



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

Agenda - Final

Thursday, September 18, 2025

10:00 AM

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Finance, Budget and Audit Committee

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Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

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

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

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

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

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

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

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

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

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

Live Public Comment Instructions:

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

The Meeting begins at 10:00 AM Pacific Time on September 18, 2025; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-978-8818 and enter
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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

Instrucciones para comentarios publicos en vivo:

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

La Reunion de la Junta comienza a las 10:00 AM, hora del Pacifico, el 18 de Septiembre de 2025. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

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

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.

Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."

Email: BoardClerk@metro.net

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Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 21, 22, 23 and 24.

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

CONSENT CALENDAR

- 21. SUBJECT: PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY
CLAIMS ADMINISTRATION SERVICES**

[2025-0411](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to Contract No. PS75821000, with Carl Warren & Company, LLC (CWC), to exercise the first, two-year option in the amount of \$6,666,674, increasing the total contract value from \$12,148,152 to \$18,814,826, and to extend the period of performance from November 1, 2025, to October 31, 2027.

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

- 22. SUBJECT: GROUP INSURANCE PLANS**

[2025-0677](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and American Federation of State, County and Municipal (AFSCME) employees, including long term disability coverage for Teamsters employees, and life insurance for all full-time Los Angeles County Metropolitan Transportation Authority (Metro) employees, for the one-year period beginning January 1, 2026.

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

23. **SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2024, TO SEPTEMBER 30, 2024** [2025-0584](#)

RECOMMENDATION

RECEIVE AND FILE the Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2024, to September 30, 2024.

Attachments: [Attachment A - Final Audit of Misc. Exp 07012024-09302024 Presentation](#)

24. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2025 FOURTH QUARTER AND CUMULATIVE YEAR-END REPORT** [2025-0648](#)

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2025 Fourth Quarter and cumulative FY 2025 year-end report.

Attachments: [Attachment A - FY 2025 4th Qtr. and Cumulative Yr-End Report Presentation](#)

NON-CONSENT

25. **SUBJECT: ADDRESSING THE FISCAL CLIFF - WORKPLAN FOCUS AREA: GENERAL FUND** [2025-0525](#)

RECOMMENDATION

RECEIVE AND FILE report on Workplan Focus Area: General Fund.

Attachments: [Attachment A – Fare Revenues: Bus Fares & Peer Agency Comparisons](#)
[Attachment B - Additional Data](#)
[Presentation](#)

26. **SUBJECT: ADDRESSING THE FISCAL CLIFF - WORKPLAN FOCUS AREA: REVENUE GENERATING OPPORTUNITIES** [2025-0592](#)

RECOMMENDATION

RECEIVE AND FILE report on Workplan Focus Area: Revenue Generating Opportunities

Attachments: [Attachment A - CA Business & Professional Code § 5405.6](#)
[Attachment B - LACMTA Fare Structure](#)
[Attachment C - Additional Data](#)
[Presentation](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2025-0753](#)

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

File #: 2025-0411, **File Type:** Contract

Agenda Number: 21.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 18, 2025

**SUBJECT: PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to Contract No. PS75821000, with Carl Warren & Company, LLC (CWC), to exercise the first, two-year option in the amount of \$6,666,674, increasing the total contract value from \$12,148,152 to \$18,814,826, and to extend the period of performance from November 1, 2025, to October 31, 2027.

ISSUE

Consistent with the practice of many other public agencies, such as the County of Los Angeles, and the Los Angeles Unified School District, Metro uses the services of a Third-Party Administrator (TPA) to investigate, evaluate, and resolve a majority of third-party claims filed against Metro. Third-party claims generally arise out of bus and rail operations.

The contract's four-year base period expires on October 31, 2025. To continue to process property liability and property damage claims timely and seamlessly, a contract modification is required to exercise the first, two-year option, extending the period of performance from November 1, 2025, to October 31, 2027.

BACKGROUND

In September 2021, the Board awarded a four-year base term and two, two-year option term firm fixed price Contract No. PS75821000 to CWC to provide public liability (PL) and property damage (PD) third-party claims administration services.

Metro's PL/PD Claims Program is administered through a blend of in-house and CWC (consisting of 26 individuals who provide claims adjusting support and subcontractor staff). In-house Risk Management staff handles the more severe injury claims, while CWC staff handles the more frequent, less severe claims. CWC's subcontractor performs all field investigations and responds to accident scenes upon notification from Metro dispatch. Under this contract, CWC handles all claims valued at \$100,000 or less, while Risk Management staff handles cases valued at more than

\$100,000.

DISCUSSION

Metro receives an average of 2,700 new PL/PD claims annually and had 3,630 open claims as of June 1, 2025. Processing claims with an inventory of this size requires the issuance of approximately 1,200-plus payments monthly to claimants, attorneys, experts, and others. The expertise and infrastructure of a professional TPA in resolving these claims and litigation are essential for structuring a competitive and cost-effective program.

Subrogation of losses against a responsible third party is also a part of the services provided by the TPA. Over the last ten years, Metro has received total gross recoveries of \$10.4 million from subrogation or cross-complaints, of which \$3 million has been recovered to date under the base contract.

DETERMINATION OF SAFETY IMPACT

This contract modification will positively impact the safety of Metro's patrons and employees. Claims administration services address injuries or damage incurred by patrons and the public. As part of these services, there is an investigation into the cause of damage. Cases are evaluated by CWC and Risk Management staff with a focus on remediation and mitigation measures. Claims trending is monitored by Risk Management and reviewed with Corporate Safety, Operations, System Security and Law Enforcement, and other Metro departments, depending on the nature of the case. In addition, claims history is shared and evaluated by excess carriers, who provide best practice guidance to enhance Metro's risk profile.

FINANCIAL IMPACT

The FY26 Budget includes \$3,977,314 for PL/PD third-party claims administration services in cost center 0531, Non-departmental-Ops Risk Management, under Project 100018, PRMA-PLPD.

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

Impact to Budget

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

EQUITY PLATFORM

This contract modification benefits the claimants from the various Equity Focus Communities where Metro provides services and ensures that existing and future claims will continue to be processed and managed without interruption or impact to individual claimants.

Additionally, non-English speaking, visually impaired, and deaf claimants will have the same access

to claim adjusters as other claimants since CWC utilizes various vendors that provide language translation and interpreting services. CWC's current DBE participation is 21.46% which exceeds its participation commitment of 20%.

VEHICLE MILES TRAVELED OUTCOME

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

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides third-party claims administration services for injuries or property damage caused by Metro operations. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the agency's overall function, it is consistent with the goals of reducing VMT.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal # 5, "Provide responsive, accountable, and trustworthy governance within the LA Metro organization." Responsible claims administration includes mitigating significant financial risks from third-party claims filed against Metro.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommendation and to self-administer Metro's third-party claims inventory. However, this alternative is not recommended as Metro does not have sufficient resources to perform the work. This would require hiring approximately 30 FTEs.

NEXT STEPS

Upon Board approval, staff will execute Modification No. 1 to Contract No. PS75821000 with CWC to exercise the first, two-year option to continue to provide third-party PL/PD third-party claims administration services and extend the period of performance through October 31, 2027.

ATTACHMENTS

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

Prepared by: Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4815
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer, (213) 922-4471

Reviewed by: Kenneth Hernandez, Interim Chief Risk, Corporate Safety, and Asset Management Officer, (213) 922-2990

Digitally approved by *Stephanie Wiggins*, Chief Executive Officer

**PROCUREMENT SUMMARY
PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES / PS75821000**

| | | | | |
|----|---|----------|---|--------------|
| 1. | Contract Number: PS75821000 | | | |
| 2. | Contractor: Carl Warren & Company, LLC | | | |
| 3. | Mod. Work Description: Exercise two-year option. | | | |
| 4. | Contract Work Description: Provide public liability and property damage third-party claim administration services. | | | |
| 5. | The following data is current as of: 8/5/25 | | | |
| 6. | Contract Completion Status | | Financial Status | |
| | | | | |
| | Contract Awarded: | 9/23/21 | Contract Award Amount: | \$12,148,152 |
| | Notice to Proceed (NTP): | N/A | Total of Modifications Approved: | \$0 |
| | Original Complete Date: | 10/31/25 | Pending Modifications (including this action): | \$6,666,674 |
| | Current Est. Complete Date: | 10/31/27 | Current Contract Value (with this action): | \$18,814,826 |
| | | | | |
| 7. | Contract Administrator: Annie Duong | | Telephone Number: (213) 418-3048 | |
| 8. | Project Manager: Claudia Castillo del Muro | | Telephone Number: (213) 922-4815 | |

A. Procurement Background

This Board Action is to approve Modification No. 1 to Contract No. PS75821000 to exercise the first, two-year option for property liability and property damage third-party claims administration services and extend the period of performance from November 1, 2025, to October 31, 2027.

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

In September 2021, the Board awarded a four-year base term and two, two-year option terms firm fixed price Contract No. PS75821000 to Carl Warren & Company, LLC (CWC) to provide public liability and property damage third-party claims administration services.

No modification has been issued to date.

Refer to Attachment B – Contract Modification/Change Order Log.

B. Price Analysis

The recommended price has been determined to be fair and reasonable based on pricing that was evaluated as part of the competitive award in September 2021. Pricing remains unchanged and is lower than current market rates for similar services. The Independent Cost Estimate (ICE) is based on the firm fixed price for the option years.

| Proposal Amount | Metro ICE | Recommended Amount |
|------------------------|------------------|---------------------------|
| \$6,666,674 | \$6,666,674 | \$6,666,674 |

ATTACHMENT B

CONTRACT MODIFICATION/CHANGE ORDER LOG
PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES / PS75821000

| Mod No. | Description | Status (approved or pending) | Date | Amount |
|----------------|--|---|----------------|---------------------|
| 1 | Exercise the first, two-year option term, extending the period of performance from 11/1/25 through 10/31/27. | Pending | Pending | \$6,666,674 |
| | Modification Total | | | \$6,666,674 |
| | Original Contract: | | 9/23/21 | \$12,148,152 |
| | Total: | | | \$18,814,826 |

DEOD SUMMARY

**PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES / PS75821000**

A. Small Business Participation

Carl Warren & Company, LLC (CWC) made a 20% Disadvantaged Business Enterprise (DBE) commitment. Based on payments, the project is 85% complete and the current level of DBE participation is 21.51%, exceeding the commitment by 1.51%.

| | | | |
|----------------------------------|-------------------|-------------------------------------|-------------------|
| Small Business Commitment | 20.00% DBE | Small Business Participation | 21.51% DBE |
|----------------------------------|-------------------|-------------------------------------|-------------------|

| | DBE Subcontractors | % Committed | Current Participation¹ |
|----|---------------------------|--------------------|--|
| 1. | Sam Hooper & Associates | 20.00% | 21.51% |
| | Total | 20.00% | 21.51% |

¹Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

B. Living Wage and Service Contract Worker Retention Policy Applicability

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

C. Prevailing Wage Applicability

Prevailing Wage is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

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



Public Liability/Property Damage Third Party Claims Administration Services

Finance, Budget, and Audit Committee

September 18, 2025

File #2025-0411

Claims Administration Services

Recommendation:

- AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to Contract No. PS75821000, with Carl Warren & Company, LLC (CWC), to exercise the first, two-year option in the amount of \$6,666,674, increasing the total contract value from \$12,148,152 to \$18,814,826, and to extend the period of performance from November 1, 2025, to October 31, 2027.
- Approval of this action is required to continue processing public liability and property damage claims in a timely and seamless manner.

Background

- Contract PS75821000 provides public liability and property damage third-party claims administration services. The contract consists of a four-year base period and two, two-year options for a combined total of \$25,926,720.
- The four-year base period will expire on October 31, 2025. The previously negotiated option pricing with CWC remains fair, reasonable, and consistent with industry conditions.

Claims Administration

- Metro uses the services of a Third-Party Administrator (TPA) to investigate, evaluate, and resolve the majority of third-party claims filed against Metro, which are valued under \$100K. Third-party claims generally arise out of bus and rail operations.
- Claims valued above \$100K, are handled by Metro staff in the PL/PD division under Risk, Corporate Safety, and Asset Management.
- Metro receives an average of 2,700 new public liability/property damage claims annually and has an open general liability claims inventory of 3,630 claims.

TPA Contract

- CWC provides 26 individuals who provide claims adjusting support and additional subcontractor staff.
- The subcontractor staff performs field investigations and responds to an accident scene upon notification from Metro dispatch.
- Subrogation of losses against a responsible third party is also a part of the services provided by the TPA. Over the last ten years, Metro has received total gross recoveries of \$10.4 million from subrogation or cross complaints.



Thank you.



Metro®



Board Report

File #: 2025-0677, **File Type:** Contract

Agenda Number: 22.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 18, 2025

SUBJECT: GROUP INSURANCE PLANS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and American Federation of State, County and Municipal (AFSCME) employees, including long term disability coverage for Teamsters employees, and life insurance for all full-time Los Angeles County Metropolitan Transportation Authority (Metro) employees, for the one-year period beginning January 1, 2026.

ISSUE

Existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamsters and life insurance for all full-time Metro employees end on December 31, 2025, and must be renewed on an annual basis. Renewal of the existing group insurance plan coverage for the one-year period must be approved and in effect on January 1, 2026, to provide continuous seamless group insurance coverage for Metro employees.

BACKGROUND

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Metro's health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees with a foundation to maintain or improve their health. The Los Angeles County Metropolitan Transportation Authority, including the Public Transportation Services Corporation (PTSC), seeks to offer benefit plans that promote efficient use of health resources and are cost-effective for the agency and employees. Roughly 99% of the employees covered by the benefit plans are PTSC employees.

DISCUSSION

Employees who work 30 hours per week or more are eligible to enroll in a medical plan and other benefits. On an annual basis, employees are encouraged to review their enrollment and may choose medical, dental, vision, supplemental life, long-term disability, and accidental death and dismemberment plans that meet their needs. Alternatively, employees may opt to waive medical

and/or dental coverage and receive a taxable cash benefit, provided proof of other medical coverage is submitted and the employee does not obtain subsidized coverage from an exchange. Employees may also participate in flexible spending accounts, a vehicle to pay for certain out-of-pocket healthcare and dependent care expenses on a pre-tax basis. New employees are provided with an orientation session and assistance in enrolling in their selected plan (s). Additionally, existing employees are also provided information and outreach to assist them in making informed decisions or changes to their plan selections.

The overall group insurance premium cost will increase by 10.9% for calendar year 2026. Factors contributing to the increased premium costs include an increased number of high-dollar medical claims, significant losses on life insurance claims, and the impact of inflation. The Delta Dental PPO/HMO, VSP and Long-Term Disability plans did not have a rate increase for 2026 and will keep their current rates until January 1, 2027.

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

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans, along with life insurance for all full-time Metro employees and long-term disability plans for Teamster employees, is included in each department's FY26 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated group insurance plan costs of \$84.1 million are within the FY26 adopted budget. Costs are allocated and funded via Metro's Federally approved Indirect Cost Allocation Plan and involve operating eligible funds.

Impact to Budget

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

EQUITY PLATFORM

Currently, 87% of employees in the Non-Contract, and AFSCME employees enroll in health benefits, with the remaining 13% choosing to waive coverage by providing proof they are covered under another plan. Metro's Pension and Benefits department is committed to ensuring that employees have access to information and resources regarding group insurance plans and alternative healthcare options available. References are provided in the Benefits Enrollment Guide for [CoveredCA.com](https://coveredca.com) <[http://coveredca.com](https://coveredca.com)> and [Healthcare.gov](https://healthcare.gov) <[http://healthcare.gov](https://healthcare.gov)> and staff provide additional

guidance on an individual basis as requested. Additionally, annual open enrollment training sessions are offered both in-person and online to ensure employees have the information they need to make informed decisions for continuous healthcare coverage. Employees may also access informational materials and forms online and are welcome to call the Pension and Benefits Department directly to receive personalized assistance. These efforts help promote equity and inclusion by ensuring that employees have direct access to information, understand, and utilize their healthcare benefits effectively.

VEHICLE MILES TRAVELED OUTCOME

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

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

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

ALTERNATIVES CONSIDERED

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

NEXT STEPS

Metro will hold annual open enrollment for Non-Contract and AFSCME employees during November 2025 and implement benefit elections effective January 1, 2026.

