	
31	Information Technology Services	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	10	We recommend ITS management collaborate with Giro, Inc. to ensure that the data transfer from the Payroll system to HASTUS is complete with regard to PTO balances.	9/30/2019	
32	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	11	We recommend Operations management continue to work with ITS to correct the design of the automated control in HASTUS that will enable timely release of those vacant assignments after 60 days' continuous absence.	7/31/2019	
33	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	12	We recommend Operations management immediately partner with ITS department in determining any underpayments due to fallback hours, and make timely corrections necessary for all holidays starting May 2018 to date.	9/30/2019	
34	Information Technology Services	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	13	We recommend Information Technology Services management work with Giro, Inc. to explore the solution for accurate record transfer from HASTUS to the Payroll system for Rail Operators with fallback time on holidays. This requires that actual fallback hours instead of pre-scheduled fallback hours are transferred to the Payroll system.	7/31/2019	
35	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	1	We recommend that DEOD Management collaborate with Contract Administration to develop procedures and establish the timeline for ensuring that information about modifications to contract values is promptly communicated from contract administrators to DEOD staff to update the B2G system information.	10/30/2019	

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

## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
36	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	2	We recommend that DEOD Management identify individuals within DEOD who should receive the contract change data from the Contract Administrators and Project Managers for updating the information in the B2G system.	10/30/2019	
37	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	3	We recommend that DEOD Management implement a supervisory review of DEOD staff/consultants' data entries to ensure the data entered into the B2G system is complete, accurate and valid.	10/30/2019	
38	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	4	We recommend that DEOD Management work with ITS and the Vendor of the B2G System to explore the feasibility of creating a reporting template in the B2G system that includes a built in formula that will automatically calculate the elements that DEOD requires for TBAC reports. This should include ensuring that the reporting template links properly to data sources within the B2G system for calculation purposes and that the calculations are correct.	10/30/2019	
39	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	5	We recommend that DEOD Management work with the ITS and the Vendor of the B2G system to explore the possibility of developing a standardized shortfall communication template which includes all needed elements to inform contractors of their shortfall status. The template should be linked to data sources within the B2G system for accurate information. Also explore the possibility whether the letters can be automatically sent out to contractors for timely communication of the shortfall status. (This is for the long-term.)	10/30/2019	
40	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	6	We recommend that the DEOD Management direct the Compliance Managers to develop a mechanism to ensure that all required shortfall letters are actually being prepared and sent to the respective Prime Contractors for remedial action. (For example, periodically performing a supervisory review to compare the quantity of Prime contractors that are in a shortfall status as of a given date to the actual shortfall letters that have been prepared and sent out to the respective Prime contractor. Based on the comparison, reconcile any differences if noted.)	10/30/2019	
41	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	7a	We recommend that DEOD management Instruct the DEOD consultant to prepare written procedures for all key activities for inputting, tracking/monitoring and communicating SBE/DBE compliance data in the B2G system.	10/30/2019	

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## Appendix E

Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
42	Vendor/Contract Management	18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) / Disadvantaged Business Enterprise (DBE) Goals	7b	We recommend that DEOD management instruct the DEOD consultant to train another designated DEOD staff in inputting, tracking and monitoring data in the B2G system, using these procedures.	10/30/2019	

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



## Appendix F

OIG Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety	24 Total	The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. <b>Update: As of July 2019, 103 of 117 recommendations were closed.</b>	Pending	
2	System Safety and Law Enforcement	18-AUD-03 Review of Metro Rail Service Disruptions	6	Review approach to Police/Health delay incidents (while not part of this analysis, these delay incidents warrant review based on their frequency and duration).	8/30/2019	
3	System Safety and Law Enforcement	18-AUD-03 Review of Metro Rail Service Disruptions	7	Partner with law enforcement agencies to review process used for police/health incidents.	8/30/2019	
4	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	9	Set priorities based on Metro's asset assessment as soon as it is completed to reduce delay incidents.	6/30/2019	9/30/2019
5	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	25	Consider converting some P2000 cars running on the MBL/Expo lines back to the MGL operation if the ATO/ATP packages removed earlier are still available. The critical float will be the P2000 MGL cars with their line specific ATO/ATP equipment.	12/31/2020	
6	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	52	Establish a process and a criterion for replacement of existing signal installations that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource to this end when it is finished, this system of prioritization should be formalized and implemented in current signal procedures.	6/30/2019	9/30/2019
7	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	57	Establish a process and a criterion for replacement of existing traction power equipment that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource when it is finished, this system of prioritization should be formalized and implemented in current signal procedures.	6/30/2019	9/30/2019
8	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	1	Increase marketing to specific audience groups to increase ridership by developing additional marketing programs directly aimed at user groups such as students, business and government entities, and employees "Live Near Your Work" campaigns.	Pending	
9	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	2a	Coordinate with other LA County public agencies to encourage additional use of public transit and participation in rideshare programs, including maximizing allowable transit subsidies over parking subsidies. For example, the City of LA could increase its monthly transit subsidy to be more in line with monthly transit costs.	12/31/2019	

OIG Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
10	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	2b	Coordinate with other LA County public agencies to encourage additional use of public transit and participation in rideshare programs, including maximizing allowable transit subsidies over parking subsidies. For example, the County of LA could expand its current commuter programs to provide employees subsidies for using public transit/rideshare for commute trips for all County work locations at a monthly rate closer to actual costs.	12/31/2019	
11	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	3	Explore modifications to Metro's Employer Annual Pass Program to further encourage transit usage, such as the addition of a monthly pass option.	Pending	
12	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	5	Encourage use of public transit at meetings and events where contractors will be present.	Pending	
13	Operations	19-AUD-01 Metro Transit Security Performance Review	7	Metro Operations should monitor and track the amount of time required to transfer calls requiring a law enforcement response to the appropriate law enforcement dispatch center and take appropriate actions to ensure calls are quickly processed.	Pending	
14	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	3	We recommend that the Logistics Department implement procedures to conduct physical inventories using "blind counts" consistent with best practices in which individuals performing the inventories do not have the knowledge of, or access to, the on-hand quantity in the inventory records.	7/31/2019	
15	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	4	We recommend that the Logistics Department consider adding to the quarterly inventory sample counts, a sample of items from randomly selected locations and compare the counts to quantities on the inventory record (reverse). This would help to identify errors such as wrong locations recorded in the system or certain transactions not processed correctly or promptly.	7/31/2019	
16	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	6	We recommend that the Logistics Department complete plans to use blanket purchase orders to procure material when appropriate to reduce procurement time and eliminate work to create a separate purchase order for each procurement.	9/30/2019	
17	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	7	We recommend that the Logistics Department complete plans to review and update existing inventory guidelines and procedures.	9/30/2019	

OIG Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	1	We recommend that Operations Management continue to communicate to bus operators and controllers on a regular basis that the practice of bus operators performing battery shutdowns has ceased.	11/30/2019	
19	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	2	We recommend that Operations Management continue to assess and provide the resources required to minimize transit customer delay time given that the battery reset process did fix some operational problems.	11/30/2019	
20	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	3	We recommend that Operations Management continue to study what circumstances cause bus field repairs and what specifications might be included in future procurements for systems and devices used in buses to reduce breakdowns and improve bus performance.	11/30/2019	
21	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	4	We recommend that Operations Management consider the engineering adjustments necessary for improved safety of operators or others associated with battery resets that might occur by operators regardless of the new guidelines to cease operator battery resets.	11/30/2019	
22	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	5	We recommend that Operations Management consider if battery hatches should be locked the way hatches inside the buses are to prevent unauthorized access.	11/30/2019	
23	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	6	We recommend that Operations Management consider if further research on what circumstances or problems are corrected by a soft software reset versus a full battery reset, if it is possible to mitigate risks for software diagnostic damages in the event of a battery reset, and if considering the time it takes for a mechanic to arrive, it might be more efficient to allow the performance of the appropriate reset in those cases.	11/30/2019	
24	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	1	Metro should continue to install the bus operator safety barriers and onboard camera and monitor systems throughout its bus fleet and continue to monitor incident data to further verify the effectiveness of both systems in preventing assaults on bus operators.	10/31/2019	
25	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	2a	Metro should ensure data collection is standardized by Metro and all transit security providers and investigators to consistently identify the types of assaults that have occurred, if the bus was equipped with a safety barrier, if the barrier was in use at the time of the assault, and if in use, how it was being used (i.e., top portion only, bottom portion only, or both portions). Standardizing the data in this manner will result in more accurate and consistent data that can be more easily analyzed to identify trends and to measure performance.	10/31/2019	

OIG Open Audit Recommendations as of June 30 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
26	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	2b	Metro should ensure data is collected on the type and extent of injuries incurred by bus operators when the safety barriers are in use. This will further aid in determining the effectiveness of the safety barriers (i.e., if bus operator injuries are lessened as a result of the barriers being used) and if design changes or modifications are necessary.	10/31/2019	
27	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	3	Metro should ensure that assault trend analysis results are used to review current policing and fare enforcement strategies to determine if law enforcement, Supervisors, and fare enforcement personnel and strategies are being appropriately deployed toward the routes and times of day in most need of Police, Supervisory, or fare enforcement presence.	10/31/2019	
28	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	4a	Metro should make the use of the barriers mandatory until Metro can determine if their use contributes to or causes accidents or increases accident frequency. Mandatory use of the barriers is the best way to evaluate their true effectiveness in reducing assaults on bus operators.	10/31/2019	
29	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	4b	If the use of the barriers is made mandatory, Metro should collect data to substantiate and study the issues identified by operators as to why they do not use the barriers. Metro can then take corrective action, such as design changes and modifications to the barriers, if accident/incident data substantiate operator concerns.	10/31/2019	
30	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	5a	Metro should further study why bus operators feel the bus safety barriers do not provide the protection needed to make them feel more secure and the other measures bus operators would like to see implemented.	10/31/2019	
31	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	5b	Evaluate the current design of the safety barriers to determine if bus operators' concerns can be addressed through design changes and modifications made to the safety barriers.	10/31/2019	
32	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	5c	Create a committee comprised of bus operators, Supervisors and Managers, Safety Department, and Bus Operations and Bus Maintenance personnel to investigate these issues and to determine appropriate mitigations. The focus of the committee should include an effort to increase barrier use, identify ways to make the barriers more effective, and evaluate training, and improve data collection and accuracy. Metro could also consider utilizing an existing committee to take on this action, if one has already been established for investigating possible safety issues with systems and equipment.	10/31/2019	
33	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	6a	Metro should review safety barrier and de-escalation training to evaluate scope of attendees, frequency, content, method of delivery, consistency of delivery, and employee engagement and understanding. Results from these evaluations should be used to modify training programs as necessary.	10/31/2019	

<b>OIG Open Audit Recommendations as of June 30 2019</b>						
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>	<b>Original Completion Date</b>	<b>Extended Completion Date</b>
34	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	6b	Consider adding both training classes as part of the new hire training course and periodic refresher training for current operators along with any other ongoing training requirements.	10/31/2019	
35	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	7a	Metro should continue to follow its current strategies and implement its current programs to prevent assaults on bus operators. These programs are consistent with industry best practices.	10/31/2019	
36	Operations	19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study	7b	Consider using some of the evaluation tools developed by TCRP to identify in more detail where its greatest risks reside and employ tactics such as targeted fare enforcement and policing patrols to address problem areas using existing resources.	10/31/2019	



## Board Report

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**File #:** 2019-0640, **File Type:** Informational Report

**Agenda Number:** 15.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 18, 2019  
OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE  
SEPTEMBER 19, 2019**

**SUBJECT: BUDGET DEVELOPMENT PROCESS**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the Annual Budget Development Process.

**ISSUE**

At the May 2019 Board Meeting, the Board requested a report back on the budget development process. This report provides the budget development process and improvements for increased transparency throughout the year.

**DISCUSSION**

Metro is a regional transportation planner, builder, funder and transit operator for Los Angeles County. The budget represents an annual snapshot of the needs for the agency to continue with the multi-year programs and plans underway. Applying budget resources to these programs is a comprehensive and iterative year-round process. The budget development starts with updating the progress on the program plans, assessing the rate of milestone delivery, and the available resources for these core programs grouped by Transportation Infrastructure Development (Builder), Metro Transit Operations (Operator), and Planning & Subsidy Program (Planner/Funder).

At the beginning of the fiscal year (July through December), departments focus on the development of long-term project and program budget planning to ensure alignment with the program goals and agency initiatives. Staff applies available funding to meet these program needs at the same time. The second half of the year (January through June), staff refines the first year of the long term plan to produce the annual budget.

Along with the program progress review, Metro prepares a Quarterly Financial and Performance Report that summarizes the results of actual to budget variance and Metro's overall performance from the Comprehensive Agencywide Performance Evaluation (CAPE) tool. The CAPE measures

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progress of Mission Essential Task Lists (METLs), Key Performance Indicators (KPIs) and Project Milestones. All elements of performance are combined to produce an evaluation base for developing the new fiscal year budget.

Based on the review of the long-term plan, available funding, and regular performance evaluations, the CEO then directs an annual budget funding target that is feasible and realistic to deliver the program goals within schedule and scope for each department, in a fiscally responsible manner. Staff reconciles the departmental budget proposals with CEO budget targets while allocating financial resources that are eligible and available to maximize transportation and mobility impact for our customers. The intensive review process is repeated at program level and department level multiple times to deliver CEO targets and agency goals while forming the proposed budget for Board review.

Status of the development progress is reviewed monthly at Finance and Budget Committee starting in January each year. Starting with FY21, bus and rail proposed Revenue Service Hours (RSH) will go to Operations, Safety, and Customer Experience Committee in February for review. Staff also conducts in depth Budget Board Staff Briefings at least once a month to anticipate potential program concerns or budgetary issues.

Outlined below is a general timeline for Board review of the budget development:

### **January - Budget Parameters**

In January, OMB provides a Budget Development update to the Board. This report outlines the following:

1. Budget Process and Schedule
2. Sales tax forecasts based on leading forecasting agencies (UCLA, Beacon Economics and Muni Services)
3. Resource Assumptions
4. Consumer Price Index (CPI) projections based on leading forecasting agencies (UCLA and Beacon Economics)
5. Other expense assumptions

Revenue projections are essential in developing a realistic forecast, that not only Metro relies on to develop their budget, but the entire county as well. Extensive analysis is done with leading forecasting agencies' projections and long-term/short-term Metro historical receipts. These projections and assumptions provide the parameters for the resources available for the upcoming year and are updated throughout the budget process as more information becomes available.

The results of Q1 and Q2 Financial and Performance Review aide in evaluating the current budget

and aide in developing next year's budget. Assessment of how projects are tracking and the identification of major changes that may impact the current budget and future needs are also considered.

Based on the projected revenues available, the results of current year Q1 and Q2, and known changes, next year's budget targets are set and approved by the CEO. These targets allow us to control expenses within available resources with the objective of preparing a balanced proposed budget for the Board.

### **February - Transportation Infrastructure Development & Revenue Service Hours**

In February, OMB provides a preliminary look at Metro's transit expansion program overseen by Transportation Infrastructure Development (TID), which includes the following:

1. Transit Expansion: Light Rail, Heavy Rail, Bus Rapid Transit (BRT) Construction, and early planning efforts before construction
2. Highways: Front-end planning, preliminary engineering and project implementation support for Highway Improvement as approved in Measure M and Measure R, as well as Soundwalls
3. Metro Regional Rail projects and Metrolink Operations/Capital Program funding

The TID Program budget development process occurs from August - January. The program supports the Planning and Construction efforts that comprise the future transit expansion across the county as defined in the Measure R and M Ordinances. A portion of the budget is allocated to planning and early design efforts funded on an annual basis. Planning efforts are required to develop a transit project from a conceptual early vision to a tangible project for which the public can provide input for further definition and development.

Thereafter, the majority of the program budget is administered with Life of Project Budget (LOP) constraints as adopted by the Board. During this time, OMB staff evaluate the numerous projects to forecast and prepare for near/long term cashflow risks and potential LOP concerns. This process focuses on milestone progress evaluation, annual cashflows updates, and fund risk monitoring to manage overall funding delivery to support the major capital projects specified in Measure R and Measure M.

### **Service Parameters**

Also in February, Transit Operations will provide bus and rail service parameters for Operations, Safety, and Customer Experience Committee review. The parameters are based on current levels of scheduled service adjusted for new programs like NextGen and other service adjustments to reflect actual "on-street" deployment, as well as other board-mandated services.



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## **March - Transit Operations and Metro State of Good Repair**

In March, OMB provides a preliminary look at the second largest Metro program, Metro Transit Operations and Metro State of Good Repair (SGR), which includes the following:

1. Bus and Rail Service Levels
2. Bus and Rail Operating Budget
3. Bus and Rail Operating Expenditures by Type
4. Metro State of Good Repair Program (Bus, Rail and other Asset Improvements)

The Operations budget is largely based on the planned Revenue Service Hours (RSH) and Boardings projected for the upcoming fiscal year. In March, the preliminary Transit Operations budget will be provided based on the service levels reviewed by the Operations Committee in February. Once approved, they will be broken down into discrete estimating factors encompassing each budget element and will form the basis for FTEs and all other Operations and Maintenance budget resource needs.

