



**Metro**

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

**Agenda - Final**

**Thursday, February 19, 2026**

**10:00 AM**

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

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## **METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES**

(ALSO APPLIES TO BOARD COMMITTEES)

### **PUBLIC INPUT**

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

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

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

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

**TECHNOLOGY DISRUPTIONS** - Although staff will do their due diligence to restore service, if joining the meeting virtually, please be aware that the Committee or Board may continue its meeting notwithstanding a technical disruption that prevents members of the public from attending or observing the meeting via the two-way telephonic service or two-way audio visual platform.

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

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

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

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## LIMITED ENGLISH PROFICIENCY

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

The Meeting begins at 10:00 AM Pacific Time on February 19, 2026; 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 19 de Febrero de 2026. Puedes unirse a la llamada 5 minutos antes del comienzo de la junta.

Marque: 888-978-8818 y ingrese el codigo  
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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.***

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

**CALL TO ORDER**

**ROLL CALL**

**APPROVE Consent Calendar Items: 11 and 12.**

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

**CONSENT CALENDAR**

- 11. SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2024, TO DECEMBER 31, 2024** [2025-1052](#)

**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 October 1, 2024, to December 31, 2024 (Attachment A).

**Attachments:** [Attachment A - Final Report on Misc. Exp. 10012024-12312024 \(26-AUD-02\)](#)  
[Attachment B - Interoffice Memo](#)  
[Presentation](#)

- 12. SUBJECT: MANAGEMENT AUDIT SERVICES FY 2026 SECOND QUARTER REPORT** [2026-0010](#)

**RECOMMENDATION**

RECEIVE AND FILE the Management Audit Services FY 2026 Second Quarter Report.

**Attachments:** [Attachment A - FY 2026 Second Quarter Report](#)  
[Presentation](#)

**NON-CONSENT**

- 13. SUBJECT: FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS: RESOURCES AND PARAMETERS** [2026-0011](#)

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2027 (FY27) Budget Development Process: Resources and Parameters.





## Board Report

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**File #:** 2025-1052, **File Type:** Informational Report

**Agenda Number:** 11.

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### FINANCE, BUDGET, AND AUDIT COMMITTEE FEBRUARY 19, 2026

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2024, TO DECEMBER 31, 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 October 1, 2024, to December 31, 2024 (Attachment A).

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2024, to December 31, 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 October 1, 2024, to December 31, 2024. For this period, miscellaneous expenses totaled \$3,169,913 with 671 transactions. We selected 55 expense transactions totaling \$1,149,366 for detail testing.

#### **DISCUSSION**

## Findings

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

### **Non-Compliance with Metro Business Travel Guidelines (GEN 65)**

Metro's Business Travel Guidelines (GEN 65) Section 2.7 states: "For foreign travel, hotel lodging and meals will be reimbursed based on the maximums published by the U.S. Department of State Standardized Regulations - Maximum Travel Per Diem Allowances for Foreign Areas." The guidelines further state that exceptions to these maximum allowances may be approved by the Executive Officer in extraordinary circumstances for special training, legislative activities or to ensure the successful conduct of business.

During the period under review, a Metro employee from the Operations Department traveled to Berlin, Germany. Our review of this expense, found that lodging rates for several nights exceeded the rate maximum for lodging published by the U. S. State Department. During the period of travel, the lodging Per Diem for Berlin, Germany was \$247 per night. There were at least three nights where the lodging exceeded \$500 per night. Our review of the supporting documentation, found no justification memo approving the higher amount.

The Workforce Services and Operations Departments should ensure that all Metro Business Travel Guidelines (GEN 65) have been adhered to before approving TBE Reports.

### **OBSERVATION**

During our review of miscellaneous expenses for the period of October to December 2024, we identified 19 employees/board members that traveled internationally at a cost of \$118,773. Thirteen of the 19, traveled to Paris, France to prepare for the 2028 Olympics. Five employees attended the InnoTrans Conference in Berlin, Germany to discuss and obtain ideas on how to improve bus operations, and one employee traveled to Seoul, South Korea to participate in the teardown and inspection of pilot vehicles for rail operations. Of these internationally traveling employees who TBE Report was reviewed as part of our sample selection, we found a non-compliance as mentioned above.

Metro's Chief Executive Office provided a response to this observation on January 27, 2026 (Attachment B).

### **RECOMMENDATIONS**

We recommend the following:

#### Workforce Services

- Travel Administrator should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.
- The Travel Administrator should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and are approved by the unit chief.

#### Operations

- Approving Officials should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.

- Approving officials should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and approved by the unit chief.

### **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.

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period of October 1, 2024, to December 31, 2024 (Report No. 26-AUD- 02)

Attachment B - Interoffice Memo

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



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Karen Gorman  
Inspector General

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

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**Statutorily Mandated Audit of  
Miscellaneous Expenses  
October 1, 2024 to December 31, 2024**

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Report No. 26-AUD-02

December 15, 2025



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**Metro**

Los Angeles County  
Metropolitan Transportation Authority

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

213.244.7300 Tel

**DATE:** December 15, 2025

**TO:** Metro Board of Directors  
Metro Chief Executive Officer

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

**E-SIGNED** by Yvonne Zheng  
on 2025-12-15 10:16:16 PST

**SUBJECT:** Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses  
October 1, 2024 to December 31, 2024 (Report No. 26-AUD-02)

## INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2024, to December 31, 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 did note one issue related to non-compliance with Metro's Business Travel Guidelines (GEN 65).

## OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

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

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

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

# Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2024 to December 31, 2024

Office of the Inspector General

Report No. 26-AUD-02

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This audit covered a review of Metro's miscellaneous expenses for the period of October 1, 2024, to December 31, 2024. For this period, miscellaneous expenses totaled \$3,169,913<sup>1</sup> with 671 transactions. We selected 55 expense transactions totaling \$1,149,366 for detail testing. Thirty (30) of the expense transactions were randomly selected, eight (8) were selected due to their large dollar amounts, and seventeen (17) were selected to add more samples for account number 50999 (Miscellaneous Expenses - Others) 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 the following issue:

### **Non-Compliance with Metro Business Travel Guidelines (GEN 65)**

Metro's Business Travel Guidelines (GEN 65) Section 2.7 states: "For foreign travel, hotel lodging and meals will be reimbursed based on the maximums published by the U.S. Department of State Standardized Regulations - Maximum Travel Per Diem Allowances for Foreign Areas." The guidelines further state that exceptions to these maximum allowances may be approved by the

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

## Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2024 to December 31, 2024

Office of the Inspector General

Report No. 26-AUD-02

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Executive Officer in extraordinary circumstances for special training, legislative activities or to ensure the successful conduct of business.

During the period under review, a Metro employee from the Operations Department traveled to Berlin, Germany. Our review of this expense, found that lodging rates for several nights exceeded the rate maximum for lodging published by the U. S. State Department. During the period of travel, the lodging Per Diem for Berlin, Germany was \$247 per night. There were at least three nights where the lodging exceeded \$500 per night. Our review of the supporting documentation, found no justification memo approving the higher amount.

The Workforce Services and Operations Departments should ensure that all Metro Business Travel Guidelines (GEN 65) have been adhered to before approving TBE Reports.

### **OBSERVATION**

During our review of miscellaneous expenses for the period of October to December 2024, we identified 19 employees/board members that traveled internationally at a cost of \$118,773. Thirteen of the 19, traveled to Paris, France to prepare for the 2028 Olympics. Five employees attended the InnoTrans Conference in Berlin, Germany, to discuss and obtain ideas on how to improve bus operations, and one employee traveled to Seoul, South Korea to participate in the teardown and inspection of pilot vehicles for rail operations. Our audit scope did not include a detailed review of each expense transaction to determine whether it was in compliance with Metro's Business Travel Guideline (GEN 65). However, due to the number of international travelers and the significant amount of funds that were expensed, we believe that Metro should continuously monitor its international travel expenses to ensure it is being fiscally responsible with public funds.

### **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 Q2) versus Prior Quarter (FY25 Q1) Miscellaneous Expenses**

Miscellaneous expenses in the reviewed quarter totaled \$3,169,913, a 3% increase in expenses compared to the first quarter in FY 2025. This increase was mainly due to increases in Account 50903 – Business Meals and Account 50917 – Business Travel. Business Meals and Business Travel increased 120% and 186% respectively from the prior period. See Table 1 below.

**Statutorily Mandated Audit of Miscellaneous Expenses  
October 1, 2024 to December 31, 2024**

Office of the Inspector General

Report No. 26-AUD-02

**Table 1: Reviewed Quarter versus Prior Quarter**

Account	Oct - Dec 2024	July -Sept 2024	Increase (Decrease)
Advertising	\$ 1,361,798	\$ 1,634,510	\$ (272,712)
Business Meals	356,515	161,931	194,584
Business Travel	397,785	139,264	258,521
Corporate Membership	328,695	398,633	(69,938)
Employee Relocation	0	0	0
Employee Activities and Recreation	0	0	0
Professional Membership	10,724	18,501	(7,777)
Seminar and Conference Fee	101,712	53,777	47,935
Miscellaneous (50999) *	608,789	664,050	(55,261)
Others (Mileage and Parking, etc.)	3,895	10,915	(7,020)
<b>Total</b>	<b>\$ 3,169,913</b>	<b>\$ 3,081,581</b>	<b>\$ 88,332</b>
<b>Increase</b>			<b>3%</b>

*\* 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)*

**Statutorily Mandated Audit of Miscellaneous Expenses**

**October 1, 2024 to December 31, 2024**

**Office of the Inspector General**

**Report No. 26-AUD-02**

**2. Reviewed Quarter (FY25 Q2) versus Same Quarter of Prior Year (FY24 Q2)  
Miscellaneous Expenses**

Miscellaneous expenses for the reviewed quarter increased by \$437,987 or 16% as compared to the same quarter of FY24. This was mainly due to an increase in Account 50903 – Business Meals, Account 50905 – Corporate Membership and Account 50917 – Business Travel. These three accounts, increased 84%, 80%, and 91% respectively from the second quarter in the prior fiscal year. See Table 2 below.

**Table 2: Reviewed Quarter versus Same Quarter of Prior Year**

<b>Account</b>	<b>Oct - Dec 2024</b>	<b>Oct - Dec 2023</b>	<b>Increase (Decrease)</b>
Advertising	\$ 1,361,798	\$ 1,400,244	\$ (38,446)
Business Meals	356,515	194,210	162,305
Business Travel	397,785	208,508	189,277
Corporate Membership	328,695	182,780	145,915
Employee Relocation	0	71,020	(71,020)
Employee Activities and Recreation	0	0	0
Professional Membership	10,724	11,343	(619)
Seminar and Conference Fee	101,712	111,589	(9,877)
Miscellaneous (50999) *	608,789	510,364	98,425
Others (Mileage and Parking, etc.)	3,895	41,868	(37,973)
<b>Total</b>	<b>\$ 3,169,913</b>	<b>\$ 2,731,926</b>	<b>\$ 437,987</b>
<b>Increase Over Same Quarter of Prior Year</b>			<b>16%</b>

**Statutorily Mandated Audit of Miscellaneous Expenses  
October 1, 2024 to December 31, 2024**

**Office of the Inspector General**

**Report No. 26-AUD-02**

**3. January 2024 to December 2024 versus January 2023 to December 2023**

Miscellaneous expenses for the period January 2024 to December 2024 totaled \$12,400,217, a 20% increase from the period January 2023 to December 2023, where expenses totaled \$9,957,752. 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 2024 and 2023, miscellaneous expenses totaled approximately \$4.2 million and \$3.1 million respectively. See Figure 1 below.