ATTACHMENTS

Attachment A - Proposed Monthly Premium Rates
Attachment B - Proposed Monthly Employee Contributions

Prepared by: Jan Olsen, Deputy Executive Officer, Pension & Benefits, 213-922-7151
Don Howey, Executive Officer, Administration, 213-922-8867

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

Digitally approved by *Stephanie Wiggins*, Chief Executive Officer

Proposed Monthly Premium Rates

| Provider | Coverage Option | CY 2025 | CY 2026 | %Change | Est # of Employees (1/1/26) |
|--|-----------------|------------|------------|---------|-----------------------------|
| Blue Cross (PPO) | Single | \$1,509.21 | \$1,639.48 | 8.6% | 256 |
| | Couple | \$3,037.99 | \$3,300.20 | 8.6% | 237 |
| | Family | \$4,074.79 | \$4,426.49 | 8.6% | 345 |
| Blue Cross (HMO) | Single | \$976.46 | \$1,005.76 | 3.0% | 96 |
| | Couple | \$2,050.55 | \$2,112.07 | 3.0% | 84 |
| | Family | \$2,929.12 | \$3,017.00 | 3.0% | 154 |
| Kaiser (HMO) | Single | \$837.07 | \$969.71 | 15.8% | 549 |
| | Couple | \$1,674.14 | \$1,939.42 | 15.8% | 228 |
| | Family | \$2,368.91 | \$2,744.28 | 15.8% | 517 |
| Delta Dental (PPO) | Single | \$65.46 | \$65.46 | 0.0% | 709 |
| | Couple | \$113.76 | \$113.76 | 0.0% | 689 |
| | Family | \$170.94 | \$170.94 | 0.0% | 886 |
| DeltaCare (DHMO) | Single | \$20.21 | \$20.21 | 0.0% | 68 |
| | Couple | \$36.71 | \$36.71 | 0.0% | 41 |
| | Family | \$54.32 | \$54.32 | 0.0% | 75 |
| Dental Health Services (DHMO) | Single | \$19.56 | \$20.15 | 3.0% | 47 |
| | Couple | \$37.93 | \$39.05 | 3.0% | 24 |
| | Family | \$57.18 | \$58.90 | 3.0% | 75 |
| Vision Service Plan | Single | \$11.25 | \$11.25 | 0.0% | 388 |
| | Couple | \$16.27 | \$16.27 | 0.0% | 428 |
| | Family | \$29.15 | \$29.15 | 0.0% | 525 |
| Voluntary Waiver of Coverage:* | | | | | |
| | Medical | \$294.00 | | | 209 |
| | Dental | \$42.00 | | | 119 |
| * Waiver of Medical coverage requires proof of alternative coverage. | | | | | |

Proposed Monthly Employee Contributions

| Provider | Coverage Option | NC & AFSCME Employee Contribution (Current) | NC & AFSCME Employee Contribution (Proposed) Effective 1/1/26 | Change |
|-------------------------------|------------------------|--|--|---------------|
| Blue Cross (PPO) | Single | \$150.00 | \$164.00 | \$14.00 |
| | Couple | \$303.00 | \$330.00 | \$27.00 |
| | Family | \$407.00 | \$443.00 | \$36.00 |
| Blue Cross (HMO) | Single | \$97.00 | \$101.00 | \$4.00 |
| | Couple | \$205.00 | \$211.00 | \$6.00 |
| | Family | \$292.00 | \$302.00 | \$10.00 |
| Kaiser (HMO) | Single | \$83.00 | \$97.00 | \$14.00 |
| | Couple | \$167.00 | \$194.00 | \$27.00 |
| | Family | \$236.00 | \$274.00 | \$38.00 |
| Delta Dental (PPO) | Single | \$7.00 | \$7.00 | \$0.00 |
| | Couple | \$11.00 | \$11.00 | \$0.00 |
| | Family | \$17.00 | \$17.00 | \$0.00 |
| DeltaCare (DHMO) | Single | \$2.00 | \$2.00 | \$0.00 |
| | Couple | \$4.00 | \$4.00 | \$0.00 |
| | Family | \$5.00 | \$5.00 | \$0.00 |
| Dental Health Services (DHMO) | Single | \$2.00 | \$2.00 | \$0.00 |
| | Couple | \$3.00 | \$4.00 | \$1.00 |
| | Family | \$5.00 | \$6.00 | \$1.00 |
| Vision Service Plan | Single | \$1.00 | \$1.00 | \$0.00 |
| | Couple | \$2.00 | \$2.00 | \$0.00 |
| | Family | \$3.00 | \$3.00 | \$0.00 |

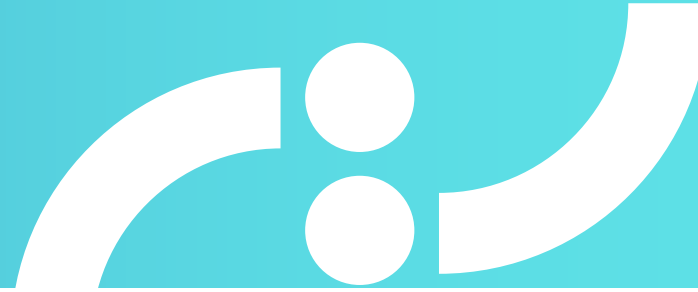
Non-Contract and AFSCME Employees contribute 10% (rounded to whole dollar) towards their individually selected plan's medical and dental premiums

Group Insurance Plans



Finance, Budget and Audit Committee
September 18, 2025

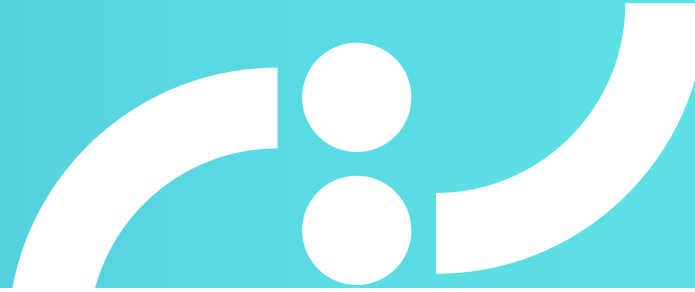
Staff Recommendation



AUTHORIZE the Chief Executive Officer (CEO) to:

Renew existing group insurance policies covering Non-Contract and American Federation of State, County and Municipal (AFSCME) employees, including long term disability coverage for Teamsters employees, and life insurance for all full-time Los Angeles County Metropolitan Transportation Authority (Metro) employees, for a one-year period beginning January 1, 2026.

Background



The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994.

Health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees with a foundation to maintain or improve their health.

Metro, including the Public Transportation Services Corporation (PTSC), offers benefit plans that promote efficient use of health resources and are cost-effective for the agency and employees.

Approximately 99% of the employees covered by the benefit plans are PTSC employees.



Metro

CHIEF PEOPLE OFFICE

Group Insurance Plans Overview & Next Steps

Overview

- Non-Contract and AFSCME Employees contribute 10% towards their individually selected plan's medical and dental premiums
- The Delta Dental PPO/HMO, VSP and Long-Term Disability plans did not have a rate increase for 2026 and will keep their current rates until January 1, 2027
- The overall group insurance premium cost will increase by 10.9% for 2026
- Factors contributing to group insurance premium increases are as follows:
 - increased number of high-dollar medical claims
 - significant losses on life insurance claims
 - impact of inflation

Next Steps

- Metro will hold annual open enrollment from November 3rd, 2025 to November 16th, 2025 for Non-Contract and AFSCME employees and implement benefit elections effective January 1, 2026.



Metro

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Metro

Board Report

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

File #: 2025-0584, **File Type:** Informational Report

Agenda Number: 23.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 18, 2025

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2024, TO SEPTEMBER 30, 2024

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2024, to September 30, 2024.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2024, to September 30, 2024. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

BACKGROUND

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

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

This audit covered a review of Metro's miscellaneous expenses for the period of July 1, 2024, to September 30, 2024. For this period, miscellaneous expenses totaled \$3,081,571 with 443 transactions. We selected 60 expense transactions totaling \$1,440,905 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of July 1, 2024, to September 30, 2024, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found instances related to how to obtain certain services in an expeditious and cost-effective manner, and non-compliance with P-Card rules and services,

Our review of miscellaneous expenses for the period of July to September 2024, found that the Employee & Labor Relations Department paid \$18,000 by check request for 7 hours of leadership/executive coaching services for a recently promoted employee. The services included (5) 60-minute coaching sessions at \$3,000 for each session, and (2) 45-minute sessions at \$1,500 for each session. The \$18,000 Engagement fee was paid in two installments, an initial payment of \$9,000 upon the start of the services and a final payment for the remaining balance of \$9,000. This was a business decision within Metro's purview, so we self-impose restraint on raising this matter.

We found less costly services of equivalent quality that might have been readily available. Metro's Talent Development Department offers various leadership training classes, including a 12-month Leadership Training Academy. In addition, Metro partners with several external leadership programs that offer training for individuals at various levels of management. According to Metro's Talent Development Department, the costs of these external programs range from an estimated \$3,500 to \$7,000, and the length of these training programs vary from a week to several weeks. The invoice stated that the coaching sessions included general topics such as impactful leadership presence, savvy communication skills, and strategic decision-making capabilities. Our review of these external programs found that they provide training similar to the coaching sessions identified in the invoice for this expense.

Metro encourages and invests in the professional development and personal growth of its employees by continuously offering a variety of training classes and programs. The Employee & Labor Relations Department, when providing training for one of its staff members, could ensure that there are no in-house or partner training classes or programs that provide similar professional services at no cost or at a substantially lower cost, before purchasing these services outside of Metro. This will help ensure that Metro is being fiscally responsible with public funds as it invests in the personal and professional development of its employees.

We support Metro providing its employees, including senior level executives, individual focused training and coaching as needed. Therefore, we encourage Metro to establish a professional services bench for that purpose that is diverse for many different levels and skills needed. Creating a bench for these services will allow Metro to establish a cadre of consultants who have already been vetted, offer quality services at competitive prices on an expedited basis when needed, will reduce time to procure, and avoid the pitfalls of sole-source contracts. In addition, having a bench could also

help ensure that the costs spent on these services are provided at competitive prices that are more uniform across Metro departments. Obtaining such services in this way will help Metro maintain public trust of its practices and expenditures.

Another observation made during the audit is that Purchase Card holders should be reminded to sign the U S Bank statement as acknowledgement of all charges and otherwise comply with Purchase card rules

RECOMMENDATIONS

We recommend the following:

Employee & Labor Relations

1. When providing training or coaching for staff, ensure that there are no equivalent lower cost in-house or external programs for those services that meet the quality and expertise requirements, before purchasing these services outside of Metro at a substantially higher cost.
2. The P-Cardholder should sign the U.S. Bank statement as an acknowledgement of the accuracy and completeness of all charges appearing on the statement.
3. Approving officials should verify that cardholders have signed the bank statement in compliance with P-Card Rules and Guidelines before approving the P-Card Log.

Chief People Office & Vendor/Contract Management

4. Consider creating a talent development bench for multiple disciplines, including executive coaching, to enable Metro management to obtain these types of services in an expeditious and fiscally responsible manner.

EQUITY PLATFORM

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

VEHICLE MILES TRAVELED OUTCOME

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

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it contributes to fiscal responsibility and reports

on miscellaneous expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro). The Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency and is consistent with the goals of reducing VMT.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2024, to September 30, 2024 (Report No. 25-AUD-08)

Prepared by: Dawn Williams-Woodson, Audit Manager (213) 244-7302
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Senior Director, Special Projects, (213) 244-7310

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

Digitally approved by *Karen Gorman*, Inspector General

**Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General**

**Statutorily Mandated Audit of
Miscellaneous Expenses
July 1, 2024 to September 30, 2024**

Report No. 25-AUD-08

August 14, 2025



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

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

213.244.7300 Tel

DATE: August 14, 2025

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
July 1, 2024, to September 30 2024 (Report No. 25-AUD-08)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2024, to September 30, 2024. This audit was performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

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

1. Not Exercising Sound Fiscal Stewardship – Metro’s strategic goal 5.2
2. Non-Compliance with P-Card Rules and Guidelines

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

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

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

- Obtained and reviewed applicable policies and procedures;

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2024 to September 30, 2024

Office of the Inspector General

Report No. 25-AUD-08

- Interviewed Metro personnel including staff in Employee & Labor Relations, Talent Development, and Vendor/Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro's miscellaneous expenses for the period of July 1, 2024, to September 30, 2024. For this period, miscellaneous expenses totaled \$3,081,571¹ with 443 transactions. We selected 60 expense transactions totaling \$1,440,905 for detailed testing. Thirty (30) of the expense transactions were randomly selected, ten (10) were selected due to their large dollar amounts, and twenty (20) were selected to add more samples for account number 50903 (Misc. - Business Meals) and a few other accounts. See Attachment A for details.

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

BACKGROUND

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

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

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted issues with the following transactions:

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

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2024 to September 30, 2024

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1. Not Exercising Sound Fiscal Stewardship for Metro's Strategic Goal 5.2

Our review of miscellaneous expenses for the period of July to September 2024, found that the Employee & Labor Relations Department paid \$18,000 by check request for 7 hours of leadership/executive coaching services for an employee who had recently been promoted. The services included (5) 60-minute coaching sessions at \$3,000 each and (2) 45-minute sessions at \$1,500 each. The \$18,000 Engagement fee was paid in two installments, an initial payment of \$9,000 upon the start of the services and a final payment for the remaining balance of \$9,000.

We found that Metro's Talent Development Department offers various leadership training classes, including a 12-month Leadership Training Academy. In addition, Metro partners with several external leadership programs that offer training for individuals at various levels of management. According to Metro's Talent Development Department, the costs of these external programs range from an estimated \$3,500 to \$7,000, and the length of these training programs vary from a week to several weeks. The invoice stated that the coaching sessions included general topics such as impactful leadership presence, savvy communication skills, and strategic decision-making capabilities. Our review of these external programs found that they provide executive and leadership training similar to the coaching sessions identified in the invoice for this expense.

When we brought this to the attention of the Employee & Labor Relations Department, they stated that the training offered by Metro was not the specific engagement needed to meet the individual employee's needs. In addition, they stated that the training offered by Metro was general leadership courses that are broad in leadership principles, whereas the contractor provided coaching support services that were targeted to this employee's role, responsibilities, and growth in their department.

Metro encourages and invests in the professional development and personal growth of its employees by continuously offering a variety of training classes and programs. The Employee & Labor Relations Department, when providing training for one of its staff members, should ensure that there are no in-house or partner training classes or programs that provide similar professional services at no cost or at a substantially lower cost, before purchasing these services outside of Metro. This will help ensure that Metro is being fiscally responsible with public funds as it invests in the personal and professional development of its employees.

Furthermore, if Metro wants to provide its senior level executives, additional "Individual Focused" executive leadership training, they should consider establishing an executive leadership professional services bench. Creating a bench for these services will allow Metro to establish a list of consultants who have already been vetted, which will help reduce search time when one is needed. In addition, having a bench could also help ensure that the costs spent on these services are better controlled by offering competitive prices that are more uniform across Metro departments. The creation of a leadership professional services bench, allows Metro to support

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2024 to September 30, 2024

Office of the Inspector General

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the professional development of its senior level executives and maintain public trust by acting in a fiscally responsible manner.

In addition, if a bench for executive coaching services is established, there would not be a need to use a check request when these services are needed, which by policy requires a justification memo with a description of what the extraordinary circumstances are that require the use of a check request.

Also, we find that this purchase does not align with goal 5.2 of Metro's Strategic Plan to exercise good public policy judgment and sound fiscal stewardship.

Recommendations:

Employee & Labor Relations

- When providing training for staff, ensure there are no cost-free in-house programs or external programs that Metro partners with who provide similar highly qualified training at a substantially lower cost that still meet the quality and expertise level, before purchasing these services outside of Metro.

Chief People Office & Vendor/Contract Management

- Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner

2. Non-Compliance with P-Card Rules and Guidelines

P-Card Rules and Guidelines state: *"The cardholder must sign the U S Bank statement as acknowledgement of responsible charges."* Our review of the Employee & Labor Relations Department's P-Card Log and Bank statement for June 2024, found that the cardholder did not sign the bank statement. When we brought this issue to the cardholder's attention, she advised that she was having trouble uploading her documents to the P-Card portal, and not signing the bank statement was an oversight.

The approving officials for the Employee & Labor Relations Department should verify that cardholder has signed the bank statement before approving the P-Card Log. This will help ensure that all P-Card Log documents are completed in accordance with P-Card guidelines and cardholder has acknowledged all charges.

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2024 to September 30, 2024

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Recommendations:

Employee & Labor Relations

- The cardholder should sign the U.S. Bank Statement as an acknowledgement of the accuracy and completeness of all charges appearing on the statement.
- Approving officials should verify that the cardholder has signed the bank statement in compliance with P-Card Rules and Guidelines before approving the P- Card Log.

COMPARISONS WITH PRIOR PERIODS

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

1. Reviewed Quarter (FY25 Q1) versus Prior Quarter (FY24 Q4) Miscellaneous Expenses

Miscellaneous expenses in the reviewed quarter totaled \$3,081,581, a 26% decrease in expenses compared to the fourth quarter in FY 2024. This was mainly due to a reduction in Account 50999 – Miscellaneous. Miscellaneous expenses (Account 50999) for the fourth quarter of the last fiscal year totaled \$2,382,699 and \$664,050 for this current quarter, resulting in a \$1,718,649 (72%) decrease in spending. See Table 1 below.

Table 1: Reviewed Quarter versus Prior Quarter

| Account | Jul -Sep 2024 | Apr -Jun 2024 | Increase (Decrease) |
|------------------------------------|---------------------|---------------------|------------------------|
| Advertising | \$ 1,634,510 | \$ 934,691 | \$ 699,819 |
| Business Meals | 161,931 | 170,125 | (8,194) |
| Business Travel | 139,264 | 328,761 | (189,497) |
| Corporate Membership | 398,633 | 139,300 | 259,333 |
| Employee Relocation | 0 | 0 | 0 |
| Employee Activities and Recreation | 0 | 12,418 | (12,418) |
| Professional Membership | 18,501 | 15,661 | 2,840 |
| Seminar and Conference Fee | 53,777 | 148,761 | (94,984) |
| Miscellaneous (50999) * | 664,050 | 2,382,699 | (1,718,649) |
| Others (Mileage and Parking, etc.) | 10,915 | 39,584 | (28,669) |
| Total | \$ 3,081,581 | \$ 4,172,000 | \$ (1,090,419) |
| Decrease | | | -26% |

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2024 to September 30, 2024

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

2. Reviewed Quarter (FY25 Q1) versus Same Quarter of Prior Year (FY24 Q1) Miscellaneous Expenses

Miscellaneous expenses for the reviewed quarter increased by \$1,337,928 or 77% as compared to the same quarter of FY24. This was mainly due to an increase in Account 50918 - Advertising and Account 50905 – Corporate Membership. Advertising and Corporate Membership, increased 117% and 416% respectively from the first quarter in the prior fiscal year. See Table 2 below.

| Table 2: Reviewed Quarter versus Same Quarter of Prior Year | | | |
|---|---------------------|---------------------|------------------------|
| Account | Jul -Sep 2024 | Jul -Sep 2023 | Increase (Decrease) |
| Advertising | \$ 1,634,510 | \$ 753,702 | \$ 880,808 |
| Business Meals | 161,931 | 90,606 | 71,325 |
| Business Travel | 139,264 | 84,113 | 55,151 |
| Corporate Membership | 398,633 | 77,200 | 321,433 |
| Employee Relocation | 0 | 0 | 0 |
| Employee Activities and Recreation | 0 | 0 | 0 |
| Professional Membership | 18,501 | 11,875 | 6,626 |
| Seminar and Conference Fee | 53,777 | 85,386 | (31,609) |
| Miscellaneous (50999) * | 664,050 | 629,790 | 34,260 |
| etc.) | 10,915 | 10,981 | (66) |
| Total | \$ 3,081,581 | \$ 1,743,653 | \$ 1,337,928 |
| Increase Over Same Quarter of Prior Year | | | 77% |

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2024 to September 30, 2024

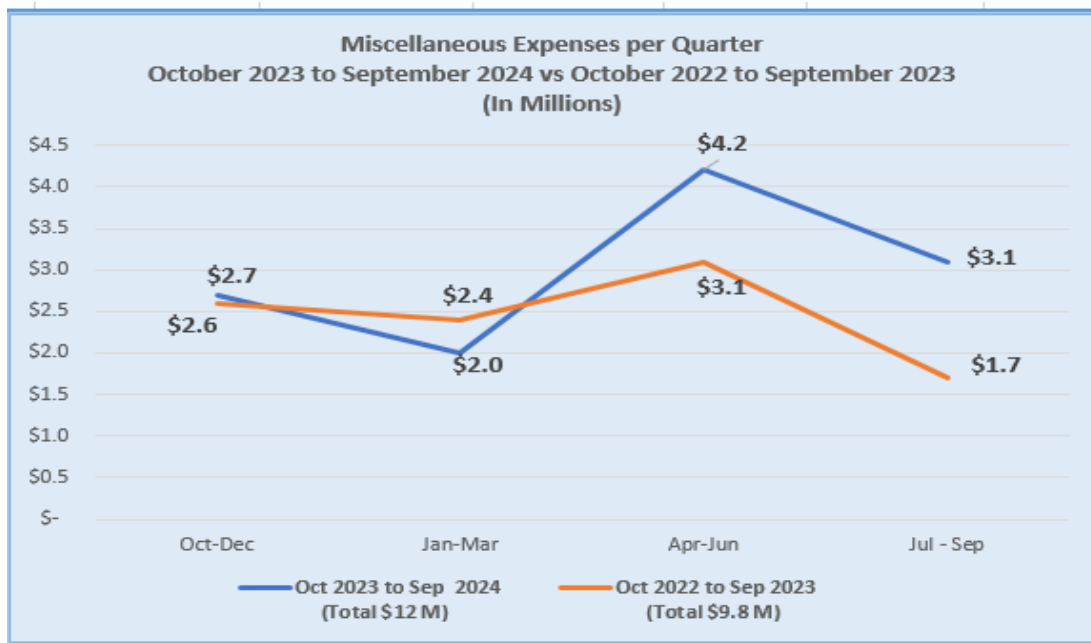
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3. October 2023 to September 2024 versus October 2022 to September 2023

Miscellaneous expenses for the period October 2023 to September 2024 totaled \$11,962,230, a 22% increase from the period October 2022 to September 2023, where expenses totaled \$9,785,962. In each period, April to June, which is the last quarter of Metro's fiscal year, incurred the most expenses. In the fourth quarters of Fiscal Years 2023 and 2024, miscellaneous expenses totaled approximately \$3.1 million and \$4.2 million respectively. See Figure 1 below.