### **Metro State of Good Repair (SGR)**

To provide for the best possible system reliability and safety for Metro's riders, the agency is committed to allocate the necessary resources to keep transit infrastructure in a state of good repair. Elements of infrastructure upgrades and improvements include bus and rail vehicle acquisition and mid-life maintenance, rail track and signal rehabilitation, facilities maintenance, critical information systems and repair/replacement of other peripheral infrastructure.

The SGR planning process begins in August as part of the multi-year capital projects long-term plan. The baseline document used for planning is a detailed asset listing using Federal Transit Administration (FTA) asset definitions and variables to assess asset age, condition, and other asset useful life measurements.

The process requires a grouping of asset repairs into individual projects and requiring estimates using criteria including, but not limited to, average asset condition, life cycle cost calculations, availability of staffing resources, project readiness, and progress made on existing projects. The Senior Leadership Team and OMB work with the technical working groups to evaluate project prioritization. Once the projects are finalized, the SGR program plan and related cash flows for the upcoming fiscal year are brought to the Board for approval as part of the annual budget.

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## **April - Subsidy Funding and Agency Budget**

In April, OMB provides a preliminary look at the third largest Metro program, Metro Subsidy Funding Program, Debt Program, a high-level summary of the agency preliminary budget, which includes the following:

1. Subsidy Funding Program (direct funding to our regional partners to support local transportation needs)
2. Debt Service (financing tool to help deliver essential capital projects)
3. Summary of Agency Budget
  - a. Agency budget by Department
  - b. Agency budget by Expenditure Type
4. Full-Time Equivalent (FTE) positions

Metro as the Regional Transportation Planning Agency for Los Angeles County, is responsible for programming and administering local, state and federal funds for the operating and capital needs of the county's transit systems and various transportation programs. This program is mainly formula allocated funding and is directly related to the sales tax revenues projections. The programming of these funds undergoes an extensive review process by various Metro subcommittees and stakeholders from April through June, with final Metro Board action in June each year.

Each month, OMB presented the preliminary budgets of the major programs as a builder, operator and funder. The Summary of Agency Budget is a comprehensive look at the agency's proposed budget, bringing all the programs together. The Annual Budget will be presented by Department and Expenditure Type to provide a cross sectional view of the expenses anticipated for the next fiscal year.

FTE position requests are submitted by each department in February. The reasonableness of the requests are reviewed in conjunction with their CAPE results and overall department deliverables. All FTE requests are reviewed and approved by CEO in March, the labor dollar impact is calculated and presented as part of the Agency Budget broken down by Department and Expenditure Type.

## **May - Public Hearing and Board Adoption**

With the consolidation of all the elements of the budget, a proposed budget is released to the public for review. A Budget Public Hearing is scheduled as required by PUC 130105 and 130106 for final Board Adoption of the annual budget.

## **June**

Once the budget is officially adopted, the Adopted Budget is finalized and Metro ensures revenue resources are available for funding by July 1<sup>st</sup>.

### **Budget Public Outreach**

A comprehensive public outreach plan is in place to provide various forums for the public to participate on the development process of the FY20 Budget. Over the last few years, the comprehensive outreach program included many opportunities to provide feedback using different methods, through email and telephone, in addition to many in-person public meetings. Metro has expanded the outreach program by utilizing technology to reach LA County residents. An online survey was developed and evolved into an online interactive budget tool developed to solicit input. Metro has further launched social media campaigns that included Facebook and Twitter to drive people to the online interactive budget tool. Traditional budget workshops were held to garner feedback. These meetings included Metro Service Councils, Citizens Advisory Council (CAC), Policy Advisory Committee (PAC) and other internal stakeholder meetings. The Telephone Town Hall, the most recently added event was utilized to roundup the public outreach efforts, which reached an all-time high in the number of participants.

### **FINANCIAL IMPACT**

There is no financial impact with this Receive and File Report.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports strategic plan goal #5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

### **NEXT STEPS**

Staff will initiate the budget development process according to schedule and will provide advance invitation to the Board to participate in the monthly status review starting in January 2020. The revenue service assumptions will be presented to the Operations, Safety, and Customer Experience Committee. Meanwhile, Metro will continue focused informational outreach campaign to advise the public on transportation and transit plans included in the proposed budget.

Prepared by: Michelle Navarro, Executive Officer, Finance, (213) 922-3056  
Melissa Wang, Senior Executive Officer, Finance, (213) 922-6024

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



Phillip A. Washington  
Chief Executive Officer

# Budget Development Process

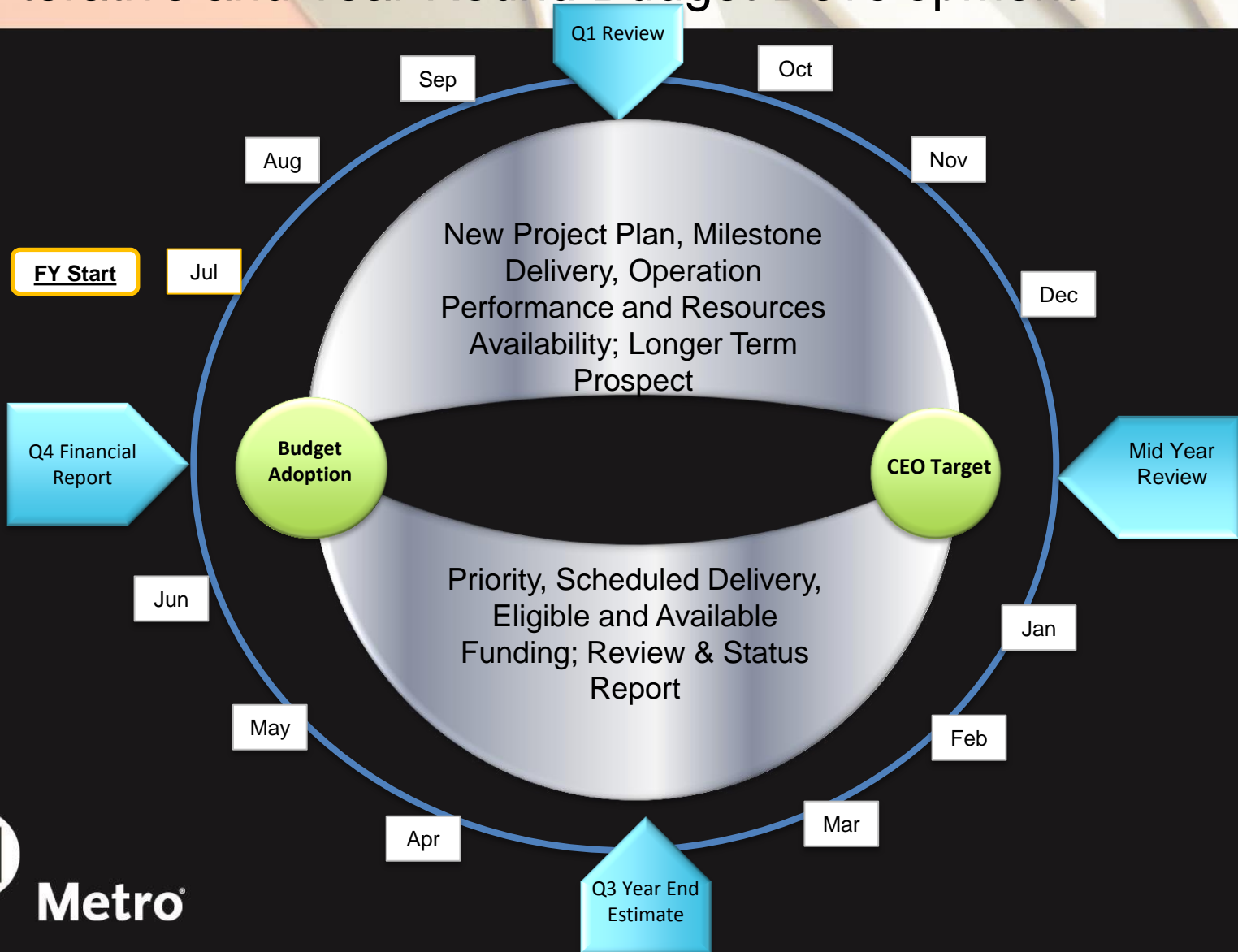
*Finance, Budget and Audit Committee  
September 18, 2019*

*Operations, Safety and Customer Experience Committee  
September 19, 2019*



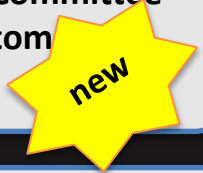
**Metro**

# Iterative and Year Round Budget Development



# Planned FY21 Budget Development Process

Month	Topic	Status Report
January	<ul style="list-style-type: none"> <li>Budget Parameters, Process and Schedule</li> </ul>	Finance, Budget and Audit Committee
February	<ul style="list-style-type: none"> <li>Transportation Infrastructure Development</li> <li>Bus and Rail Revenue Service Level</li> </ul>	<ul style="list-style-type: none"> <li>Finance, Budget and Audit Committee</li> <li>Operations, Safety and Customer Experience Committee</li> </ul>
March	<ul style="list-style-type: none"> <li>Transit Operations</li> <li>State of Good Repair</li> </ul>	Finance, Budget and Audit Committee
April	<ul style="list-style-type: none"> <li>Subsidy Funding</li> <li>Agency Budget</li> </ul>	Finance, Budget and Audit Committee
May	<ul style="list-style-type: none"> <li>Public Hearing</li> <li>Board Adoption</li> </ul>	<ul style="list-style-type: none"> <li>Finance, Budget and Audit Committee</li> <li>Regular Board Meeting</li> </ul>



# Public Outreach Result in FY20 Cycle

## EVENT

## DETAILS



**4,977**  
TELEPHONE  
TOWN HALL  
LISTENERS



- **Outbound calls:** 40,106
- **Answered calls:** 33,826
- **Live Q&A:** 15
- **4,888** active listeners for at least 45 out of 60 minutes



**798**  
ALL COMMENTS



- **Comments received from:**
  - Online Budget Tool
  - E-mail comment line



**1,678**  
INTERACTIVE  
BUDGET TOOL  
RESPONDENTS



- **Launched** March 1, 2019
- **Marketed through:**
  - Metro website banner
  - Facebook/Instagram Ads; Twitter posts
  - **Take Ones:** 75k+ distributed throughout system
  - Metro On-hold Message
  - East Portal Ticker (Union Station)
  - **E-blast:** 468k sent to Metro subscribers



**10**  
MEETINGS:  
SERVICE  
COUNCILS &  
STAKEHOLDERS



- **Visited Committees/Subcommittees and Service Councils**
  - **Service Councils:** San Fernando Valley, Westside/Central, Gateway Cities, South Bay, and San Gabriel Valley
  - **Committees/Subcommittees**
    - Bus Operators Subcommittee
    - Technical Advisory Committee
    - Streets & Freeways Committee
    - Local Transit Systems Subcommittee
    - Citizens Advisory Council





Thank you



Metro®

**Board Report**

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**File #:** 2019-0482, **File Type:** Policy

**Agenda Number:** 16.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 18, 2019**

**SUBJECT: DELEGATION OF AUTHORITY TO APPROVE REAL ESTATE TRANSACTIONS**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

AUTHORIZING the Chief Executive Officer (CEO) to:

- A. ESTABLISH just compensation for the acquisition of real property based on an approved appraisal of the fair market value as long as the amount is within the overall Life of Project (LOP) budget or within the approved current annual budget if LOP has not yet been adopted;
- B. APPROVE administrative or litigated settlements (including goodwill, furniture, fixtures, and equipment, and other acquisition costs) of up to \$1,000,000 above the appraised value or 20% above the appraised value (up to \$5 million), whichever is greater, if the amount is within the overall LOP budget or within the approved current annual budget if LOP has not yet been adopted;
- C. DIRECT the CEO to report back to the Board quarterly on just compensation and/or settlements over \$500,000; and

AUTHORIZE the Inspector General to perform periodic random spot-check audit of these transactions to ensure to the Board that the system and policy are performing in the manner described in the recommendation.

**ISSUE**

The Real Estate Department estimates that Metro will need to acquire thousands of parcels over the next three to ten years for Measure M projects. Currently, the authority for the CEO to establish just compensation or to enter into settlement agreements is limited to \$500,000; amounts above \$500,000 require Board approval. With the current threshold, and the nature of the property rights that will be required, the number of acquisitions that will require Board approval will be significantly increased. Therefore, delegating additional authority to the CEO will expedite the acquisition process, improve the ability to deliver the properties for construction in the necessary timeframes, and avoid placing unnecessary burdens on the Board.

## **BACKGROUND**

The Authority of the CEO to approve just compensation was increased from \$200,000 to \$500,000 in September 2003 (see Attachment A). At the time of the 2003 Board action, the parcels being acquired were generally partial acquisitions and easements that affected residential and small commercial properties. The parcels to be acquired for future Measure M projects are generally in improved, urban areas which have higher acquisition costs. In addition, the value of real property has increased significantly. In the 15 years since the threshold's last increase, there has been a 72% increase in the purchase price for a single-family home in the Los Angeles area as reported by the S&P Case-Shiller Index

In January 2018, the Board authorized the CEO to negotiate and execute project-related agreements, including contract modifications, up to the authorized LOP budget on all transit and regional rail capital projects program-wide (see Attachment B). It is unclear whether that delegation authority applies to real estate transactions, and therefore staff has continued to bring real estate transactions above \$500,000 to the Board for approval. The authorization requested in this report is intended to clarify the CEO's real estate acquisition authority.

This request for additional delegation does not include relocation costs which are determined and paid in accordance with federal and state law, as well as Metro policy. Relocation costs do not require Board approval unless they exceed the LOP or approved current annual budget. Similarly, court costs and interest are statutorily required payments that do not require board approval or delegation of additional authority. In addition, the adoption of a Resolution of Necessity to initiate eminent domain requires a 2/3 vote of the Board and cannot be delegated to the CEO.

## **DISCUSSION**

### **Just Compensation**

According to the Federal Uniform Act and California State law, just compensation must be established by an agency official and be no less than the approved appraisal of the fair market value. The following process is required by Federal and State law:

- Upon identification of the property requirements for the project, an independent appraiser is contracted to prepare an appraisal report to opine on the fair market value of the property interest to be acquired.
- For federally-funded projects, the appraisal must be reviewed by a second independent appraiser.
- For projects funded by the Federal Transit Administration (FTA) where the valuation is greater than \$1 million, FTA concurrence is required.
- Just compensation is established by an authorized agency official based on the amount of the approved appraisal.
- An offer of just compensation is made to the property owner to acquire the necessary property rights.

The authorization being requested herein would allow the CEO to establish just compensation based on the approved appraisal, following the process listed above, as long as it is within the LOP or

approved current annual budget.

### Settlements

After an offer of just compensation has been made to the property owner, the property owner has the opportunity to provide feedback or additional information about the property or the appraisal that may impact the value. When a property owner provides credible evidence, Metro staff reviews it and may make a recommendation to enter into a settlement above the Metro appraised value. When a settlement is reached outside of the eminent domain process, it is referred to as an administrative settlement. When a settlement is reached as part of the eminent domain process, it is referred to as a litigated settlement.

Generally, administrative or litigated settlements within 10% of just compensation are considered appropriate given the range of differing appraisal methodologies and opinions. Settlements within 20% of just compensation are generally considered allowable with adequate, documented rationale which includes a comparison to the appraisal on which just compensation was established.

The authorization being requested herein would allow the CEO to approve administrative or litigated settlements (including goodwill, furniture, fixtures, and equipment, and other acquisition costs) of up to \$1,000,000 above the appraised value or 20% above the appraised value (up to \$5 million), whichever is greater, as long as it is within the LOP budget or approved current annual budget.

Currently, the FTA must review all settlements that exceed \$50,000 of just compensation. However, the FTA will approve agency-specific and project-specific agreements to increase that threshold. Staff will pursue this type of agreement with the FTA to increase the settlement approval threshold and expedite the settlement process.

The full acquisition process can be seen in the flowchart provided as Attachment C.

### LOP /Approved Current Annual Budget

Real Estate prepares the property acquisition estimates and Program Management incorporates them into the annual budget until LOP is adopted, at which time the remaining real estate estimates are included in the LOP. During the acquisition process, Real Estate monitors the appraised and settlement amounts against the estimate included in the annual budget or LOP. All transactions that would cause the annual budget or LOP to be exceeded for the project will be presented to the Board for approval.

### Equity Platform

Expediting the acquisition approval process will allow many property owners to be paid sooner, create more certainty in the acquisition process and permit Metro to acquire needed properties faster, thereby facilitating construction and delivery of Metro projects.

## **DETERMINATION OF SAFETY IMPACT**

This action has no safety impact.

## **FINANCIAL IMPACT**

This action has no financial impact.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

This policy change aligns with Metro Strategic Plan Goal Five to provide a more efficient, accountable, and trustworthy governance of Metro resources.

### **ALTERNATIVES CONSIDERED**

The Board could maintain the current CEO approval level or authorize a lesser level than recommended herein. This is not recommended as it could delay the acquisition of the properties for Measures M projects and cause schedule issues for construction and service.