**Figure 1: Miscellaneous Expenses per Quarter  
January 2024 to December 2024 versus January 2023 to December 2023**



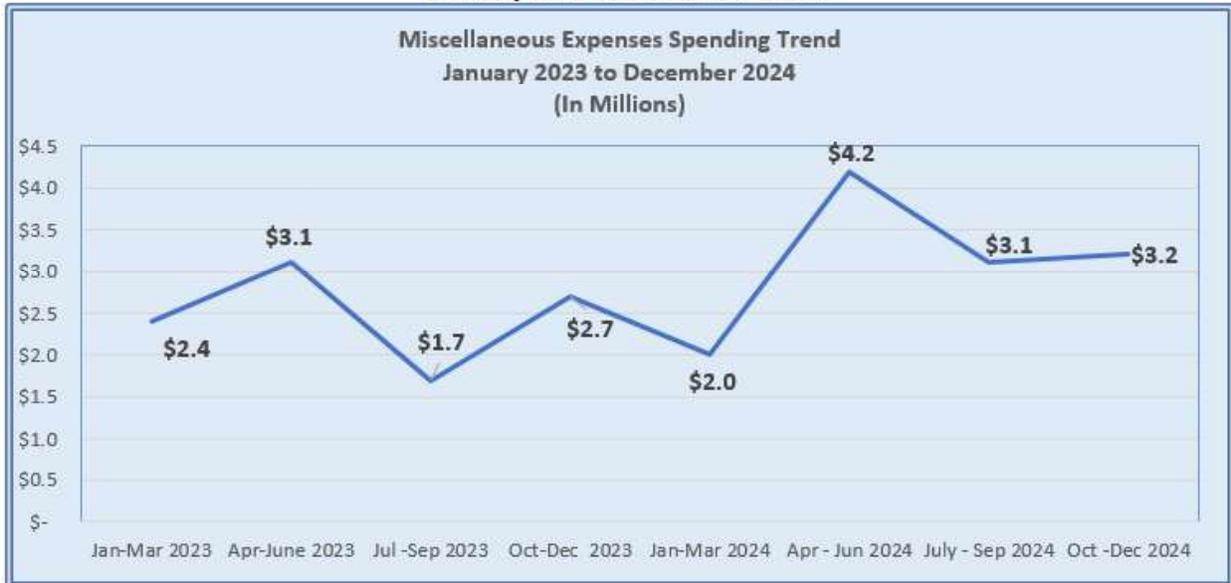
**Statutorily Mandated Audit of Miscellaneous Expenses  
October 1, 2024 to December 31, 2024**

Office of the Inspector General

Report No. 26-AUD-02

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

**Figure 2: Miscellaneous Expense Spending Trend  
January 2023 to December 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 4<sup>th</sup> quarter of a fiscal year to avoid trailing expenses to the following fiscal period.

## CONCLUSION

The miscellaneous expenses we reviewed for the quarter of October 1, 2024, to December 31, 2024, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found one exception related to Metro Business Travel Guidelines (GEN 65).

## RECOMMENDATIONS

We recommend the following:

### Workforce Services

1. The Travel Administrator should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.
2. The Travel Administrator should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and are approved by the unit chief.

### Operations

3. Approving Officials should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.
4. Approving officials should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and approved by the unit chief.

## MANAGEMENT COMMENTS TO RECOMMENDATIONS

On November 19, 2025, we provided Metro Management our draft report. By December 5, 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 are responsive to the recommendations in this report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

## Summary of Sampled Expenses Audited

Account	Account Description	Audit Population	Sample Amount
50213	Training Program <a>	\$ 0	\$ 0
50903	Business Meals	356,515	33,717
50905	Corporate Membership	328,695	239,000
50908	Employee Relocation <a>	0	0
50910	Mileage and Parking	3,895	0
50912	Professional Membership	10,724	1,665
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	101,712	18,186
50917	Business Travel	397,785	22,860
50918	Advertising	1,361,798	611,806
50930	Employee Activities & Recreation <a>	0	0
50999	Other Miscellaneous Expenses	<u>608,789</u>	<u>222,132</u>
	<i>Total</i>	<b><u>\$3,169,913</u></b>	<b>&lt;b&gt; <u>\$1,149,366</u></b>

<a> No expenses incurred for this quarter.

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

Management Comments to Draft Report

Workforce Services



**Metro**

Interoffice Memo

Date	October 30, 2025
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Dawn Jackson-Perkins Chief People Officer 
Subject	Response to Audit Recommendation in Report No 26-AUD-02

Thank you for the opportunity to respond to the findings and recommendations in the draft report (Audit Report No. 26-AUD-02, Statutorily Mandated Audit of Miscellaneous Expenses, October 1, 2024, to December 31, 2024). Please see our responses below to the recommendations pertaining to the Chief People Office.

**Recommendations**

1. Travel Administrator should ensure that expenses charged are in accordance with Metro’s Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.

**Response:** Staff concur with the recommendation and will work to ensure that all expenses are charged in accordance with policy before finalizing expense report.

**Completion Date:** October 30, 2025

2. Administrator should ensure that TBE is accompanied with a justification memo approving the higher limits before approving TBE, if expenses charged exceed the maximum travel per diem allowances.

**Response:** Staff concur with the recommendation and will work to ensure that if approval request is not included with original submittal travel request that approval be obtained prior to travel. For international travel, final average is dependent on the actual exchange rate when transaction posted. If there is a change, appropriate approvals will be requested prior to final approval.

**Completion Date:** October 30, 2025

Management Comments to Draft Report

Operations



**Metro**

Interoffice Memo

Date	December 4, 2025
To	Karen Gorman Inspector General
From	Conan Cheung Chief Operations Officer 
Subject	26-AUD-02 Metro Misc. Expenses (October 2024 – December 2024)

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from October 2024 – December 2024. Although OIG found that the sampled transactions generally complied with Metro policies, two issues were identified. Therefore, the actions below will be taken by Operations Bus Maintenance to comply with the recommendation from the audit:

**Recommendation #3:** Approving officials should ensure that expenses charged are in accordance with Metro’s Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.

**Management Response:** Management will continue to ensure that expenses are charged in accordance with Metro’s Business Travel Guidelines (GEN 65) before approving the Travel Business Expense Report (TBE). This travel was for an international transit vehicle technology trade show, which draws a large attendance, thus resulting in higher-than-normal hotel pricing throughout the city.

**Completion Date:** Ongoing

**Recommendation #4:** Approving officials should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and approved by the unit chief.

**Management Response:** Management will ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and are approved by the unit chief moving forward.

**Completion Date:** January 1, 2026

CC: Conan Cheung  
Diane Corral-Lopez  
Edna Stanley  
Diane Frazier

Final Report Distribution

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**Board of Directors**

Kathryn Barger  
Karen Bass  
James Butts  
Jacquelyn Dupont-Walker  
Fernando Dutra  
Janice Hahn  
Lindsey Horvath  
Holly Mitchell  
Ara Najarian  
Imelda Padilla  
Gloria Roberts  
Tim Sandoval  
Hilda Solis  
Katy Yaroslavsky

**Metro**

Chief Executive Officer  
Chief of Staff  
Board Clerk  
Chief Financial Officer (Interim)  
Chief People Officer  
Chief Operations Officer  
Deputy Chief Auditor  
Inspector General



**Metro**

## Interoffice Memo

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Date	January 27, 2026
To	Yvonne Zheng Senior Manager, Audit
From	Nicole Englund <i>NE</i> Chief of Staff
Subject	Response to Response to OIG Observation on International Travel and Miscellaneous Expenses (Report No. 26-AUD-02)

---

Thank you for the opportunity to respond to the observations included in the Office of the Inspector General's Statutorily Mandated Audit of Miscellaneous Expenses for the period of October 1, 2024, through December 31, 2024.

Metro acknowledges the Office of Inspector General's recommendation regarding ongoing oversight of international travel expenses. While the audit did not identify specific instances of noncompliance with Metro's Business Travel Guideline (GEN 65), Metro agrees that continued monitoring of international travel expenditures is important to ensure responsible stewardship of public funds.

Metro currently maintains established policies, approval processes, and post-travel expense review procedures designed to promote compliance with GEN 65. Management will continue to reinforce adherence to these guidelines and will evaluate whether any enhancements to monitoring practices are warranted as international travel activity evolves.

As noted in the report, during the reviewed period, nineteen Metro employees and Board Members traveled internationally at a total cost of \$118,773. Thirteen of these travelers participated in site visits and technical exchanges in Paris, France, in direct preparation for the 2028 Olympic and Paralympic Games; five employees attended the InnoTrans Conference in Berlin, Germany, focused on innovations and best practices in bus operations; and one employee traveled to Seoul, South Korea, to participate in the teardown and inspection of pilot vehicles for rail operations.

Metro is responsible for delivering safe, reliable, and accessible transit service during a global event of unprecedented scale in the region. Metro's participation in the Paris 2024 Olympic and Paralympic Games provided a unique opportunity for direct observation, coordination with host transit agencies, and real-time learning related to operations, security, accessibility, crowd management, and interagency coordination. These observations are critical to informing Metro's planning, risk mitigation strategies, and operational readiness for LA28.

Participation in the Paris 2024 Games offered a unique opportunity for Metro staff and Board members to gain firsthand insight into the complexities of planning and operating a large-scale, multi-modal transportation system during a global mega-event.

It is standard practice for delegations from future Olympic and Paralympic host cities to attend and observe the preceding Games as a mission-critical component of coordinated planning, operational readiness, and risk mitigation. During the Paris Games, Metro staff observed in real time how multiple transit agencies coordinated with host city partners and the Organizing Committee to move large volumes of passengers efficiently and safely, manage queuing and crowd control, deploy multilingual wayfinding and digital tools, and integrate operations across modes and jurisdictions. Observing these operations in real time provided context that cannot be fully replicated through reports or post-event briefings, particularly in understanding dynamic decision-making and interagency coordination during peak demand and unplanned conditions.

Many of these lessons have already informed Metro's ongoing Games planning efforts, including coordination strategies, wayfinding approaches, accessibility considerations, and crowd management planning. These insights collectively strengthen Metro's ability to reduce operational risk, improve service reliability during the Games, and ensure responsible use of public resources through informed and proactive planning.

Similarly, attendance at the InnoTrans Conference and the Seoul vehicle inspection supported Metro's ongoing efforts to improve bus and rail operations by evaluating emerging technologies, vehicle performance, and maintenance practices that cannot be fully assessed without in-person technical engagement. Attendance at the InnoTrans Conference in Berlin served a distinct and operationally focused purpose. InnoTrans is the world's largest transportation technology trade exhibition and convenes transit agencies, vehicle manufacturers, systems integrators, and operators from across the globe. Metro staff participated in targeted technical sessions and direct vendor engagements to evaluate emerging bus technologies, fleet electrification strategies, maintenance practices, and operational innovations that have been successfully deployed in large, high-frequency transit systems. This engagement supported Metro's ongoing efforts to improve bus reliability, performance, and lifecycle cost management, particularly as Metro continues to expand its zero-emission bus fleet and modernize its operations. The knowledge gained through these direct, in-person technical exchanges informs procurement decisions, operational standards, and long-term fleet strategy, helping to mitigate implementation risk and avoid costly retrofits or operational inefficiencies.

The Seoul travel similarly supported a highly specific operational need tied to rail vehicle procurement and safety. Participation in the teardown and inspection of pilot rail vehicles allowed Metro staff to assess vehicle components, systems integration, and maintainability directly. This hands-on inspection provided insights that cannot be obtained through documentation review alone and is a critical risk-management step in ensuring vehicle reliability, maintainability, and safety over the life of the fleet. Early identification of design or maintenance issues through this process helps prevent future service disruptions, unplanned maintenance costs, and warranty disputes, ultimately protecting public investment and system performance.

Metro staff remain committed to fiscal responsibility, transparency, and the prudent stewardship of public funds. All international travel during this period was planned and executed within Metro's existing annual travel budget. To prioritize these high-value learning and operational exchanges, the CEO strategically reduced or deferred other discretionary travel during the fiscal year to ensure that overall travel expenditures remained within approved budget levels. As a result, total travel spending in FY25 was maintained within the allocated budget authority.

Thank you.

# OFFICE OF THE INSPECTOR GENERAL

## Audit of Miscellaneous Expenses October to December 2024

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

Report No. 26-AUD-02

February 19, 2026



# Objectives

**The objectives of the audit were to determine whether:**

- Expenses charged were proper, reasonable, and in accordance with Metro's policies & procedures
- Expenses had proper approval, receipts, & other supporting documentation
- Policies & Procedures are adequate



# Results of Audit

Staff generally complied with Metro policies & procedures; however, OIG found one issue related to non-compliance with Metro Business Travel Guidelines (GEN 65).

OIG provided 4 recommendations





**Board Report**

**File #:** 2026-0010, **File Type:** Informational Report

**Agenda Number:** 12.

**FINANCE, BUDGET AND AUDIT COMMITTEE  
FEBRUARY 19, 2026**

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2026 SECOND QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the Management Audit Services FY 2026 Second Quarter Report.

**ISSUE**

Management Audit Services (MAS) is required to provide a quarterly activity report to the Board that presents information on audits that have been completed or are in progress, including information related to audit follow-up activities. The FY 2026 second quarter report covers the period from October 1, 2025, to December 31, 2025.

**BACKGROUND**

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

**DISCUSSION**

The following summarizes MAS activity for FY 2026 second quarter:

Performance Audits: 2 audits were completed; 12 projects were in progress.

Contract, Financial and Compliance Audits: 6 audits with a total value of \$28 million were completed; 69 were in progress.

Financial and Compliance Audits of Metro: 7 audits were issued by an external Certified Public Accounting (CPA) firm.

Audit Follow-up and Resolution: 19 recommendations were closed; 20 recommendations are open. For the Office of Inspector General (OIG), 2 recommendations were closed for the quarter and 16 recommendations are open.

The FY 2026 Second Quarter 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 from audit services conducted during this period.

## **VEHICLE MILES TRAVELED OUTCOME**

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

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

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

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Management Audit Services FY 2026 Second Quarter Report supports Metro's Vision 2028 Goal #5:

Provide responsive, accountable, and trustworthy governance within the Metro organization.