**Figure 1: Miscellaneous Expenses per Quarter
October 2023 to September 2024 versus October 2022 to September 2023**



Statutorily Mandated Audit of Miscellaneous Expenses

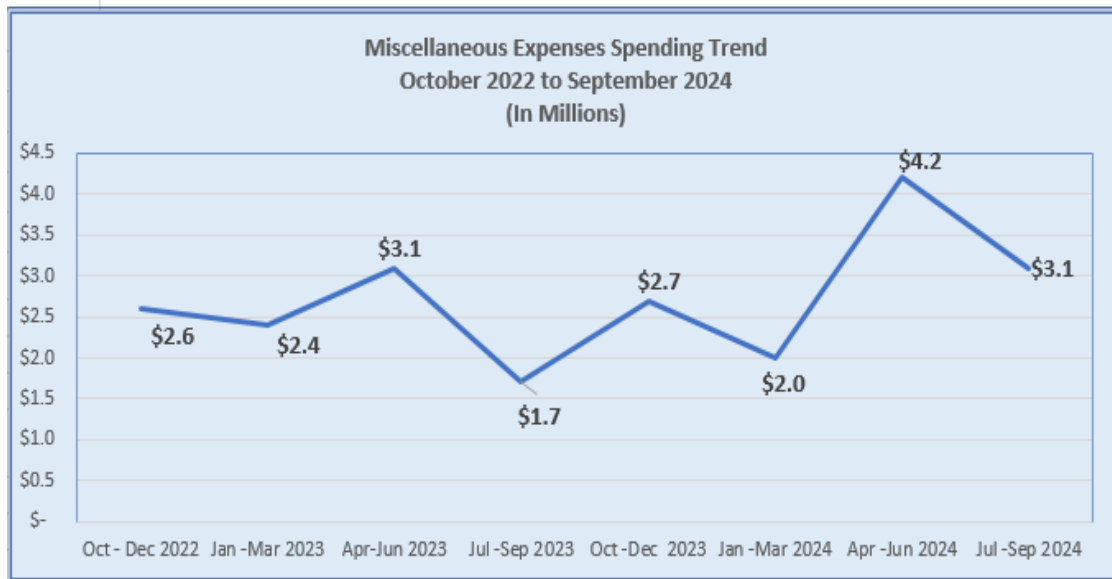
July 1, 2024 to September 30, 2024

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

**Figure 2: Miscellaneous Expenses Spending Trend
October 2022 to September 2024**



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

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2024, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found exceptions related to Metro's P-Card Rules and Guidelines, and adherence to fiscal responsibility.

RECOMMENDATIONS

We recommend the following:

Employee & Labor Relations

1. When providing training for staff, ensure that there are no cost-free in-house programs or external programs that Metro partners with who provides similar highly qualified training at a substantially lower cost that still meet the quality and expertise level, before purchasing these services outside of Metro.
2. The P-Cardholder should sign the U.S. Bank statement as an acknowledgement of the accuracy and completeness of all charges appearing on the statement.
3. Approving officials should verify that cardholder has signed the bank statement in compliance with P-Card Rules and Guidelines before approving the P-Card Log.

Chief People Office & Vendor/Contract Management

4. Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On July 25, 2025, we provided Metro Management our draft report. By August 12, 2025, Metro Management submitted their responses summarizing the corrective actions that they will be taking. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management corrective actions, if implemented would be responsive to the recommendations in this report. We will follow-up up on the implementation of these recommendations through Management Audit Services Audit Report Follow-up and Resolution Tracking System.

Summary of Sampled Expenses Audited

| Account | Account Description | Audit Population | Sample Amount |
|--------------|--------------------------------------|---------------------------|-------------------------------------|
| 50213 | Training Program | \$ 4,481 | \$ 2,800 |
| 50903 | Business Meals | 161,931 | 45,471 |
| 50905 | Corporate Membership | 398,633 | 207,580 |
| 50908 | Employee Relocation <a> | 0 | 0 |
| 50910 | Mileage and Parking | 6,424 | 1,640 |
| 50912 | Professional Membership | 18,501 | 2,760 |
| 50914 | Schedule Checkers Travel <a> | 0 | 0 |
| 50915 | Seminar and Conference Fee | 53,777 | 18,381 |
| 50917 | Business Travel | 139,264 | 16,629 |
| 50918 | Advertising | 1,634,510 | 756,930 |
| 50930 | Employee Activities & Recreation <a> | 0 | 0 |
| 50999 | Other Miscellaneous Expenses | <u>664,050</u> | <u>388,714</u> |
| Total | | <u>\$3,081,571</u> | <u>\$1,440,905</u> |

<a> No expenses incurred for this quarter.

 This total does not include transactions that were less than \$200, offsetting debits and credits, and transactions from the OIG and Transit Court Department

Management Comments to Draft Report

Chief People Office


Metro

Interoffice Memo

| | |
|---------|--|
| Date | August 11, 2025 |
| To | Yvonne Zheng Senior Manager, Audit Office of the Inspector General |
| From | Dawn Jackson-Perkins Chief People Officer |
| Subject | Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2024 to September 30, 2024 (Report No. 25-AUD-08) |

Digitally signed by Dawn Jackson-Perkins
Date: 2025.08.12 12:24:28 -0700

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that this audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see our response below to the recommendation pertaining to the Chief People Office (CPO).

Recommendations

Employee & Labor Relations

1. When providing training for staff, ensure that there are no cost-free in-house programs or external programs that Metro partners with who provides similar highly qualified training at a substantially lower cost that still meet the quality and expertise level, before purchasing these services outside of Metro.

Response: Agree, as the Chief People Office (CPO) offers both in-house and external leadership and development training programs, including Metro Leadership Academy (MLA), EnoMAX, Eno Transit Mid-Manager, Eno Transit Senior Executive, Leadership APTA, APTA Emerging Leaders, and CORO Lead LA. These programs entail costs that are budgeted out of the Talent Development cost center within CPO. Research confirmed that the employee who received this training as part of this audit participated and graduated from MLA in 2022. While Metro's leadership courses provide broad leadership principles for groups of employees, in this case the contractor delivered individualized, targeted coaching tailored to the employee's specific Employee and Labor Relations job classification, role, and responsibilities at the request of the Office of Civil Rights which was approved by Metro leadership. Additionally, with the exception of MLA and EnoMAX, Metro does not control the content of other in-house or partner-provided programs. These are developed by external agencies whose focus may

Management Comments to Draft Report

Chief People Office -Continued



Metro

Interoffice Memo

extend beyond broader leadership principles, often emphasizing on specific projects, research areas, and travel to other transit properties. Finally, the CPO is actively developing a comprehensive Talent Development bench contract procurement/package and we estimate it will be awarded in FY26. This Talent Development bench contract will ultimately encompass multiple talent development disciplines, including executive coaching, to strategically support the professional growth of Metro's personnel while ensuring fiscal responsibility.

Completion Date: March 2026 (Talent Development Bench Contract Award Estimate)

2. The P-Cardholder should sign the U.S. Bank statement as an acknowledgement of the accuracy and completeness of all charges appearing on the statement.

Response: Agree and the approving official for the Employee & Labor Relations Department has been made aware of requirements to verify that cardholder have signed all bank statements before approving the P-Card Log as it ensures that all P-Card Log documents are completed in accordance with P-Card guidelines and the cardholder has acknowledged all charges. CPO will also ensure that the P-Card approver completes the mandatory P-Card refresher courses/trainings which outline P-Card requirements, restrictions, and important program information updates.

Completion Date: August 2025

3. Approving officials should verify that cardholder has signed the bank statement in compliance with P-Card Rules and Guidelines before approving the P-Card Log.

Response: Agree and the approving official for the Employee & Labor Relations Department has been made aware of requirements to verify that cardholders have signed bank statements in compliance with P-Card Rules and Guidelines before approving P-Card Logs. CPO will also ensure that the P-Card approver completes the mandatory P-Card refresher courses/trainings which outline P-Card requirements, restrictions, and important program information updates.

Completion Date: August 2025

Chief People Office and Vendor/Contract Management

4. Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.

Response: The CPO is actively developing a comprehensive Talent Development bench contract procurement/package and we estimate it will be awarded in FY26 with the

Management Comments to Draft Report

Chief People Office – Continued



Metro

Interoffice Memo

support of Vendor/Contract Management and the Diversity & Economic Opportunity Department. This Talent Development bench contract will ultimately encompass multiple talent development disciplines, including executive coaching, to strategically support the professional growth of Metro's personnel while ensuring fiscal responsibility.

Completion Date: March 2026 (Talent Development Bench Contract Award Estimate)

Management Comments to Draft Report

Vendor/Contract Management



Metropolitan Transportation Authority

Metro

Interoffice Memo

| | |
|----------|--|
| Date: | August 6, 2025 |
| To: | Yvonne Zheng Sr. Manager, Audit Office of the Inspector General |
| From: | Nalini Ahuja Chief Financial Officer |
| Subject: | Management Response to Audit Recommendations in Report No. 25-AUD-08 |

Thank you for the opportunity to respond to the finding(s) and recommendation(s) in the draft report (Audit Report No. 25-AUD-08, Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2024, to September 30, 2024) prior to the release of the final report. We have reviewed the draft report and provide our response(s) to the recommendation(s) below.

RECOMMENDATION(S):

Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.

MANAGEMENT RESPONSE:

Agree

Vendor/Contract Management (V/CM) agrees with the recommendation and will work with the Chief People Office (CPO) on a competitive procurement to establish an executive leadership professional services bench. Once CPO develops and submits a complete requisition package, V/CM will follow the procurement process through contract award.

Any questions or concerns can be addressed to me, Nalini Ahuja at 213-922-3088.

- Cc: Dawn Jackson-Perkins, Chief People Officer
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer
Debra Avila, Deputy Chief Vendor/Contract Management Officer
Dr. Irma L. Licea, Executive Officer, Vendor/Contract Management

Final Report Distribution

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Metro

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Chief of Staff
Chief Financial Officer
Board Clerk
Chief People Officer
Deputy Chief Vendor/Contract Management Officer
Deputy Chief Auditor
Inspector General

OFFICE OF THE INSPECTOR GENERAL

Audit of Miscellaneous Expenses July to September 2024

Karen Gorman, Inspector General
Dawn Williams-Woodson, Audit Manager

Report No. 25-AUD-08

September 18, 2025

Objectives

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, according to policies & procedures
- Expenses had proper approval, receipts, & other supporting documentation
- Policies & Procedures are adequate



Results of Audit

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

- Metro could obtain cost-effective training services
- Non-Compliance with P-Card Rules and Guidelines

OIG provided 4 recommendations





Board Report

File #: 2025-0648, **File Type:** Informational Report

Agenda Number: 24.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 18, 2025

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2025 FOURTH QUARTER AND CUMULATIVE YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2025 Fourth Quarter and cumulative FY 2025 year-end report.

ISSUE

MAS is required to provide a quarterly activity report to Metro's Board of Directors (Board) that presents information on audits that have been completed or are in progress, including information related to audit follow-up activities.

BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2025 Fourth Quarter report covers the period from April 1, 2025, through June 30, 2025, and the cumulative FY 2025 year-end for the period from July 1, 2024, through June 30, 2025.

DISCUSSION

MAS provides audit services in support of Metro's ability to provide responsive, accountable, and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency, while external audits analyze contractors, cities, and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups: Performance Audit, Contract, Financial and Compliance Audit, and Administration and Policy, which includes audit support functions. Performance Audit is mainly responsible for internal audits related to Operations, Strategic Financial Management, Planning and Development, Program Management, Information Technology, Customer Experience, Risk, Safety, and Asset Management, including the Chief Executive Office and other internal areas. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning, Program Management and Vendor/Contract Management. MAS' functional units provide assurance to the public that internal processes and programs are being managed efficiently,

effectively, economically, ethically, and equitably and that desired outcomes are being achieved. This assurance is provided by MAS' functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Administration and Policy is responsible for administration, financial management, quality assurance, and audit support, including audit follow-up and resolution tracking.

The following summarizes MAS activity for FY 2025 Fourth Quarter and FY 2025 year ending June 30, 2025.

Performance Audits: Three audits were completed for the fiscal year, and ten were in progress.

Contract, Financial and Compliance Audits: 14 audits with a total expenditure value of \$55 million were completed for the quarter. Fifty-three audits with a total expenditure value of \$226 million were completed for the fiscal year, and 73 were in progress.

Other Audits: Three audits issued by external firms were completed for the quarter, and 152 audits were completed for the fiscal year.

Audit Follow-up and Resolution: Twenty-three recommendations were closed during the quarter, and 37 were closed for the fiscal year.

Note: MAS performs audit follow-up for the Office of Inspector General (OIG). From a report issued in the fourth quarter, one audit recommendation was closed, and the remaining 37 were under management review due to the complexity of the observations.

Department Highlights: During FY25, MAS successfully passed a triennial dual standards peer review conducted by the Association of Local Government Auditors, initiated reviews of two updated internal audit standards in support of MAS' quality improvement efforts, and hosted a regional training that brought together audit professionals from diverse backgrounds to learn from leading presenters within Metro.

The FY 2025 Fourth Quarter and Cumulative Year-End Report is included as Attachment A.

EQUITY PLATFORM

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

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends

due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

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

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2025 Fourth Quarter and Cumulative Year-End Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

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

ATTACHMENT

Attachment A - FY 2025 Fourth Quarter and Cumulative Year-End Report

Prepared by: Kimberly Houston, Deputy Chief Auditor, (213) 922-4720
Lauren Choi, Senior Director, Audit, (213) 922-3926
Alfred Rodas, Senior Director, Audit, (213) 922-4553
Monica Del Toro, Senior Manager, Audit, (213) 922-7494

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

Digitally approved by *Stephanie Wiggins*, Chief Executive Officer

Fiscal Year 2025 Fourth Quarter and Cumulative Year-End Report



Metro

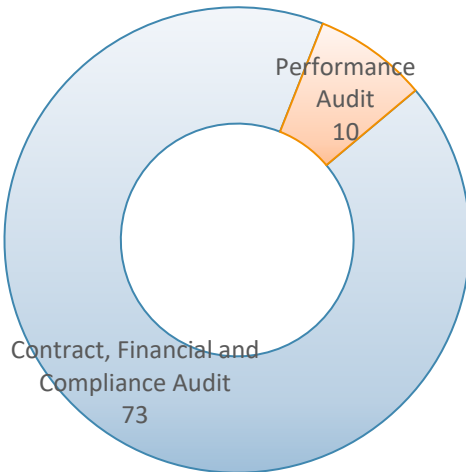
**MANAGEMENT
AUDIT SERVICES**

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Executive Summary

In Progress Audits
as of June 30, 2025

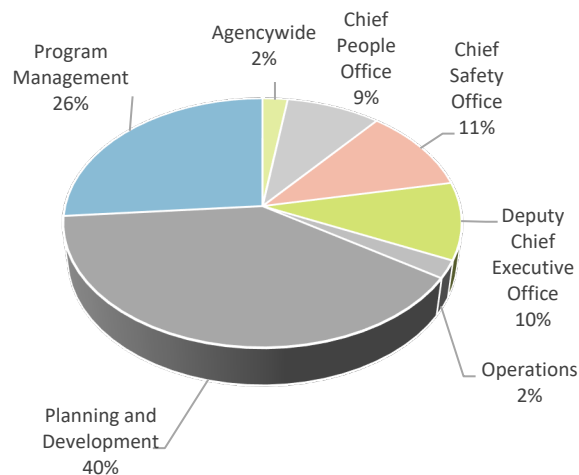


Summary of In Progress Audit Activity

As of June 30, 2025, Management Audit Services (MAS) had 83 in progress projects, including 10 performance audits and 73 contract, financial, and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 10 open MAS audit recommendations and 37 open for the Office of the Inspector (OIG) General.

Summary of Audit Activity by Department
Reporting Period
April 1, 2025 – June 30, 2025



Summary of Fourth Quarter Completed Audit Activity

MAS completed 17 audit projects and closed 24 open audit recommendations. The projects are comprised of 14 contract, financial and compliance audits, and 3 other audits issued by external firms.

The completed contract, financial and compliance audits are highlighted on page 4. The other audits issued by external firms are highlighted beginning on page 6. A summary of closed and open audit recommendations is included on page 7.

Performance Audits

This section includes performance audits completed according to Generally Accepted Government Auditing Standards and Global Internal Audit Standards, and other types of projects performed by the Performance Audit team to support Metro. Other non-audit services projects may include independent reviews, analyses, or assessments of select areas that aim to support decision-making and promote organizational effectiveness.

More performance audit projects were carried over from FY25 to FY26 than in previous fiscal years. Contributing factors included key staff shortages, delays in receiving necessary documentation, complex data analysis requirements, additional information requests on projects already in the reporting phase, and the implementation of strengthened internal quality review procedures. In FY26, the Performance Audit team will focus on completing these carry-over projects to ensure their timely resolution. This will also position the team to begin work on the priority projects identified in the FY26 Annual Audit Plan.

FY25 Canceled Audits

Supply Chain Ethics

The audit was included in the FY25 annual audit plan. The overall objective of the project was to assess actions taken by Metro to address current and future supply chain reputational risks and ethical risks. Shortly after the audit had been initiated and prior to the completion of the planning phase of the engagement, MAS decided to cancel the audit because the scope of the work could have impacted a procurement that was in active litigation. Government Audit Standards require auditors to inquire and evaluate the effect initiated or in-process legal proceedings may have on an audit. To avoid interference, MAS withdrew from further work and deferred this audit for reconsideration during a future agency-wide risk assessment.

Performance Audit of Personnel Hiring Process

The audit was included in the FY25 annual audit plan. The overall objective was to examine the hiring process for new employees to identify any challenges. During the initial planning for the project, MAS was informed that Metro had hired an outside consulting firm to conduct an end-to-end review of this process. Because the MAS audit would have been probing similar topic areas, MAS cancelled this project. MAS may return to the area to confirm the implementation of recommendations from this review once the consulting firm has completed its work.