### **NEXT STEPS**

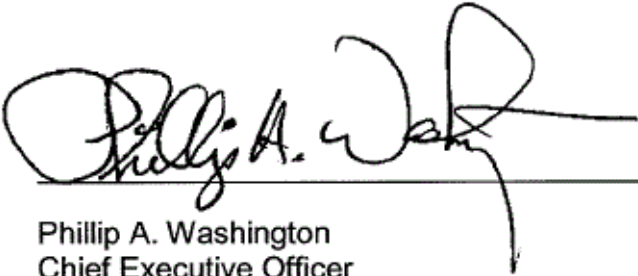
Upon approval, staff will only bring to the Board those settlements that exceed \$1 million above the appraised value or 20% above the appraised value (up to \$5 million), whichever is greater. All other transactions will be approved by the CEO. CEO will report back to the Board quarterly on just compensation and/or settlements over \$500,000. Staff will also pursue a higher settlement approval threshold with the FTA to expedite Metro's property acquisition process.

### **ATTACHMENTS**

- Attachment A - Approval of Real Estate Transactions CEO Authority
- Attachment B - Like Authority for Construction Related Contracts
- Attachment C - Real Estate Acquisitions Flowchart

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EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE  
SEPTEMBER 18, 2003

14

**SUBJECT: APPROVAL OF REAL ESTATE TRANSACTIONS**

**ACTION: INCREASE AUTHORITY LEVEL OF CHIEF EXECUTIVE OFFICER FOR REAL ESTATE TRANSACTIONS**

**RECOMMENDATION**

Increase the Chief Executive Officer's authority to approve just compensation for the acquisition of real property from \$200,000 up to an appraised value of \$500,000 plus any statutory relocation benefits and closing costs subject to the following conditions:

- (a) The parcel is required for a project that has been environmentally cleared and approved by the Board of Directors, and
- (b) Funds have been budgeted for the acquisition

**RATIONALE**

The Board recently increased the CEO's authority to approve just compensation for parcels acquired for the Eastside Light Rail Project and the San Fernando Valley Metro Rapidway Project when the appraised value was \$500,000 or less. This increased approval authority helped to expedite the acquisition process by reducing the time required to obtain approval of the just compensation amount and administrative settlements. Future transit projects, such as the Exposition Light Rail, the Division 10 Expansion, the Division 1 Expansion and other miscellaneous transit and administrative projects would also benefit from an expedited approval process.

By increasing the CEO's authority to approve just compensation up to \$500,000 for all projects, not just the Eastside Light Rail and San Fernando Valley Metro Rapidway projects, it is anticipated that the acquisition process will be significantly expedited. It should be noted that the Board will still retain the statutory authority to approve resolutions of necessity and conduct public hearings to acquire parcels by legal eminent domain proceedings. However, the CEO will have the authority to approve just compensation for property that will be acquired through eminent domain if the appraised value is \$500,000 or less.

An increase to the CEO's approval level is compatible with the Board's policy to delegate contract approval authority to the CEO under certain prescribed conditions. This action is in keeping with the Board policy to delegate administrative matters to staff and retain policy issues for the Board's consideration.

Additionally, with the considerable increase in property values over the past two years, an increase in the CEO's authorization approval level would be warranted. Lastly, staff requested and obtained approval from the Federal Transit Administration (FTA) to increase its prior concurrence level to \$1,000,000, an increase of \$750,000 over its standard level. This increase significantly reduced the administrative time involved in obtaining FTA's approval of federally funded acquisitions. The attached Summary Breakdown of Acquisition Levels chart illustrates the number of acquisitions for the Eastside and the San Fernando Valley projects and the acquisition levels of the parcels acquired. As noted, the majority of acquisitions fall into the under \$500,000 category.

#### FINANCIAL IMPACT

There would be no financial impact if this policy were implemented. The acquisition of the property is based on the appraised value and any justified settlement above the appraisal.

#### ALTERNATIVES CONSIDERED

The alternatives considered included recommending a lower approval level or maintaining the status quo. The CEO's current contract approval level is \$200,000. Considering the value of real estate in the Los Angeles Area, there are very few properties that are acquired in this price range. An increase to \$500,000 covers a higher number of acquisitions wherein the number of parcels that would require Board approval would be significantly reduced.

#### ATTACHMENT(S)

1. Summary Breakdown of Acquisition Levels.

Prepared by: Velma C. Marshall  
Director of Real Estate



Don Ott  
Executive Officer, Administration



Roger Snoble  
Chief Executive Officer

## ATTACHMENT 1

**SUMMARY BREAKDOWN OF PARCEL ACQUISITIONS  
SFV METRO RAPIDWAY AND EASTSIDE GOLD LINE**

AS OF AUGUST 7, 2003

<b>COST LEVEL</b>	<b>SFV BUSWAY PROJECT</b>		<b>EASTSIDE GOLD LINE</b>		<b>TOTAL</b>	
Under \$200,000*	5		3		8	
\$200,000 to \$500,000	3		6		9	
<b>Total Acquisition within CEO's Approval Authority</b>		<b>8</b>		<b>9</b>		<b>17</b>
\$500,000 to \$1,000,000	3		1		4	
\$1,000,000 to \$5,000,000	2		3		5	
Over \$5,000,000			1		1	
<b>Total Acquisitions Approved by Board</b>		<b>5</b>		<b>5</b>		<b>10</b>
<b>Total Acquisitions to Date</b>		<b>13</b>		<b>14</b>		<b>27</b>

\*Covers miscellaneous transactions-not full fee acquisitions





**File #:** 2017-0827, **File Type:** Program

**Agenda Number:** 31.

**CONSTRUCTION COMMITTEE  
JANUARY 18, 2018**

**SUBJECT: BOARD DELEGATED AUTHORITY FOR LOP  
BUDGET MANAGEMENT**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

CONSIDER:

- A. RECEIVING AND FILING report on the Board delegated authority to the Chief Executive Officer (CEO) one-year pilot program authorizing negotiation and execution of project related agreements, including contract modifications, up to the Life-of-Project (LOP) budgets on Crenshaw/LAX, Regional Connector, Westside Purple Line Extension Section 1 and Section 2 Projects; and
- B. AUTHORIZING the Chief Executive Officer to negotiate and execute project related agreements, including contract modifications, up to the authorized Life-of-Project Budget on all transit and regional rail capital projects program-wide.

**ISSUE**

On January 26, 2017, the Board of Directors delegated the CEO authority, for a pilot period of one-year, to execute project related agreements including contract modifications up to the LOP budget on the four mega transit corridor projects currently in progress - Crenshaw/LAX, Regional Connector, Westside Purple Line Extension Section 1 and Section 2 Projects. The Board also directed staff to provide monthly reports, which included any pending project-related agreements, change orders, contract modifications and any significant changes to project contingency. This report summarizes the results and impacts of this one-year pilot program, and recommends the continuation and expansion of the program.

**DISCUSSION**

Metro construction projects are often fast-moving, challenging and complex. Quick decision-making is required to take advantage of opportunities to keep the project moving and avoid costly delays. These opportunities require actions to be taken by project management to direct contractors through execution of contract modifications. As Metro projects have grown in size and complexity over the years, the authorization levels delegated to staff and the CEO have not kept pace with the demands

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**File #:** 2017-0827, **File Type:** Program**Agenda Number:** 31.

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of the projects. On a large mega-project, the CEO's authorization level is often exceeded, thus requiring Board approval of an action.

The need to bring a contract modification to the Board for approval can add at least two months in the authorization process for all actions including time sensitive actions that may impact the project schedule critical path. By continuing the current Board delegated authority to the CEO, contractors will have the opportunity to start time-sensitive critical work immediately. Time is critical to achieving a successful project completion date and any time delay to a project can have exponential cost risks, including extended overhead payments due the contractor should the project be delayed.

In the most recent Los Angeles Construction Market Analysis Update received by the Board in September 2015, contractors working on Metro projects have indicated that the time in processing changes is a significant cost and schedule risk. As a result the contractors have had to include contingencies in their contract prices to address this risk. Any extended time in processing changes also puts subcontractors, including Disadvantaged Business Enterprises (DBEs), at risk of not receiving timely payment for work performed.

Under the current pilot program, changes and modifications are thoroughly reviewed and evaluated by a number of Program Management and Vendor/Contract Management (V/CM) executive management staff as follows:

- Up to \$500,000 by Director, Contract Administration and Project Manager;
- Above \$500,000 up to \$1M by Executive Officer, Vendor/Contract Management (V/CM) and Deputy Chief Program Management Officer;
- Above \$1M up to \$5M by Chief V/CM Officer and Chief Program Management Officer; and
- Above \$5M are elevated to the CEO for approval.

Based on the cumulative contract value, including changes and modifications executed under the Pilot Program, there was an overall increase in DBE participation across all four mega transit corridor projects during the one-year pilot period. Continuing forward, staff will review each change and modification for DBE participation to ensure opportunities for DBEs are maximized.

### **Results of the Program**

As approved by the Board at the January 26, 2017 meeting, staff has implemented the pilot program and provided monthly reports to the Board. Staff also conducted an analysis to assess the program results and impact during the one-year pilot period.

### **Avoidance of Schedule Delays**

Based on the data collected during the one-year pilot period, cumulatively among the four mega transit construction projects, change items were elevated to the CEO for expeditious action needed rather than waiting for the process for Board approval. This delegation resulted in projects avoiding schedule delays of up to 6 months and their related cost impacts. Metro staff has estimated that the pilot program has cumulatively generated cost savings that ranges from \$22.5M to \$30M, measured by project schedule delay avoidance. These cumulative cost savings are approximated using the average cost to the Crenshaw/LAX, Regional Connector, Westside Purple Line Extension Section 1 and 2 Projects for schedule delays range from \$3.3 to \$5 million per month for a total of \$6.6 to \$10

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million per action for a 2-month delay.

By example, in July 2017, Regional Connector Project was faced with an unexpected need to replace the three screw conveyers to the tunnel boring machine (TBM) as they had been damaged after striking unforeseen site conditions during the first of two mining drives. The tunnel boring activity is on the critical path for the entire project. The estimated cost for the task was in excess of \$1 million. Replacement was accomplished during the ten-week preparation period prior to launching the second drive. The task of overseas procurement, followed by the placement and fitting of the new screws into the TBM assembly was accomplished during the scheduled reset and made possible by the CEO authorizing the procurement and associated installation labor under the pilot program. Without the pilot program, a substantial delay to schedule, at a cost of \$5 million per month, would have been experienced owing to the lead-time connected with the development and approval of regular Board actions.

By another example, in late May 2017, Westside Purple Line Extension (PLE) Section 1 Project identified an opportunity to increase the project schedule float by advancing the excavation work at the Wilshire/La Brea Station, which is on the critical path of this project schedule. Those work activities estimated in excess of \$10 million were elevated to the CEO for review and approval. For this specific change, a prompt turn-around was needed to take advantage of the opportunity to increase the project schedule float. Any prolonged process to implement this change would have resulted in a lost opportunity to gain back float. Without the pilot program, at least two-thirds of the float savings could not have been realized. With the pilot program in place, the change was elevated for the CEO approval and for the work to begin in the field. With the pilot program in place for this specific change, 130 days were added to the project schedule float.

#### Additional Program Benefits

In addition to allowing the projects to expedite execution of changes rather than incurring delays due to a lengthy approval of changes, there were additional positive program benefits realized, which are summarized as follows:

- Provides staff with the flexibility, responsibility and authority to manage the fast moving projects consistent with the need for quick decision-making and approvals. This is consistent with the Inspector General Office's Capital Project Construction Management Best Practices Study that was presented to the Board in April 2016, which recommended that project/construction management staff in charge be empowered and responsible for the change control process, with support from co-located professional contract administrators. This approach creates streamlined and effective project management allowing for project decisions to be formalized quickly, thus avoiding schedule delays.
- Maintains transparency as projects are still required to seek Board approval for any action requiring LOP budget approval or increase. The Board receives project updates through detailed Monthly Project Status Reports, monthly updates on the project status to the Construction Committee, and the Annual Program Evaluation (APE) presentation.
- Keeps the big picture focus on overall project budget management as opposed to detailed change orders. Since inception of the pilot program through early December 2017, a total of fifteen (15)

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**Agenda Number:** 31.

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project actions were or will be addressed at the CEO level rather than requiring Board approval, one of which is pending CEO approval and execution.

- Maintain consistency with industry best practices for effective project management. The timely processing of contract modifications is a key element of project successes. With the significant increase in number and size of projects and the accelerated implementation schedule for delivering Metro's Capital Program, including the projects on the 28 by 2028 initiative presented at the November 30, 2017 Board meeting, a streamlined project management is integral to successful project delivery. This approach is consistent with other national transit agencies including San Jose, Seattle, and Denver.

### **ALTERNATIVES CONSIDERED**

The alternative to staff recommendation is to not extend the delegated authority to other transit capital and regional rail projects program-wide. However, this is not recommended as capital projects will benefit from streamlined and efficient project management.

### **NEXT STEPS**

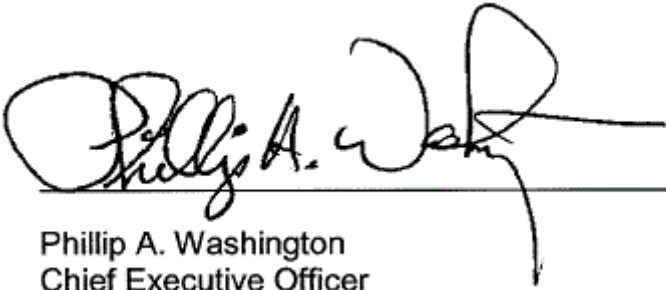
Staff will make the necessary changes to the policies and procedures to reflect this expanded delegation of authority to include all transit capital and regional rail projects program-wide. Monthly reports will be provided to the Board reflecting project related agreements and contract modifications executed under this delegated authority.

Prepared by: Brian Boudreau, Senior Executive Officer, Program Control, 213-922-2474

Reviewed by:

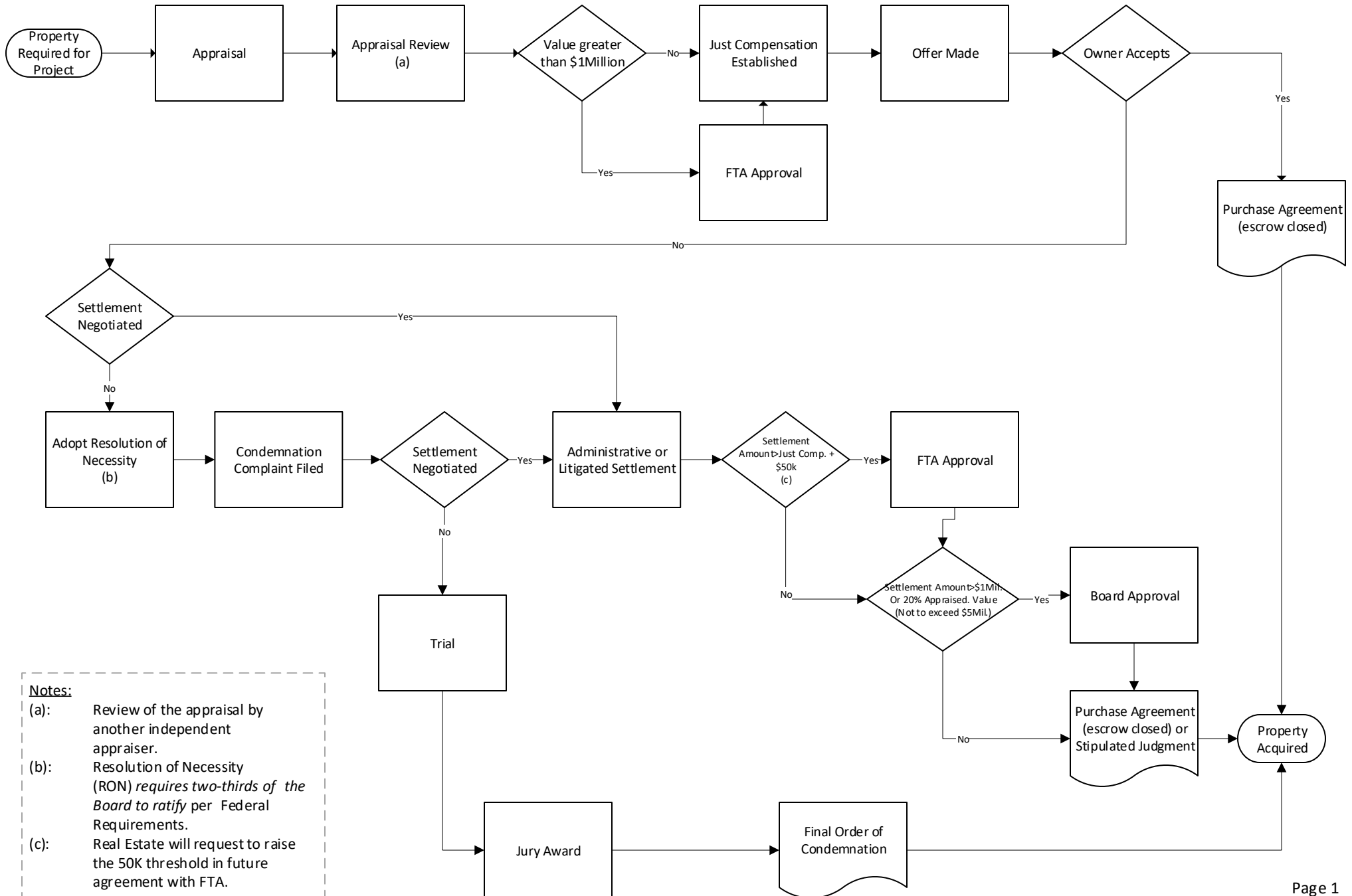
Debra Avila, Chief Vendor/Contract Management Officer, 213-418-3051

Richard F. Clarke, Chief Program Management Officer, 213-922-7557



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Phillip A. Washington  
Chief Executive Officer



**Notes:**

(a): Review of the appraisal by another independent appraiser.