**NEXT STEPS**

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

**ATTACHMENT**

Attachment A - Management Audit Services (MAS) FY 2026 Second Quarter Report

Prepared by:

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

Reviewed by:

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



Stephanie Wiggins  
Chief Executive Officer

# Quarterly Report to Metro Board of Directors

FY 2026 Second Quarter



MANAGEMENT  
AUDIT SERVICES

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**Executive Summary**

Performance Audits

Contract, Financial, & Compliance Audits

Financial and Compliance Audits of Metro

Audit Follow-Up and Resolution



**81** AUDIT PROJECTS IN PROGRESS



**6** COMPLETED CONTRACT, FINANCIAL, AND COMPLIANCE AUDITS

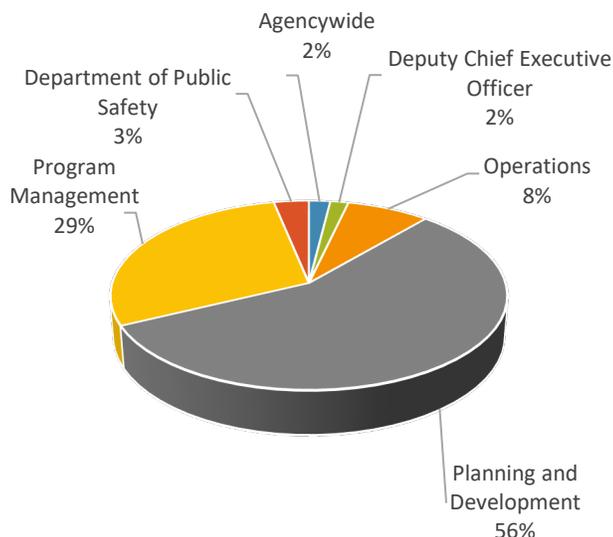


**2** COMPLETED PERFORMANCE AUDITS



**36** OPEN AUDIT RECOMMENDATIONS

Summary of Audit Activity by Department  
Reporting Period  
October 1, 2025 – December 31, 2025



### Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 81 in-progress projects as of December 31, 2025, which include 12 performance projects and 69 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 20 open MAS audit recommendations and 16 open for the Office of the Inspector General (OIG).

### Summary of Second Quarter Completed Audit Activity

MAS completed 15 audit projects. The projects are comprised of two (2) performance audits, 6 contract, financial and compliance audits, and 7 financial and compliance audits of Metro issued by external Certified Public Accountant (CPA) firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The other audits issued by external firms are highlighted on page 6.

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

Executive  
Summary

**Performance  
Audits**
Contract, Financial, &  
Compliance AuditsFinancial and Compliance  
Audits of MetroAudit Follow-Up  
and Resolution

## ***Performance Audits***

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

### ***Employee Health Care Benefits***

The objective of this audit was to verify all active eligible recipients (excluding represented employees and retirees) receiving Metro's health and dental coverages were receiving benefits from their selected providers and that elected coverage corresponded with payroll deductions. The review period for the data covered January 2024 to June 2024.

For the review period, discrepancies in dental and medical coverage records were identified for 82 employees, from a population of 3,207 employees (non-contract and board members). These discrepancies included employee payroll deductions not matching amounts billed by the carrier, and instances where employees were not reflected in monthly carrier billings. In addition, of 3,676 medical and dental elections reviewed, 43 were incorrectly based on prior-year rates. All of these discrepancies could have affected the health benefit coverage of the above employees. MAS provided management with 14 recommendations and will follow up to ensure implementation.

### ***Employee Pension Benefits***

The objective of this audit was to verify the accuracy of pension payroll deductions and contributions for all active PEPRAs eligible employees. Pension data reviewed covered the period from January 1, 2023, through August 30, 2024.

For calendar year 2024, inaccuracies were identified in employee pension contribution payroll deductions affecting 119 (3% of 3,835) employees. Forty-seven (47) of these errors resulted from a miscalculation during the annual reset process, where employee pension contribution amounts for the year are zeroed out at the start of the year. The miscalculation resulted in the premature termination of employee pension contribution payroll deductions in 2024 for employees covered under PEPRAs. Management had discovered this error, and MAS confirmed the existence of this condition and identified its cause. The remaining 72 errors stemmed from coding issues, incorrect job status designations, and missed deductions on manual checks. MAS provided management with 15 recommendations and will follow up to ensure implementation.

Executive  
SummaryPerformance  
Audits

**Contract, Financial, &  
Compliance Audits**
Financial and Compliance  
Audits of MetroAudit Follow-Up  
and Resolution

MAS staff completed 6 independent auditor reports on agreed-upon procedures for the following:

<b>Project</b>	<b>Reviewed Amount</b>	<b>Questioned and/or Reprogrammed Amount</b>
City of Burbank - Victory Boulevard Connectivity Gap Closure and Transit Enhancements Project	\$3,000,000	\$0
City of Culver City - Culver Boulevard Realignment Project	\$8,926,750	\$0
City of Pico Rivera - I-605 Hot Spots Arterial Intersection Project	\$13,226,468	\$252,532
City of South Pasadena - ATMS, Central TCS and FOIC for Fair Oaks Av Project	\$701,494	\$0
City of Carson - Broadway Intersection Improvements	\$1,420,479	\$299,589
City of Gardena - Gardena Municipal Bus Lines Line 2 TSP Project	\$967,149	\$0
<b>Total Amount</b>	<b>\$28,242,340</b>	<b>\$552,121</b>

Contract, financial and compliance audits completed during FY 2026 second quarter are included in Appendix B.

---

Executive  
Summary

Performance  
Audits

Contract, Financial, &  
Compliance Audits



**Financial and Compliance  
Audits of Metro**

Audit Follow-Up  
and Resolution

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

### ***Basic Financial Statements and Component Units Audits – Issued Various Dates***

MAS contracted with Crowe, LLP to conduct the basic financial statements and component unit audits for the year ended June 30, 2025. The resulting reports include:

- Annual Comprehensive Financial Report (ACFR);
- Single Audit for the Federal Funds;
- Transportation Development Act (TDA) Operations Agency – 50% Expenditure Limitation Schedule;
- TDA Schedule of Revenue, Expenditure and Changes in Fund Balances;
- State Transit Assistance (STA) Special Revenue Fund Financial Statements;
- Service Authority for Freeway Emergencies (SAFE) Financial Statements; and
- Low Carbon Transit Operations Program (LCTOP) Compliance Audit.

The independent auditor issued unmodified opinions on all audit reports for FY25, which indicates that all financial statements were fairly presented, and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.



The graphs below summarize the open audit recommendations as of December 31, 2025:

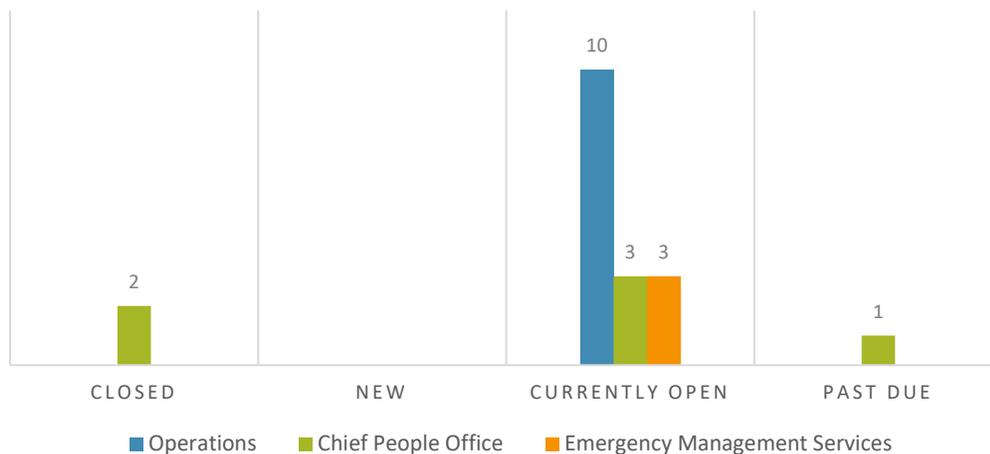
### MAS AND EXTERNAL AUDIT RECOMMENDATIONS



**20** open recommendations

**19** closed recommendations

### OIG AUDIT RECOMMENDATIONS



**16** open OIG recommendations

**2** closed OIG recommendations

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

## Appendix A

Performance Audit - In Progress Projects as of December 31, 2025				
No.	Area	Project Number & Title	Description	Estimated Date of Completion
1	Program Management / Operations	25-CON-P01 - Gold Line Extension Phase 2B	Evaluate Metro's oversight of the Metro Gold Line Foothill Extension Construction Authority's project management of Gold Line Extension Phase 2B Project, and Metro Operations' project management over final year processes leading to revenue service.	2/2026
2	Program Management	25-CON-P02 - Division 20 Portal Widening Turnback Facility	Evaluate Metro's project management processes for the Project to date, including managing and mitigating project risks.	3/2026
3	Deputy Chief Executive Officer	25-DEO-P01 - Small Business Enterprise (SBE) Certification Processes	Evaluate if DEOD's SBE certification procedures effectively identify eligible businesses and comply with relevant laws, regulations, and policies. <i>Audit project request by Metro's Chief Executive Officer.</i>	3/2026
4	Planning and Development	25-PLN-P01 - Project Grant Funding	Assess whether Metro is adequately allocating its resources to maximize funding identified and received.	3/2026
5	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.	4/2026
6	Department of Public Safety	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	4/2026
7	Department of Public Safety	25-SEC-P02 - Safety Response to Reported Incidents	Evaluate whether existing policies and procedures are adequate to ensure timely decision-making and effective deployment of resources in response to safety-related service requests from employees and the public.	5/2026
8	Planning and Development	26-PLN-P01 - Measure M Subregional Program (MSP)	Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP is maximizing the program's capacity and adhering to project schedule(s).	6/2026
9	Planning and Development	26-PLN-P02 - Real Estate Condition and Utilization	Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.	8/2026
10	Operations	26-OPS-P01 - Non-revenue Vehicles	Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.	8/2026
11	Operations	26-OPS-P02 - Wayside Track Maintenance	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	8/2026
12	Operations	26-OPS-P03 - Bus Division Operations Efficiencies	Examine Metro's Bus Divisions' administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals.	8/2026

## Appendix B

<b>Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2025</b>				
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Auditee</b>	<b>Date Completed</b>
1	Planning and Development	24-PLN-A20 - Grant	City of Burbank	10/2025
2	Planning and Development	25-PLN-A16 - Grant	City of Culver City	11/2025
3	Planning and Development	25-HWY-A11 - Grant	City of Pico Rivera	11/2025
4	Planning and Development	25-PLN-A27 - Grant	City of South Pasadena	12/2025
5	Planning and Development	25-PLN-A26 - Grant	City of Carson	12/2025
6	Planning and Development	25-PLN-A30 - Grant	City of Gardena	12/2025

## Appendix C

Open Audit Recommendations as of December 31, 2025						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1-2	Operations	21 SEC P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	2 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
3-6	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	
7	Department of Public Safety	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 <sup>1</sup>	
8	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1b	Perform monthly reconciliations of human resource/payroll deduction report to validate that payroll deductions align with carrier invoices.	10/31/2025	6/30/2026
9	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1d	Implement monitoring of dependent eligibility and 'age-out' events.	9/30/2025	6/30/2026
10	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1e	Identify methods to automate the procedures in 1(b) and 1(c) above as part of the new payroll system implementation.	12/31/2025 <sup>1</sup>	
11	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1g	If needed, coordinate with Vendor Contract Management to incorporate language into the health service contracts requiring all health carriers to provide digital invoicing that includes necessary information to facilitate reconciliations, with content and in a format acceptable to Metro management.	12/31/2025 <sup>1</sup>	
12	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	3c	The Chief People Office should ensure Pension and Benefits determines if medical and dental payments should be processed using Purchase Orders.	12/31/2025 <sup>1</sup>	
13	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	3d	The Chief People Office should ensure Pension and Benefits arranges for invoices to be sent directly to Accounts Payable as well as to Pension and Benefits.	12/31/2025 <sup>1</sup>	
14	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	3f	The Chief People Office should ensure Pension and Benefits creates a Standard Operating Procedure (SOP) for processing and reconciling all carrier billings to Metro's internal documentation.	12/31/2025 <sup>1</sup>	
15	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	1a	The Chief People Officer and Chief Financial Officer should ensure ITS Administration and the Pension and Benefits and Payroll Departments validate the beginning-of-the-year pension contribution script before introducing it to production.	12/31/2025 <sup>1</sup>	
16	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	1b	The Chief People Officer and Chief Financial Officer should ensure that the CalPERS beginning-of-year adjustment performed by ITS Administration, including the reset of employee pension contribution payroll deduction balances, is reviewed, confirmed, and approved by both Accounting (Payroll) and Pension and Benefits management.	1/31/2026	
17	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	2a	The Chief People Officer should direct Pension and Benefits management to develop detailed SOPs covering the employee pension contribution process, including report generation, review, and exception handling.	11/30/2025	6/30/2026

<sup>1</sup> Recognizing that full resolution of recommendations may require additional follow-up and coordination, recommendations not addressed within 90 days of the due date are formally reported as late.