Project Management of Planning Phase Activities

The audit was included in the FY25 annual audit plan. The overall objective was to assess the Planning and Development Mobility Corridors project management processes for major projects during the planning phase, including right-of-way acquisition, environmental, and preliminary design and engineering. The project was not initiated in FY25 and not carried forward to FY26 because at the beginning of FY25, a Senior Executive Officer was moved from Project Control to Planning and Development to assist them in addressing areas intended to be covered by the audit.

Contract, Financial & Compliance Audits

MAS staff completed 14 independent auditor's reports on agreed-upon procedures for the following projects during the fourth quarter:

| Project | Reviewed Amount | Questioned and/or Reprogrammed Amount |
|--|---------------------|---------------------------------------|
| City of Palmdale – SR138 Widening (Rancho Vista – Palmdale) | \$14,570,908 | \$1,588,538 |
| City of Culver City - Real-Time Bus Arrival Information System | \$2,521,298 | \$342,356 |
| City of Artesia - Pioneer at Arkansas Intersection Improvements | \$332,562 | \$- |
| City of Lawndale - Inglewood Avenue Corridor Widening | \$2,097,563 | \$365,209 |
| City of Lancaster - Traffic Signal System Modernization | \$2,226,601 | \$572,690 |
| City of Calabasas - Mulholland Highway Gap Closure | \$3,340,213 | \$1,896 |
| City of Covina - Citrus Avenue Complete Streets Enhancements | \$2,638,555 | \$- |
| City of Baldwin Park - South Baldwin Park Commuter Bikeway | \$1,401,611 | \$17,534 |
| City of Bellflower - Bellflower Boulevard Complete Streets | \$2,435,978 | \$- |
| City of Inglewood - ITS (Gap) Closure Improvements | \$15,890,505 | \$1,329,490 |
| City of Los Angeles - Eastside Light Rail Pedestrian Linkages | \$5,643,111 | \$195,515 |
| City of Alhambra - Pedestrian Improvement/ Walking Viability | \$1,007,295 | \$- |
| Los Angeles World Airports - Century Corridor District Streetscape Plan | \$620,200 | \$608,087 |
| <i>Reviewed and questioned costs were not identified for the following, as these audits reviewed labor rates for pre-award or indirect cost rates.</i> | | |
| BYD Coach & Bus, LLC | N/A | N/A |
| Total Amount | \$54,726,400 | \$5,021,315 |

Details on all contract, financial and compliance audits completed during FY 2025 are included in Appendix C.

Other Audits

The following highlights other audits completed by the external firms:

Consolidated Audits – Access Services and Low-Income Fare is Easy (LIFE) Eligibility

MAS contracted with Simpson and Simpson, CPAs (Simpson) to conduct the financial and compliance audit of Access Services (Access) for the year ended June 30, 2024. The auditor found that their financial statements present fairly, in all material respects. The auditor also found that Access complied, in all material respects, with applicable compliance requirements.

MAS contracted Simpson to assess the compliance of FAME Corporation (FAME) and the International Institute of Los Angeles (IILA) with the LIFE program's eligibility verification requirements for the period of January 1, 2024, through June 30, 2024. The auditor sampled 59 patrons from each administrator, totaling 118 patrons. Of these, 26 patrons from IILA and 31 from FAME responded, and all were confirmed as meeting the program's minimum income and other eligibility criteria.

Simpson noted an improvement in the response rate during this period compared to prior reporting periods. However, the auditor encountered challenges in contacting the remaining sampled patrons due to inaccurate contact information provided and was unable to verify eligibility. To address this, Simpson recommends implementing a process for patrons to update their contact information when clear inaccuracies are identified. This proactive measure will help maintain data integrity and enhance communication during the verification process. The Metro Program Manager is working with the administrators to implement this recommendation.

Agreed Upon Procedures for Metro-owned Renewable Identification Numbers (RINs)

MAS contracted K-Coe Isom, LLP to complete agreed-upon procedures engagements of Metro-owned RINs. The objective was to assist Metro's Environmental Compliance and Sustainability Department by preparing reports following the procedures detailed in the Electronic Code of Federal Regulations to verify that Metro's Environmental Protection Agency (EPA) reporting of RINs for renewable energy credits is complete and accurate for calendar year 2024. The auditors noted one finding in which a sampled buy transaction had a different transfer date in the production transfer document than the EPA Moderated Transaction System report. No other exceptions were noted for calendar year 2024.

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of June 30, 2025.

| MAS and External Audit Recommendations | | | | |
|--|--------|-----|----------------|----------|
| Executive Area | Closed | New | Currently Open | Past Due |
| Chief Safety Office | 4 | | 1 | |
| Operations | 11 | | 3 | |
| Strategic Financial Planning | 8 | | 6 | |
| Total | 23 | | 10 | |

| OIG Audit Recommendations | | | | |
|---------------------------|--------|-----|----------------|----------|
| Executive Area | Closed | New | Currently Open | Past Due |
| Operations | | 35 | | |
| Communications | 1 | | | |
| Municipalities | | 2 | | |
| Total | 1 | 37 | | |

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

FY 2025 Year-End Activity

Cumulative FY 2025 Completed Audit Activity

As of the FY 2025 year-end, MAS completed 208 audit projects and closed 38 recommendations.

Summary of Completed Projects

The completed audit projects comprise of:

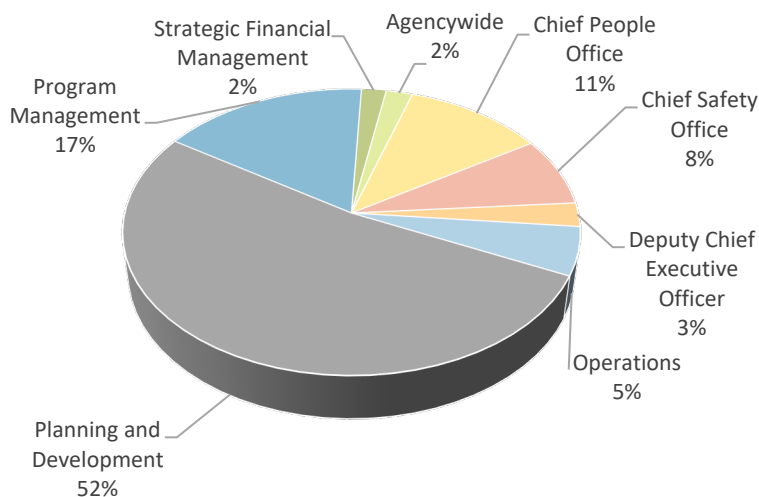
- Three (3) performance audits, which also include independent reviews, analysis, or assessments of select areas;
- 53 contract, financial, and compliance audits with an audit value amount of \$225 million, of which \$21.3 million or 9% of identified unused funds that may be reprogrammed; and
- 152 financial and/or compliance audits issued by external auditors comprised mainly of legally mandated audits of the cities and County of Los Angeles.

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

Audit Follow-up

MAS closed 38 open recommendations during the fiscal year.

Cumulative FY 2025 Audit Activity by Department



Department Highlights

External Peer Review

As required by auditing standards, the Association of Local Government Auditors (ALGA) conducted a peer review of MAS' compliance with the Global Internal Audit Standards issued by the Institute of Internal Auditors (Red Book) and the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States (Yellow Book) and practices for the three-year period ending June 30, 2024. The peer review team evaluated MAS' quality control system and concluded that MAS fully complies with Red Book and Yellow Book standards and practices. Only a handful of local government audit organizations nationwide have successfully completed a dual standards peer review.

Quality Assurance Improvement Program

During FY25, MAS initiated a review of the updated Red Book and Yellow Book standards. These standards contain guiding principles that enable effective internal auditing. This review will support MAS' efforts to ensure quality is assessed at both an individual audit engagement level and an internal audit activity level. Additionally, the review will facilitate the identification of corresponding updates required for the MAS' Policy Manual, as well as the Board-approved Audit Charter.

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

- **Completed Activities**
 - Established an internal Quality Assurance (QA) Task Force
 - Task force review of the Red Book standards, including development of corresponding updates to MAS policies and procedures and Audit Charter
- **In-progress Activities**
 - Task force preliminary review of the Yellow Book standards
- **Upcoming Activities**
 - Task force development of updates to MAS policies and procedures and Audit Charter based on Yellow Book standards
 - Finalize MAS' Policy Manual and procedures in TeamMate, the electronic work paper system, to ensure consistent procedures across MAS engagements
 - Finalize comprehensive review and update of MAS Audit Charter for Board approval in early 2026
 - Initiate Internal Quality Self-Assessment for FY25: Assessment will evaluate MAS' conformance against the updated standards

ALGA Regional Training

During FY25, MAS hosted the ALGA Regional Training, titled *Navigating Governance: From AI to Logistics and Everything in Between*, at Metro Headquarters. The training brought together public sector audit professionals for two days of comprehensive training and networking. Attendees earned continuing professional education (CPE) credits through sessions covering a wide range of governance topics. Day 1 featured discussions led by Metro’s Diversity and Economic Opportunity Department, as well as sessions on Generative AI privacy and security, single audits, and other topics. Day 2 featured two tracks, which explored practical audit strategies through hands-on inventory walk-throughs led by Metro Audit and Logistics staff. The training highlighted real-world insights from leaders across government, academia, and consulting, reinforcing best practices in accountability, compliance, and transparency.

Appendix A

| Performance Audit - In Progress Audits as of June 30, 2025 | | | | |
|--|---------------------------------|--|---|------------------------------|
| No. | Area | Audit Number & Title | Description | Estimated Date of Completion |
| 1 | Program Management | 24-CON-P01 - Eastside Access Improvement Project (EAIP) | Assess whether usage of EAIP funds, including grants, complied with applicable terms, conditions, and restrictions, and determine whether the executed scope of the EAIP aligned with the scope described in the Board Report, Grant, and other funding agreements and assess reasons for variances, including change orders. | 8/2025 |
| 2 | Chief People Office | 24-PEN-P01 – Employee Pension Benefits | Verify the accuracy of pension payroll deductions and contributions for active eligible employees. | 8/2025 |
| 3 | Chief People Office | 24-BEN-P01 – Employee Health Care Benefits | Verify the accuracy and completeness of the health and dental benefits enrollment and the corresponding payroll deductions for all active eligible recipients, excluding represented employees and retirees, and confirm elected coverages correspond with payroll deductions and benefits received. | 10/2025 |
| 4 | Program Management | 24-CON-P01 - Purple (D-Line) Extension 1 (PDLE1) | Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations. | 10/2025 |
| 5 | Program Management / Operations | 25-CON-P01 - Gold Line Extension Phase 2B | Evaluate Metro's oversight of the Metro Gold Line Foothill Extension Construction Authority's project management of Gold Line Extension Phase 2B Project, and Metro Operations' project management over final year processes leading to revenue service. | 10/2025 |
| 6 | Planning and Development | 25-PLN-P01 - Project Grant Funding | Assess whether Metro is adequately allocating its resources to maximize funding identified and received. | 11/2025 |
| 7 | Deputy Chief Executive Officer | 25-DEO-P01 - Small Business Enterprise (SBE)/Disadvantaged Business Enterprise (DBE) Certification Processes | Evaluate if DEOD's SBE/DBE certification procedures effectively identify eligible businesses and comply with relevant laws, regulations, and policies. | 11/2025 |
| 8 | Program Management | 25-CON-P02 - Division 20 Portal Widening Turnback Facility | Evaluate Metro's project management processes for the Project to date, including managing and mitigating project risks. | 11/2025 |
| 9 | Chief Safety Office | 24-SEC-P01 – Physical Security Monitoring Equipment | Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency. | 1/2026 |
| 10 | Chief Safety Office | 25-SEC-P02 - Safety Response to Reported Incidents | Evaluate whether existing policies and procedures are adequate to ensure timely decision-making and effective deployment of resources in response to safety-related service requests from employees and the public. | 2/2026 |

Schedule Adjustment Notes

In the fourth quarter of FY 25, adjustments were made to the completion dates for various performance audit projects in varying stages. The completion dates for the East Side Improvement project (24-CON-C01) and the Purple (D-Line) Extension 1 (24-CON-P01) project were adjusted due to the project reports still undergoing final quality reviews. The Employee Pension Benefits project (24-PEN-P01) and Employee Health Care Benefits project (24-BEN-P01) are complementary projects with complexities that required expanded due diligence over data analysis. The Physical Security Monitoring Equipment project (24-SEC-P01) required additional follow-up as of the end of the fourth quarter, and the completion date of the Gold Line Extension Phase 2B project (25-CON-P01) project was adjusted because the project had been temporarily placed on hold in the third quarter. The adjusted dates are deemed reasonable and attainable.

Appendix B

| Performance Audit - Audits Completed as of June 30, 2025 | | | | |
|--|--|---|--|--------------------|
| No. | Area | Audit Number & Title | Description | Date of Completion |
| 1 | Strategic Financial Management | 23-VCM-P03 - Spare Parts Inventory | Assess whether Logistics manages critical spare parts inventory effectively and in accordance with Metro policies and procedures. This includes examining methodology for identifying critical components and ensuring that necessary spare parts are readily available. | 9/2024 |
| 2 | Strategic Financial Management \ Chief People Office | 23-ITS-P01 - Third Party Risk Management (Outsourced Service Providers) | Assess Metro's third party risk management policy and program, with a focus on management of information security risks. | 11/2024 |
| 3 | Operations | 23-SEC-P01 - Bus Operations Continuity of Operations Plan (COOP) | Evaluate the adequacy of Bus Operations' COOP and Standard Operating Procedures to support mission essential functions during emergencies. | 12/2024 |

Appendix C

| Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2025 | | | | |
|---|------------------------|-----------------------|--|----------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 1 | Planning & Development | 23-HWY-A09 - Grant | City of Downey | 7/2024 |
| 2 | Planning & Development | 24-HWY-A06 - Grant | City of Malibu | 8/2024 |
| 3 | Planning & Development | 23-PLN-A04 - Grant | City of Burbank | 8/2024 |
| 4 | Planning & Development | 24-PLN-A16 - Grant | City of Bellflower | 8/2024 |
| 5 | Planning & Development | 24-HWY-A02 - Grant | City of Hermosa Beach | 9/2024 |
| 6 | Planning & Development | 24-HWY-A07 - Grant | City of Glendale | 9/2024 |
| 7 | Planning & Development | 23-HWY-A10 - Grant | City of South Gate | 9/2024 |
| 8 | Program Management | 23-CON-A03 - Contract | JCE Structural Engineering Group, Inc. | 9/2024 |
| 9 | Operations | 24-OPS-A03 - Contract | New Flyer of America, Inc. | 9/2024 |
| 10 | Planning & Development | 25-HWY-A03 - Grant | City of Bellflower | 9/2024 |
| 11 | Planning & Development | 23-PLN-A10 - Grant | City of Huntington Park | 9/2024 |
| 12 | Planning & Development | 24-PLN-A24 - Grant | City of Inglewood | 9/2024 |
| 13 | Planning & Development | 24-HWY-A05 - Grant | City of Inglewood | 9/2024 |

Appendix C

| Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2025 | | | | |
|---|------------------------|-----------------------|--|----------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 14 | Planning & Development | 23-PLN-A11 - Grant | County of Los Angeles Department of Public Works | 9/2024 |
| 15 | Planning & Development | 24-PLN-A22 - Grant | City of Downey | 9/2024 |
| 16 | Program Management | 22-CON-A04 - Contract | CTI Environment, Inc. | 10/2024 |
| 17 | Planning & Development | 20-HWY-A09 - Grant | City of Hawthorne | 10/2024 |
| 18 | Planning & Development | 24-PLN-A25 - Grant | Beach Cities Health District | 11/2024 |
| 19 | Planning & Development | 23-PLN-A01 - Grant | City of Carson | 11/2024 |
| 20 | Planning & Development | 25-PLN-A02 - Grant | City of West Hollywood | 11/2024 |
| 21 | Program Management | 23-CON-A01 - Contract | Gruen Associates | 11/2024 |
| 22 | Planning & Development | 24-PLN-A07 - Grant | City of Burbank | 12/2024 |
| 23 | Planning & Development | 24-PLN-A09 - Grant | City of Pasadena | 12/2024 |
| 24 | Planning & Development | 25-PLN-A03 - Grant | City of Burbank | 12/2024 |
| 25 | Planning & Development | 25-PLN-A07 - Grant | City of Santa Monica | 12/2024 |
| 26 | Planning & Development | 24-HWY-A08 - Grant | City of South Gate | 12/2024 |

Appendix C

| Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2025 | | | | |
|---|------------------------|--------------------------|--|----------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 27 | Planning & Development | 25-PLN-A11 - Grant | City of Torrance | 12/2024 |
| 28 | Planning & Development | 25-PLN-A14 - Grant | City of Pomona | 12/2024 |
| 29 | Planning & Development | 25-HWY-A02 - Grant | City of Cerritos | 12/2024 |
| 30 | Planning & Development | 24-PLN-A15 - Grant | City of Inglewood | 12/2024 |
| 31 | Planning & Development | 24-HWY-A09 - Grant | City of Lakewood | 12/2024 |
| 32 | Program Management | 23-CON-A02 - Contract | Grimshaw Architects P.C. | 2/2025 |
| 33 | Planning & Development | 25-PLN-A04 - Grant | City of Glendale | 3/2025 |
| 34 | Program Management | 24-CON-A06(A) - Contract | JAD & Associates, LLC | 3/2025 |
| 35 | Planning & Development | 24-PLN-A18 - Grant | City of Palmdale | 3/2025 |
| 36 | Planning & Development | 25-PLN-A10 - Grant | Destination Crenshaw through the City of Los Angeles | 3/2025 |
| 37 | Program Management | 24-CON-A04(A) - Contract | Abadi-Abadi Consulting Services | 3/2025 |
| 38 | Planning & Development | 25-HWY-A06 - Grant | City of South Gate | 3/2025 |
| 39 | Planning & Development | 25-HWY-A08 - Grant | City of Burbank | 3/2025 |

Appendix C

| Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2025 | | | | |
|---|------------------------|-----------------------|----------------------|----------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 40 | Planning & Development | 24-HWY-A01 - Grant | City of Palmdale | 4/2025 |
| 41 | Planning & Development | 23-PLN-A18 - Grant | City of Culver City | 4/2025 |
| 42 | Planning & Development | 25-HWY-A07 - Grant | City of Artesia | 4/2025 |
| 43 | Planning & Development | 24-PLN-A05 - Grant | City of Lancaster | 5/2025 |
| 44 | Planning & Development | 24-PLN-A11 - Grant | City of Lawndale | 5/2025 |
| 45 | Planning & Development | 25-PLN-A17 - Grant | City of Calabasas | 5/2025 |
| 46 | Planning & Development | 25-PLN-A13 - Grant | City of Covina | 5/2025 |
| 47 | Planning & Development | 25-PLN-A28 - Grant | City of Baldwin Park | 5/2025 |
| 48 | Planning & Development | 25-PLN-A20 - Grant | City of Inglewood | 6/2025 |
| 49 | Planning & Development | 25-PLN-A09 - Grant | City of Bellflower | 6/2025 |
| 50 | Planning & Development | 25-PLN-A23 - Grant | City of Los Angeles | 6/2025 |
| 51 | Operations | 24-OPS-A01 - Contract | BYD Coach & Bus, LLC | 6/2025 |
| 52 | Planning & Development | 25-PLN-A21 - Grant | City of Alhambra | 6/2025 |