(b): Resolution of Necessity (RON) requires two-thirds of the Board to ratify per Federal Requirements.

(c): Real Estate will request to raise the 50K threshold in future agreement with FTA.

# File# 2019-0482

## Delegation of Authority to Approve Real Estate Transactions



AUTHORIZING the Chief Executive Officer (CEO) to:

- A. ESTABLISH just compensation for the acquisition of real property based on an approved appraisal of the fair market value as long as the amount is within the overall Life of Project (LOP) budget or within the approved current annual budget if LOP has not yet been adopted;
  
- B. APPROVE administrative or litigated settlements (including goodwill, furniture, fixtures, and equipment, and other acquisition costs) of up to \$1,000,000 above the appraised value or 20% above the appraised value (up to \$5 million), whichever is greater, if the amount is within the overall LOP budget or within the approved current annual budget if LOP has not yet been adopted;



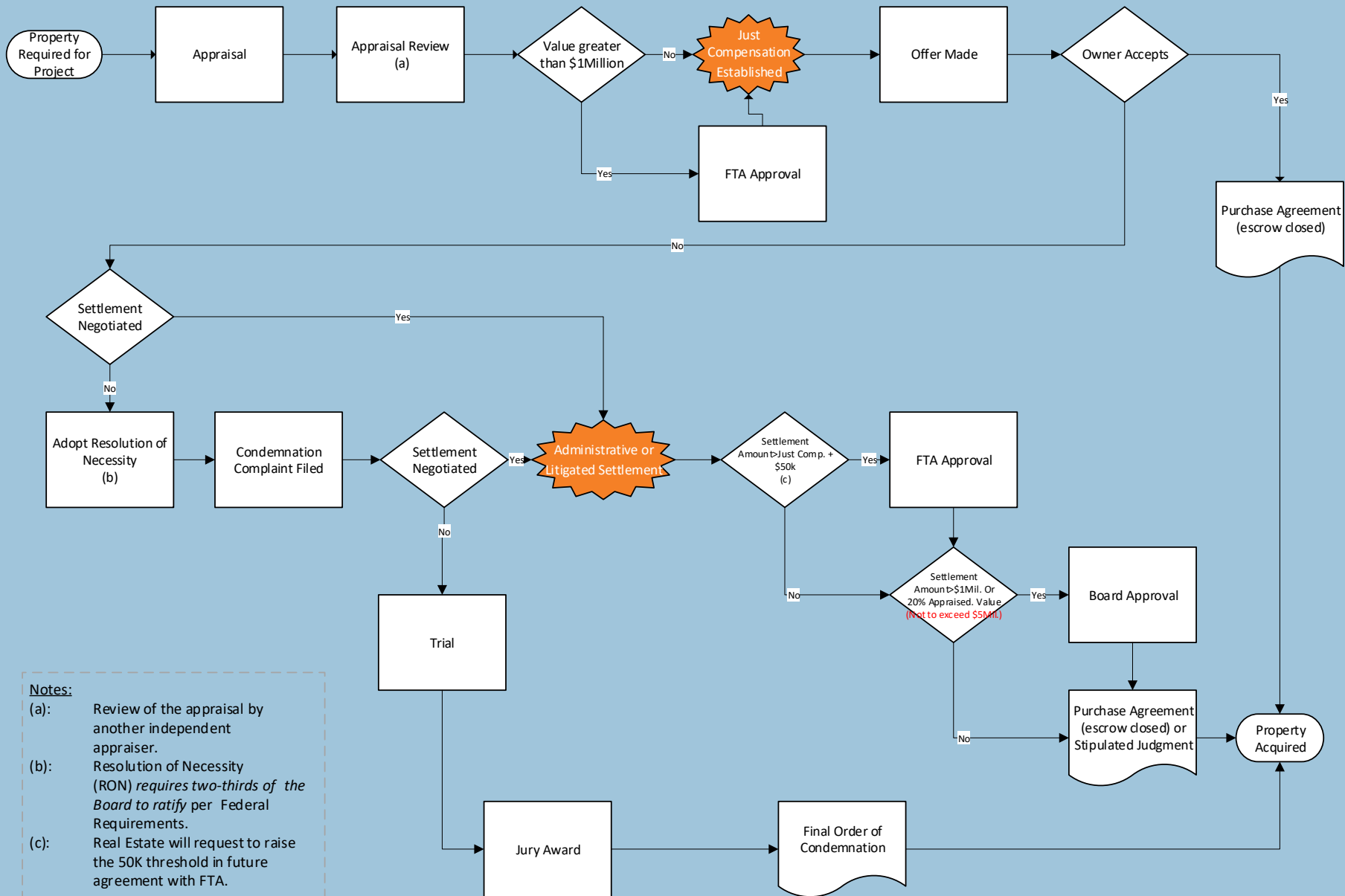
C. DIRECT the CEO to report back to the Board quarterly on just compensation and/or settlements over \$500,000; and

AUTHORIZE the Inspector General to perform periodic random spot-check audit of these transactions to ensure to the Board that the system and policy are performing in the manner described in the recommendation.





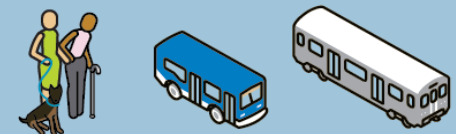
# Proposed Real Estate Acquisitions Flowchart 2019-0482



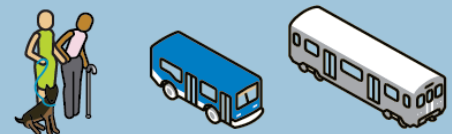
# Sample Authorizations

2019-0482

Appraised Value/ Just Compensation	20%> Appraised Value	\$1 Mil.> Appraised Value	CEO Settlement Authority (> of \$1 Mil. or 20% not to exceed \$5Mil.) within LOP or Budget	Requires Board Approval
\$2,000,000	\$2,400,000	<b>\$3,000,000</b>	<b>\$3,000,000</b>	No
\$20,000,000	<b>\$24,000,000</b>	\$21,000,000	<b>\$24,000,000</b>	No
\$30,000,000	\$36,000,000	\$31,000,000	<b>\$35,000,000</b>	Yes



- The Real Estate Department estimates that Metro will need to acquire thousands of parcels over the next three to ten years.
- Current CEO signing authority is limited to \$500,000, amounts above require Board approval.
- The number of acquisitions that will require Board approval will be significantly increased.
- Delegating additional authority to the CEO will expedite the acquisition process and avoid placing unnecessary burdens on the Board.



**Board Report**

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**File #:** 2019-0485, **File Type:** Contract**Agenda Number:** 17.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 18, 2019****SUBJECT: GROUP INSURANCE PLANS****ACTION: RENEW GROUP INSURANCE POLICIES****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to renew existing group insurance policies covering Non-Contract and AFSCME employees, including the life and disability coverage for Teamster employees, for the one-year period beginning January 1, 2020.

**BACKGROUND**

Our health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees a foundation to maintain or improve health. Los Angeles County Metropolitan Transportation Authority (LACMTA), including the Public Transportation Services Corporation (PTSC), seeks to offer benefit plans that promote efficient use of health resources and are cost effective for the company and our employees.

**DISCUSSION**

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 99% of the employees covered by the benefit plans are PTSC employees. On an annual basis, employees are encouraged to review their enrollment and may choose medical, dental, vision, supplemental life, long-term disability, and accidental death and dismemberment plans that meet their needs. Alternatively, employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit, provided proof of other medical coverage is submitted and the employee does not obtain subsidized coverage from an exchange. Employees may also participate in the flexible spending accounts, a vehicle to pay for certain out-of-pocket healthcare and dependent care expenses on a pre-tax basis. The overall premium cost is an increase of 1.63% for calendar year 2020. This reflects over \$2.02 million in negotiated reductions from the initial renewal quotes. The recommended medical, dental, and vision premiums are shown on Attachment A. As previously established by the Chief Executive Officer, Non-Contract and AFSCME employees contribute 10% of the actual premium for each medical and dental plan selected. The monthly employee contributions are shown in Attachment B.

**DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety of our patrons our employees.

### **FINANCIAL IMPACT**

Funding for the Non-contract and AFSCME group insurance plans is included in each department's FY20 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$53.6 million are expected to be within the adopted budget of \$66.7 million.

#### **Impact to Budget**

A potential impact to future budgets is the implementation of the 40% excise tax (Cadillac Tax), which is a part of Health Care Reform and continues to be postponed with a revised effective date of 2022. Changes to plan design are not recommended at this time, but we will continue to monitor regulatory requirements and evaluate plan provisions such as copays, out-of-pocket maximums and other features in order to mitigate exposure to the excise tax should it be implemented. The Cadillac Tax is intended to be assessed on the cost of coverage for health plans that exceed an annual limit, currently set at \$10,200 for individual coverage and \$27,500 for family coverage. For fully-insured plans like ours, the excise tax is the responsibility of the insurance carrier, though it is anticipated that carriers will pass these costs back to the employer.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports strategic plan Goal #5 (Provide responsive, accountable, and trustworthy governance). By providing employee benefit plans supports the health and wellness, thereby allowing employees to focus on achieving the strategic goals of the agency.

### **ALTERNATIVES CONSIDERED**

With the favorable renewal on the plans for 2020, the postponement of the Excise Tax, and the general uncertainty over healthcare at this time, it is recommended that the current plan designs be renewed, thereby avoiding provider access/disruption for 2020.

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

### **NEXT STEPS**

Upon Approval, staff will conduct annual open enrollment for Non-Contract, AFSCME and Teamster employees during November 2019 and implement elections effective January 1, 2020.

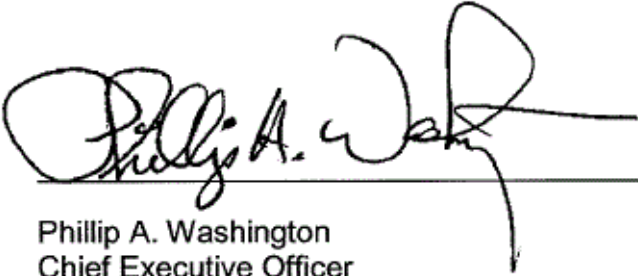
### **ATTACHMENTS**

Attachment A - Monthly Premium Rates

Attachment B - Monthly Employee Contributions

Prepared by: Jan Olsen, Director, Pension & Benefits 213-922-7151  
Teyanna Williams, Executive Officer, Labor & Employee Services  
213-922-5580

Reviewed by: Joanne Peterson, Chief Human Capital & Development Officer  
213-418-3088



Phillip A. Washington  
Chief Executive Officer

## Proposed Monthly Premium Rates

Provider	Coverage Option	CY 2019	CY 2020	%Change	Est # of Employees (1/1/20)
Blue Cross (PPO)	Single	\$1,226.77	\$1,312.65	7.00%	228
	Couple	\$2,469.47	\$2,642.36	7.00%	218
	Family	\$3,312.26	\$3,544.15	7.00%	299
Blue Cross (HMO)	Single	\$775.57	\$775.57	0.00%	89
	Couple	\$1,628.68	\$1,628.68	0.00%	68
	Family	\$2,326.53	\$2,326.53	0.00%	170
Kaiser (HMO)	Single	\$671.35	\$646.70	-3.67%	419
	Couple	\$1,342.70	\$1,293.40	-3.67%	269
	Family	\$1,899.92	\$1,830.16	-3.67%	483
Delta Dental (PPO)	Single	\$53.02	\$53.02	0.00%	443
	Couple	\$92.15	\$92.15	0.00%	467
	Family	\$138.47	\$138.47	0.00%	731
DeltaCare (DHMO)	Single	\$20.21	\$20.21	0.00%	108
	Couple	\$36.71	\$36.71	0.00%	61
	Family	\$54.32	\$54.32	0.00%	124
Dental Health Services (DHMO)	Single	\$16.82	\$16.82	0.00%	81
	Couple	\$32.60	\$32.60	0.00%	46
	Family	\$49.15	\$49.15	0.00%	122
Vision Service Plan	Single	\$10.15	\$9.99	-1.54%	304
	Couple	\$14.68	\$14.45	-1.54%	308
	Family	\$26.30	\$25.90	-1.54%	497
Voluntary Waiver of Coverage:*					
Medical		\$248.00			189
Dental		\$36.00			97

\* Waiver of Medical coverage requires proof of alternative coverage.

## **Proposed Monthly Employee Contributions**

<b>Provider</b>	<b>Coverage Option</b>	<b>NC &amp; AFSCME Employee Contribution (Current)</b>	<b>NC &amp; AFSCME Employee Contribution (Proposed) Effective 1/1/20</b>	<b>Change</b>
Blue Cross (PPO)	Single	\$123.00	\$131.00	\$ 8.00
	Couple	\$247.00	\$264.00	\$17.00
	Family	\$331.00	\$354.00	\$23.00
Blue Cross (HMO)	Single	\$78.00	\$78.00	\$0.00
	Couple	\$163.00	\$163.00	\$0.00
	Family	\$233.00	\$233.00	\$0.00
Kaiser (HMO)	Single	\$67.00	\$65.00	-\$2.00
	Couple	\$134.00	\$129.00	-\$5.00
	Family	\$190.00	\$183.00	-\$7.00
Delta Dental (PPO)	Single	\$5.00	\$5.00	\$0.00
	Couple	\$9.00	\$9.00	\$0.00
	Family	\$14.00	\$14.00	\$0.00
DeltaCare (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$4.00	\$4.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$3.00	\$3.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Vision Service Plan	Single	\$1.00	\$1.00	\$0.00
	Couple	\$1.00	\$1.00	\$0.00
	Family	\$3.00	\$3.00	\$0.00

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



**Board Report**

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**File #:** 2019-0594, **File Type:** Contract**Agenda Number:** 18.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 18, 2019****SUBJECT: TAP FARE COMPLIANCE VALIDATOR****ACTION: APPROVE CONTRACT MODIFICATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute Modification No. 8 to Contract No. PS30203139 with Axiom xCell, Inc. (Axiom) to improve functionalities and capabilities for the Mobile Phone Validator (MPV) used by fare compliance officers in an amount of \$627,516, and to extend the contract term for continued maintenance support through November 29, 2021 in an amount of \$437,815, thus, increasing the total contract value by \$1,065,331 from \$2,168,066 to \$3,233,397.

**BACKGROUND**

The current contract with Axiom provides monthly service and technical support for the MPV and is set to expire on November 29, 2019. The MPV allows fare enforcement officers to perform the core duties of their assignment where they currently process more than 1 million fare checks annually.

**DISCUSSION**

Given the reliability of the device, low cost and smart phone platform, TAP has received requests to expand its use beyond its original fare compliance role. Countywide Planning and Development uses the MPV to verify ridership at Metro parking facilities. The MPV is also used by Human Capital & Development (General Services Rideshare Program) to record employee use of Metro Vanpool services. Modification No. 8 will continue expansion of the MPV's ability to support fare compliance and other programs that interface with TAP. New enhancements will include the following:

- Provide fare compliance officers with the ability to validate reduced fare cards by comparing photos from the data base
- Increase safety by displaying location of fare compliance officers
- Accelerate verification of special event and Metrolink tickets
- Improve system security and reliability
- Deduct fares for Micro transit riders to ensure a seamless travel experience

**DETERMINATION OF SAFETY IMPACT**

Faster verification of fares allows officers and service providers more time to concentrate on safety and service delivery.

### **FINANCIAL IMPACT**

For Fiscal Year 2020, cost of the enhancements is \$200,000 and extension of support services through June 2020 is \$130,000. This amount is included in the TAP Operations cost center budget. Since this is a multi-year project, the project manager and executive officer of TAP are responsible for budgeting in future years.

This Modification would increase the total contract value by \$1,065.331, from \$2,168,066 to \$3,233,397.

#### **Impact to Budget**

The funding sources for this project are Prop C 40% and fare revenues. These sources are eligible for operating and capital improvements for both bus and rail.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

MPV enhancements described in the discussion section aligns with Strategic Goal 1 - Provide high quality mobility options that enable people to spend less time traveling. Modification No. 8 will also expand the capabilities of the MPV to support Micro Transit. Additionally, this modification to the contract aligns with Strategic Goal 2, Initiative 2.1 - Metro is committed to improving security. The MPV transmits important messages to fare compliance officers. The MPV Mobile Device Management system provides searchable location history to pinpoint incident locations. Security will additionally be enhanced through the ability of the fare compliance officer to access photographs and other information.

### **ALTERNATIVES CONSIDERED**

The Board could choose not to fund any of the enhancements to the MPV application nor continue the maintenance program. This is not recommended because extending the maintenance contract with Axiom through November 29, 2021, is critical to continued fare enforcement. Although the current system is functioning as designed, the additional enhancements will accelerate fare checks and provide expansion of the MPV's capabilities by serving the needs of not only Security but several other departments.