## Appendix C

Open Audit Recommendations as of December 31, 2025						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	5	The Chief People Officer should direct Pension and Benefits management to establish a formal succession planning framework that maintains leadership continuity and operational resilience. This should include formulating and documenting a succession plan, implementing cross-training, instituting knowledge transfer and resource documentation, and monitoring and evaluating preparedness to ensure employees can assume other important roles in the event of a future absence or departure of the department head or key personnel.	6/30/2026	
19	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	7	The Chief People Officer should direct Pension and Benefits to evaluate the upcoming Oracle HCM Cloud Suite implementation to assess opportunities for automating the pension process, replacing manual workflows, scanning employee documents, improving change history, and ensuring enhanced integration across Human Resources, Payroll, and Pension and Benefits functions to improve accuracy and efficiency in pension management.	12/31/2025 <sup>1</sup>	
20	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	8	The Chief People Officer should direct Pension and Benefits and ITS Administration management to incorporate enhanced controls and validations into the upcoming Oracle HCM Cloud Suite system. These enhanced controls and validations should include mechanisms such as logical checks to prevent contradictory or missing pension codes from being assigned, particularly for ineligible job classes. Also, job status changes should automatically trigger reviews to ensure pension codes are updated promptly. Increased automation will help minimize manual data entry errors.	12/31/2025 <sup>1</sup>	

<sup>1</sup> Recognizing that full resolution of recommendations may require additional follow-up and coordination, recommendations not addressed within 90 days of the due date are formally reported as late.

## Appendix D

Open OIG Audit Recommendations as of December 31, 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	16	Continue to test and determine the effectiveness of the independent solar panel lights on top of the signposts. Consider expanding use of the solar lights if the cost and benefits of these lights prove to be a good solution.	6/30/2025	12/31/2025 <sup>1</sup>
2	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	19	Consider sustainable options like lights generated by small solar panels or other environmentally conscious methods, as stated earlier.	6/30/2025	12/31/2025 <sup>1</sup>
3	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	20	Monitor the effectiveness of the Bus Lane Enforcement (BLE) program in keeping Metro bus lanes clear from parked vehicles across the system to improve transit safety and reliability.	Pending Review	
4	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.	Pending Review	
5	Chief People Office	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	1	When providing training for staff, ensure that there are no cost-free in-house programs or external programs that Metro partners with who provides similar highly qualified training at a substantially lower cost that still meet the quality and expertise level, before purchasing these services outside of Metro.	3/31/2026	
6	Chief People Office / Vendor/Contract Management	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	4	Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.	3/31/2026	
7	Emergency Management Services	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	2b	Increase surveillance, or use other methods, to deter vandalism.	2/28/2026	
8	Emergency Management Services	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	3	Conduct a staffing assessment to ensure sufficient personnel are available to effectively respond to and prevent vandalism and graffiti-related incidents and repairs.	2/28/2026	
9	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	4	Explore external/outside noise-canceling technology and techniques at loud stations.	12/31/2025 <sup>1</sup>	
10	Chief People Office	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	12	Coordinate with (Maintenance of Way) Communications Systems to obtain accurate data and generate relevant and useful reports, including the number and type or purpose of calls received from call boxes.	11/30/2025	
11	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	13	Consider installing clear signage stating that the emergency call box is for emergency use only, and misuse is subject to penalties.	9/30/2025	4/30/2026
12	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	16	Once the prototypes of the Call Point Blue Light Project are installed, evaluate their effectiveness and conduct a comprehensive cost-benefit analysis based on the knowledge gained from the Call Point Blue Light Project.	6/30/2026	
13	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	17	Conduct a comprehensive evaluation of the existing camera infrastructure to identify performance gaps and limitations.	12/31/2026	
14	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	18	Ensure any new system being considered meets Metro's needs as an upgrade to high resolution, reliable camera systems with enhanced capabilities such as pan, tilt, and zoom (PTZ) functionality for improved coverage and flexibility, and will replace obsolete call boxes and legacy cameras with a unified system that offers superior image quality and remote monitoring capabilities.	12/31/2027	

<sup>1</sup> Recognizing that full resolution of recommendations may require additional follow-up and coordination, recommendations not addressed within 90 days of the due date are formally reported as late.

## Appendix D

Open OIG Audit Recommendations as of December 31, 2025						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
15	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	19	Consider integrating Artificial Intelligence and automation in any future camera systems deployed in Metro Rail Stations.	12/31/2028	
16	Emergency Management Services	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	21	Expand surveillance coverage by installing functional cameras in previously unmonitored areas, such as the Willow Station patron and employee parking lot.	12/31/2028	

MANAGEMENT AUDIT SERVICES

# FY 2026 Second Quarter Report



**Finance, Budget and Audit Committee**  
**February 19, 2026**

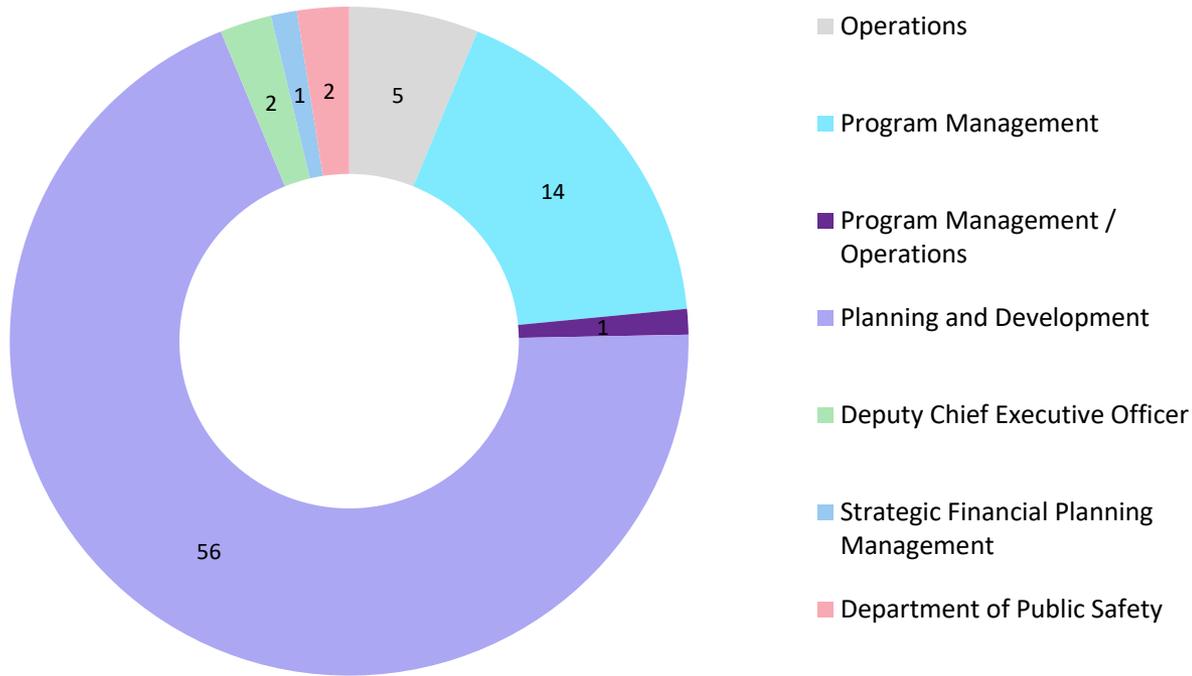
Kimberly Houston, Deputy Chief Auditor  
Lauren Choi, Sr. Director, Audit  
Alfred Rodas, Sr. Director, Audit



**Metro**<sup>®</sup>

# In Progress: MAS Audit Activity by Area

## Agency Representation



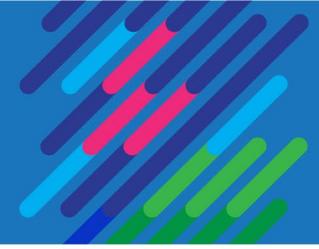
**12** Performance audits in progress

**69** Contract, Financial, and Compliance Audits in progress

# In Progress: Performance Audits

No.	Project Title	Area	Description	Estimated Date of Completion
1	Gold Line Extension Phase 2B	Program Management / Operations	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.	FY26 Q3
2	Division 20 Portal Widening Turnback Facility	Program Management	Evaluate Metro’s project management processes for the Project to date, including managing and mitigating project risks.	FY26 Q3
3	Small Business Enterprise (SBE) Certification Processes	Deputy Chief Executive Officer	Evaluate if DEOD's SBE certification procedures effectively identify eligible businesses and comply with relevant laws, regulations, and policies.	FY26 Q3
4	Project Grant Funding	Planning and Development	Assess whether Metro is adequately allocating its resources to maximize funding identified and received.	FY26 Q3
5	Purple (D-Line) Extension 1 (PDLE1)	Program Management	Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations.	FY26 Q4
6	Physical Security Monitoring Equipment	Chief Safety Office	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	FY26 Q4
7	Safety Response to Reported Incidents	Chief Safety Office	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.	FY26 Q4
8	Measure M Subregional Program (MSP)	Planning and Development	Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP is maximizing the program’s capacity and adhering to project schedule(s).	FY26 Q4
9	Real Estate Condition and Utilization	Planning and Development	Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.	FY27 Q1
10	Non-revenue Vehicles	Operations	Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.	FY27 Q1
11	Wayside Track Maintenance	Operations	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	FY27 Q1
12	Bus Division Operations Efficiencies	Operations	Examine Metro’s Bus Divisions’ administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals.	FY27 Q1

# Completed: Employee Health Care Benefits



## Objective

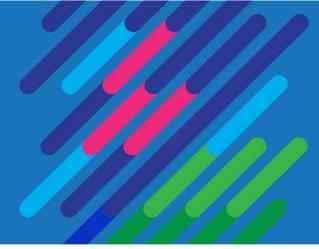
Verify all active eligible recipients (excluding represented employees and retirees) receiving Metro's health and dental coverages were receiving benefits from their selected providers and that elected coverage corresponded with payroll deductions.

## Audit Results

For the review period, discrepancies in dental and medical coverage records were identified for 82 employees, from a population of 3,207 employees (non-contract and board members). These discrepancies included employee payroll deductions not matching amounts billed by the carrier, and instances where employees were not reflected in monthly carrier billings. In addition, of 3,676 medical and dental elections reviewed, 43 were incorrectly based on prior-year rates.

All of these discrepancies could have affected the health benefit coverage of the above employees. MAS provided management with recommendations and will follow up to ensure implementation.

# Completed: Employee Pension Benefits



## Objective

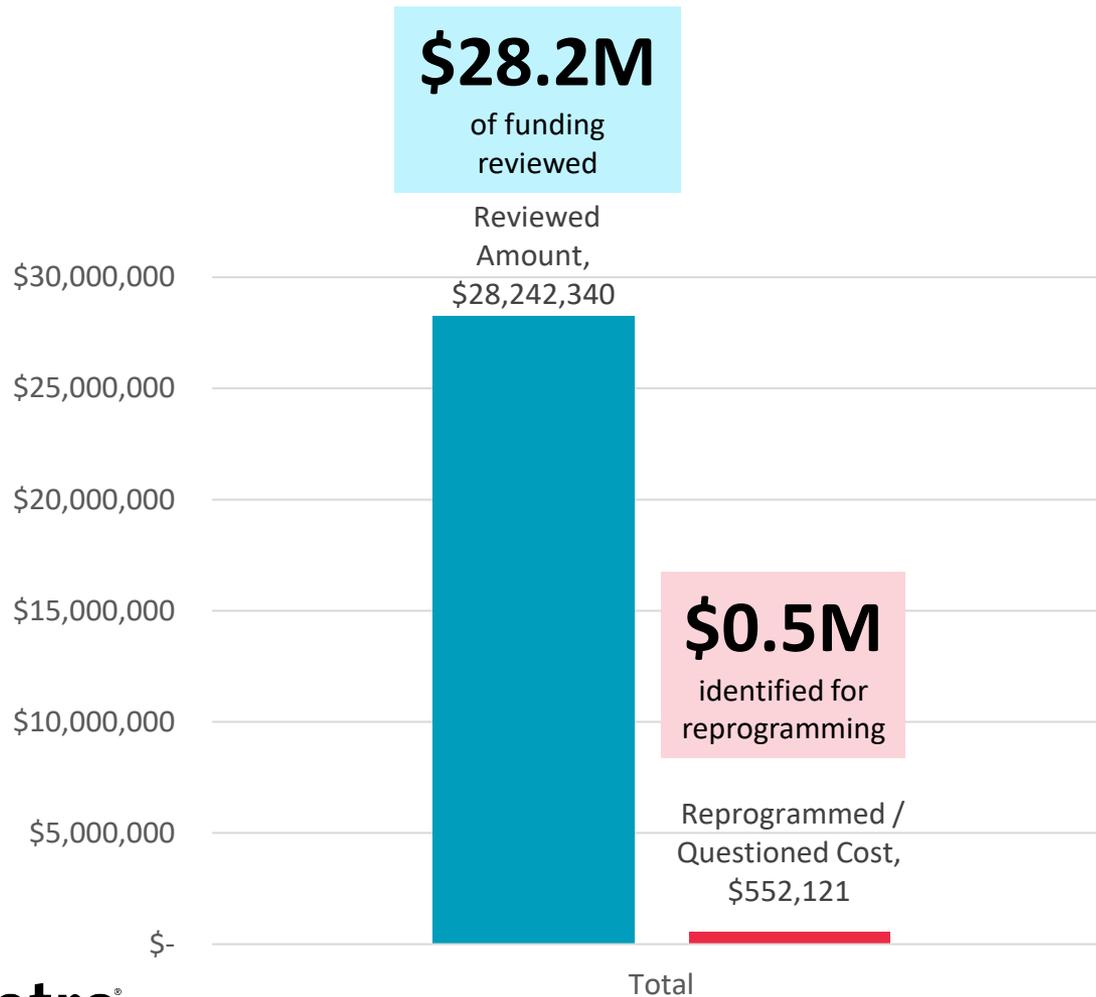
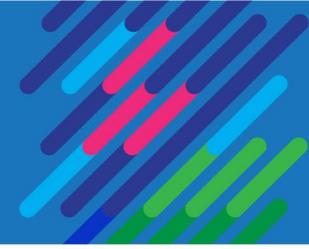
Verify the accuracy of pension payroll deductions and contributions for all active PEPRA eligible employees.