Appendix C

| Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2025 | | | | |
|---|------------------------|---------------------|----------------------------|----------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 53 | Planning & Development | 19-PLN-A08 - Grant | Los Angeles World Airports | 6/2025 |

Appendix D

| Open Audit Recommendations as of June 30, 2025 | | | | | | |
|--|----------------------------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 1 | Operations | 21 SEC P01 - Performance Audit of Rail Operations' Continuity of Operations Plan | 3 Total | These recommendations address findings in Metro's Operational System and/or other security-sensitive programs. | Ongoing | |
| 2 | Strategical Financial Management | 23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory | 5 | Logistics Management should eliminate terminated and retired employees' master key access to facilities by either replacing all locks with electronic key card access or altering locks to prevent older master keys from gaining access to the buildings. | 10/31/2024 | 12/31/2025 |
| 3 | Strategical Financial Management | 23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory | 6 | Ensure newly issued keys are assigned to appropriate individuals. When an individual no longer needs a key, collect and log the key's return. | 10/31/2024 | 12/31/2025 |
| 4 | Strategical Financial Management | 23-ITS-P01 - Performance Audit of Third-Party Risk Management - Outsourced Service Providers | 4 Total | These recommendations address findings in Metro's Operational System and/or other security-sensitive programs. | Ongoing | |
| 5 | Chief Safety Office | 23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan | 2 | Emergency Management should collaborate with Bus Operations for annual Bus COOP training and testing. | 12/31/2025 | |

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

Appendix E

| Open OIG Audit Recommendations as of June 30, 2025 | | | | | | |
|--|------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 1 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 1 | Utilize effective methods for easy graffiti removal such as specialized coating on the shelter and bench surfaces. | | |
| 2 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 2 | Ensure that all required cleanings are performed within the specified goal date (e.g., ten days from receipt of the report). | | |
| 3 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 3 | Continue to report graffiti to the respective jurisdiction that should implement regular graffiti removal practices to maintain the cleanliness of the bus shelter/bench. | | |
| 4 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 4 | Develop a procedure to log in and follow up with notifications to local municipalities, their contractors, and/or other transit agencies to take action on the issues reported. | | |
| 5 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 5 | Continue to perform regular inspections of the e-paper displays to ensure that the units are free of graffiti; advise the contractor if graffiti is seen or if other maintenance is needed. | | |
| 6 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 6 | Investigate if there is any screen protector, paint, or texturizer that could be applied to these displays to make them harder to graffiti and faster or easier to clean of graffiti. | | |
| 7 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 7 | For Metro-owned bus stops, continue to implement regular cleaning schedules and increase the frequency of cleaning for the locations that repeatedly exhibit cleanliness issues. | | |
| 8 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 8 | For non-Metro-owned bus stops, report cleanliness issues to the respective local municipalities, and their contractors. | | |
| 9 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 9 | Work with respective local municipalities to provide notices or flyers to educate the public on how to dispose of trash/waste properly at bus stops. | | |
| 10 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 10 | Work with respective local municipalities to provide an information campaign by media, signs, notices, or flyers to educate the public on how to dispose of trash/waste properly at bus stops. | | |
| 11 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 11 | Establish a cleanliness hotline as part of the digital dashboard program and a new agency customer interaction application under development. | | |
| 12 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 12 | Request the local municipalities ensure that the riding public is provided with reasonable comfort and convenience such as shelter seating at bus stops maintained by them. | | |
| 13 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 13 | Properly trim, prune, and maintain trees near bus stops to ensure the visibility of the bus stop sign. Ask municipalities to trim landscapes at bus stops maintained by them. | | |
| 14 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 14 | Address the noted issues promptly to ensure that the riding public is provided with reasonable comfort and necessary information (e.g., proper signage). | | |

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

Appendix E

| Open OIG Audit Recommendations as of June 30, 2025 | | | | | | |
|--|------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 15 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 15 | Consider communicating bus stop repairs to the public with a public-facing “dashboard” on Metro’s website that will provide transparency and information to the public about any reported bus stops that require maintenance or repair. | | |
| 16 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 16 | Continue to test and determine the effectiveness of the independent solar panel lights on top of the signposts. Consider expanding use of the solar lights if the cost and benefits of these lights prove to be a good solution. | | |
| 17 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 17 | Identify bus stop zones that need improved lighting and create a light improvement plan for Metro-maintained stops or inform the local municipality to enhance passenger safety for municipalities-maintained stops with improved lighting. | | |
| 18 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 18 | Post Metro Maintenance Dashboard contact information allowing passengers to easily report lighting and other issues at the bus stop(s). | | |
| 19 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 19 | Consider sustainable options like lights generated by small solar panels or other environmentally conscious methods, as stated earlier. | | |
| 20 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 20 | Monitor the effectiveness of the Bus Lane Enforcement (BLE) program in keeping Metro bus lanes clear from parked vehicles across the system to improve transit safety and reliability. | | |
| 21 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 21 | Have the bus operator inform the BOC to inform the road supervisor of vehicles at the bus stop to get the plate number and call traffic enforcement for towing. | | |
| 22 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 22 | Discuss with the local municipalities the development of a plan to perform outreach, fencing, or similar deterrents to discourage homeless encampments. | | |
| 23 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 23 | Work with Metro-related departments to collaborate with local governments, community organizations, and/or other transit agencies to provide outreach and support services and programs to homeless individuals. | | |
| 24 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 24 | Post signs at the bus stops and in buses where to go or call for shelter and other services. | | |
| 25 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 25 | Discuss with local law enforcement and Metro System Security & Law Enforcement the possibility of assigning Security or law enforcement personnel around highly active bus stops to discourage or prevent homeless individuals and other people from engaging in illegal activities at Metro-maintained bus stops. | | |
| 26 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 26 | Coordinate with law enforcement agencies, municipalities, and other transit agencies sharing the same bus stop, and local business security to determine how this issue can be effectively addressed and resolved. Request municipalities to assign law enforcement or personnel to discourage and address illicit activities near bus stops. | | |
| 27 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 27 | Discuss with municipalities their arrangements for improved security for municipalities-maintained bus stops. | | |

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

Appendix E

| Open OIG Audit Recommendations as of June 30, 2025 | | | | | | |
|--|----------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 28 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 28 | Coordinate with law enforcement to implement security measures that will deter illegal activities in municipality-maintained bus stop zones. Join the task force that is operating the effort. Request municipalities to assign law enforcement or other personnel to address illegal activities. | | |
| 29 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 29 | Metro should work with other local entities that have programs to provide resources and opportunities to help vulnerable individuals disengage from illegal activities. | | |
| 30 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 30 | Obtain updates on the Figueroa Corridor Human Trafficking Initiative and review any recommendations. | | |
| 31 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 31 | Consider additional safety measures at Metro bus stops where this kind of activity is regularly observed. | | |
| 32 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 32 | Regularly inspect all Metro signposts, sidewalks, and Metro-owned bus stops, shelters, and seats to ensure that they are safe and there are no hazards to the public. | | |
| 33 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 33 | Report any hazardous areas that may lead to an injury or lawsuit involving bus stops at public easements. Use the dashboard recommended in Attachment C. | | |
| 34 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 34 | Enforce contractor compliance with the terms of the contract; i.e., e-paper displays are completely installed and maintained, and all required documentation such as photos of the units are submitted. | | |
| 35 | Operations | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 35 | Continue to regularly inspect the e-paper displays to ensure that they are functioning properly. | | |
| 36 | Municipalities | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 37 | Monitor and correct deficiencies at bus stops on public easements they maintain and do not rely solely on Metro reporting cleanliness or safety issues. | | |
| 37 | Municipalities | 25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety | 38 | Regularly monitor and take corrective action to clean and repair bus stops maintained by the municipality. | | |

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

Management Audit Services

FY 2025 Fourth Quarter and Cumulative Year-end Report

Finance, Budget & Audit Committee
September 18, 2025

Kimberly Houston

Deputy Chief Auditor

Lauren Choi

Senior Director, Audit

Alfred Rodas

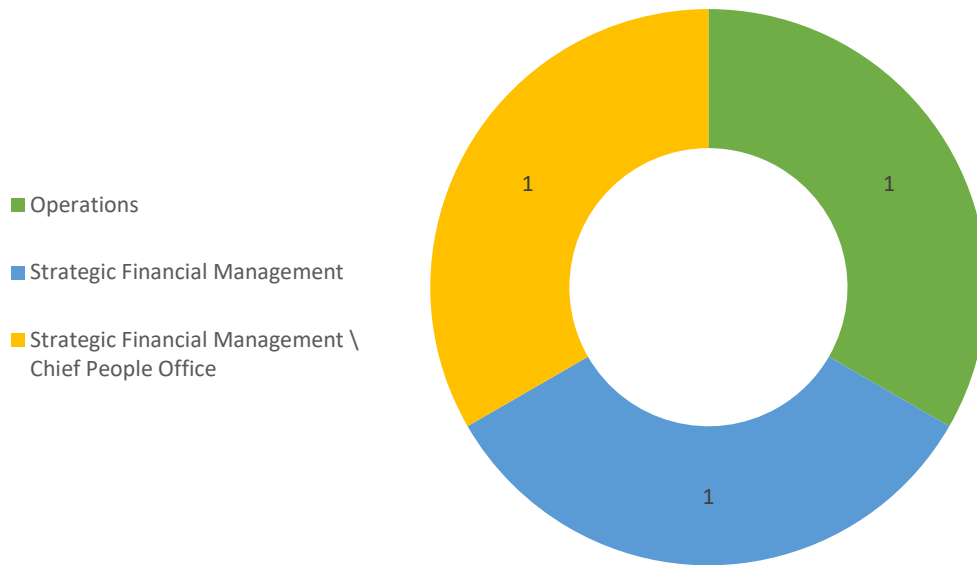
Senior Director, Audit



MANAGEMENT
AUDIT SERVICES

Completed: Performance Audits

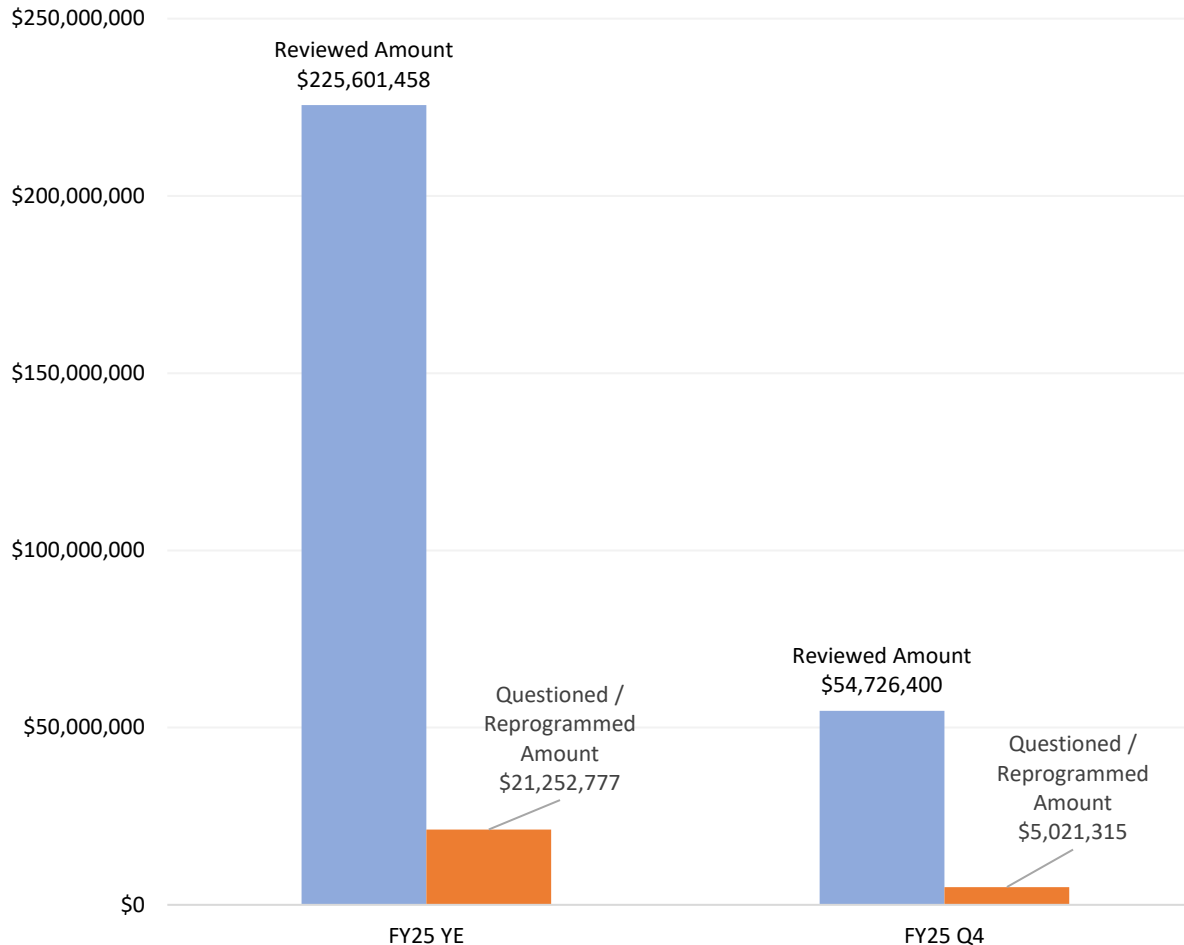
Agency Representation



Completed 3 Audits:

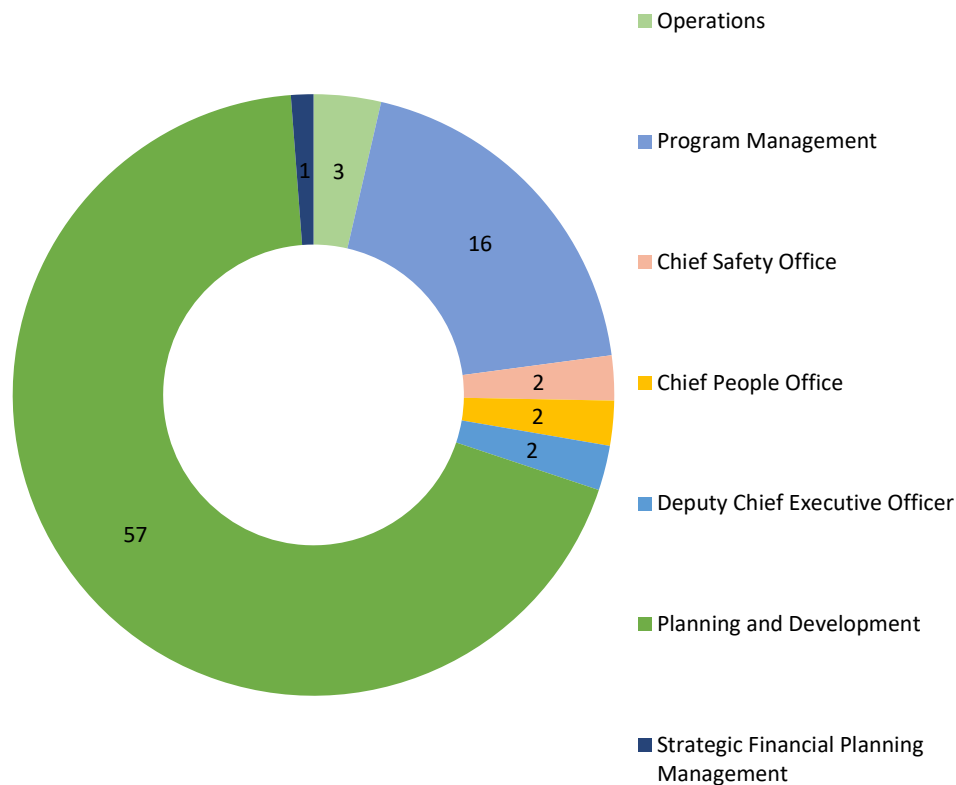
- Critical Spare Parts Inventory
- Third-Party Risk Management
- Bus Operations' Continuity of Operations Plan

Completed: Contract, Financial & Compliance Audits













- Delivered financial audits that reviewed \$226M of funding for FY25 YE and \$55M for FY25 Q4 and identified \$21M and \$5M, respectively, for reprogramming.

In Progress: MAS Audit Activity



- 10 Performance Audits
- 73 Contract, Financial and Compliance Audits

In Progress: Performance Audits

| | Audit Title | Description | Estimated Completion | | | |
|----|---|--|---|---|---|----------------------|
| | | | FY26 Q1 Jul - Sept | FY26 Q2 Oct - Dec | FY26 Q3 Jan - Mar | FY26 Q4 Apr - Jun |
| 1 | Eastside Access Improvement Project (EAIP) | Assess whether usage of EAIP funds complied with applicable terms, conditions, and restrictions. |  | | | |
| 2 | Employee Pension Benefits | Verify the accuracy of pension payroll deductions and contributions for active eligible employees. |  | | | |
| 3 | Employee Health Care Benefits | Verify the accuracy and completeness of the health and dental benefits enrollment and payroll deductions. | |  | | |
| 4 | Physical Security Monitoring Equipment | Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency. | |  | | |
| 5 | Purple (D-Line) Extension 1 | Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations. | |  | | |
| 6 | Gold Line Extension Phase 2B | Evaluate Metro's oversight of the Metro Gold Line Foothill Extension Construction Authority's project management of Gold Line Extension. | |  | | |
| 7 | Project Grant Funding | Assess whether Metro is adequately allocating its resources to maximize funding identified and received. | |  | | |
| 8 | SBE and DBE Certification Processes | Evaluate if DEOD's SBE/DBE certification procedures effectively identify eligible businesses and comply with relevant laws. | |  | | |
| 9 | Division 20 Portal Widening Turnback Facility | Evaluate Metro's project management processes for the Project to date, including managing and mitigating risks. | | |  | |
| 10 | Safety Response to Reported Incidents | Evaluate whether existing policies and procedures are adequate in response to safety-related service requests from employees and the public. | | |  | |

Next Steps

- Ongoing implementation of performance and financial audits and reporting
- Delivery of Consolidated Audit Reports and Annual Comprehensive Financial Reports (FY 25)
- Focused efforts on MAS quality improvement and value-added audit services



Board Report

File #: 2025-0525, **File Type:** Informational Report

Agenda Number: 25.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 18, 2025

SUBJECT: ADDRESSING THE FISCAL CLIFF - WORKPLAN FOCUS AREA: GENERAL FUND

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE report on Workplan Focus Area: General Fund.