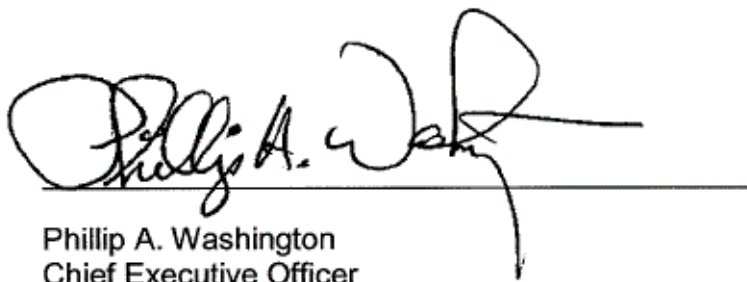
### **NEXT STEPS**

Upon Board approval, staff will execute Modification No. 8 with Axiom under Contract No. PS30203139 to extend the period of performance and proceed with implementing new enhanced features.

### **ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - Contract Modification/Change Order Log  
Attachment C - DEOD Summary

Prepared by: Cary Stevens, Executive Officer, TAP (213) 922-2401  
David Sutton, Executive Officer, TAP (213) 922-5633  
Reviewed by: Aston Greene, Chief Systems Security and Law Enforcement Officer (Interim),  
(213) 922-2599  
Nalini Ahuja, Chief Financial Officer, Office of Management and Budget, (213)  
922-3088  
Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



Phillip A. Washington  
Chief Executive Officer

**PROCUREMENT SUMMARY  
TRANSIT ACCESS PASS (TAP) MOBILE PHONE VALIDATOR  
CONTRACT PS30203139**

1.	<b>Contract Number:</b> PS30203139		
2.	<b>Contractor:</b> Axiom xCell, Inc.		
3.	<b>Mod. Work Description:</b> Add features/enhancements to improve security and capabilities; Extend maintenance support for two years until November 30, 2021		
4.	<b>Contract Work Description:</b> Mobile Phone Validator (MPV) for fare enforcement electronic query of TAP cards		
5.	<b>The following data is current as of :</b> August 16, 2019		
6.	<b>Contract Completion Status</b>		<b>Financial Status</b>
	<b>Contract Awarded:</b>	February 1, 2014	<b>Contract Award Amount:</b> \$348,018.00
	<b>Notice to Proceed (NTP):</b>	February 1, 2014	<b>Total of Modifications Approved:</b> \$1,820,048
	<b>Original Complete Date:</b>	November 29, 2019	<b>Pending Modifications (including this action):</b> \$1,065,331
	<b>Current Est. Complete Date:</b>	November 29, 2019	<b>Current Contract Value (with this action):</b> \$3,233,397
7.	<b>Contract Administrator:</b> Anush Beglaryan		<b>Telephone Number:</b> (213) 418-3047
8.	<b>Project Manager:</b> Cary Stevens		<b>Telephone Number:</b> (213) 922-2401

**A. Procurement Background**

This Board Action is to approve Contract Modification No. 8 to add new features and enhancements to the Mobile Phone Validator (MPV). In addition, the maintenance and support services for the application will be extended for two years, through November 29, 2021. Transit security has requested enhancements to accelerate fare validation and deduction of fares. Additional enhancements will include integration with the TAPforce database for ridership information and verification, the ability to read QR and Aztec codes, improved reliability, and expanded capability for use by Parking, Vanpool ride validation, special events and Micro Transit.

The MPV application was developed by Axiom xCell, Inc., in 2014 specifically for Metro and is installed on over 350 mobile phones which allows fare enforcement personnel to electronically query TAP cards to determine if riders are in compliance with Metro's fare policy. Therefore, Axiom xCell, Inc., is the only company that can modify the existing application to include these enhancements due to the sensitive encryption system and programming that is unique to TAP.

**ATTACHMENT A**

This Contract Modification will be processed in accordance with Metro’s Acquisition Policy and the contract type is a firm fixed price.

On February 2, 2014, Contract No. PS30203139 was awarded to Axiom xCell, Inc. to develop, test, and provide support for a software application for a handheld fare inspection device.

(Refer to Attachment B – Contract Modification/Change Order Log)

**B. Cost/Price Analysis**

The recommended price has been determined to be fair and reasonable based upon price analysis, technical evaluation, independent cost estimate, and negotiations.

<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>Negotiated Amount</b>
\$1,222,565	\$1,394,616	\$1,065,331

## CONTRACT MODIFICATION/CHANGE LOG

## TRANSIT ACCESS PASS (TAP) MOBILE PHONE VALIDATOR / PS30203139

<b>Mod. #</b>	<b>Description</b>	<b>Status</b>	<b>Date</b>	<b>Amount</b>
1	Additional Application Coding	Approved	8/11/2014	\$20,774.41
2	Administrative Change	Approved	11/03/2015	\$0
3	Add Key Features and Application Coding	Approved	2/18/2015	\$79,182.79
4	Extend contract term	Approved	9/8/2015	\$0
5	Add enhancements & extend contract term	Approved	11/10/2015	\$614,000
6	Additional Enhancements & extend contract term	Approved	9/28/2017	\$938,969.00
7	Software Upgrade & Extension of Maintenance and Support Services	Approved	6/28/2018	\$167,122.00
8	Enhancements & Extension of Maintenance & Support Services	Pending	9/26/2019	\$1,065,331
	<b>Modification Total:</b>			<b>\$2,885,379</b>
	<b>Original Contract Value:</b>			<b>\$348,018</b>
	<b>Total Modified Contract Value:</b>			<b>\$3,233,397</b>

DEOD SUMMARY

TRANSIT ACCESS PASS (TAP) FARE MOBILE PHONE VALIDATOR  
CONTRACT NO. PS30203139

**A. Small Business Participation**

Axiom xCell, a Small Business Prime, made a 100% SBE commitment. The contract is 74% complete. Axiom xCell is currently meeting their SBE commitment with an SBE participation of 100%.

	<b>SBE Prime Contractor</b>	<b>% Commitment</b>	<b>% Participation</b>
1.	Axiom xCell, Inc. (Prime)	100%	100%
<b>Total</b>		<b>100%</b>	<b>100%</b>

**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. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.

# TAP Fare Compliance Validator

Finance, Budget and Audit Committee  
September 18, 2019

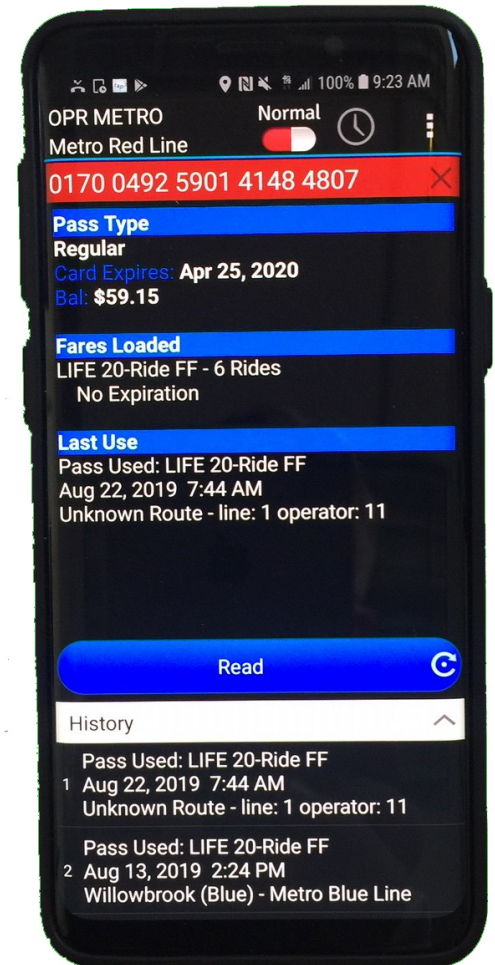


# TAP Mobile Phone Validator (MPV)

- Fare enforcement officers perform over 1 million fare checks annually
- Extends maintenance coverage to November 2021
- Enhancements will accelerate fare checks and expand capabilities:
  - Validates reduced fare cards by comparing photos from the data base
  - Increases safety by displaying location of fare compliance officers
  - Accelerates verification of special event and Metrolink tickets
  - Improves system security and reliability
  - Deducts fares for micro-transit riders to ensure a seamless travel experience
- Axiom is meeting their SBE commitment with an SBE participation of 100%

# Current MPV Functionality

- Determines if fare is valid
- Reports TAP card use history
- Activates pass or deducts Stored Value (final test phase)
- Locates device in real time
- Transfers TAP data for easy citation processing



# New MPV Enhancements

- Improved device management and tracking, will report position every 15 minutes

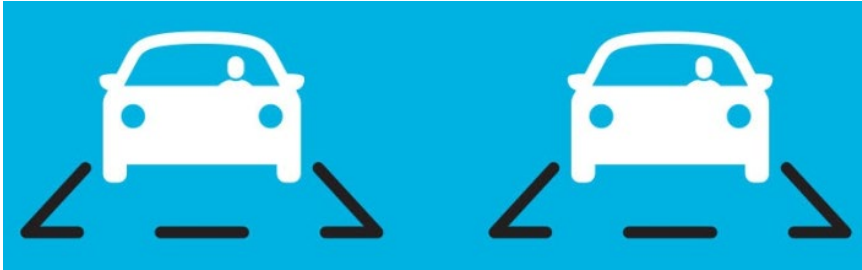
The screenshot displays a web-based tracking interface. At the top, a navigation bar includes tabs for 'Devices', 'Map', 'Reports', 'User Groups', 'Application Groups', 'Manage Admins', 'Manage Files', and 'Messaging'. Below this, a 'Track Inspector' dropdown is set to 'DEPUTY'. A search bar on the right is labeled 'Search Devices'. The main area features a map with a blue path indicating the movement of a device. Four information popups are overlaid on the map, each providing details for a 'DEPUTY' device:

- DEPUTY:**  
Last Updated: 2019-08-18 01:30 PM  
Device: Galaxy S8  
IMEI: 355987084951366  
Battery: 42%  
934 Avila St, Los Angeles, CA 90012, USA
- DEPUTY:**  
Last Updated: 2019-08-18 01:15 PM  
Device: Galaxy S8  
IMEI: 355987084951366  
Battery: 42%  
888 Alameda St, Los Angeles, CA 90012, USA
- DEPUTY:**  
Last Updated: 2019-08-18 01:45 PM  
Device: Galaxy S8  
IMEI: 355987084951366  
Battery: 42%  
Union Station, Los Angeles, CA 90012, USA
- DEPUTY:**  
Last Updated: 2019-08-18 02:00 PM  
Device: Galaxy S8  
IMEI: 355987084951366  
Battery: 42%  
555 East Cesar E Chavez Avenue, Los Angeles, CA 90012, USA

The map also shows various landmarks and streets, including 'N Alameda St', 'East Cesar E Chavez Ave', and 'Union Station Square'. A 'Track Route' button is visible in the top right of the map area.



# New MPV Enhancements



- **Metro Parking** –  
Confirms transit ride



- **Vanpool** –  
Confirms employee ride



- **Micro-Transit** –  
Validates customer fare

# TAP Fare Compliance Validator

**ACTION:** Approve Contract Modification

## RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 8 to Contract No. PS30203139 with Axiom xCell, Inc. (Axiom) to improve functionalities and capabilities for the Mobile Phone Validator (MPV) used by fare compliance officers in an amount of \$627,516, and to extend the contract term for continued maintenance support through November 29, 2021 in an amount of \$437,815, thus, increasing the total contract value by \$1,065,331 from \$2,168,066 to \$3,233,397

**Board Report**

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**File #:** 2019-0597, **File Type:** Contract**Agenda Number:** 19.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 18, 2019****SUBJECT: LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SERVICES****ACTION: AWARD CONTRACTS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. AWARD a 54-month indefinite delivery indefinite quantity Contract No. PS6056400A to FAME Assistance Corporations for LIFE program administration services for the Southwest and Northwest service regions, in an amount not-to-exceed \$1,653,756 for the 30-month base term and \$669,104.50 for each of the two, 12-month options, for a combined total not-to-exceed amount of \$2,991,965 effective January 1, 2020, subject to resolution of protest(s), if any; and
- B. AWARD a 54-month indefinite delivery indefinite quantity Contract No. PS6056400B to International Institute of Los Angeles for LIFE program administration services for the Southeast service region in an amount not-to-exceed \$890,124 for the 30-month base term and \$357,562 for each of the two, 12-month options, for a combined total not-to-exceed amount of \$1,605,248, effective January 1, 2020, subject to resolution of protest(s), if any.

**ISSUE**

Metro is seeking non-profit, community-based administrators to oversee and manage more than 200 non-profit and governmental partner agencies within their assigned service areas in support of Metro's LIFE program. For the program to be more efficiently managed, the Los Angeles County LIFE service area was divided into three distinct regions, i.e., Southwest, Southeast, and Northwest, with each region having its own assigned administrator.

The Program serves low income transit riders, victims of domestic violence, individuals experiencing homelessness, elderly, and individuals with immediate transportation needs. The Program provides fare subsidies or free rides to eligible participants (see Attachment A for a description of the program).

**DISCUSSION**

The Program is a means tested fare subsidy program premised on the concept of a Metro partnership with community-based organizations to identify and enroll individuals eligible for reduced

fare discounts or other transit subsidies based on income. The LIFE program is a consolidation of Metro's previously independent Rider Relief Transportation Program (RRTP) and the Immediate Needs Transportation Program (INTP). Since the final consolidation of the two programs and the establishment of a unified database in May of this year, almost 26,000 participants have enrolled in the program and staff expects the number to continue to grow.

### Administrators' Role

The administrators, acting on Metro's behalf, are responsible for ensuring that their partner agencies are following established guidelines in the verification and validation of participants' eligibility and enrollment in the program. Administrators also ensure that partner agencies review documentation, secure inventory, and provide adequate inventory management of any and all Metro provided fare media. Administrators and the partner agencies are responsible for enrolling patrons. Finally, administrators are required to provide support for the implementation of Metro's marketing and outreach plans within their respective regions.

Each administrative region (Southwest, Northwest, and Southeast) is expected to include 200 non-profit or governmental partner agencies that will contract with the administrators to provide the "ground level" support of the Program.

### LIFE Program (Transition and Improvements)

With the Program transitioning from a coupon and token-based benefit system to one based on improved TAP technology, Metro and the administrator staff will have access to current enrollments, utilization and other budgetary or programmatic reports. These reports will assist in identifying and resolving issues, as well as fine-tuning program outreach.

With the planned elimination of tokens and coupon-based subsidies on July 1st, the conversion to a TAP based system of subsidy delivery, and the introduction of the 20 Trip product, the Metro Board approved the extension of the contracts of current administrators through December 31, 2019, to ensure a smooth transition for program participants. The extension of the contracts provided uninterrupted, smooth service delivery and assisted in maintaining a consistent flow of communication of program changes and updates to the participants during the merger of the LIFE and INTP and transition to TAP.

Future planned activities include:

- Ensure smooth transition of the administrators
- Continue to conduct outreach on the new program, including a comprehensive outreach campaign to raise awareness of available discounts
- Continue development of the system infrastructure to support new administrative processes
- Review and revise current policies and operating guidelines on an as-needed basis
- Continue to work with participating non-profit agencies to address implementation issues

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With the fundamental changes in the program, the service delivery of the Program now underway, and the overlap of geographic regions of the two predecessor programs, staff issued a Request for Proposals in May 2019 to acquire administrator services, define geographic areas of responsibility, and clearly articulate revised services administrators are expected to provide.

The administrators will provide Metro with program specific statistics and other reports regularly. They will be responsible for implementing any program revisions based on Metro input, as well as implementation of special or demonstration projects requested by Metro. In addition, recruiting partner agencies is also the responsibility of the administrators.

### **DETERMINATION OF SAFETY IMPACT**

There is no impact on the safety of Metro patrons or employees as a result of the Board's consideration of this item.

### **FINANCIAL IMPACT**

Funding of \$14.1 million for the overall program cost, including the requested contracts, is included in the FY20 Budget in cost center 0443, project number 410016. The cost center manager and Chief Financial Officer will be responsible for budgeting expenses in future years.

#### **Impact to Budget**

The FY20 Adopted budget includes \$10 million funded with Prop C 40% and an additional \$4.1 million from Measure M 2% (ADA Paratransit and Metro Discounts for Seniors and Students). Prop C 40% funds are eligible for bus and rail operations expenditures.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

This recommendation supports the following goal of the Metro Strategic Plan.  
Goal 3: Enhance communities and lives through the provision of mobility and access to opportunity

### **ALTERNATIVES CONSIDERED**

The Board may choose to not approve the contract award with the proposed providers. Staff does not recommend this option as the current administrative contracts will end on December 31, 2019. Without the administrators' oversight, the operation of the program would be adversely affected, and the provision of service to the participants would be reduced.

### **NEXT STEPS**

Upon approval by the Board, staff will execute Contract No. PS6056400A to FAME Assistance Corporations for LIFE program administration services for the Southwest and Northwest service regions, and Contract No. PS6056400B to International Institute of Los Angeles for LIFE program administration services for the Southeast service region.