## Audit Results

For calendar year 2024, inaccuracies were identified in employee pension contribution payroll deductions affecting 119 (3% of 3,835) employees. Forty-seven (47) of these errors resulted from a miscalculation during the annual reset process, where employee pension contribution amounts for the year are zeroed out at the start of the year. The miscalculation resulted in the premature termination of employee pension contribution payroll deductions in 2024 for employees covered under PEPRA. Management had discovered this error, and MAS confirmed the existence of this condition and identified its cause. The remaining 72 errors stemmed from coding issues, incorrect job status designations, and missed deductions on manual checks.

MAS provided management with recommendations and will follow up to ensure implementation.

# Completed: Contract, Financial & Compliance Audits



**\$28.2M**

of funding reviewed

Reviewed Amount, \$28,242,340

**\$0.5M**

identified for reprogramming

Reprogrammed / Questioned Cost, \$552,121

**6** audit reports issued in Q2



**Metro**

Thank you!



**Metro**<sup>®</sup>





**Board Report**

**File #:** 2026-0011, **File Type:** Informational Report

**Agenda Number:** 13.

**FINANCE, BUDGET, AND AUDIT COMMITTEE  
FEBRUARY 19, 2026**

**SUBJECT: FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS: RESOURCES AND PARAMETERS**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2027 (FY27) Budget Development Process: Resources and Parameters.

**ISSUE**

This report sets up the economic context for the upcoming fiscal year with the forecast of sales tax revenues and other resources, cost inflation and other financial risks. A comprehensive and transparent public outreach program runs concurrently during the budget development process to maximize public input and ensure that Metro’s stakeholders have an active role.

Staff will collaborate closely with the Board to ensure alignment on funding priorities and financial strategies during the budget development process. This partnership will be reinforced through monthly program reviews, enabling Metro staff to continuously reassess needs, optimize spending, and uphold budgetary balance.

**BACKGROUND**

The first phase of the FY27 Equitable Zero-Based Budget (EZBB) process began with the Near-Term Outlook Update and analysis of cost growth drivers in January 2026.

Resource projections lay the foundation for the financial framework that guides our fiscal planning. This report outlines the budget development parameters, incorporating key assumptions related to the sales tax forecast, operating revenues, grants, bond proceeds, and prior-year carryover. These assumptions will guide the determination of available resources for eligible projects and programs in FY27.

**DISCUSSION**

Staff is committed to maximizing the use of revenues for all programs, based on each of the

ordinances that govern the eligibility and use of funds. However, the most critical step is to develop accurate projections of sales tax revenues.

## Sales Tax Revenues

Sales taxes are the primary revenue sources for Metro, representing over half of the total annual resources. Metro's local sales tax ordinances (Proposition A, Proposition C, Measure R, and Measure M) have voter approved directives on how each sub-fund should be spent, which determines the funding available for programs. Metro utilizes multiple modeling approaches and sources to estimate sales tax revenues.

### FY26 Sales Tax Update

Metro monitors actual monthly sales tax receipts from the California Department of Tax and Fee Administration (CDTFA). Staff reevaluates the validity of the current adopted budget with year-to-date actual receipts and reforecast as necessary. The estimated actuals are used as the base for the FY27 preliminary sales tax revenue projections.

The FY26 year-to-date actual receipts, from July to November 2025, are \$432.2 million per ordinance. The recent 43-day (October 1 to November 12, 2025) Federal government shutdown likely disrupted the second quarter's receipts, but the impact is expected to be temporary with the losses recouped once public benefits resumed and federal workers returned to work. Historically, the sum of the first five-month actuals accounts for roughly 40% of the year-end total. We anticipate this trend will continue and the year-end receipts are projected to be close to budget (\$1,070.0 million per ordinance).

### Economic Sector Model

During the pandemic, Metro staff developed an economic sector model to isolate and evaluate local sales tax impacts of changes in specific sectors of the economy. A list of the sector breakdowns is given in Attachment A. This model continues to be a valuable tool in refining the agency's annual budget projections. The FY27 sales tax revenue assumptions considered the following external factors:

- **Muddled local economy:** While a few high productivity sectors like aerospace and healthcare continue to expand, the region faces significant headwinds from very low job growth, persistent affordability issues, and federal policy shifts regarding tariffs and immigration.
- **Consumer spending:** Overall spending has remained flat for the last two years but is expected to begin rising in FY27.
- **Spending mix transition:** Non-taxable spending categories such as housing, insurance, health care, and services continue taking up a greater share of spending, eroding disposable income spent on taxable sales.
- **Increasing consumer debt:** Growth in debt and delinquencies continues to impede the growth of disposable income in the near term.
- **Electric vehicle (EV) trends:** EV sales are increasing at a slower rate now, but they continue to grow as a percentage of total cars in the region. This will continue to put downward

pressure on gasoline sales tax revenue growth.

- **Wildfire impacts:** While reconstruction, repair, and replacement activities due to the 2025 wildfires appear to have shifted some spending into categories such as building materials and furnishings, the net impact on regional sales tax revenues is marginal.
- **World Cup impacts:** The eight FIFA World Cup matches are expected to contribute \$8.3M in additional revenues through Metro’s four local sales tax ordinances. These funds will be part of Metro’s overall sales tax revenues, spread throughout all funding categories (local return, transit and highway capital, bus and rail ops, etc.) and subject to the usual eligibility restrictions. The majority of this is included as part of the current fiscal year budget assumption.

Multiple Regression Model

Metro staff also developed a statistical multiple regression model to validate the economic sector model results. This model determines the correlations between sales tax revenues and other independent variables such as unemployment rate, CPI, and personal income in Los Angeles County, and derives a formula using historical data to make future projections.

FY27 Preliminary Sales Tax Assumption

The forecasting models indicate a gradual economic recovery and moderate sales tax revenue growth in the upcoming fiscal year, projected at \$1,089.0 million per ordinance, an increase of 1.8% over the FY26 Budget of \$1,070.0 million. Figure 1 displays Metro’s historical sales tax revenue actuals, the FY26 Budget and the FY27 preliminary sales tax revenue assumption.

Figure 1:

	FY24 Actual	FY25 Actual	FY26 Budget	FY27 Preliminary
1 Sales Tax Revenue per Ordinance <sup>(1)</sup>	\$ 1,093.0	1,080.0	\$ 1,070.0	\$ 1,089.0
2 % Change	-1.7%	-1.2%	-0.9%	1.8%

<sup>(1)</sup> Proposition A, Proposition C, Measure R and Measure M. Transportation Development Act (TDA) sales tax revenue is approximately 50% of the other ordinances.

Figure 2 compares Metro’s historical and current budget estimates to actual receipts and leading regional forecasts. FY27 sales tax revenue projections from UCLA Anderson, Beacon Economics and Muni Services are between \$995.9 million to \$1,127.2 million per ordinance, and Metro’s preliminary assumption of \$1,089.0 million falls within range.

Figure 2:

Sales Tax Revenue per Ordinance Forecast Comparison

Forecast Source (\$ in Millions)	FY24	FY25	FY26	FY27 Preliminary
1 Actual	\$ 1,093.0	\$ 1,080.0	\$ 1,042.3 - 1,109.5 <sup>(1)</sup>	N/A
2 Metro- Adopted	1,200.0	1,156.0	1,070.0	1,089.0 <sup>(2)</sup>
3 UCLA	1,103.8	1,144.4	1,103.3	1,098.6
4 Beacon Economics	1,091.7 - 1,232.4	1,011.0 - 1,082.2	1,032.3 - 1,109.7	995.9-1,076.6
5 Muni Services	1,145.1	1,099.7 - 1,203.3	1,020.9 - 1,056.2	1,091.7-1,127.2

<sup>(1)</sup> FY26 Estimated Actual range.

<sup>(2)</sup> FY27 preliminary assumption.

Other Resources

State Transit Assistance (STA)/Senate Bill 1 (SB1) Revenues

STA and SB1 are sales tax revenues dependent on actual consumption and the price of diesel and gasoline. The FY27 preliminary assumption of \$271.3 million will be revised in late February 2026 to reflect the State Controller’s Office (SCO) FY27 allocations.

Passenger Fares

FY27 fare revenue projections are still under development and are based on recent ridership and fare revenue trends. While ridership is expected to increase with the opening of new rail extensions, including the D Line, and continued system enhancements, fare revenue is expected to remain constrained due to increased utilization of free and reduced-fare programs such as Low-Income Fare is Easy (LIFE), Fare Capping, and GoPass.

- LIFE Program: Offers free monthly 20-trip passes and free 90-day passes for new enrollees.
- Fare Capping: Limits daily and weekly fares, allowing additional trips at no cost once the cap is reached.
- GoPass: Provides unlimited free rides for K-14 students.

Fare per boarding and projected ridership are used to estimate fare revenues. Staff are finalizing the FY27 analysis using updated ridership forecasts from Operations, refined average fare assumptions, and observed impacts of fare policies and programs. Along with growth in GoPass usage, the expansion of the LIFE program increased ridership by 21% over last year and contributed to a lower average fare per boarding. Based on five months of collected data and an assumed 6% ridership increase over estimated year-end actuals, preliminary FY27 passenger fare revenues are projected to range from \$141.0 million to \$158.0 million.

Advertising

The total FY27 advertising revenue is projected at \$32.0 million. Advertising revenue from bus and

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rail is estimated at \$27.0 million, based on the adjusted minimum annual guarantee (MAG) payments resulting from the advertising contract modifications approved by the Board in March 2023. While the Bus Advertising contract assumes 2,100 buses are available for advertising, historical bus assets as well as the FY26 Budget have only accounted for approximately 1,686 buses. Consequently, FY27 bus MAG revenue projections have been reduced to reflect the number of assets in service. Staff are actively working on advertising opportunities for the 2027 Super Bowl and 2028 Olympic and Paralympic Games.

The new Transportation Communication Network (TCN) project will establish a network of digital transportation communication displays that will create a connected communication system by utilizing outdoor advertising infrastructure on Metro's property throughout the City of Los Angeles. TCN's net revenue will be split 50/50 between the City of Los Angeles and Metro. The project is estimated to generate \$4.9 million for Metro in FY27.

### Toll and Other

Toll revenues are projected to be \$107.0 million in FY27, primarily from ExpressLanes usage and fees of the existing I-10 and I-110. Other revenues include bike program, Union Station, park-and-ride facilities, leases, film permits, Service Authority for Freeway Emergencies (SAFE), auto registration fees, transit court fees, Measure W, Low Carbon Fuel Standard (LCFS), and Renewable Index Numbers (RINs) credit sales, investment income, and other miscellaneous sources. Collectively, these revenues are projected to total \$69.1 million in FY27.

### Grant Resources

Local, state, and federal grant resources are used to support Metro's transit planning, operating, State of Good Repair, and construction activities. Grant revenue projections are still being developed and will be finalized at a later point in the budget development process.

The grant outlook for FY27 is uncertain, particularly at the federal level. The state has its own budgetary issues as well. The Governor's recently released proposed budget maintains all one-time transportation investments included in last year's Budget Act. However, it is silent on the state's commitment to the SB125 program.