ISSUE

The General Fund is the most flexible funding source available for Metro and can be used to fund projects and programs that are not eligible to be funded by federal, state, and local sales taxes available to Metro. This group of funds has few legal restrictions, commitments or designations for specific uses or purposes. The General Fund is in a downward trend with a projected deficit of \$82.3 million at the end of FY26 and will continue to fall to \$250.6 million by the end of FY30.

With limited resources to mitigate this deficit, other flexible funding sources, like fare revenues and advertising that is prioritized for operations will be needed to replenish the General Fund shortfalls.

BACKGROUND

Metro's prior year near-term forecast signals financial challenges in Metro Transit operations with a cumulative financial gap in Metro Transit of \$100 million by FY27, that grows to \$2.3 billion by FY30 due to major cost drivers projected to outpace sales tax revenue growth under current economic assumptions. Metro will be updating the Near-Term Forecast in January 2026. In addition, Metro is faced with large increasing capital project costs which further aggravate the financial challenges ahead.

At the April 2025 meeting, the Chair of the Finance, Budget, and Audit Committee, Director Sandoval, asked staff to develop a workplan for addressing the fiscal cliff. This report is one of the deep dives to help inform the Board of the challenges Metro is facing with the General Fund. In addition, this report also provides follow-up from requests from the June 2025 Finance, Budget, and Audit Committee.

DISCUSSION

General Fund

Metro's General Fund is in a downward trend (see Attachment B Figure 1) primarily due to the following:

1. Exhaustion of State Traffic Congestion Relief Program (TCRP) funds
2. Declining General Fund revenues due to the falling Low Carbon Fuel Standard (LCFS) prices and the uncertainty of Compressed Natural Gas (CNG) credits
3. Increasing demand on General Fund revenues due to Non-Operations related activities

General Fund Revenues

General Fund revenues include funding that are eligible for all purposes, and the use of these funds are at the Board's discretion. While fare revenues and advertising revenues should be classified as General Fund revenues, Metro prioritizes these revenues for transit operations and is therefore included as Enterprise Fund revenues. The Board has adopted policies that either restrict, limit or prioritize the use of General Fund revenues. In FY26, Metro projects to generate \$31.3 million in General Fund resources from Right of Way (ROW) leases, Low Carbon Fuel Standard (LCFS) Credit sales, Compressed Natural Gas (CNG) credits and Joint Development revenues.

Recent trends indicate that LCFS prices have been declining steadily since 2021. CNG credits continue to decline as the bus fleet transitions to electric and may be eliminated altogether by Congress.

The Metro Joint Development Program is a real estate development program for properties owned by Metro. One of the original goals of the program was to "generate value to Metro based on maximizing ground rent revenues received, or equivalent benefits negotiated, for the use of Metro property." As a result of Board actions over the years, this goal was eliminated and the focus of the program shifted to maximizing benefits to the public in the form of affordable housing (the 10k homes initiative), public amenities or financial return to be reinvested in Transit Oriented Communities activities.

Projects/Programs drawing on General Fund Revenues

Projects or programs that do not have dedicated or other eligible Metro funding sources require General Fund revenues. One of the major draws depleting the General Fund in recent years has been cost increases on underground rail projects, because there is limited eligible capital funding available due to MTA Reform and Accountability Act of 1998 which restricts the use of Prop A and C on underground rail projects. In addition, Figure 2 in Attachment B lists out the various projects and programs currently drawing from the General Fund in FY26.

Property Management

Property Management includes expenditures for Metro owned property, right of way administration, property management general right of way overhead, economic development administration. In FY26, ROW lease revenues are projected at \$12.7 million and joint development revenues are expected to be \$3.3 million. Eligible funding sources are restricted to ROW lease revenues and joint development revenues.

Joint Development

Joint Development (JD) 10k Homes

In response to the countywide housing affordability crisis, the Board established a ten-year goal of completing 10k housing units, at least 5k of which will be income-restricted (the 10k Commitment) by 2031. Expenditures for this program include 10k site administration, site preparation, outreach and engagement, contract negotiations, and environmental assessments, remediation, and demolition. Eligible funding sources are restricted to joint development revenues.

In June 2021, the Board adopted updates to the JD Policy allowing for proceeds from JD projects to be reinvested in Transit Oriented Communities (TOC) activities. From FY21 - FY25, based on Governmental Accounting Standards Board (GASB) Statement No. 87, revenue recognition basis, the JD program has generated \$14.7M, with expenditures totaling \$21.9M, resulting in a deficit of \$7.2M and with deficits forecasted in future years. The current deficits are impacting Metro's General Fund and will require flexible funds to mitigate these shortfalls. The 10K initiative released 20 sites to Metro's developer Bench in FY25, requiring short-term investment in staff and consultants to bring these assets to market. The accelerated delivery of these sites will generate substantial new revenues starting in 2029.

Other Joint Development Expenditures

Includes joint development labor and administration and other joint development-related expenditures from various project sites which are eligible to be funded by Joint Development revenues.

While the Joint Development program generates revenues, currently it is not enough to cover the expenses of the program. If the focus of Board policy shifted from affordable housing to maximizing revenue, a cursory analysis performed by staff indicates that the value of the JD property portfolio, if it was sold, could be between \$586 million and \$733 million.

SEED School & Transit Learning Center

SEED School

In October 2018, the Board approved the programming of \$5 million annually from FY24 - FY35 (cumulatively, up to \$71 million), to support the operations of Los Angeles County's first transportation infrastructure school. In FY26, the additional \$0.2 million expenditure is for independent audits of SEED school funding contributions by Metro and ancillary costs required to provide oversight to Metro's commitment to the SEED school. Because there is no dedicated funding for workforce development initiatives like this one, General Fund revenues are used.

Metro Talent Hub

Metro partnered with the County of Los Angeles and a Developer to build a Metro Training and Innovation Center, known as the Metro Talent Hub, within the mixed-use development of the Vermont and Manchester Transit Priority Joint Development Project. As the project transitions

from capital project to operating project, without any dedicated funding source, the General Fund is used. Metro will see more cost demand in the future fiscal year in this project, as a result, staff continue to seek grant funding opportunities.

Bikeshare & Bike Hub/Lockers

Bikeshare Program O&M

The Metro Bikeshare Program (MBS) is projected to generate \$1.5 million in FY26, comprised of bike share user fees, and bike commercial sponsorship advertising revenue which are not sufficient to cover the program's full operations and maintenance costs of \$22.9 million in FY26. Funding for MBS consists of Measure M 2%, City of Los Angeles subsidy, bike fares, and operating-eligible funds such as General Fund.

Bike Hub/Lockers O&M

Bike Hub/Lockers generates \$10,000 in annual revenues from hub and locker fees. Capital funding has been budgeted for new equipment. However, funding sources to fill the gap for operations and maintenance must come from the General Fund.

While the Bike program generates revenues, it is not enough to cover the expenses of the program.

Union Station

Union Station (East)

The lease and parking revenues are not sufficient to cover the program's full operations and maintenance costs. In FY26, lease and net parking revenues are estimated at \$2.0 million while operating and security expenses are estimated at \$5.2 million, resulting in a \$3.3 million deficit. Operating-eligible funding sources for the Union Station (East) only come from the General Fund.

Union Station (West)

Union Station West generates operating revenues such as lease revenues and common area maintenance (CAM) recoveries. Annual Union Station operating expenses exceed the revenue generated, resulting in a deficit that can only be filled by operating-eligible funds like ROW lease revenues.

Union Station Master Plan

Metro acquired Los Angeles Union Station (LAUS) in 2011 and shortly thereafter initiated a master planning process. The Union Station Master Plan was undertaken at the direction of the Metro Board to study, analyze and evaluate alternatives for addressing current and future transit needs at Union Station, amongst other goals established by the Metro Board. In FY26, a total of \$300 thousand was budgeted for ongoing LAUS Strategic Advisor Support and \$900 thousand for Metro staff labor costs. Eligible funding source is General Fund.

Arts District / 6th St Station

The Arts District/6th St Station is a proposed new B Line (Red) and/or D Line (Purple) rail station that would enhance local and regional transit connections to and from the Arts District, Boyle Heights,

Union Station, and surrounding communities. Although it is a strategic unfunded project and not listed in the Measure M Expenditure Plan, it promises to be one of Metro's most cost-effective rail extensions since it can be delivered at-grade within existing Metro property. Metro received funding support from the City of Los Angeles for a draft Environmental Impact Report and looking ahead into construction, the Los Angeles City Council confirmed that fully funding the Arts District/6th Street Station is the priority for the City of LA's portion of the Central City Area's Subregional Equity Program (SEP) funds. Though \$1 million is budgeted in FY26, according to the City of LA, no funds are available for the Environmental DEIR/FEIR. The City of LA advised to pause the work; therefore, the project is currently on hold.

Sustainability/ZEB & Infrastructure

Sustainability Program

The Sustainability Program generates Low Carbon Fuel Standard (LCFS) and Renewable Index Numbers (RINs) credit revenues which are estimated at \$14.5 million in FY26. The Sustainability Program consists of energy conservative initiatives, sustainability design guidelines, carbon emission greenhouses, and other sustainability related activities. Per Board policy, 20% of revenues generated from the LCFS program can be used for the implementation, operations, and maintenance of sustainability related infrastructure projects.

Zero Emission Buses (ZEB) & Infrastructure

The ZEB & Infrastructure consists of ZEB and Battery Electric Buses (BEB) acquisitions and charging infrastructure. Per Board policy, 80% of LCFS revenues are allocated towards projects that reduce transportation related GHG emissions, prioritizing the J Line (Silver) Zero Emission Bus conversion. As the ZEB and BEB projects ramp up in divisions, the fund balance will soon be depleted.

Committee Follow-up

At the June 2025 Finance, Budget & Audit Committee, the Committee requested additional information on farebox recovery ratio and the identification of core essential services. Below is a discussion of farebox recovery ratio and the core essential services which will be part of a deep dive on transit operations scheduled in October.

Farebox Recovery Ratio

The Farebox Recovery Ratio is a measure of a transit system's operating costs are covered by passenger fares. It is calculated by dividing total fare revenues by total operating expenses. Improving this ratio can be achieved by *decreasing* operating costs and/or *increasing* fare revenues. A higher ratio generally indicates better financial sustainability, as the system relies less on external subsidies to cover its costs. In FY10, Metro's farebox recovery ratio was 26% and in FY25, has fallen to 6.5% as shown in Attachment B Figure 3.

Metro's farebox recovery ratio has been negatively impacted largely by the rising operating costs due to the expanding rail system and the declining fare revenues.

In FY19, Metro generated \$265 million in fare revenues which has fallen to \$173 million in FY25. This

almost \$100 million decline in revenues stems from Metro's reducing fares in FY23 with the implementation of fare capping and with our continued focus on free and reduced fares for those that need it the most. See Attachment A for a comparison of Metro's fares and farebox recovery ratio against peer agencies.

Considerations

With limited and declining General Fund revenues, Metro will use the guiding principles to prioritize investments in preserving essential services and prioritizing quality service. The following areas will need further consideration.

- If no additional funding materializes, assess and evaluate General Fund funded projects and programs for efficiency and scope
- With General Fund falling to deficit position, other flexible funding, such as advertising, fare revenues, and miscellaneous income will have to be used to fund General Fund projects if projects and funding policies continue status quo.
- Evaluate potential to update laws that prohibit certain funds to be used on underground rail projects
- Identify new revenue sources or methods to increase existing sources (fares, advertising, parking, bike, real estate, joint development, etc.)

EQUITY PLATFORM

As the Strategic Work Plan advances, a strong commitment to equity will continue to guide Metro's approach and decisions. The Strategic Work Plan has equity components embedded throughout each of the processes. For example, the development of the budget incorporates an Equitable Zero-Based approach. While addressing public safety, cleanliness, system expansion, labor equity, and environmental sustainability, Metro strives to create a transit system that is not only efficient and safe but also inclusive and equitable for all Los Angeles residents and riders.

Many transit agencies are experiencing fiscal challenges and are responding with service cuts and/or fare increases. However, the Board adopted guidelines in addressing the fiscal cliff aims to avoid reductions to core bus and rail service that disproportionately affects transit dependent riders.

VEHICLE MILES TRAVELED OUTCOME

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

While this item does not directly encourage taking transit, sharing a ride, or using active

transportation, it is a vital part of Metro operations, as it reflects our commitment to equity and fiscal discipline. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The considerations support the following Metro Strategic Plan Goal:

Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

NEXT STEPS

Metro will continue to monitor the financial situation and work toward meeting the deliverables of the Strategic Work Plan.. The planned remaining deep dives (Revenues, Capital Projects, Near Term Update) will help guide the development of the FY27 budget.

These deep dives will allow us to plan ahead, making small changes now in the budget that are strategic and not reactive.

Beginning in January, Metro staff will initiate monthly budget updates for the Board. These sessions will provide updates on near-term financial forecasts, emerging fiscal challenges, and a comprehensive overview of the FY27 EZBB process and timeline. These updates will also serve as an ongoing opportunity to incorporate stakeholder feedback and ensure transparency, ultimately informing the final FY27 Proposed Budget, scheduled for Board approval in May 2026.

ATTACHMENTS

Attachment A - Fare Revenues: Bus Fares & Peer Agency Comparisons

Attachment B - Additional Data

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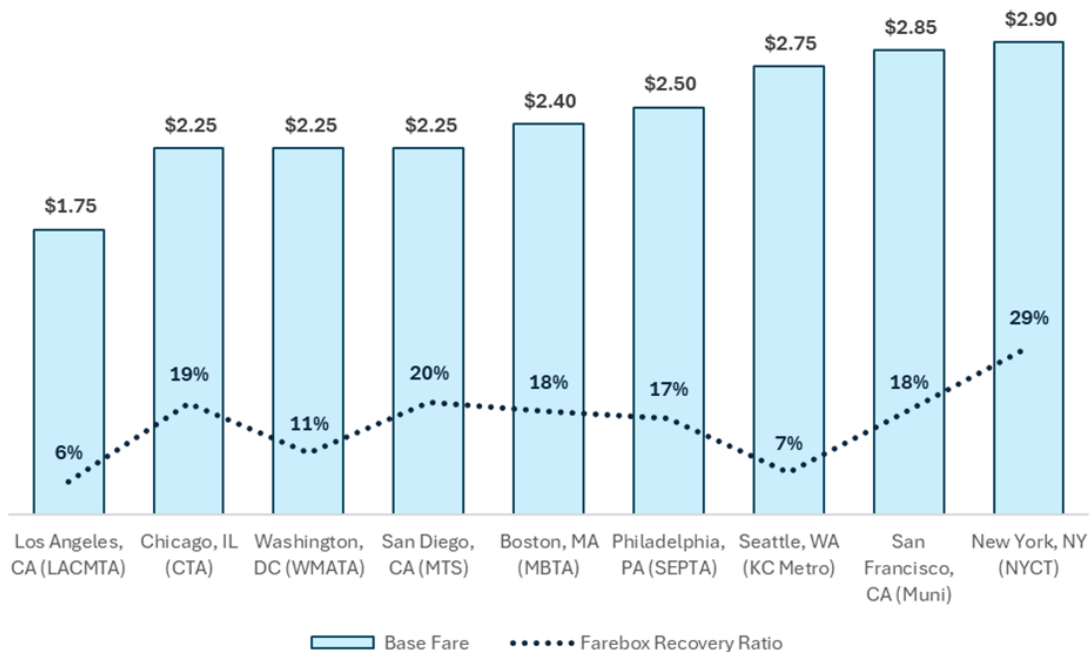
Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088

Digitally approved by *Stephanie Wiggins*, Chief Executive Officer

Fare Revenues: Bus Fares & Peer Agency Comparisons

The table below compares base bus fares and farebox recovery ratios across Metro's peer agencies. The transit agencies selected share similar characteristics to Metro, such as bus and rail service, size, customer base, and/or fare collection technology and fare policies.

Comparison of Base Bus Fares & Farebox Recovery Ratio



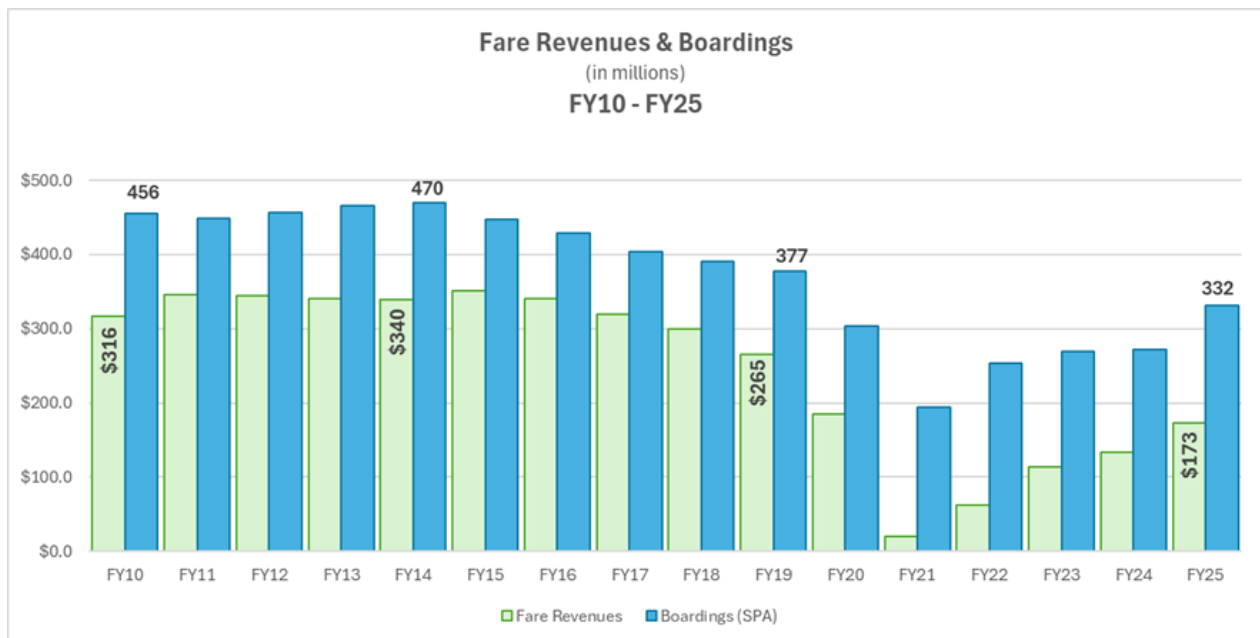
Base Bus Fares

Metro's base bus fare remains the lowest amongst our peer agencies. The base fare of \$1.75 was adopted in FY15. In FY23, the Metro Board adopted a fare change that kept the base fare at \$1.75 but modified the pricing to implement fare capping. The fare change included reducing fares for simplification and maximizing the benefits of fare capping, which resulted in a system where no rider overpays and more frequent riders paying less. Peer agencies have been increasing their fares in recent years:

- WMATA increased fares in 2024 from \$2.00 to \$2.25
- MBTA increased fares in 2024 from \$2.00 to \$2.40
- San Francisco Muni increased fares in 2025 from \$2.75 to \$2.85
- New York (NYCT) increased fares in 2023 from \$2.75 to \$2.90

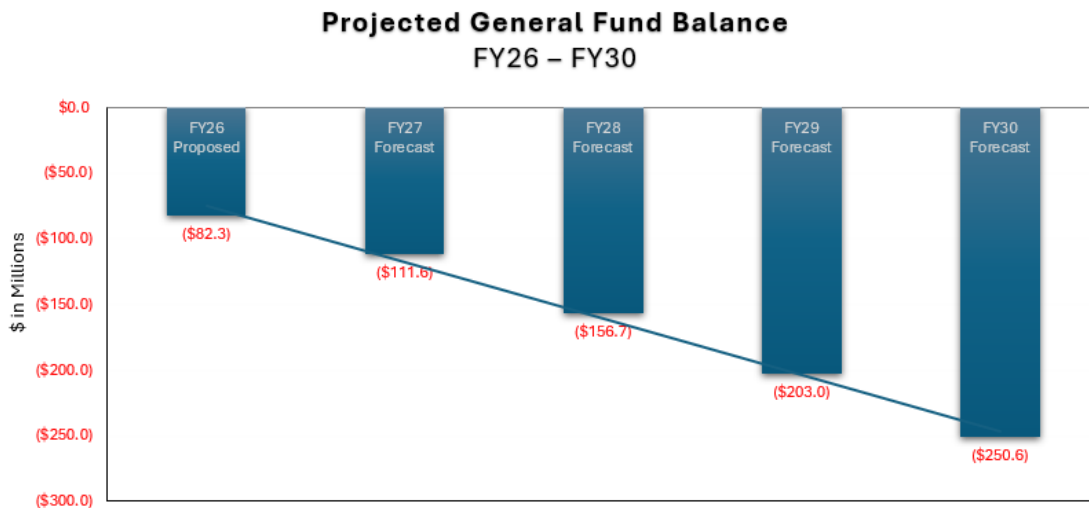
Fare Revenues

Transit agencies nationwide experienced declining ridership since FY14, which worsened from the pandemic. Metro initiated efforts to restore ridership, focusing on those that need it the most, by adopting various fare policies and programs that offered free and reduced fares for riders, through GoPass, LIFE, and Mobility Wallet. Metro also launched Fare Capping, which lowered fares for many riders and provides the ability to pay as you go while earning a day and/or weekly pass. While these programs helped to restore our ridership, our revenues have declined. See the table below.