**ATTACHMENTS**


Attachment A - Low Income Fare is Easy (LIFE) Program Description

Attachment B - Procurement Summary

Attachment C - DEOD Summary

Prepared by: Armineh Saint, Sr. Mgr., Transportation Planning (213) 922-2369  
Drew Phillips, Dir. Budget, (213) 922-2109

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

**Low Income Fare is Easy (LIFE) Program Description**

The Low Income Fare is Easy (LIFE) program launched on July 1, 2019 to assist patrons with limited resources to utilize the transit system. The new program eliminated the use of paper coupons and tokens providing the patrons with the capability to load the subsidies on their TAP cards. Also, as part of the program, LIFE offers Limited Ride option for individuals who are experiencing homelessness, are victims of domestic violence, have just been discharged from the hospital or released from incarcerations.

The non-profit or governmental agencies that assist these individuals receive, depending on their service scope, are eligible to receive 4-ride tickets (the rides are preloaded) or taxi coupon or voucher to assist these individuals with their short term or immediate trip needs.

LIFE qualification is based on Housing and Urban Development guidelines for Los Angeles County areas and is updated annually;

Household Size	Annual Income
1	\$36,550 or less
2	\$41,800 or less
3	\$47,000 or less
4	\$52,200 or less
5	\$56,400 or less
6	\$60,600 or less

LIFE offers fare subsidies that may be applied towards the purchase of LACMTA or any LIFE participating operator pass or free regional ride options.

Rider Category	Subsidy Amount
<b>Regular Rider</b>	\$24
<b>College/Vocational</b>	\$13
<b>Student K-12</b>	\$10
<b>Senior/Disabled</b>	\$8
<b>20 Regional Rides**</b> good for <u>any</u> participating transit system	Free for LIFE patrons.

## **ATTACHMENT A**

LIFE subsidies can be applied to purchase weekly, monthly or EZ transit passes from Metro or participating transit systems. The subsidies can be loaded at any of the Metro or participating operator vendor locations, TAPTOGO.net or by calling 866-TAPTOGO.

## PROCUREMENT SUMMARY

LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SERVICES /  
PS6056400A, PS6056400B

1.	<b>Contract Number:</b> A: PS6056400A B: PS6056400B	
2.	<b>Recommended Vendors:</b> A: FAME Assistance Corporations (Southwest Region and Northwest Region) B: International Institute of Los Angeles (Southeast Region)	
3.	<b>Type of Procurement (check one):</b> <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.	<b>Procurement Dates:</b>	
	A. Issued: May 2, 2019	
	B. Advertised/Publicized: April 22, 2019	
	C. Pre-Proposal Conference: May 22, 2019	
	D. Proposals Due: June 6, 2019	
	E. Pre-Qualification Completed: August 15, 2019	
	F. Conflict of Interest Form Submitted to Ethics: July 23, 2019	
	G. Protest Period End Date: September 24, 2019	
5.	<b>Solicitations Picked up/Downloaded:</b> 20	<b>Bids/Proposals Received:</b> 6
6.	<b>Contract Administrator:</b> Ernesto N. De Guzman	<b>Telephone Number:</b> (213) 922-7267
7.	<b>Project Manager:</b> Armineh Saint	<b>Telephone Number:</b> (213) 922-2369

**A. Procurement Background**

This Board Action is to approve Contract No. PS6056400A to FAME Assistance Corporations (FAME) issued in support of LIFE Program Administrator Services for the Southwest and Northwest Regions; and Contract No. PS6056400B to International Institute of Los Angeles (IILA) issued in support of LIFE Program Administrator Services for the Southeast Region. These contracts consist of a base period of 30 months, with two, 12-month options, effective January 1, 2020. The contractors will provide program administration and management services for Metro's Low Income Fare is Easy (LIFE) program within their assigned areas under the supervision of Metro staff. The program administrator services will include oversight and coordination of outreach efforts and delivery of transportation assistance to low income and transit dependent residents within Los Angeles County. Board approval of contract awards are subject to the resolution of any properly submitted protest(s).

On May 2, 2019 Request for Proposal (RFP) No. PS60564 was issued in accordance with Metro's Acquisition Policy and the contract type is indefinite delivery, indefinite quantity.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on May 13, 2019, revised the schedule for the pre-proposal conference and extended the due date for proposals.

- Amendment No. 2, issued on May 23, 2019, extended the deadline for the submittal of questions.

A pre-proposal conference was held on May 22, 2019 and was attended by nine participants representing six firms. Three questions were received during the questions and answers phase and responses were provided prior to the proposal due date. A total of 20 firms downloaded the RFP and were included in the plan holders' list. The service area was divided into three regions and proposers were allowed to propose on up to two regions, as stated in the RFP Statement of Work.

On June 6, 2019, Metro received proposals from the firms listed below in alphabetical order:

1. FAME Assistance Corporations for the Southwest Region
2. FAME Assistance Corporations for the Northwest Region
3. FAME Assistance Corporations for Southwest and Northwest Regions
4. International Institute of Los Angeles for the Southeast Region.
5. Orion Enterprises for the Southwest Region.
6. Sirius Technology LCC for the Southwest Region

## **B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from Metro's Local Programming Department was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria and weights:

- |   |     |
|---|-----|
| • Qualifications of Firm  | 35% |
| • Demonstrated Understanding of the Requirements of the Statement of Work | 40% |
| • Cost Proposal   | 25% |

Several factors were considered when developing these weights, giving the greatest importance to Demonstrated Understanding of the Requirements of the Statement of Work.

The PET conducted its independent evaluation of the proposals received from June 11, 2019 through June 26, 2019. Of the proposals received, four were deemed technically qualified, and two were excluded from further competition as the technical experience offered in those proposals were in fields unrelated to the requirements of the solicitation. Furthermore, these excluded proposals did not demonstrate how the proposers planned to obtain the technical capacity that will be necessary to deliver the required services.

### **Qualifications Summary of Firms within the Competitive Range**

#### **FAME Assistance Corporations (FAME)**

FAME is a Los Angeles-based not-for-profit community partner and leader in addressing social and economic inequalities affecting low-income, underserved communities in Los Angeles and has had many years of partnership with local government agencies in the administration of their benefit programs and is experienced in helping Metro administer its LIFE program.

**International Institute of Los Angeles (IILA)**

The IILA is a not-for-profit agency in Los Angeles that focuses on helping families become self-sufficient, and to promote cross-cultural understanding. The institute employs dedicated, multicultural staff that provide child care, transportation, immigration legal services, nutrition services and refugee services from over 25 centers and offices throughout Southern California. It was founded in 1914 to help newly arrived immigrants integrate into their new lives in Los Angeles. Throughout the years, IILA has helped hundreds of thousands of immigrants and other low-income residents overcome the barriers they face in becoming contributing members of society.

On June 26, 2019 the PET concluded their evaluations and recommends the contract award for the Southeast Region to International Institute of Los Angeles (IILA). The PET also recommends combined contract awards to FAME Corporations for the Northwest and Southwest Regions. This combined award will yield a cost savings of \$111,896 to Metro.

The following is a summary of the PET’s evaluation scores:

<b>Southwest Region</b>					
1	Name of Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>FAME Assistance Corporations</b>				
3	Qualifications of Firm	98.88	35%	34.61	
4	Demonstrated Understanding of the Statement of Work	89.00	40%	35.60	
5	Cost Proposal	75.00	25%	18.75	
6	<b>Total</b>			<b>88.96</b>	<b>1</b>
<b>Northwest Region</b>					
1	Name of Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>FAME Assistance Corporations</b>				
3	Qualifications of Firm	98.04	35%	34.31	
4	Demonstrated Understanding of the Statement of Work	85.00	40%	34.00	
5	Cost Proposal	75.00	25%	18.75	
6	<b>Total</b>			<b>87.06</b>	<b>1</b>
<b>Southwest and Northwest Regions (Combined)</b>					
1	Name of Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>FAME Assistance Corporations</b>				

3	Qualifications of Firm	98.46	35%	34.46	
4	Demonstrated Understanding of the Statement of Work	87.00	40%	34.80	
5	Cost Proposal	75.00	25%	18.75	
6	<b>Total</b>			<b>88.01</b>	1

<b>Southeast Region</b>					
1	Name of Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>International Institute of Los Angeles</b>				
3	Qualifications of Firm	96.26	35%	33.69	
4	Demonstrated Understanding of the Statement of Work	75.00	40%	30.00	
5	Cost Proposal	75.00	25%	18.75	
6	<b>Total</b>			<b>82.44</b>	1

### **C. Cost/Price Analysis**

The recommended price of \$2,991,965 for FAME Assistance Corporations for the Northwest and Southwest Regions, and \$1,605,248 for International Institute of Los Angeles for the Southeast Region total \$4,597,213 and have been determined to be fair and reasonable based upon price analysis, technical analysis, and historical cost. Furthermore, the aggregate of the recommended prices is lower than Metro's independent cost estimate (ICE) by \$802,787.

	Proposer Name	Proposed Amount	Metro ICE	Negotiated or NTE Amount
1	FAME Assistance Corporations (Southwest and Northwest Regions)	\$3,103,861		\$2,991,965
2	International Institute of Los Angeles (Southeast Region)	\$1,605,248		\$1,605,248
3	Total	\$4,709,109	\$5,400,000	\$4,597,213

### **D. Background on Recommended Contractors**

FAME Assistance Corporations is a Los Angeles-based 501(c) (3) non-profit established in 1992. It has been a driving force in addressing social and economic justice for low-income underserved communities in Los Angeles. FAME has 22 full-time staff and operates 6 contracts totaling over \$10 million in funding from government agencies and foundations to promote health, social, and economic development. FAME has had a long-standing partnership with Metro, having worked as a collaborator, and as one of the two lead administrators of the previous INTP program.

The International Institute of Los Angeles (IILA) was founded in 1914 and has been a successful partner with Metro in administering the INTP program since 1993. IILA's work has been focused on serving the under-served and vulnerable families in the County of Los Angeles. As one of the two current administrators of the INTP, IILA is fully staffed and prepared to move seamlessly in the provision of LIFE Program services with no interruption.



**DEOD SUMMARY**

**LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SERVICES /  
PS6056400A, PS6056400B**

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE) goal for this solicitation due to the lack of subcontracting opportunities available for small businesses as the community-based organizations will perform the services with their own workforces.

**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. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.



## Board Report

File #: 2019-0620, File Type: Program

Agenda Number: 20.

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**FINANCE, BUDGET, AND AUDIT COMMITTEE  
SEPTEMBER 18, 2019**
**SUBJECT: METROLINK ADDITIONAL FY 2020 FUNDING****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

CONSIDER:

- A. REPROGRAMMING \$2,088,793 of forecasted FY 2018-19 (FY19) surplus to fund the Southern California Regional Rail Authority's (SCRRA operated as "Metrolink") FY 2020 CEO Workplan; and
- B. AMENDING and APPROVING Metro's revised share of the FY 2019-20 (FY20) Metrolink Budget for a new total programming amount of \$119,976,796.

**ISSUE**

Metrolink is requesting approval of \$3.75 million of their forecasted FY 19 year end surplus be reprogrammed and carried forward into the Metrolink FY 20 Operating Budget. Metro's share of the \$3.75 million is \$2,088,793 which would increase Metro's FY 20 Metrolink funding share to a new total programming amount of \$119,976,796. The Metro Board approved Metro's funding share of the Metrolink FY 20 budget in the amount of \$117,888,003 at the Board of Directors meeting on May 23, 2019. As a member of the Metrolink Joint Powers Authority, Metro is required to approve Metro's funding share of the Metrolink budget on an annual basis. Staff's recommended Board action will increase Metro's funding share of the Metrolink FY 20 budget by \$2,088,793 from \$117,888,003 to \$119,976,796.

**DISCUSSION**

Metrolink staff analyzed their FY 19 budget actual revenue and expenditures in comparison to their adopted budget and identified an FY 19 forecasted budget surplus of \$7.5 million as of May 31, 2019. The FY 19 forecasted budget surplus is a result of lower than budgeted operational expenditures amounting to a cost savings of \$10.1 million. However, Metrolink is forecasting a revenue shortfall of \$2.5 million which is being deducted from the \$10.1 million for a net forecasted surplus of \$7.5 million.

Metrolink is requesting to use 50% of the FY 19 forecasted surplus, totaling \$3,734,202 to focus on

improved fiscal sustainability, strengthened partnerships with member agencies and modernization of business practices by supporting the Metrolink CEO Initiatives of updating the strategic business plan, exploratory rebranding studies and promoting an operational excellence program (refer to Attachment A-Metrolink’s Update on Forecasted Comparative Operating Statement dated June 25, 2019).

Metrolink’s preliminary allocation of the forecasted surplus by Member Agency is presented below in Table 1.

**TABLE 1: FORECASTED SURPLUS BY MEMBER AGENCY (as of 5/31/19)**

<b>Member Agency</b>	<b>Metro</b>	<b>OCTA</b>	<b>RCTC</b>	<b>SBCTA</b>	<b>VCTC</b>	<b>TOTAL</b>
<b>Forecasted Surplus</b>	\$4,177,585	\$1,649,452	\$722,940	\$652,775	\$265,653	<b>\$7,468,404</b>
<b>Metrolink’s 50% surplus request</b>	\$2,088,793	\$824,726	\$361,470	\$326,388	\$132,826	<b>\$3,734,202</b>

Generally, Metrolink identifies member agency surplus through their year-end budget closing process and completion of their annual audit and Comprehensive Annual Financial Report (CAFR) in December 2019. Upon completion of Metrolink’s annual audit and CAFR, Metrolink notifies the member agencies that there are surplus funds available to reprogram or refund to the member agencies. Metro routinely reprograms the surplus funds to future fiscal year operating costs to reduce Metro’s operating contribution.

Metro’s share of the FY 19 forecasted surplus is \$4,177,585 of which \$2,088,793 will be reprogrammed and budgeted to be used for the CEO Initiatives. Metrolink will provide monthly reporting of the CEO Initiatives to the Member Agency Advisory Committee.

**DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on the safety of Metro’s patrons or employees.

**FINANCIAL IMPACT**

Reprogramming Metro’s share of the FY 19 forecasted surplus totaling \$2,088,793 to fund the CEO Workplan would not require any additional funding from Metro since Metrolink already has the funds in their possession. If the actual surplus is less than \$7.5 million after Metrolink completes their year-end close, there should be enough surplus funding available to absorb the difference.

**IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Staff’s recommendation supports strategic plan goal #1.2 to improve L.A. County’s overall transit

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network and assets. Metro staff will work with the Southern California Regional Rail Authority to provide more frequent and reliable Metrolink services, improve customer satisfaction, and support better transit connections throughout the region.

### **ALTERNATIVES CONSIDERED**

As a member of the SCRRA JPA, Metro is required to approve its share of the SCRRA budget. However, the Metro Board could elect to decline approving this additional funding. Metro staff does not recommend declining an approval of staff's recommendation as it is important to support the Metrolink CEO's Initiatives of customer focused operation, doubling ridership in 5 years and reducing member agency subsidy.

### **NEXT STEPS**

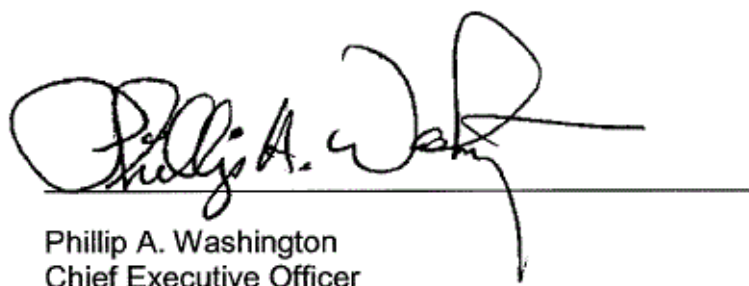
Staff will continue to work collaboratively with Metrolink and monitor implementation of SCRRA's budget and programs. Metro staff will report back to the Metro Board with any issues requiring Board action.

### **ATTACHMENTS**

Attachment A - Metrolink's Update on Forecasted Comparative Operating Statement dated June 25, 2019

Prepared by: Yvette Reeves, Manager, Transportation Planning (213) 418-3176  
Jeanet Owens, Sr. Executive Officer, Regional Rail (213) 418-3189

Reviewed by: Richard Clarke, Chief Program Management Officer (213) 922-7557



Phillip A. Washington  
Chief Executive Officer



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**TRANSMITTAL DATE: June 25, 2019**

**MEETING DATE: June 28, 2019** **ITEM 19**

**TO: Board of Directors**

**FROM: Stephanie Wiggins, Chief Executive Officer**

**SUBJECT: Update on Forecasted Comparative Operating Statement for Fiscal Year Ending June 30, 2019**

### **Issue**

Staff provided a Forecast for the Full Fiscal Year Ending June 30, 2019 when presenting the Comparative Operating Statement Actual vs. Adopted Budget through the Third Quarter of Fiscal Year 2019 on May 10, 2019. Staff committed to monitoring the activities for April and May and providing an update on the Forecast to the Board in a June Meeting.

### **Recommendation**

It is recommended that the Board:

- 1) Receive and File the Update on the Forecasted Comparative Operating Statement;
- 2) Approve 50% or \$3.75 Million of the Forecasted FY19 Year- End Surplus be Reprogrammed and Carried Forward into the FY20 Operating Budget; and
- 3) Amend the FY20 Operating Budget by \$3.75 Million.

### **Strategic Goal Alignment**

This report aligns with the strategic goals to *maintain fiscal sustainability, improve organizational efficiency, improve communication to customers & stakeholders, and retain & grow ridership.*

### **Background**

The Board adopted the FY19 Budget on July 13, 2018. The total FY19 Operating Budget of \$251.4 million (M) consists of \$193.4M for Train Operations, \$41.3M for Maintenance of Way (MOW) and \$16.6M for Insurance.