Federal grants include Federal Transit Administration (FTA) formula grants, Capital Investment Grants for new transit project construction, and a variety of other discretionary grant programs - including but not limited to - Bus and Bus Facilities and Low or No Emission grants programs. The nature of federal formula programs and discretionary grants is likely to change as Congress prepares to craft a new surface transportation authorization bill to replace the Bipartisan Infrastructure Law (P.L. 117-58) that expires in Fall 2026.

State grants include State of Good Repair and other discretionary grants funded through Senate Bill 1 (SB1). Senate Bill 125 (SB125) amended the 2023 Budget Act to provide new funding through the Transit and Intercity Rail (TIRCP) program and a new Zero-emission Bus (ZEB) program. SB125 funds will be included in the proposed FY27 Budget.

Metro staff continue to aggressively pursue discretionary grant opportunities at both the state and federal levels. Metro's local funding will continue to be used as matching funds to leverage our local commitment to continue providing safe and efficient transit service and maintain momentum on the

Measure R and M programs.

Bond Proceeds and Prior Year Carryover

Debt issuance is authorized under applicable federal and state legislation, as well as local sales tax ordinances. The Board-adopted Debt Policy establishes parameters for the issuance and management of debt, consistent with best practices and defined affordability limits. New debt issuance will be used as a last resort to mitigate the shortfalls in State of Good Repair, transit construction, and highway activities.

In FY26, \$2,412.9 million in debt proceeds and prior year carryover are available to support transit expansion, highway, State of Good Repair, and Transit Improvement/Modernization projects. The debt and carryover amount for FY27 will be determined upon finalization of the FY27 expense budget and are subject to CEO approval.

**Resource Assumption Summary**

Referring to Figure 3, sales tax and Transportation Development Act (TDA) revenues are projected to increase conservatively at 1.8%. Line 6 represents a total increase of 1.4% in overall resources, excluding grant resources, bond proceeds, and prior year carryover.

Figure 3:

	Resources (\$ in Millions)	FY26 Adopted	FY27 Preliminary	% Change
1	Sales Tax and TDA Revenues <sup>(1)</sup>	\$ 4,815.0	\$ 4,900.5	1.8%
2	STA and SB1 Revenues	260.2	271.3	4.3%
3	Passenger Fares <sup>(2)</sup>	174.7	150.5	-13.9%
4	Advertising <sup>(3)</sup>	41.5	32.0	-22.8%
5	Toll and Other <sup>(4)</sup>	164.1	176.0	7.3%
6	<b>Subtotal Resources</b>	<b>\$ 5,455.4</b>	<b>\$ 5,530.4</b>	<b>1.4%</b>
7	Grant Resources <sup>(5)</sup>	\$ 1,586.3	TBD	
8	Bond Proceeds and Prior Year Carryover <sup>(5)</sup>	2,412.9	TBD	
9	<b>Total Resources</b>	<b>\$ 9,454.6</b>	<b>TBD</b>	

Note: Totals may not add due to roundings.

<sup>(1)</sup> Sales Tax (Proposition A, C, Measure R and M) and TDA Revenues reflect current year revenues only.

<sup>(2)</sup> FY27 Preliminary Fare revenue projection of \$150.5 million represents the midpoint range from \$141.0 million to \$158.0 million based on actuals.

<sup>(3)</sup> The MAG is based on contract modifications approved by Metro Board in March 2023. MAG Bus and Rail advertising revenue is projected at \$27.0 million, 11.5% decrease over the FY26 Budget due to an estimated decrease in Bus MAG revenue to better reflect the number of assets in service.

<sup>(4)</sup> FY27 Toll and Other revenue estimates are projected at \$176.0 million due to increased LCFS sales, utility rebate, and EV chargers & usages. Investment income and Union Station revenues assume a slight increase from the FY26 Budget.

<sup>(5)</sup> The estimates for FY27 Grants, Bond Proceeds and Prior Year Carryover will be updated when information becomes available.

**Consumer Inflation and Other Financial Risks**

Cost Inflation Indicator - Consumer Price Index (CPI)

On the expense side, Metro program cost and cash flow requirements are impacted by cost inflation, labor contract agreements, and program guidelines. The most common indicator of cost inflation is the CPI as published by the Bureau of Labor Statistics.

Historical trends, policy uncertainties, leading regional forecasts as well as other prevailing economic conditions are considered when estimating cost inflation. The FY27 CPI growth is projected to remain above the Fed’s 2% target and between UCLA and Beacon Economics’ projections at 3.0% (Figure 4) due to tariffs and strong consumer demand for essentials. Metro staff will continue to monitor CPI trends and updates from the economic forecasts as we go through the budget process.

Figure 4:

**Annual Change in Consumer Price Index (CPI)**

	Forecast Source	FY23	FY24	FY25	FY26	FY27 Preliminary
1	Actual	5.4%	3.2%	3.1%	2.2% <sup>(1)</sup>	N/A
2	Metro	3.3%	3.7%	3.0%	3.0%	3.0%
3	UCLA	3.8%	3.7%	3.8%	3.3%	3.8%
4	Beacon Economics	3.9%	2.4%	2.3%	2.5%	2.5%

<sup>(1)</sup> FY26 YTD Actual. FY26 Adopted Budget is 3.0%.

Other Financial Risks

Los Angeles County continues to trail other Southern California counties, such as Riverside and Orange Counties, in terms of sales tax growth. Metro faces uncertainty in sales tax revenue growth which is directly impacted by population, employment and consumer spending patterns. Out-migration primarily due to high costs of living has reduced the county’s net population 1.5% since 2020 and 0.3% in the past year. Persistent high housing costs, surging prices in insurance, healthcare, groceries, education and other non-taxable services, as well as increasing consumer debt and loan delinquencies continue to erode consumers’ purchasing power for taxable goods.

The uncertainty over grant funding discussed earlier is another concern that Metro faces. The grant process is getting tighter and more competitive as the federal and state governments explore ways to mitigate shortfalls and more transit agencies pursue external funding sources.

These challenges, combined with increasing operating expenses, elevated building material costs for Metro’s capital projects, limited operating eligible dollars, funding restrictions, potential future federal government shutdowns, geopolitical instability, and other monetary and fiscal policy uncertainties, have specific financial implications to the available funding for FY27.

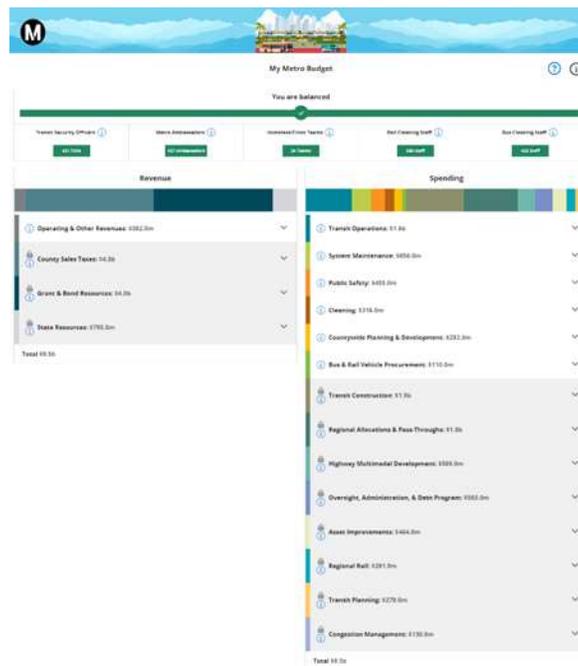
## Early and Expanded Public Outreach and Engagement

Metro is committed to transparency with its riders, the public, and key stakeholders. Continuing the My Metro Budget Activity to engage the broader community, OMB launched the new My Metro Priorities to engage riders under the age of 18. Progress and updates on these outreach efforts are provided below and will be provided each month. Attachment B provides details on outreach forums and other information.

### FY27 My Metro Budget Activity

The My Metro Budget Activity, a multi-award-winning initiative, advances education and transparency around Metro’s budget. Most recently honored by the International City/County Management Association (ICMA) in October 2025 with the Best in Governance Award in the “Trust Through Transparency” category, the program has also been recognized by the ICMA with the Voice of the People (VOP) Award for Excellence in Budget and Finance. Together, these distinctions underscore Metro’s commitment to meaningful community engagement and data-driven decision-making. The FY27 Activity launched in November 2025 can be accessed at <https://mybudget.metro.net/online>. Below is a summary of new tactics and features pertaining to the Activity.

### FY27 My Metro Budget Activity - New Tactics and Features

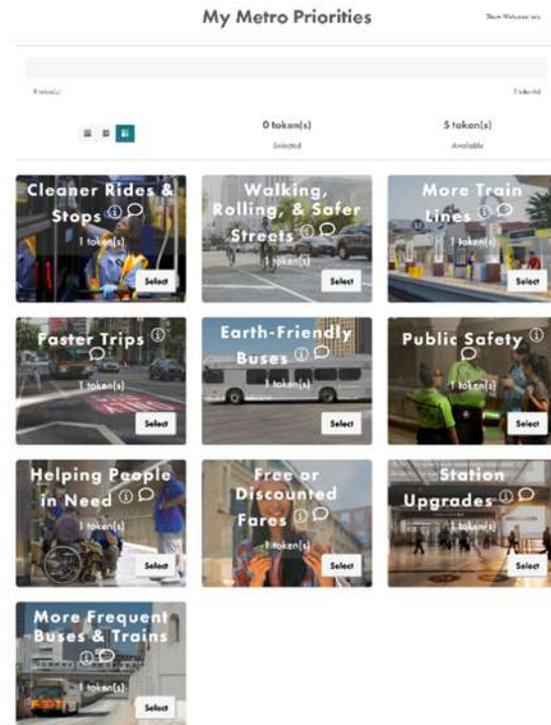


Metro continues to refine and enhance the budget activity by integrating public feedback and leveraging new technological advancements. The updated approach includes the following new features and strategies:

- A welcome video featuring CEO Wiggins to better engage the public.

- Three new scenario questions pertaining to retail amenities, code of conduct enforcement, taller faregates, and Joint Development policy.
- View staffing impacts of budget changes in real time with the “Impacts” feature.

### Youth-Focused Outreach - My Metro Priorities



In response to the Board’s directive to strengthen engagement with people under the age of 18, OMB staff have developed a new, easy-to-use tool called *My Metro Priorities*. The interactive tool takes approximately 3-5 minutes to complete and offers participants the chance to win a \$50 gift card. *My Metro Priorities* was launched in early September at the Metro Youth Council Summit, marking the start of a broader youth engagement effort. Ongoing promotion will continue through targeted social media campaigns and collaboration with Metro programs and partners that serve youth audiences including the SEED School, Transportation Career Academy Program (TCAP), GoPass, Youth Council, Women & Girls Governing Council (Girls Empowerment Summit), and others. *My Metro Priorities* is available at <https://mybudget.metro.net/prioritize>.

As in previous years, feedback collected through this process will be shared with Metro departments beginning in January and will serve as input in developing the FY27 Budget.

Updates on outreach initiatives will be provided via the Budget Portal at: <https://budget.metro.net>.

### **DETERMINATION OF SAFETY IMPACT**

This recommendation will not have an impact on safety standards at Metro.

## **EQUITY PLATFORM**

As Metro advances the development of the FY27 Budget, the Agency's steadfast commitment to equity continues to guide its financial strategies, investment decisions, and policy implementation. Guided by Metro's Equity Platform Framework, the FY27 Budget process prioritizes equitable outcomes for everyone while addressing key organizational priorities such as public safety, system cleanliness, system expansion, labor equity, and environmental sustainability. The overarching goal is to deliver a transit system that is efficient, safe, inclusive, and equitable for all Los Angeles County residents and riders.

Metro's EZBB process has been further refined to integrate budget equity tools that strengthen data-driven decision-making. Through the Agencywide Budget Equity Assessment (ABEA) Project, Metro has improved both the procedural and distributional equity aspects of its budgeting framework, expanding analysis beyond geographic proximity or direct impacts to Equity Focus Communities (EFCs).

Metro will continue to conduct EFC Budget Assessments for FY25 and FY26 Actuals and report on the outcomes as we transition to the new EBA. Staff are currently working with departments to refine the data collection and analysis mechanisms, and enable continued quantitative tracking, year-over-year analysis, performance monitoring, and transparent reporting.

## **VEHICLE MILES TRAVELED (VMT) OUTCOME**

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

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT through investment activities that will improve/benefit and further encourage transit ridership, ridesharing, and active transportation. 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 economic context for the upcoming fiscal year ensuring alignment on funding needs and priorities. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

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

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

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

Organization.

### **NEXT STEPS**

Next month's update on the FY27 Budget process will provide an in-depth review of Infrastructure Planning and Construction, with particular emphasis on Transit Infrastructure, Multimodal Highway Investments, Regional Rail initiatives, and Regional Allocations and Pass-Through funding.