Additional Data*Figure 1*

Metro's General Fund is in a downward trend and is projected to be in a \$82 million deficit by the end of FY26, which is estimated to grow to a \$250 million deficit by FY30.

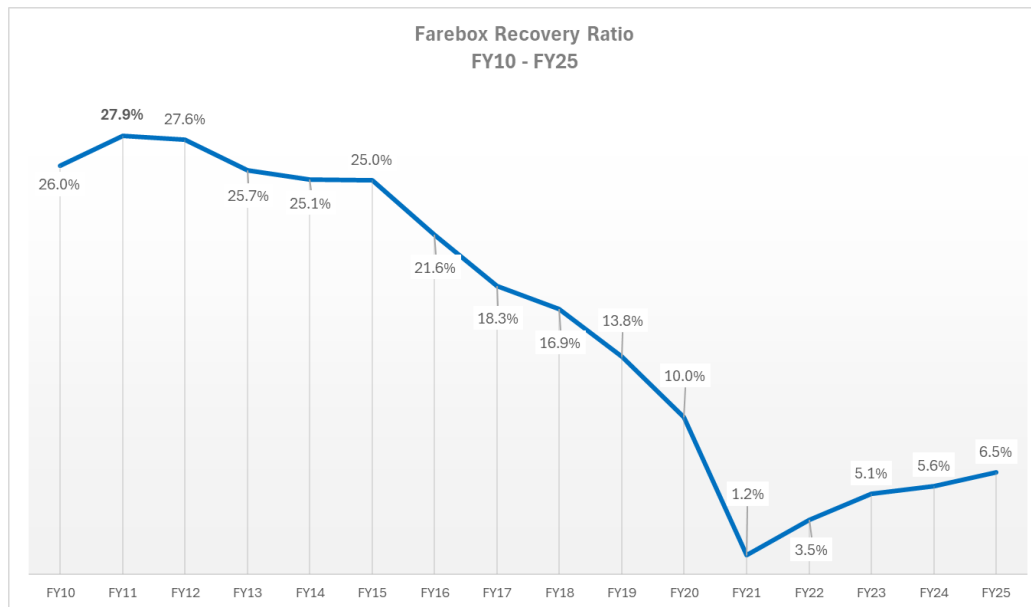
*Figure 2*

Below is a list of the various projects and programs currently drawing from the General Fund in FY26.

| FY26 Budget General Fund (\$ in millions) | | | |
|--|-------------------------------------|-----------------------|-----------|
| Project Name | | ROW & Unrestricted | Green |
| 1 | Revenue | \$ 16.8 | \$ 14.5 |
| 2 | Expenditures | | |
| 3 | PROPERTY MANAGEMENT | 32.3 | |
| 4 | JOINT DEVELOPMENT | 19.9 | |
| 5 | SEED SCHOOL & METRO TALENT HUB | 6.2 | |
| 6 | BIKESHARE & BIKE HUB/LOCKERS | 9.1 | |
| 7 | UNION STATION | 10.3 | |
| 8 | ARTS DISTRICT/6TH ST STATION | 1.0 | |
| 9 | SUSTAINABILITY/ZEB & INFRASTRUCTURE | | 54.3 |
| 10 | Total Expenditures | \$ 78.8 | \$ 54.3 |
| 11 | Over Draw of General Fund | \$ (61.9) | \$ (39.8) |

Figure 3

Metro's farebox recovery ratio was 26% in FY10 and has fallen to 6.5% in FY25, due to the increased operating costs from the expanding rail system and decreased fare revenues.





ADDRESSING THE FISCAL CLIFF – WORKPLAN FOCUS AREA: GENERAL FUND

September 18th, 2025 | FINANCE, BUDGET, AND AUDIT COMMITTEE





This report is the first Deep Dive on the General Fund as outlined in the Strategic Workplan

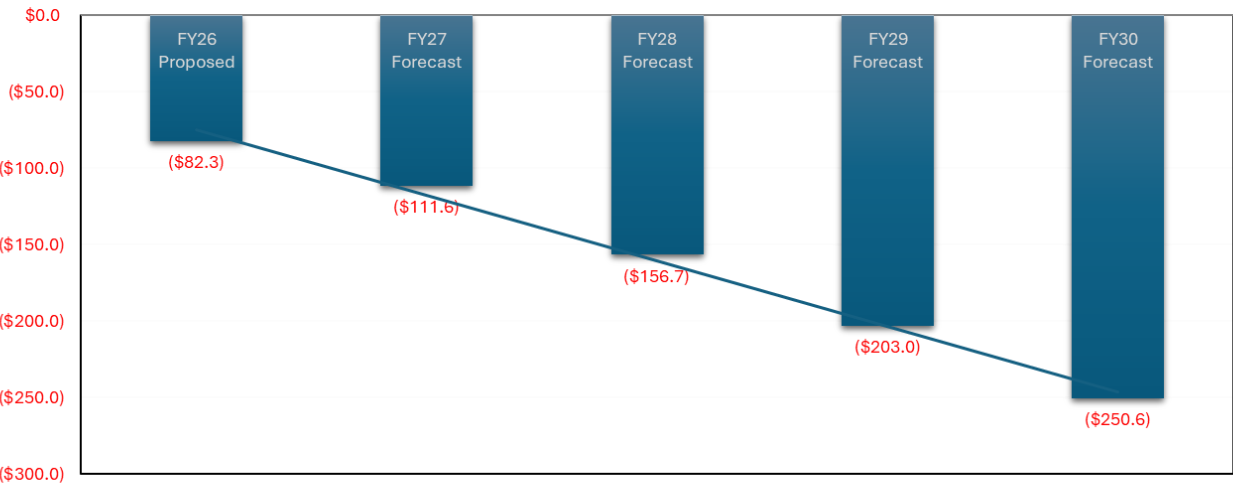
ISSUE

- General Fund is the most flexible funding source available for Metro
 - Few legal restrictions, commitments or designations for specific uses or purposes
- Used to fund projects and programs that are not eligible to be funded by federal, state, and local sales taxes available to Metro
- Also used to cover cost increases on underground construction since Propositions A and C are not eligible per MTA Reform and Accountability Act of 1998
- General Fund is in a downward trend with a projected deficit of \$82.3 million by end of FY26 and will continue to fall to \$250.6 million by the end of FY30
- Other flexible funding sources, like fare revenues and advertising that is prioritized for operations will be needed to replenish the General Fund shortfalls



General Fund revenues include funding that are eligible for all purposes and the use are at the Board's discretion.

Projected General Fund Balance
FY26 – FY30



- Projecting negative fund balance of \$82.3 million at end of FY26 and \$250.6 million by the end of FY30
- Flexible funding sources, like fares and advertising revenues will be required to mitigate shortfalls in the General Fund

Projects/Programs drawing on General Fund Revenues

| FY26 Budget General Fund (\$ in millions) | | | |
|--|-------------------------------------|----------------------------------|-----------|
| Project Name | | ROW & Unrestricted Green | |
| 1 | Revenue | \$ 16.8 | \$ 14.5 |
| 2 | Expenditures | | |
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| 10 | Total Expenditures | \$ 78.8 | \$ 54.3 |
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With limited and declining General Fund revenues, Metro will use the guiding principles to prioritize investments in preserving essential services and prioritizing quality service

The following are areas that will need further consideration:



If no additional funding materializes, assess and evaluate General Fund funded projects and programs for efficiency and scope.



With General Fund falling to deficit position, other flexible funding, such as advertising, fare revenues, and miscellaneous income will have to be used to fund General Fund projects if projects and funding policies continue status quo.



Identify new revenue sources or methods to increase existing sources (fares, advertising, parking, bike, real estate, joint development, etc.)



This is a topic area for an upcoming deep dive.



Evaluate potential modifications to Measure M that can alleviate shortfalls.



This is an area that will be part of the Strategic Workplan.



- Continue to use the Equitable Zero-Based Budgeting (EZBB) framework to develop the FY27 Proposed Budget
- In parallel with proactive oversight of the agency's financial position
- Continue efforts to mitigate financial challenges — all while maintaining alignment with the Board's priorities and direction
- Monthly budget updates for the Board beginning in January
 - Near-term financial forecasts
 - Emerging fiscal challenges
 - Overview of the FY27 EZBB process and timeline



Board Report

File #: 2025-0592, **File Type:** Informational Report

Agenda Number: 26.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 18, 2025

**SUBJECT: ADDRESSING THE FISCAL CLIFF - WORKPLAN FOCUS AREA: REVENUE
GENERATING OPPORTUNITIES**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE report on Workplan Focus Area: Revenue Generating Opportunities

ISSUE

At the April 2025 meeting, the Chair of the Finance, Budget, and Audit Committee, Director Sandoval, asked staff to develop a workplan for addressing the fiscal cliff. This report is one of the deep dives to help inform the Board of some Revenue Generating Opportunities that can help mitigate the projected fiscal cliff in FY27.

BACKGROUND

Metro's prior year near-term forecast signals financial challenges in Metro Transit operations with a cumulative financial gap in Metro Transit of \$100 million by FY27, that grows to \$2.3 billion by FY30 due to major cost drivers projected to outpace sales tax revenue growth under current economic assumptions. Metro will be updating the Near-Term Forecast in January 2026. In addition, Metro is faced with large increasing capital project costs which further aggravate the financial challenges ahead.

DISCUSSION

Metro has various programs to enhance mobility within Los Angeles County by offering travelers various options for their daily commute. In addition, Metro has assets that have the potential to generate additional revenues to support our system. As Metro faces projected deficits, it is evaluating opportunities to leverage assets and generate revenues. This report covers the following revenue-generating opportunities that could yield additional revenues for our system, such as:

- Congestion Pricing
- Real Estate & Joint Development

- Advertising
- Fares
- ExpressLanes
- Parking Management

Congestion Pricing

A form of road pricing has been in operation in LA County since 2012 with Metro's ExpressLanes network. The Vision 2028 Strategic Plan calls for Metro to build upon this success and "[t]est and implement pricing strategies to reduce congestion... in the most traffic-clogged areas of the County... and simultaneously improve transportation equity and capacity by applying excess revenue to expand high-quality and rapid transit options."

Metro's Traffic Reduction Study (TRS) has focused on three interconnected goals:

- Ease and improve traffic through affordable pricing
- Reinvest any net revenues from pricing in rapid, reliable and safe transportation options
- Aid low-income households to address financial burdens and improve access to opportunities

Staff identified potential congestion pricing concepts and have run three rounds of modeling. The data shared here is from the most recent round of modeling and provides net revenue estimates over 20 years for a potential congestion pricing zone in Downtown Los Angeles, a potential zone in portions of West Los Angeles/ Santa Monica, and for both concepts operating simultaneously. The highest revenue potential is for the combined concept, generating \$12.3 billion estimated net revenues over 20 years, or \$616.8 million annually.

Real Estate and Joint Development

Real Estate

The majority of Metro's property portfolio is being utilized for transit operations and maintenance. Of the leased or vacant properties not included in the transit property portfolio, a majority are small, irregularly shaped, and/or do not have utility connections. These properties are leased to nearby business owners for additional parking or storage, generating approximately \$3 million a year in revenues.

Joint Development

There are 26 active and future/committed opportunity sites in the Joint Development portfolio. These consist of six projects under Exclusive Negotiations Agreements in various stages of pre-development, as well as 20 sites designated under the Joint Development 10K Program. Based on a cursory analysis performed by staff using square foot land sales in the surrounding area plus the use of a limited number of existing appraisals, the value of this portfolio of properties is anticipated to be between \$586 million and \$733 million. The opportunity sites include numerous active park-and-ride facilities (including very large sites such as the 10.3-acre Sepulveda Park and Ride) and may contain ancillary infrastructure to support Metro operations that must be retained under Metro control. It is important to note that any land sales will be subject to State Surplus Land Act (SLA) requirements

which will include prioritizing affordable housing when selling or leasing publicly owned land. This limitation is not factored into the above valuation range and would be a point of negotiation between Metro and future parties wishing to purchase Metro land.

In carrying out Joint Development activities on all 26 sites over the next five to ten years per current policies and plans, it is estimated that 12,800 housing units, including up to 6,400 income-restricted units, could be developed while also generating between \$175 million and \$200 million in ground lease revenue for Metro.

It is important to note that this analysis is based on preliminary estimates prepared by Metro staff. A more complete technical analysis including property appraisals would be necessary to arrive at a more precise and thoroughly vetted figure.

Advertising and Sponsorship

Metro operates a robust, multi-channel revenue advertising program that strategically monetizes systemwide capital assets. These assets span the bus and rail transit network, maintenance divisions and garages, agency programs, Bike Share, and emerging corridors such as Rail-to-Rail. The current portfolio encompasses:

- **Traditional Advertising** - Vehicle (bus and rail) and station wraps systemwide, station, rail car and bus interior signage, wall, floor and ceiling graphics
- **Digital Advertising** - A mix of small- and large-format digital screens providing dynamic messaging opportunities
- **Transportation Communications Network (TCN) Billboard Program** - 71 large-scale digital billboards planned for deployment countywide by 2027
- **Service & Retail Partnerships** - Examples include Venhub at the LAX/Metro Transit Center, integrating revenue generation with passenger services

In 2021, Metro expanded its portfolio to include **commercial sponsorships** as an additional long-term, alternative revenue stream, supporting post-pandemic financial recovery. All capital assets and transit services are eligible for sponsorship, creating diversified monetization opportunities across the system.

With an expanding network, there are additional options to maximize revenue generation:

- **System Advertising Policy (Alcohol)** - Revising Metro's Advertising Content Policy to allow regulated categories such as beer and wine-paired with responsible messaging and disclaimers-would enable access to high-demand advertising markets generating \$2.7 million in revenues. A national benchmarking study could ensure policy changes align with best practices and public safety standards, along with other high-demand categories to consider
- **Commercial Sponsorship: Expand Traditional Advertising Program** - Metro can strengthen its advertising portfolio by reassessing both existing and emerging assets to uncover new monetization opportunities. This includes leveraging parking facilities, division exterior walls, pedestrian bridges, and freeway-adjacent structures. Broadening the range of

available assets allows for targeted offerings to advertisers seeking both stationary and high-visibility placements, which has the potential to generate \$11.0 million in revenues

- **Expansion of Practice: Customer Amenities and Retail** - Introducing rider-facing amenities such as ATMs, vending machines, parcel lockers, and other retail services through lease or profit-sharing agreements would create additional recurring revenue streams while improving customer experience. Estimated additional revenue generation of \$20.5 million if implemented
- Expanding the advertising program may require revising Metro policy and amending California law, as current mandates limit long-term revenue potential.
- **State Policy and Legislative Barriers** - California Business & Professions Code § 5405.6 restricts Metro from installing advertising structures larger than ten feet by ten feet, preventing the deployment of premium large-format media. Amending this law is essential to unlocking high-revenue installations (see Attachment A)
- **Caltrans Permitting for Outdoor Advertising** - California Business & Professions Code Sections 5200-5486 restricts advertising adjacent to highways and Caltrans regulates and permits their placement - which directly impacts stations and assets in prime locations. Expediting this process may require legislative carve-outs, negotiated easements, or new agreements with Caltrans

Under the current policy, advertising generates a total of \$41.5 million annually. Expanding the advertising program through legislative action could generate an additional \$24.5 million annually but would likely require 36 months.

Table 1 in Attachment C summarizes other options to increase advertising revenues and includes an estimated timeframe.

Fares

In July 2023, Metro implemented Fare Capping. There was no increase in the base fare, rather decreases in base fares to K-12 and College Vocational students, the elimination of Silver Line and Express fares, and modest decreases in the daily and weekly passes. In FY26, fare revenues are projected at \$174.7 million.

When comparing fares to other peer agencies (e.g., Chicago, New York, Boston, etc.), Metro's fares are the lowest in the nation (see Attachment B). To mitigate operating deficits, peer agencies have been increasing their fares, implementing cuts in service, and seeking new funding sources. Table 2 in Attachment C compares base bus fares and farebox recovery ratios across the nation.

As seen in the chart, peer agencies' base fares range from \$2.25 - \$2.90. Increasing Metro's base fare of \$1.75 to a range between \$2.00 and \$2.50 could generate approximately \$20 - \$74 million annually based on FY25 data. Current programs, such as LIFE, GoPass, U-Pass, etc., would continue to offer free and discounted fares for riders.

Special Fares for Mega Events

With a projected deficit in FY27 and Los Angeles hosting a mega event in 2026, Metro conducted a review of best practices of Special Event fares throughout the United States and worldwide over the past five years. The review included what transit agencies charged compared to their regular fares and how pricing was determined.

- There is a trend among Mega Events to charge a special fare for transit to spectators
- To date, there is no common pattern among host cities on how Special Events fares are priced
- Bundling the transit fare with the Special Events ticket price (e.g., sporting event ticket) is the simplest and most convenient way for both the spectator and the transit agency. See Attachment C, Table 3 for additional pricing information.