Staff analyzes actual revenue and expenditures in comparison to the Adopted budget on a quarterly basis. The previous forecast as of March 31, 2019 is summarized in Attachment A. Attachment B provides detail of actual operating results through May 31, 2019 with a forecast of June revenue and expenditures to complete the current fiscal

year. All information presented is preliminary and unaudited and includes estimates where actual amounts are unavailable.

**Discussion**

**FY19 Actual Revenue and Expenses through May 31, 2019**

- Revenues were \$89.9M.
- Expenses were \$218.7M.
- Budgeted subsidy is \$150.5M.

**FY19 Forecast to Year End as of May 31, 2019**

- Revenues forecasted to be \$98.2M and under budget by \$2.6M or 2.6%.
- Expenses forecasted to be \$241.3M and under budget by \$10.1M or 4.0%.
- Budgeted subsidy is \$150.5M, providing a forecasted surplus of \$7.5M.

The major revisions to the forecast previously provided include:

1. Less than forecasted Transfers to Other Operators: The Authority have spent \$1.0 million less than forecasted due to the continued decrease of passengers transferring from Metrolink to multiple bus operators.
2. Less than forecasted for Operations – Non-Labor: The Authority have spent \$1.4 million less than forecasted due to less charges from IT and Professional services.
3. Less than forecasted Indirect Administrative Expenses: The Authority have spent \$1.1 million less than forecasted in Indirect Administration due to lower than projected PTC costs.
4. Legal: It was forecasted that the Authority would spend \$1.2m less than budgeted. After accounting for claims accrual activity, staff is now forecasted to spend \$2.3 million less than budgeted after properly accounting for claims accrual.

This \$5.8 million in additional expenditure savings when combined with the \$4.3 million identified in March provide for the forecasted FY19 Expenditure underrun of \$10.1 million. As revenue is yet forecasted to experience a \$2.5m shortfall as identified in March, the forecasted Operating Surplus would be \$7.5 million at the end of the current fiscal year.

The preliminary allocation of the Revised Forecasted Operating Surplus by Member Agency is presented below:

MEMBER AGENCY	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
FORECASTED SURPLUS	4,177,585	1,649,452	722,940	652,775	265,653	7,468,404

**Use of FY19 Forecasted Surplus**

As a mechanism to continue with the Chief Executive Officer (CEO) Workplan from the 90 Day Plan Findings to focus on Improved Fiscal Sustainability, Strengthened Partnerships with the Member Agencies, and Modernizing Business Practices, staff recommends carrying forward 50% of the Forecasted Surplus for use in FY20.

The request for 50% carryforward of surplus is shown below by Member Agency:

MEMBER AGENCY	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
<b>FORECASTED SURPLUS</b>	<b>4,177,585</b>	<b>1,649,452</b>	<b>722,940</b>	<b>652,775</b>	<b>265,653</b>	<b>7,468,404</b>
<b>50% CARRYFORWARD</b>	<b>2,088,793</b>	<b>824,726</b>	<b>361,470</b>	<b>326,388</b>	<b>132,826</b>	<b>3,734,202</b>

As these funds have previously been approved to support commuter rail operations, the funds would be reprogrammed to support the following CEO Initiatives:

1. *Strategic Business Plan (SBP)*

The current Authority Strategic Plan was approved in 2015. Over the last four years, significant changes have taken place (i.e. Southern California Optimized Rail Expansion [SCORE]) and the Strategic Plan needs to be updated. The SBP will serve as the update to the 2015 Strategic Plan. This will allow for a strengthened partnership with the Member Agencies by providing a shared vision regarding service levels, growth, and financial sustainability.

The SBP will fully address both the need to maintain the current infrastructure (State of Good Repair backlog) and build out towards SCORE levels of service. The SBP will address a long-range view of the fleet management plan and rolling stock needs, including emissions technology. In addition, the cost elements and drivers resulting from the Bundled Operations & Maintenance Contract will be incorporated in the SBP.

2. *Rebranding Exploration*

There is brand confusion that serves as a barrier to attracting riders. The Authority will work collaboratively with a branding expert to explore the possibilities of a rebrand for the Authority and develop a comprehensive recommendation.

3. *Operational Effectiveness*

As part of the effort to improve fiscal sustainability, the Operational Excellence Program (OpEx) was established by the CEO in May to encourage employees to identify ideas to generate new revenue, reduce expenditures, and identify process improvements.

As these new ideas are advanced, these surplus funds are needed to support the implementation.

Use of the FY19 Forecasted Surplus would be administered by the Office of the CEO and reported on a monthly basis to the Member Agency Advisory Committee (MAAC). The remaining 50% of the FY19 Forecasted Surplus would be accounted for at year-end as Unearned Revenue. In most recent years, at the direction of the Member Agencies, this amount has been used to offset funding Operating Subsidy in the following year's budget. The Joint Powers Agreement does not address use of Operating Surplus. Finance Policy 1.2, Section 1.8.1 states that budget authorization for unexpended operating budget "Operating Surplus" expires at June 30<sup>th</sup> of each year. Approval of this request would be an exception to that policy.

The requested use of FY19 Forecasted Surplus was discussed with both the MAAC and Member Agency CEO's during their June meeting. As of this transmittal date, all of the Member Agency CEOs have expressed their support of this request to carry forward 50% of the Forecasted Surplus for use in FY20. The balance of the surplus will be programmed by the Member Agencies.

### **Budget Impact**

Allowing the carryforward of the requested portion of the FY19 Forecasted Operating surplus would amend the FY20 Budget by the corresponding amounts, or approximately \$3.75M. Precise allocations by individual Member Agency would be reconciled as part of the fiscal year end close.

Prepared by: Christine Wilson, Senior Manager, Finance



Ronnie Campbell  
Chief Financial Officer

Attachment A: March 31, 2019 Forecast for 12 Months Ending June 30, 2019  
Attachment B: May 31, 2019 Revised Forecast for 12 Months Ending June 30, 2019



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
 FORECAST OPERATING STATEMENT  
 FOR THE 12 MOS. ENDING JUNE 30, 2019

Attachment A

(Unaudited)

FULL FISCAL YEAR 2019 FORECAST							
	2019 4TH QTR PROJECTIONS	2019 ADOPTED BUDGET	2018 ACTUAL	VARIANCE from Adopted Budget Over/(Under)		VARIANCE from Prior Year Over/(Under)	
				Amount	%	Amount	%
<b>Operating Revenues</b>							
Farebox Revenue	79,402,514	82,903,871	82,541,709	(3,501,357)	(4.2%)	(3,139,195)	(3.8%)
Fare Reduction Subsidy	3,276,135	2,731,794	156,923	<b>544,341</b>	19.9%	3,119,212	1987.7%
<b>Subtotal-Pro Forma FareBox</b>	<b>82,678,650</b>	<b>85,635,665</b>	<b>82,698,632</b>	<b>(2,957,015)</b>	<b>(3.5%)</b>	<b>(19,982)</b>	<b>(0.0%)</b>
Dispatching	2,052,631	2,120,270	2,132,855	(67,639)	(3.2%)	(80,224)	(3.8%)
Other Revenues	57,274	489,500	463,278	(432,226)	-88.3%	(406,004)	(87.6%)
MOW Revenues	12,863,203	12,560,897	12,788,918	302,306	2.4%	74,285	0.6%
<b>Total Operating Revenue</b>	<b>97,651,758</b>	<b>100,806,332</b>	<b>98,083,683</b>	<b>(3,154,574)</b>	<b>(3.1%)</b>	<b>(431,925)</b>	<b>(0.4%)</b>
<b>Operating Expenses</b>							
<u><b>Operations &amp; Services</b></u>							
Train Operations	44,980,929	46,871,756	42,115,799	(1,890,827)	(4.0%)	2,865,130	6.8%
Equipment Maintenance	36,012,090	38,133,426	34,242,475	(2,121,336)	(5.6%)	1,769,615	5.2%
Fuel	22,075,119	18,744,335	17,576,876	3,330,784	17.8%	4,498,243	25.6%
Non-Sched Rolling Stock Repairs	151,110	260,000	55,909	(108,890)	(41.9%)	95,201	170.3%
Operating Facilities Maintenance	1,733,437	1,684,292	1,492,674	49,145	2.9%	240,763	16.1%
Other Operating Train Services	1,129,598	482,276	721,831	647,322	134.2%	407,767	56.5%
Rolling Stock Lease	229,950	335,500	10,950	(105,550)	(31.5%)	219,000	2000.0%
Security - Sheriff	6,367,247	5,889,371	5,662,304	477,876	8.1%	704,943	12.4%
Security - Guards	2,616,783	2,450,000	1,931,493	166,783	6.8%	685,290	35.5%
Supplemental Additional Security	153,338	690,000	226,844	(536,662)	(77.8%)	(73,506)	(32.4%)
Public Safety Program	316,300	389,000	192,711	(72,700)	(18.7%)	123,589	64.1%
Passenger Relations	1,801,113	1,731,999	1,723,215	69,114	4.0%	77,898	4.5%
TVM Maint/Revenue Collection	7,894,294	9,055,316	8,188,246	(1,161,022)	(12.8%)	(293,952)	(3.6%)
Marketing	4,867,378	5,379,600	1,306,880	(512,222)	(9.5%)	3,560,498	272.4%
Media & External Communications	282,461	458,002	319,775	(175,541)	(38.3%)	(37,314)	(11.7%)
Utilities / Leases	2,782,523	3,472,560	2,804,426	(690,037)	(19.9%)	(21,903)	(0.8%)
Transfers to Other Operators	5,998,923	6,495,964	3,817,973	(497,041)	(7.7%)	2,180,950	57.1%
Amtrak Transfers	1,438,914	2,400,000	1,678,089	(961,086)	(40.0%)	(239,175)	(14.3%)
Station Maintenance	1,496,559	1,805,500	1,575,405	(308,941)	(17.1%)	(78,846)	(5.0%)
Rail Agreements	5,734,374	5,399,736	4,938,063	334,638	6.2%	796,311	16.1%
<b>Subtotal Operations &amp; Services</b>	<b>148,062,441</b>	<b>152,128,633</b>	<b>130,581,938</b>	<b>(4,066,192)</b>	<b>(2.7%)</b>	<b>17,480,503</b>	<b>13.4%</b>
<u><b>Maintenance-of-Way</b></u>							
MoW - Line Segments	41,380,911	40,710,762	42,410,528	670,149	1.6%	(1,029,617)	(2.4%)
MoW - Extraordinary Maintenance	776,126	590,604	594,027	185,522	31.4%	182,099	30.7%
<b>Subtotal Maintenance-of-Way</b>	<b>42,157,037</b>	<b>41,301,366</b>	<b>43,004,555</b>	<b>855,671</b>	<b>2.1%</b>	<b>(847,518)</b>	<b>(2.0%)</b>
<u><b>Administration &amp; Services</b></u>							
Ops Salaries & Fringe Benefits	13,763,246	13,781,917	12,507,199	(18,671)	(0.1%)	1,256,047	10.0%
Ops Non-Labor Expenses	7,866,546	7,635,164	5,890,332	231,382	3.0%	1,976,214	33.6%
Indirect Administrative Expenses	17,197,364	17,096,430	19,333,036	100,934	0.6%	(2,135,672)	(11.0%)
Ops Professional Services	2,605,829	2,579,038	2,686,676	26,791	1.0%	(80,847)	(3.0%)
<b>Subtotal Admin &amp; Services</b>	<b>41,432,986</b>	<b>41,092,549</b>	<b>40,417,243</b>	<b>340,437</b>	<b>0.8%</b>	<b>1,015,743</b>	<b>2.5%</b>
Contingency (Non-Train Ops)	-	204,000	15,000	(204,000)	(100.0%)	(15,000)	(100.0%)
<b>Total Operating Expenses</b>	<b>231,652,463</b>	<b>234,726,548</b>	<b>214,018,736</b>	<b>(3,074,085)</b>	<b>(1.3%)</b>	<b>17,633,727</b>	<b>8.2%</b>
<b>Insurance Expense/(Revenue)</b>							
Liability/Property/Auto/Misc	9,401,717	11,418,392	9,747,595	(2,016,675)	(17.7%)	(345,878)	(3.5%)
Net Claims / SI	4,725,208	4,000,000	8,550,608	725,208	18.1%	(3,825,400)	(44.7%)
Claims Administration	1,281,049	1,211,088	584,868	69,961	5.8%	696,181	119.0%
<b>Net Insurance Expense</b>	<b>15,407,974</b>	<b>16,629,480</b>	<b>18,883,071</b>	<b>(1,221,506)</b>	<b>(7.3%)</b>	<b>(3,475,097)</b>	<b>(18.4%)</b>
<b>Total Expenses</b>	<b>247,060,437</b>	<b>251,356,028</b>	<b>232,901,807</b>	<b>(4,295,591)</b>	<b>(1.7%)</b>	<b>14,158,630</b>	<b>6.1%</b>
<b>Net Loss</b>	<b>(149,408,679)</b>	<b>(150,549,696)</b>	<b>(134,818,124)</b>	<b>1,141,017</b>	<b>(0.8%)</b>	<b>(14,590,555)</b>	<b>10.8%</b>
<b>Member Subsidies*</b>							
Operations	133,920,216	133,920,216	124,736,037	-	0.0%	9,184,179	7.4%
Insurance	16,629,480	16,629,480	17,662,779	-	0.0%	(1,033,299)	(5.9%)
<b>Total Member Subsidies</b>	<b>150,549,696</b>	<b>150,549,696</b>	<b>142,398,816</b>	<b>-</b>	<b>0.0%</b>	<b>8,150,880</b>	<b>5.7%</b>
<b>Net Loss</b>	<b>(149,408,679)</b>	<b>(150,549,696)</b>	<b>(134,818,124)</b>	<b>1,141,017</b>	<b>-0.8%</b>	<b>(14,590,555)</b>	<b>10.8%</b>
<b>All Member Subsidies</b>	<b>150,549,696</b>	<b>150,549,696</b>	<b>142,398,816</b>	<b>-</b>	<b>0.0%</b>	<b>8,150,880</b>	<b>5.7%</b>
<b>Surplus / (Deficit)</b>	<b>1,141,017</b>	<b>-</b>	<b>7,580,692</b>	<b>1,141,017</b>	<b>n/a</b>	<b>(6,439,675)</b>	<b>n/a</b>

\*\* Numbers may not foot due to rounding.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
REVISED FORECAST OPERATING STATEMENT  
FOR THE 12 MOS. ENDING JUNE 30, 2019**