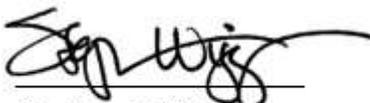
### **ATTACHMENTS**

Attachment A - Economic Sector Model

Attachment B - FY27 Proposed Budget - Online Engagement Results and Community Outreach

Prepared by: Giovanna Gogreve, Senior Director, Finance, (213) 922-2835  
Jessica Lai, Deputy Executive Officer, Finance, (213) 922-3644  
Linda Wang, Deputy Executive Officer, Finance, (213) 922-2464  
Timothy Mengle, Executive Officer Finance, (213) 922-7665  
Irene Fine, Deputy Chief Financial Officer (Interim), (213) 922-4420

Reviewed by: Michelle Navarro, Chief Financial Officer (Interim), (213) 922-3056



Stephanie Wiggins  
Chief Executive Officer

**Economic Sector Model**

Metro's Economic Sector model categories and estimated percentages of local sales tax receipts in FY26 and FY27.

	Economic Sector and Sub-Sector	Percentage of Sales Tax Revenues	
		FY26	FY27
1	<b>General Retail</b>	<b>30.0%</b>	<b>30.0%</b>
2	Apparel Stores	5.2%	5.2%
3	Department Stores	6.9%	6.8%
4	Furniture/Appliance Stores	3.0%	3.0%
5	Drug Stores	0.9%	0.9%
6	Recreational Product Stores	0.6%	0.6%
7	Florists/Nurseries	0.3%	0.3%
8	Online Sales and Miscellaneous Retail	13.1%	13.1%
9	<b>Food Products</b>	<b>20.8%</b>	<b>20.8%</b>
10	Restaurants	15.6%	15.7%
11	Food Markets	3.9%	3.9%
12	Liquor Stores	0.7%	0.7%
13	Food Processing Equipment	0.6%	0.6%
14	<b>Transportation</b>	<b>18.4%</b>	<b>18.4%</b>
15	Auto Parts/Repairs	2.5%	2.5%
16	Auto Sales - New	8.6%	8.6%
17	Auto Sales - Used	1.1%	1.1%
18	Service Stations	5.7%	5.7%
19	Miscellaneous Vehicle Sales	0.4%	0.4%
20	<b>Construction</b>	<b>8.7%</b>	<b>8.8%</b>
21	Building Materials - wholesale	5.3%	5.3%
22	Building Materials - retail	3.5%	3.5%
23	<b>Business To Business</b>	<b>18.4%</b>	<b>18.4%</b>
24	Office Equipment	2.6%	2.6%
25	Electronic Equipment	1.0%	1.0%
26	Business Services	1.5%	1.5%
27	Energy Sales	1.4%	1.4%
28	Chemical Products	0.8%	0.8%
29	Heavy Industry	3.2%	3.2%
30	Light Industry	4.3%	4.3%
31	Leasing	3.4%	3.4%
32	Biotechnology	0.1%	0.1%
33	I.T. Infrastructure	0.2%	0.2%
34	Green Energy	0.0%	0.0%
35	<b>Miscellaneous</b>	<b>3.6%</b>	<b>3.6%</b>
36	Health & Government	1.5%	1.5%
37	Miscellaneous Other	2.1%	2.1%

**FY27 Proposed Budget - Online Engagement Results and Community Outreach**

Responses collected between September 13, 2025 and January 21, 2026 on the FY27 Proposed Budget have an emphasis on results from Metro's web-based engagement activities including the My Metro Budget Activity and My Metro Priorities tools. The My Metro Budget Activity has received over 2,600 responses, My Metro Priorities has received over 580 responses, with a total of over 3,250 unique comments across the platforms. This attachment also highlights input gathered through additional outreach efforts, such as Regional Service Council briefings and other public forums.

**My Metro Budget & Priorities – Quantitative & Qualitative Results Dashboard**

Comment analysis continues to be enhanced with AI by identifying common topics and sentiment. Quantitative results focus on year-over-year (YoY) trends, highlighting changes in key metrics to track progress and performance over time. Together, the analysis of both qualitative feedback and quantitative trends will be compiled into an internal dashboard that equips departments with actionable insights that will be used to guide strategic planning and inform FY27 budget decisions.

**Other Outreach Forums**

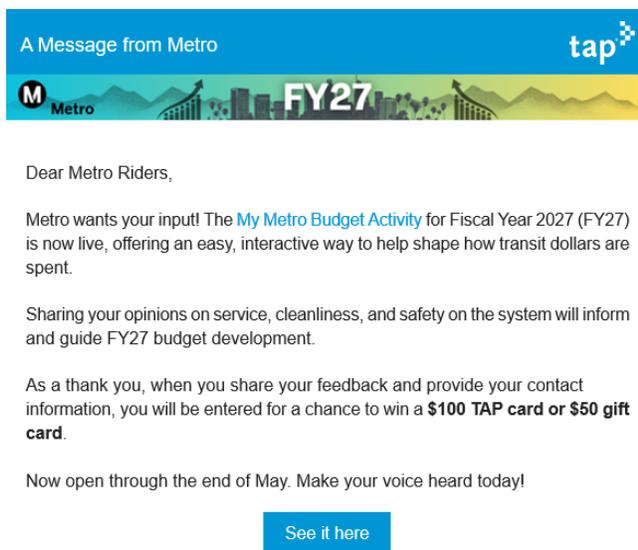
- Regional Service Councils FY27 Meet & Confer/Budget Briefings - To support early engagement, OMB staff met with the Service Councils at the Meet & Confer in December 2025 to present a live demonstration of the FY27 My Metro Budget Activity and My Metro Priorities tool and highlight opportunities to participate and identify transit needs specific to their regions.

Looking ahead, OMB staff will meet with all five Service Councils individually in April 2026. These sessions will both equip Service Council members with an overview of the proposed budget framework and create an open platform for community members to voice feedback and ask questions.

- Internal and External Stakeholder Meetings - To ensure the budget reflects a wide range of perspectives, Metro conducts outreach with a diverse set of stakeholders, as well as community-based organizations that support or depend on Metro services. Between February and May 2026, Metro will convene a series of meetings and public forums, including a formal public hearing and briefings with advisory councils and subcommittees, such as the Regional Service Councils, Councils of Governments (COGs), Community Advisory Committee (CAC), Technical Advisory Committee (TAC), Bus Operators Subcommittee (BOS), Local Transit Systems Subcommittee (LTSS), and the Streets and Freeways Subcommittee. In addition, Metro will hold targeted discussions with the Aging, Disability and Transportation Network (ADTN), the Accessibility Advisory Committee (AAC), the Valley Industry Commerce Association (VICA), and other community groups upon request.
- Social Media Campaign - The budget outreach campaign is designed to keep the public informed and engaged around the proposed FY27 Budget. To maximize

awareness and participation, OMB staff will leverage Metro's official communication channels, including TikTok content creators, Instagram posts and stories, organic and paid Facebook posts and video ads, Nextdoor announcements, LinkedIn updates, and *The Source/El Pasajero*, to inform the public of opportunities to learn about the budget and provide feedback.

- **E-Blasts** - Metro distributes official communications through its email subscriber lists to inform the public about upcoming outreach efforts and opportunities for engagement. These e-blasts reach thousands of recipients and are also shared internally with Metro staff.



- **Information Cards/Flyers** - On-the-ground marketing for budget outreach is supported through the distribution of information cards in English and Spanish featuring QR codes across the Metro system and through Metro groups. Flyers are also posted and shared at the SEED School and throughout various transit divisions to ensure broad visibility and awareness. Information cards are being distributed by station staff, ambassadors, Metro Micro, LIFE, GoPass, and more.



Information Card



SEED School Flyer

- **Email** - The [budgetcomments@metro.net](mailto:budgetcomments@metro.net) email inbox allows members of the public to share feedback on the budget without having to participate in a public setting.
- **Budget Portal** - The Budget Portal (<https://budget.metro.net>) serves as the central hub for budget-related information and ongoing updates. The portal provides an

overview of the budget development process, a current calendar of briefings and meetings, access to financial documents and reports, and region-specific local return information. Visitors can also submit comments directly through the portal. Additionally, the site features schedules for stakeholder meetings and public forums, making it easier for community members to stay informed and actively participate throughout the budget process.

- Community Based Organizations - Metro continues to prioritize engagement with Community Based Organizations (CBOs) to ensure that diverse community perspectives are incorporated into the budget process. To facilitate this, OMB staff have created a dedicated opportunity post in Metro's CBO database, highlighting ways for organizations and their members to provide input on the proposed budget through the My Metro Budget Activity and My Metro Priorities tool. This effort is part of a broader strategy to strengthen outreach to historically underrepresented and hard-to-reach communities, including Equity Focus Communities (EFCs).
- Public Hearing - Metro will host a public hearing on the proposed FY27 Budget on May 21, 2026, providing an opportunity for community members to share comments directly with the Board. Public participation is strongly encouraged. In accordance with statutory requirements, notice of the hearing will be widely disseminated in multiple languages through newspapers, social media, email communications, stakeholder meetings, and other outreach channels.



# FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS

February 2026 | Finance, Budget, and Audit Committee



Metro

# FY27 Preliminary Resources Summary



FY27 Sales tax revenue increased 1.8% (\$1.070 billion to \$1.089 billion per ordinance in FY27).



STA and SB1 will be updated in mid-February 2026.



Passenger fares revenue projection of \$150.5 million represents the midpoint range from \$141 million to \$158 million.



Advertising revenue projected at \$32.0 million, 22.8% decrease from FY26.



Toll and Other revenue estimates increasing due to increased LCFS sales, utility rebate, and EV chargers & usages. Investment income and Union Station revenues assume a slight increase from the FY26 Budget.



Grant Resources FY27 estimates are TBD.

	Resources (\$ in Millions)	FY26 Adopted	FY27 Preliminary	% Change
1	Sales Tax and TDA Revenues <sup>(1)</sup>	\$ 4,815.0	\$ 4,900.5	1.8%
2	STA and SB1 Revenues	260.2	271.3	4.3%
3	Passenger Fares <sup>(2)</sup>	174.7	150.5	-13.9%
4	Advertising <sup>(3)</sup>	41.5	32.0	-22.8%
5	Toll and Other <sup>(4)</sup>	164.1	176.0	7.3%
6	<b>Subtotal Resources</b>	<b>\$ 5,455.4</b>	<b>\$ 5,530.4</b>	<b>1.4%</b>
7	Grant Resources <sup>(5)</sup>	\$ 1,586.3	TBD	
8	Bond Proceeds and Prior Year Carryover <sup>(5)</sup>	2,412.9	TBD	
9	<b>Total Resources</b>	<b>\$ 9,454.6</b>	<b>TBD</b>	

Note: Totals may not add due to roundings.



- Bond Proceeds and Prior Year Carryover:
  - Debt will be used as a last resort and will be determined as budget is developed
  - Prior year carryover will adhere to funding eligibility

# FY27 Preliminary Sales Tax Revenues



	FY24 Actual	FY25 Actual	FY26 Budget	FY27 Preliminary
1 Sales Tax Revenue per Ordinance <sup>(1)</sup>	\$ 1,093.0	1,080.0	\$ 1,070.0	\$ 1,089.0
2 % Change	-1.7%	-1.2%	-0.9%	1.8%

<sup>(1)</sup> Proposition A, Proposition C, Measure R and Measure M. Transportation Development Act (TDA) sales tax revenue is approximately 50% of the other ordinances.

## Sales Tax Revenue per Ordinance Forecast Comparison

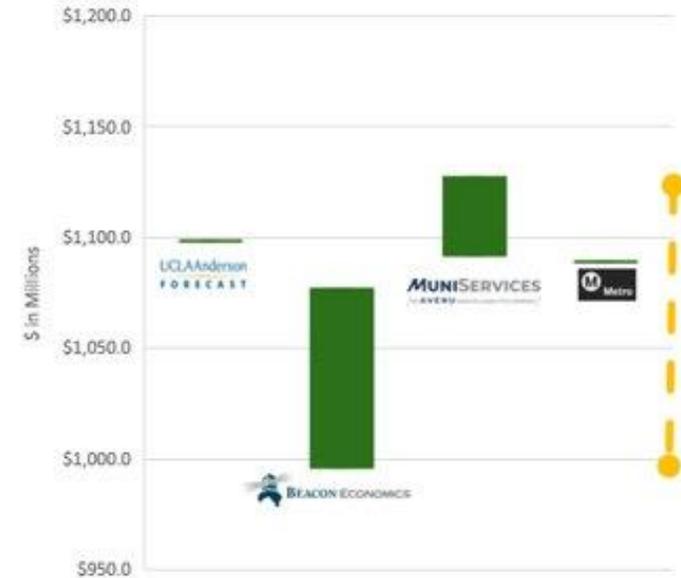
Forecast Source (\$ in Millions)	FY24	FY25	FY26	FY27 Preliminary
1 Actual	\$ 1,093.0	\$ 1,080.0	\$ 1,042.3 - 1,109.5 <sup>(1)</sup>	N/A
2 Metro- Adopted	1,200.0	1,156.0	1,070.0	1,089.0 <sup>(2)</sup>
3 UCLA	1,103.8	1,144.4	1,103.3	1,098.6
4 Beacon Economics	1,091.7 - 1,232.4	1,011.0 - 1,082.2	1,032.3 - 1,109.7	995.9-1,076.6
5 Muni Services	1,145.1	1,099.7 - 1,203.3	1,020.9 - 1,056.2	1,091.7-1,127.2

<sup>(1)</sup> FY26 Estimated Actual range.