ExpressLanes

The ExpressLanes Net Toll Revenue Grant (NTRG) program currently takes the excess tolls generated by single occupancy vehicles and reinvests that money into other multimodal transit, and active transportation projects along the I-10 and I-110. Metro ExpressLanes is a self-sustaining program operating with no support from any Metro sales taxes for ongoing operations. The program operates at a surplus and follows state law for allocating excess revenues. Specifically, the enabling legislation found in Streets and Highways Code section 149.7 (SHC §149.7) paragraph 5 states, in part,

“All remaining revenue generated by the toll facility shall be used in the corridor from which the revenue was generated pursuant to an expenditure plan developed by the sponsoring agency...”

The Metro Board has approved the ExpressLanes expenditure plan that awards net toll revenue grants to transit agencies and cities along the corridor to support mobility projects on the corridor. The Board currently approves this expenditure plan and can make recommendations to adjust how projects are identified and awarded. State law in SHC §149.7 and federal regulations (primarily found in 23 USC §129) do provide a path for use of excess revenues.

Historically, the excess revenues from operating ExpressLanes are allocated through NTRG program. To date, there have been three funding rounds completed. Distribution of a new funding round for NTRG is triggered when 50% of the last round has been spent. The most recent funding round was approved by the Board in October 2023 and included funding for \$124.8 million worth of projects and programs. This funding round included \$65 million in awards to NTRG cities and agencies, \$14.5 million to Caltrans, \$31.7 million to transit, and the remaining to reserve accounts and future funding rounds. Round 3 grantees have currently spent \$12 million and are anticipated to reach the 50% complete threshold in 3-5 years. To date, \$36.8 million has been expended from Rounds 1 and 2 with approximately \$10.2 million still unspent from those rounds.

ExpressLanes revenue has increased since 2023 and there is currently a surplus of \$85.4 million available which can be used for a future funding round. Approximately half of the \$85.4 million is programmed for transit subsidies operating on the corridors, particularly the J Line.

The Opportunity: The Board could forgo a future round of NTRG (Round 4) and instead direct the surplus revenues of approximately \$43.2 million to Metro operations within the I-10 and I-110 corridors.

Parking Management

Currently, the overall parking space occupancy for Metro's park-and-ride facilities has dropped significantly from 70-80% pre-pandemic to 30-40% post pandemic. As a result, the parking net revenues from Metro's park-and-ride facilities are approximately \$1.2 million and \$0.5 million from Union Station. While current parking fees were established to incentivize and encourage public transit use, increasing the parking fees at these park-and-ride facilities may not be feasible due to low parking demand. On the other hand, Union Station and Gateway parking facilities' parking fees are currently below the surrounding parking market rates and high parking demand, especially during special events. Adjusting parking fees at Union Station and Gateway facilities could generate additional revenues. Increasing the parking rate at Union Station and Gateway by 20%, could generate an estimated \$400,000 in net profit annually.

LA Metro Parking Management Plan for Mega Events

LA Metro maintains parking facilities at over 60 transit corridor stations, which contain over 30,000 parking spaces and has also identified potential parking facilities throughout Los Angeles County that could be utilized for Mega Events. These facilities have the potential of 15,000-100,000 parking spaces to support the park-and-ride function for these events.

Metro Parking Management will apply the team's knowledge and expertise to a parking plan that will utilize Metro's 30,000+ parking spaces in a way that supports the transit system and the region. Also, implementing parking concepts like dynamic event parking pricing, assigned/timed reservations that allow for capacity and demand control, and passenger inventory/bus services planning etc. has the potential to maximize the non-Metro parking facilities. Metro will operate these park-and-ride locations without any upfront costs or investments to create gross parking revenues, which will absorb all related operating expenses.

Hence, the preliminary net revenue projection for Metro from eight FIFA World Cup 2026 Games is estimated to generate \$1.3 million.

EQUITY PLATFORM

As the Strategic Work Plan advances, a strong commitment to equity will continue to guide Metro's approach and decisions. The Strategic Work Plan has equity components embedded throughout each of the processes.

Many transit agencies are experiencing fiscal challenges and are responding with service cuts and/or fare increases. The purpose is to inform the Board of revenue opportunities. The revenue generating opportunities included in this report would require a more comprehensive evaluation of the equity impacts. However, our Board adopted guidelines in addressing the fiscal cliff aim to avoid reductions to core bus and rail service that disproportionately affect transit-dependent riders.

VEHICLE MILES TRAVELED OUTCOME

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

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it reflects our commitment to equity and fiscal discipline. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Metro Strategic Plan Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Metro will continue to monitor the financial situation and work toward meeting the deliverables of the Strategic Work Plan. In addition, each month, a deep dive will be provided to the Board to help inform the board on key focus areas. The planned deep dives as scheduled below will help guide the development of the FY27 budget.

- November - Capital Projects
- January - Near-Term Update

These deep dives will allow us to plan ahead, making small changes now in the budget that are strategic and not reactive.

ATTACHMENTS

Attachment A - CA Business & Professional Code §5405.6
Attachment B - LACMTA Fare Structure
Attachment C - Additional Data

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JUSTIA[Go to Previous Versions of this Section](#) ▾

2024 California Code

Business and Professions Code - BPC

DIVISION 3 - PROFESSIONS AND VOCATIONS GENERALLY

CHAPTER 2 - Advertisers

ARTICLE 7 - Regulations

Section 5405.6.

Universal Citation:

CA Bus & Prof Code § 5405.6 (2024) ○

[◀ Previous](#)[Next ▶](#)

5405.6. Notwithstanding any other provision of law, no outdoor advertising display that exceeds 10 feet in either length or width, shall be built on any land or right-of-way owned by the Los Angeles County Metropolitan Transportation Authority, including any of its rights-of-way, unless the authority complies with any applicable provisions of this chapter, the federal Highway Beautification Act of 1965 (23 U.S.C.A. Sec. 131), and any local regulatory agency's rules or policies concerning outdoor advertising displays. The authority shall not disregard or preempt any law, ordinance, or regulation of any city, county, or other local agency involving any outdoor advertising display.

(Added by Stats. 2001, Ch. 928, Sec. 1. Effective January 1, 2002.)

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LACMTA Fare Structure

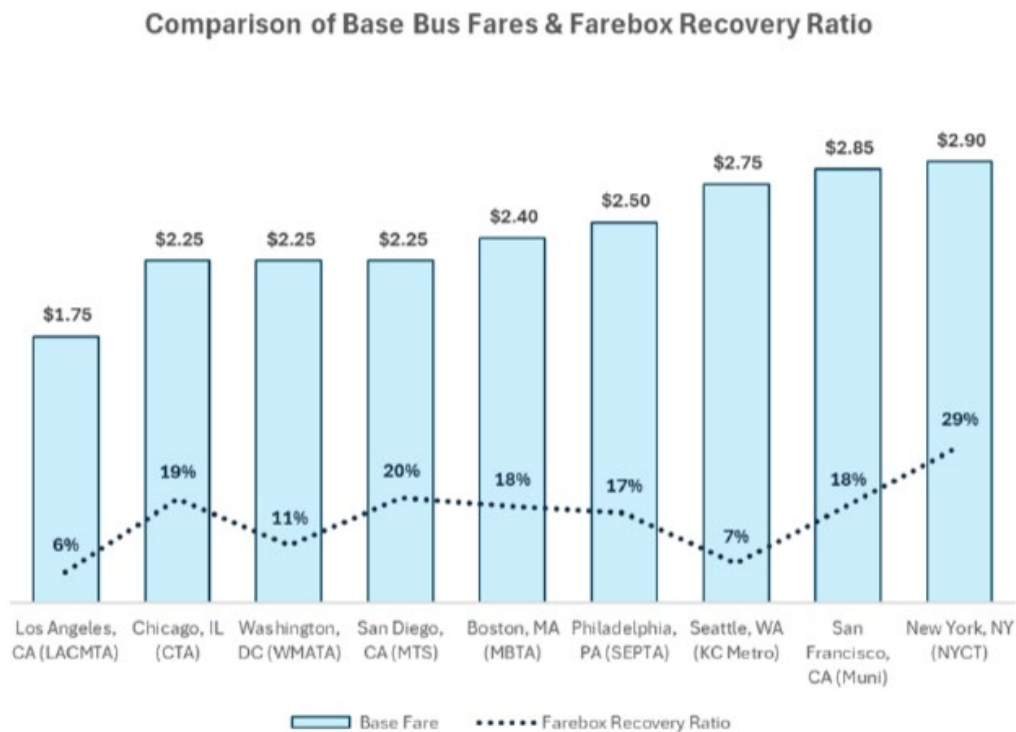
| Rider Category & Fare Product | Current Fares | Fares Starting July 1 |
|--|---------------|-----------------------|
| Regular Fare | | |
| Base Fare | \$1.75 | \$1.75 |
| Upcharge | 75¢ | FREE |
| Day Pass/1-Day Cap | \$7 | \$5 |
| 7-Day Pass/7-Day Cap | \$25 | \$18 |
| 30-Day Pass | \$100 | Not Offered |
| 30-Day Pass + Zone 1 | \$122 | Not Offered |
| Senior/Disabled | | |
| Base Fare | 75¢ / 35¢ | 75¢ / 35¢ |
| Upcharge | 60¢ | FREE |
| Day Pass/1-Day Cap | \$2.50 | \$2.50 |
| 7-Day Pass/7-Day Cap | Not Offered | \$5 |
| 30-Day Pass | \$20 | Not Offered |
| K-12 Student/College/Vocational | | |
| K-12 Base Fare | \$1 | 75¢ |
| Upcharge | 60¢ | FREE |
| College/Vocational Base Fare | \$1.75 | 75¢ |
| Upcharge | 60¢ | FREE |
| Day Pass/1-Day Cap | Not Offered | \$2.50 |
| 7-Day Pass/7-Day Cap | Not Offered | \$6 |
| K-12 Student 30-Day Pass | \$24 | Not Offered |
| College/Vocational 30-Day Pass | \$43 | Not Offered |
| LIFE | | |
| | 20 Free Rides | 20 Free Rides |

Additional Data

Table 1: Options to increase advertising revenues

| Policy of CALaw | FY26 Annual Revenues | Add'l Policy Changes | Timeframe |
|---|----------------------|----------------------|--------------|
| System Advertising Policy (Alcohol) | \$ 27.5 | \$ 2.7 | 3 months |
| Commercial Sponsorship | 3.0 | 11.0 | 12 months |
| Expansion of Practice (Retail, ATMs) | - | 20.5 | 12-24 months |
| CABus & Prof Code § 5405.6 | 11.0 | 24.5 | 24-36 months |
| NOTE: Projections are based on Feb 2024 estimates. Revised projections are being developed. | | | |

Table 2: Base bus fares and farebox recovery ratios across the nation



* Fare box recovery ratio = fare revenues/operating costs.

Table 3: Special Fares

| Agency | Day Pass Price |
|-------------------------------------|-------------------------------|
| 1984 Los Angeles Olympic Games | \$ 10.00 |
| 2002 Salt Lake City Winter Olympics | Free for event ticket holders |
| 2015 Vancouver DayPass | \$ 11.95 |
| 2016 Rio Summer Olympics | \$ 7.50 |
| 2022 FIFA World Cup in Qatar | Free |
| 2024 Utah Ticket-as-fare | Free for event ticket holders |
| 2024 Paris Summer Olympics | \$ 18.68 |
| 2025 Toronto Convention Pass | \$ 10.25 |
| 2026 FIFA World Cup Games in NY/NJ | Free for ticket holders (TBD) |

FY
27



Revenue Generating Opportunities

9/18/2025 | Finance & Budget Committee





Revenue Generating Areas

- Congestion Pricing
- Real Estate & Joint Development
- Advertising & Sponsorships
- Fares
- ExpressLanes
- Parking Management



- ❑ **Metro's Traffic Reduction Study (TRS)** has focused on three interconnected goals:
 - Ease & improve traffic through affordable pricing
 - Reinvest net revenues in safe, rapid & reliable transportation options
 - Aid low-income households to address financial burdens & improve access to opportunities

❑ **Net Revenue Estimates (Phase 3) - 20 Years (2028-2047)***

| Concept (\$ in millions) | Gross Revenue | T&R Adjustments | O&M | Net Revenue |
|---------------------------------|--------------------|-------------------|---------------------|--------------------|
| DTLA Cordon | \$ 10,630.8 | \$ (371.7) | \$ (738.3) | \$ 9,520.8 |
| West LA Cordon | 3,399.5 | (106.3) | (354.9) | 2,938.3 |
| DTLA + West LA Cordon ** | \$ 13,798.9 | \$ (449.7) | \$ (1,014.2) | \$ 12,335.0 |
| Divided by: # of years | 20 | | | 20 |
| Revenues Annually | \$ 689.9 | | | \$ 616.8 |

Notes:

* Dates for modeling purposes only

** Both zones to operate simultaneously; amounts are not meant to sum up

Rehabilitation and Replacement (R&R) costs are not included in the Net Revenue Estimates.



❑ Real Estate

- Majority of Metro Real Estate is utilized by transit operations and maintenance
- Annual lease revenue is approximately **\$3 million** non-transit properties
- Balance of properties are small, irregular shaped, no utility connections - TCN

❑ Joint Development

- Portfolio of properties include 26 active and future/committed development sites
- Properties include park-and-ride facilities and other transit infrastructure
- Utilizing all 26 sites, it is estimated that 12,800 housing units (~ 6,400 income-restricted) could be developed while also generating between **\$175 million** and **\$200 million** in ground lease revenue for Metro, over 5 to 10 years



ADVERTISING OPPORTUNITIES

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27

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Metro



| Policy of CA Law | FY 26 Annual Revenues | Add'l Policy Changes | Timeframe |
|--|-----------------------|----------------------|--------------|
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Coors Beer (DART)



MAX – Culver City Station



Door Dash – Bike Share



Transport for London



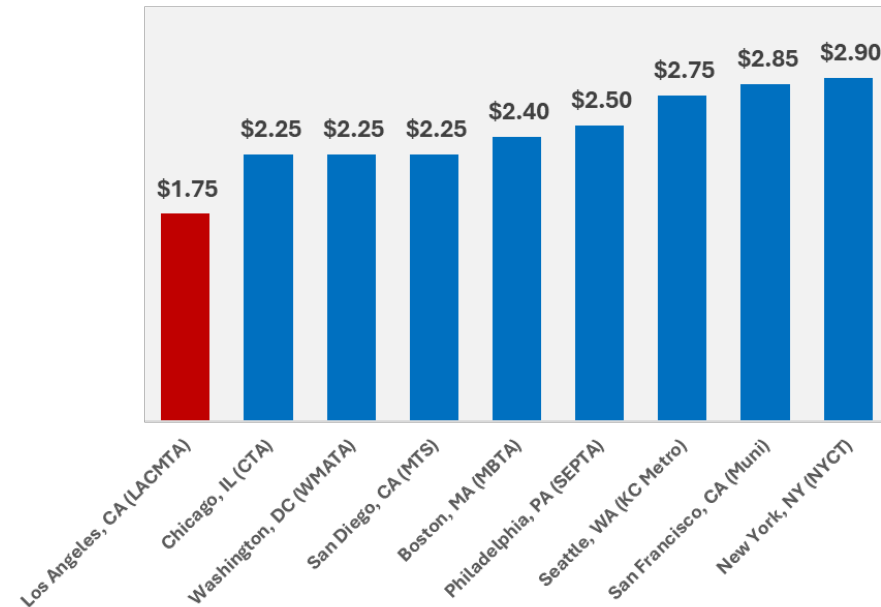
ATMs in Tokyo Metro (Japan)



Fare Structure

- LACMTA fares of **\$1.75** for full-fare riders are the lowest among its peer agencies
- Raising base fare (**\$2.00 - \$2.50**) Metro could generate **~\$20-\$74 million** annually
- Current programs, such as LIFE, GoPass, U-Pass, etc., will continue to offer free and discounted fares for riders.

Peer Agency Base BUS Fare



Special Event Fares

| Agency | Day Pass Price |
|-------------------------------------|-------------------------------|
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- Excess revenues are allocated through Rounds:

| Rounds (\$ in millions) | Year | NTRG Awarded | Expended | Unspent |
|----------------------------|--------------|-----------------|----------|---------|
| Round 1 | July 2014 | \$ 19.3 | \$ 16.2 | \$ 3.1 |
| Round 2 | August 2016 | \$ 27.9 | \$ 20.6 | \$ 7.3 |
| Round 3 | October 2023 | \$ 65.0 | \$ 12.0 | \$ 53.0 |
| Round 4 ⁽¹⁾ | TBD | \$ 85.4 | \$ - | \$ 85.4 |

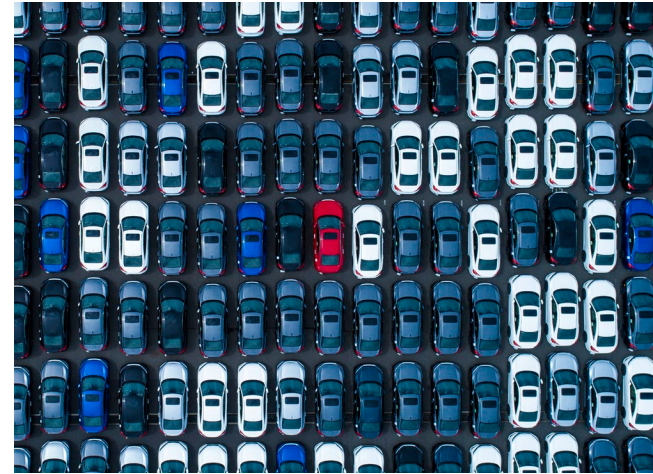
⁽¹⁾ Half of the \$85.4M surplus is available for transit subsidies operating on the corridors

- Revenue has increased since 2023 creating a surplus of \$85.4 million available for future funding round (Round 4)
- Opportunity: The Board could forgo a future round of Net Toll Revenue Grants (Round 4) and instead direct the surplus revenues of approximately **\$43.2 million** to Metro operations within the I-10 and I-110 corridors



❑ Parking Facilities

- Park-and-Ride facilities have dropped in occupancy to 30-40% post-pandemic and generate net revenues of **\$1.2M annually**
- Union Station/Gateway parking facilities currently generate **\$500K annually**
- A proposed rate increase to our current daily rate of \$8 to \$10 at Union Station/Gateway could generate an additional **\$400K** in net revenues annually



❑ Parking Management for Mega Events

- World Cup Games
 - Estimated net revenues of **\$1.3M** for 8 games





- ❑ Metro will continue to work toward meeting the deliverables of the Strategic Work Plan
- ❑ Each month, a deep dive will be provided to inform the Board of Key Focus Areas
 - November – Capital Projects
 - January – Near-Term Update
- ❑ Continue efforts to mitigate financial challenges while maintaining Guiding Principles
 - Preserve Essential Services
 - Prioritize Quality Service