	<u>ACTUAL THRU</u> <u>5/31/19</u>	<u>FORECAST FOR</u> <u>THE MONTH OF</u> <u>JUNE 2019</u>	<u>REVISED</u> <u>FORECAST FY</u> <u>ENDING JUNE 2019</u>	<u>ADOPTED BUDGET</u> <u>June 30, 2019</u>	<u>Revised Forecast vs Adopted</u> <u>Budget</u>	
					<u>\$ VARIANCE</u>	<u>% VARIANCE</u>
<b>Operating Revenues</b>						
Farebox Revenue	72,499,200	6,800,009	79,299,209	82,903,871	(3,604,662)	(4.3%)
Fare Reduction Subsidy	2,980,819	273,011	3,253,830	2,731,794	522,036	19.1%
<b>Subtotal-Pro Forma FareBox</b>	<b>75,480,019</b>	<b>7,073,020</b>	<b>82,553,039</b>	<b>85,635,665</b>	<b>(3,082,626)</b>	<b>(3.6%)</b>
Dispatching	1,916,612	171,092	2,087,704	2,120,270	(32,566)	(1.5%)
Other Revenues	583,566	0	583,566	489,500	94,066	19.2%
MOW Revenues	11,932,412	1,031,201	12,963,613	12,560,897	402,716	3.2%
<b>Total Operating Revenues</b>	<b>89,912,609</b>	<b>8,275,313</b>	<b>98,187,922</b>	<b>100,806,332</b>	<b>(2,618,410)</b>	<b>(2.6%)</b>
<b>Operating Expenses</b>						
<b>Operations &amp; Services</b>						
Train Operations	40,801,482	4,243,855	45,045,337	46,871,756	(1,826,419)	(3.9%)
Equipment Maintenance	33,172,482	3,139,552	36,312,034	38,133,426	(1,821,392)	(4.8%)
Fuel	21,037,066	1,738,965	22,776,031	18,744,335	4,031,696	21.5%
Non-Scheduled Rolling Stock Repairs	82,456	6,087	88,543	260,000	(171,457)	(65.9%)
Operating Facilities Maintenance	1,405,802	221,725	1,627,527	1,684,292	(56,765)	(3.4%)
Other Operating Train Services	1,076,768	67,379	1,144,147	482,276	661,871	137.2%
Rolling Stock Lease	229,950	19,110	249,060	335,500	(86,440)	(25.8%)
Security - Sheriff	5,807,947	540,911	6,348,858	5,889,371	459,487	7.8%
Security - Guards	2,150,878	284,898	2,435,776	2,450,000	(14,224)	(0.6%)
Supplemental Additional Security	44,545	36,917	81,462	690,000	(608,538)	(88.2%)
Public Safety Program	200,004	39,818	239,822	389,000	(149,178)	(38.3%)
Passenger Relations	1,620,312	162,561	1,782,873	1,731,999	50,874	2.9%
TVM Maintenance/Revenue Collection	7,163,108	835,967	7,999,075	9,055,316	(1,056,241)	(11.7%)
Marketing	4,064,575	870,802	4,935,377	5,379,600	(444,223)	(8.3%)
Media & External Communications	312,810	42,200	355,010	458,002	(102,992)	(22.5%)
Utilities / Leases	2,561,009	292,567	2,853,576	3,472,560	(618,984)	(17.8%)
Transfers to Other Operations	4,430,650	593,667	5,024,317	6,495,964	(1,471,647)	(22.7%)
Amtrak Transfers	1,359,734	126,000	1,485,734	2,400,000	(914,266)	(38.1%)
Station Maintenance	1,532,860	62,540	1,595,400	1,805,500	(210,100)	(11.6%)
Rail Agreements	5,252,653	431,603	5,684,256	5,399,736	284,520	5.3%
<b>Subtotal Operations &amp; Services</b>	<b>134,307,091</b>	<b>13,757,123</b>	<b>148,064,214</b>	<b>152,128,633</b>	<b>(4,064,419)</b>	<b>(2.7%)</b>
<b>Maintenance-of-Way</b>						
MoW - Line Segments	38,050,278	3,521,369	41,571,647	40,710,762	860,885	2.1%
MoW - Extraordinary Maintenance	766,560	40,503	807,063	590,604	216,459	36.7%
<b>Subtotal Maintenance-of-Way</b>	<b>38,816,838</b>	<b>3,561,872</b>	<b>42,378,710</b>	<b>41,301,366</b>	<b>1,077,344</b>	<b>2.6%</b>
<b>Administration &amp; Services</b>						
Ops Salaries & Fringe Benefits	12,244,248	1,197,792	13,442,040	13,781,917	(339,877)	(2.5%)
Ops Non-Labor Expenses	5,361,951	1,047,209	6,409,160	7,635,164	(1,226,004)	(16.1%)
Indirect Administrative Expenses	13,944,949	1,738,363	15,683,312	17,096,430	(1,413,118)	(8.3%)
Ops Professional Services	2,095,841	520,066	2,615,907	2,579,038	36,869	1.4%
<b>Subtotal Administration &amp; Services</b>	<b>33,646,989</b>	<b>4,503,430</b>	<b>38,150,419</b>	<b>41,092,549</b>	<b>(2,942,130)</b>	<b>(7.2%)</b>
<b>Contingency (Non-Train Ops)</b>	<b>0</b>			<b>204,000</b>	<b>(204,000)</b>	<b>(100.0%)</b>
<b>Total Operating Expenses</b>	<b>206,770,918</b>	<b>21,822,424</b>	<b>228,593,342</b>	<b>234,726,548</b>	<b>(6,133,206)</b>	<b>(2.6%)</b>
<b>Insurance Expense/(Revenue)</b>						
Liability/Property/Auto/Misc	8,642,515	777,258	9,419,773	11,418,392	(1,998,619)	(17.5%)
Claims / SI	2,791,172	-414,984	2,376,188	4,000,000	(1,623,812)	(40.6%)
Claims Administration	534,768	345,142	879,910	1,211,088	(331,178)	(27.3%)
<b>Net Insurance Expense</b>	<b>11,968,455</b>	<b>707,416</b>	<b>12,675,871</b>	<b>16,629,480</b>	<b>(3,953,609)</b>	<b>(23.8%)</b>
<b>Total Expense</b>	<b>218,739,373</b>	<b>22,529,840</b>	<b>241,269,213</b>	<b>251,356,028</b>	<b>(10,086,815)</b>	<b>(4.0%)</b>
<b>Total Loss</b>	<b>(128,826,764)</b>	<b>(14,254,528)</b>	<b>(143,081,292)</b>	<b>(150,549,696)</b>	<b>7,468,404</b>	<b>(5.0%)</b>
<b>Member Subsidies*</b>						
Operations	122,126,639	11,793,577	133,920,216	133,920,216	-	0.0%
Insurance	15,493,694	1,135,786	16,629,480	16,629,480	-	0.0%
<b>Total Member Subsidies</b>	<b>137,620,333</b>	<b>12,929,363</b>	<b>150,549,696</b>	<b>150,549,696</b>	<b>-</b>	<b>0.0%</b>
<b>Surplus / (Deficit)</b>	<b>8,793,569</b>	<b>(1,325,165)</b>	<b>7,468,404</b>	<b>-</b>	<b>7,468,404</b>	<b>N/A</b>



# **Carryforward/Reprogramming of FY19 Forecasted Operating Surplus**

**September 18, 2019**

# Implementing CEO's Vision



## ***Strategic Business Plan (SBP)***

The current Authority Strategic Plan was approved in 2015. Over the last four years, significant changes have taken place (i.e. SCORE) and the Strategic Plan needs to be updated.

### **Purpose of Strategic Business Plan:**

- Update to the 2015 Strategic Plan
- Strengthen partnerships with Member Agencies by providing a shared vision on service levels, growth, and financial sustainability
- Address need to maintain current infrastructure (State of Good Repair backlog) and build out towards SCORE levels of service
- Address long-range view of fleet management plan and rolling stock needs, including emissions technology, and cost elements/drivers resulting from Bundled Operations & Maintenance Contract

## ***Rebranding Exploration***

There is brand confusion that serves as a barrier to attracting riders.

### **Purpose of Rebranding Exploration:**

- To work with a branding expert to explore the possibilities of a rebrand for the Authority
- To develop a comprehensive recommendation on a possible rebranding effort

## ***Operational Effectiveness***

The Operational Excellence Program (OpEx) was established by the CEO in May to improve fiscal sustainability.

### **Purpose of Operation Effectiveness (OpEx Program):**

- To encourage employees to identify ideas to generate new revenue, reduce expenditures, and identify process improvements
- To support the implementation of these innovative employee ideas

# Carryforward of FY19 Operating Surplus



## Allocation by Member Agency

MEMBER AGENCY	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
FORECASTED SURPLUS	4,177,585	1,649,452	722,940	652,775	265,653	7,468,404
50% CARRYFORWARD	2,088,793	824,726	361,470	326,388	132,826	3,734,202

Use of the FY19 Forecasted Surplus would be administered by the Office of the CEO and reported on a monthly basis to the Member Agency Advisory Committee.

## **METROLINK MISSION**

**TO PROVIDE SAFE, EFFICIENT, DEPENDABLE AND ON-TIME  
TRANSPORTATION SERVICE THAT OFFERS OUTSTANDING  
CUSTOMER EXPERIENCE AND ENHANCES QUALITY OF LIFE.**



**SAFETY | PEOPLE | GROWTH | QUALITY | EFFICIENCY**

**Board Report**

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**File #:** 2019-0639, **File Type:** Resolution**Agenda Number:** 21.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 18, 2019****SUBJECT: CALIFORNIA SB1 STATE OF GOOD REPAIR PROGRAM****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

APPROVE the Resolution in Attachment A to:

- A. AUTHORIZE the Chief Executive Officer (CEO) or his designee to claim \$30,066,491 in fiscal year (FY) 2019-20 State of Good Repair Program (SGR) grant funds as the Regional Entity for Los Angeles County for this program; and
- B. APPROVE the regional SGR Project List for FY19-20; and
- C. CERTIFY that Metro will comply with all conditions and requirements set forth in the SGR Certification and Assurances document and applicable statutes, regulations and guidelines.

**ISSUE**

The California Department of Transportation (Caltrans) issued final FY 2019-20 guidelines for the SGR Program in August, 2019. The Guidelines state that eligible transit operators shall provide a proposed list of projects to their Regional Entity, as defined by Public Utilities Code (PUC) Sections 99313 and 99314. For Los Angeles County, Metro is the Regional Entity. Metro is required to submit a combined project list to Caltrans by September 1, 2019. The submittal package must include an adopted Board resolution approving the Project List and certifying that Metro will comply with all conditions and requirements set forth in the certifications and assurances documents. Since the required documentation was not ready until August, Caltrans has accepted a draft resolution with the project list submittal pending receipt of a Board-adopted resolution. Therefore, staff is seeking Board approval of the resolution contained in Attachment A.

**DISCUSSION**

As defined in The Road Repair and Accountability Act of 2017, commonly known as Senate Bill 1 (SB1), the SGR Program provides approximately \$105 million annually to transit operators in California for eligible transit maintenance, rehabilitation and capital projects to help keep transit systems in a state of good repair. These new investments will lead to cleaner transit vehicle fleets,

increased reliability and safety, and reduced greenhouse gas emissions.

Pursuant to PUC Section 99312.1, the funds for the SGR Program are distributed to eligible agencies using the State Transit Assistance Program formula. This formula distributes half of the funds according to population and half according to transit operator revenues. Within Los Angeles County, the revenues will be distributed according to the Metro Board-adopted FAP.

### **DETERMINATION OF SAFETY IMPACT**

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

### **FINANCIAL IMPACT**

Adoption of the SGR resolution and would positively impact the region by making \$30.7 million available to support state of good repair efforts for Metro and the Municipal Operators.

#### **Impact to Budget**

Claiming SGR funds will have a positive impact to the FY20 budget, as Metro is one of the regional recipients of these funds.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendations support Metro Vision 2028 Strategic Goal 1.2: Optimize the speed, reliability and performance of the existing system by revitalizing and upgrading Metro's transit assets.

### **ALTERNATIVES CONSIDERED**

The Board may choose not to approve the resolution in Attachment A. Staff does not recommend this alternative because it would risk loss of the region's FY19-20 SGR fund allocation.

### **NEXT STEPS**

- September, 2019: Metro submits Board-adopted Resolution to Caltrans.

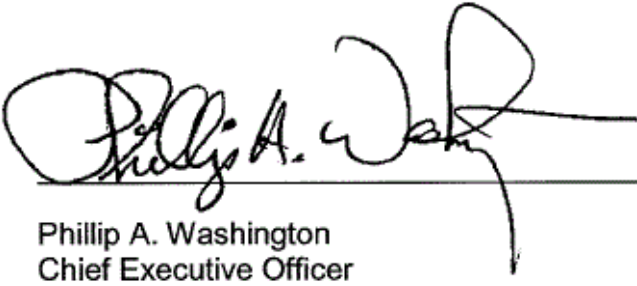
### **ATTACHMENTS**

Attachment A - Resolution to Accept and Distribute Los Angeles County SGR Funds  
Attachment B - Submitted Project Listing From Metro and Municipal Operators

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

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





Phillip A. Washington  
Chief Executive Officer

**ATTACHMENT A**  
**RESOLUTION TO ACCEPT AND DISTRIBUTE LOS ANGELES COUNTY SGR FUNDS**

**RESOLUTION # \_\_\_\_\_**

**APPROVING THE PROJECT LIST FOR FY 2019-20**  
**FOR THE CALIFORNIA STATE OF GOOD REPAIR PROGRAM**

**WHEREAS**, Senate Bill 1 (SB1), the Road Repair and Accountability Act 2017, establishing the State of Good Repair (SGR) program to fund eligible transit maintenance, rehabilitation and capital project activities that maintain the public transit system in a state of good repair; and

**WHEREAS**, the Los Angeles County Metropolitan Transportation Authority (Metro) is an eligible project sponsor and may receive and distribute State Transit Assistance – State of Good Repair funds to eligible project sponsors (local agencies) for eligible transit capital projects;

**WHEREAS**, Metro will be distributing SGR funds to eligible project sponsors (local agencies) under its regional jurisdiction; and

**WHEREAS**, Metro concurs with and approves the attached project list for the State of Good Repair Program funds:

**NOW, THEREFORE, BE IT RESOLVED**, that Metro hereby approves the SB1 State of Good Repair Project List for FY 2019-20; and

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of Metro that the fund recipient agrees to comply with all conditions and requirements set forth in the Certification and Assurances document and applicable statutes, regulations and guidelines for all SGR funded transit capital projects.

**NOW, THEREFORE, BE IT RESOLVED**, that the CEO is hereby authorized to submit a request for Scheduled Allocation of the SB1 State of Good Repair funds and to execute the related grant applications, forms and agreements.

AGENCY BOARD DESIGNEE:

BY: \_\_\_\_\_

**Attachment B**

**Submitted Project Listing From Metro and Municipal Operators**

SB1 State of Good Repair Program, Fiscal Year 2019-2020 Cycle

Agency	Project Title	Project Description	Estimated 99313 Costs	Estimated 99314 Costs	Other SB1 Costs	Total Project Costs
Antelope Valley Transit Authority	Purchase Expansion Bus	Funds toward the purchase of one replacement commuter bus	\$ -	\$ 294,416	\$ 581,085	\$ 875,501
City of Commerce	Preventive Maintenance	The SGR funds shall be used for preventive maintenance expenses.	\$ -	\$ 20,024	\$ -	\$ 20,024
City of Gardena	FY20 Preventative Maintenance	The preventative maintenance undertaken under this grant includes repairs and maintenance of SGR funded assets including its facility, equipment, and vehicles.	\$ -	\$ 249,483	\$ 3,417,552	\$ 3,667,035
City of Los Angeles	LADOT DASH Transit Bus Replacement	Los Angeles Department of Transportation (LADOT) DASH Transit 30' Battery-Electric Transit Bus	\$ -	\$ 620,000	\$ 205,000	\$ 825,000
City of Montebello	Rehabilitation of Transportation Center	The City's Transportation Center was constructed in the 1990s. The SGR funding would support projects such as replacement of HVAC system, concrete and asphalt repairs, painting, carpet replacement and other projects designed to extend the life of the facility.	\$ -	\$ 173,058	\$ 377,267	\$ 550,325
City of Norwalk	Purchase of one (1) Parallelogram Lift	The City of Norwalk Transit System will apply its FY19/20 SGR allocation to the purchase of a parallelogram lift. The parallelogram lift will allow for proper maintenance and inspection of fleet and vehicles, the project is within the scope of the use of SB1 SGR funds.	\$ -	\$ 145,114	\$ -	\$ 145,114
City of Redondo Beach	Transit Operations Facility Improvements	Transit Operations facility improvements that may include interior improvements to the general office space, bathroom, and storage space for use by Transit Operations. The project may also include exterior improvements to the facility.	\$ -	\$ 34,395	\$ -	\$ 34,395
City of Santa Monica	Bus Replacement	Purchase Zero-Emission Vehicles to replace CNG buses that have reached it's useful life of 12 years.	\$ -	\$ 921,770	\$ -	\$ 921,770
City of Torrance	Torrance Transit SB1 State of Good Repair Preventive Maintenance FY2020	Torrance Transit will utilize SB1 State of Good Repair Funds to supplement our annual preventive maintenance program for buses.	\$ -	\$ 291,257	\$ -	\$ 291,257
Culver City	Culver CityBus FY20 Preventive Maintenance	Preventive Maintenance on the Culver CityBus fleet of 56 CNG Transit Buses in fixed route revenue service during FY19-20.	\$ -	\$ 245,367	\$ -	\$ 245,367
Foothill Transit Zone	Bus Heavy & Preventive Maintenance	Activities, supplies, materials, labor, services, and associated costs required to preserve or extend the functionality and serviceability of buses.	\$ -	\$ 20,000,000	\$ -	\$ 20,000,000
Foothill Transit Zone	CNG to Electric Bus Replacement	Replace 20 CNG buses that have reached the end of useful life with 20 new all electric buses.	\$ -	\$ 4,000,000	\$16,000,000	\$ 20,000,000
Foothill Transit Zone	CNG to Electric Bus Replacement	Replace 25 CNG buses that have reached the end of useful life with 25 new CNG buses.	\$ -	\$ 3,740,000	\$14,960,000	\$ 18,700,000
Foothill Transit Zone	Farebox Rehabilitation	Replace obsolete parts with parts supported by the manufacturer. Replace existing smart card reader with improved security features, real-time communication ready, improved wireless communication with central servers.	\$ -	\$ 3,900,000	\$ -	\$ 3,900,000
Long Beach Public Transportation Company	Bus Replacement	Replace buses that have met their useful life. Request funding to support the purchase of up to (10) 40 ft. Battery-electric buses that are fully ADA compliant with a passenger count of up to 38 passengers.	\$ -	\$ 1,074,836	\$ -	\$ 1,074,836
Los Angeles County	El Camino Village Bus Shelters Replacement	Replace 5 advertising bus stop shelters located in the unincorporated El Camino Village area. Each bus stop shelter will consist of a bench, a trash receptacle and illumination from dusk to dawn.	\$ -	\$ 64,827	\$ -	\$ 64,827
Los Angeles County Metropolitan Transportation Authority	Metro Rail Vehicle and Wayside Preventive Maintenance	Preventive maintenance expenses of Metro Light and Heavy Rail rolling stock and wayside facilities.	\$ 13,205,917	\$ -	\$ -	\$ 168,036,000
Los Angeles County Metropolitan Transportation Authority	Metro Bus Preventive Maintenance	Preventive maintenance expenses at all Metro Bus Operating Divisions and the Central Maintenance Facility.	\$ -	\$ 12,666,297	\$ -	\$ 253,049,000
<b>Total</b>			<b>\$ 13,205,917</b>	<b>\$ 48,440,844</b>	<b>\$35,540,904</b>	<b>\$ 492,400,451</b>