<sup>(2)</sup> FY27 preliminary assumption.

**FY27 assumption of \$1,089 million per ordinance is within range of leading forecasts**

FY27 Preliminary Sales Tax Assumption (per Ordinance)



# Cost Inflation – Consumer Price Index (CPI)



Annual Change in Consumer Price Index (CPI)

Forecast Source	FY23	FY24	FY25	FY26	FY27 Preliminary
1 Actual	5.4%	3.2%	3.1%	2.2% <sup>(1)</sup>	N/A
2 Metro	3.3%	3.7%	3.0%	3.0%	3.0%
3 UCLA	3.8%	3.7%	3.8%	3.3%	3.8%
4 Beacon Economics	3.9%	2.4%	2.3%	2.5%	2.5%

<sup>(1)</sup> FY26 YTD Actual. FY26 Adopted Budget is 3.0%.



Expected to remain above Fed's 2% target



CPI impacts sales tax revenues and project delivery costs for Metro

FY27 CPI assumption of **3.0%** is **within range** of leading forecasts.



CPI of **3.0%** is outpacing the projected sales tax revenue growth of **1.8%**.



## Uncontrollable



- Primary funding source is experiencing slow growth



- Tighter and more competitive Federal/State grant funding impacted by growing deficits



- Persistent inflationary pressures lead to operational and capital cost growth



- Geopolitical risks and policy uncertainties around tariffs, taxes, and immigration

## Controllable

- System-generated revenues (Fares, Advertising, Corporate Sponsorship, Tolls & Other)

## Ongoing Issues

- Structural deficit stems from the imbalance between dedicated operating and capital funding available
- Not enough dedicated operating eligible funding
  - With 130+ different colors of funds, less than 13 fund sources, comprising less than 11% of total resources, are dedicated solely for operations
- Competing priorities for flexible funding
- As we build the system out, operating-eligible funding does not increase at the same rate
- Cost of operations is rising faster than revenues
- Securing sufficient funding for the 2028 Olympic and Paralympic Games

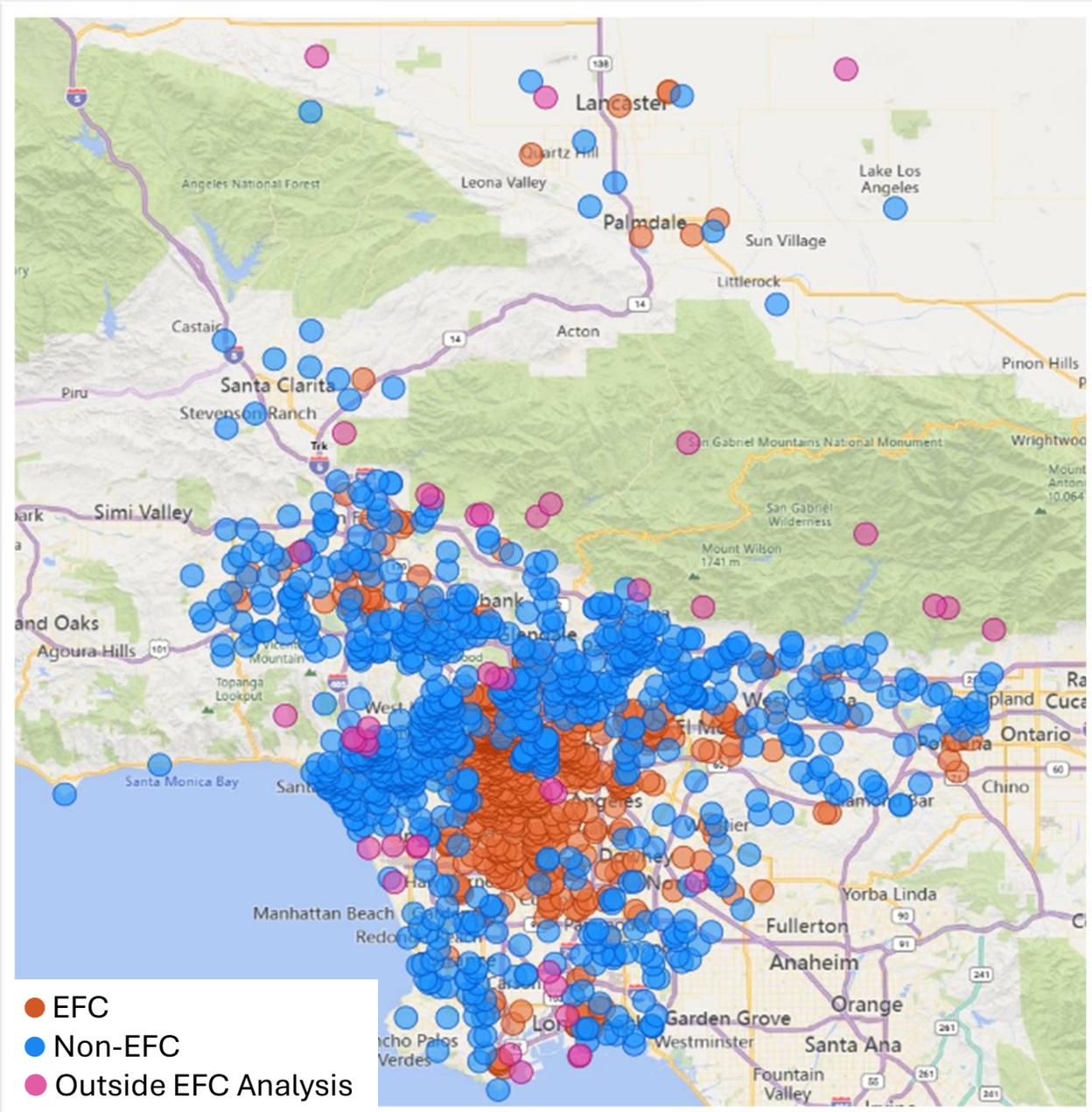
## CONCLUSION

- New initiatives compete for operating eligible funding
- Necessary to enforce cost controls through EZBB
- Explore revenue generating opportunities

# My Metro Budget & Priorities – Geographic Distribution

FY 27

M Metro



- Responses received align with Metro system coverage
- Number of responses (3,150+) exceeds statistically valid sample size.
  - **(348 under 18, +278% from FY26)**
- Equity Focused Communities (EFC) response rates:
  - 44% for My Metro Budget Activity
  - 54% for My Metro Priorities (youth-focused activity)





## September



- Launched My Metro Priorities @ September 13<sup>th</sup> Youth Council Summit
  - **NEW** youth-focused outreach tool

## October



- Distribution of Info Cards
  - GoPass
  - Other Metro outreach events
- My Metro Priorities eblast to Transportation Career Academy Program (TCAP), ELT/MIP (Metro entry level and intern staff program)

## November



- Launched My Metro Budget Activity
  - Multiple eblasts
- Present to Youth Council & SEED School

## December



- Begin Social Media Campaign for My Metro Budget Activity
  - Facebook, Instagram, LinkedIn, Nextdoor
- Distribution of Info Cards
- Regional Service Councils - Meet & Confer
  - All five regions

## January



- Distribution of Info Cards
  - LIFE
  - Blue Shirts (Station Staff)
  - Other Metro groups (ongoing)
- Content Creator video
- Multiple eblasts

- Continued My Metro Budget activity promotion via eblast
- Promotion to new Youth Council cohort
- Departments receive internal dashboard

- Community Advisory Committee
- Distribution of Info Cards to Girls Empowerment Summit (WGCC)

- Regional Service Council Meetings
  - In all five regions
- Council of Government (COG) Meetings

- Technical Advisory Committee
- Valley Industry & Commerce Association
- Local Transit Systems Subcommittee
- Accessibility Advisory Committee
- **Budget Public Hearing**

- Launch public facing dashboard results



## February



## March



## April



## May



## June



## Infrastructure Planning and Construction:

- Transit Infrastructure Expansion
- Multimodal Highway Investments, Regional Rail
- Regional Allocations and Pass-Throughs



- Metro Transit – Operations & Maintenance (O&M) and Capital Improvement Program (CIP)
- Congestion Management
- Planning and Administration



**FY27 Budget: Public Hearing and Board Adoption**





## Board Report

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**File #:** 2026-0012, **File Type:** Informational Report

**Agenda Number:** 14.

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### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 19, 2026

**SUBJECT: ACCESS SERVICES - SEMI-ANNUAL UPDATE**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE status report on Access Services - ADA Paratransit.

#### **ISSUE**

This is a semi-annual update on Access Services (Access) focusing on Fiscal Year (FY) 2026 operational performance, community engagement and year-to-date financial status on Americans with Disabilities Act (ADA) paratransit services in the region.

#### **BACKGROUND**

Access is the Los Angeles County transit agency that provides paratransit services on behalf of Metro and 45 other fixed route operators, as mandated by the ADA. Access' paratransit service is a next-day, shared-ride, curb-to-curb service with additional assistance available to qualified individuals. The service is operated by six contractors in the following regions: Eastern, Southern, West Central, Northern, Santa Clarita, and Antelope Valley. Access provides service to customers traveling between locations within 3/4 of a mile of local bus routes and rail lines. Customers call Access service providers in the six regions directly to make trip reservations or book trips online. Eligibility for Access is based on a person's ability to utilize accessible fixed-route buses and trains in Los Angeles County. Access currently has 121,000 registered riders.

#### **DISCUSSION**

##### Operational Performance (July 2025 - December 2025)

Through December 2025, Access provided more than 2.1 million vehicle trips, a 10% increase compared to the first six months of FY25 and 2.5% over forecasted ridership projections for FY26. This ridership increase is attributed to growing rider confidence in the service as evidenced by a historic low in customer complaints and continued demand from high trip generators, like adult day health programs. Access' contractors have been able to hire and retain enough drivers, both dedicated and nondedicated (e.g. taxis), to meet this increase in demand. With year-to-date (YTD)

ridership exceeding budget projections, Metro staff will continue to closely monitor ridership growth trends, pursue cost efficiencies and external funding opportunities through the end of the fiscal year.

Attachment A includes Key Performance Indicators (KPIs) that have been established to ensure equitable service levels are provided throughout all regions of Los Angeles County. Access has met all the KPIs through December 2025. For more detailed information on Access' overall system statistics by service region, please see Access' monthly Board Box report at [http://accessla.org/about\\_us/publications.html](http://accessla.org/about_us/publications.html).

Expense Review (YTD December 2025)

As of December 2025, Access' total expenses are below the FY26 adopted budget. Although ridership is slightly above projections, operating costs remain under budget due to fewer eligibility applications and lower customer service and telecommunications call volume. Capital Rolling Stock (vehicles) will continue to be delivered through the second half of the fiscal year and design approval is pending from the City of Lancaster for the Antelope Valley facility development. See the table below.

Access Services FY26 Semi-Annual Expense Overview (\$ in millions)	YTD December 31, 2025			
	Budget	Actuals	Over / (Under) Budget	% of Budget
1 Direct Transportation	\$ 139.9	\$ 140.8	\$ 0.9	100.6%
2 Contracted Support	7.8	7.3	(0.5)	93.1%
3 Management/Administration	9.2	8.6	(0.6)	93.9%
4 <b>Total Operating Costs</b>	<b>\$ 156.9</b>	<b>\$ 156.7</b>	<b>\$ (0.2)</b>	<b>99.9%</b>
5 Capital Rolling Stock- New	18.9	7.3	(11.6)	38.5%
6 Facilities Development & Construction (Non-Metro)	7.6	0.0	(7.6)	0.0%
7 <b>Total Capital Program</b>	<b>\$ 26.5</b>	<b>\$ 7.3</b>	<b>\$ (19.2)</b>	<b>27.5%</b>
8 <b>Total Expenses</b>	<b>\$ 183.4</b>	<b>\$ 164.0</b>	<b>\$ (19.4)</b>	<b>89.4%</b>

Totals may not add up because of rounding

Operating Costs

Regional paratransit costs have increased due to several inflationary factors. Key drivers include significant wage increases-partly mandated by minimum wage legislation-and the higher cost of replacing retired Dodge Caravan fleet with Dodge Ram ProMasters. Additionally, a decline in taxi participation in certain areas has added to the financial pressure. To manage these costs, Access' contractors have partnered with "dedicated" transportation network companies like SilverRide, which maintain full compliance with Access' safety and training standards, including drug and alcohol testing.

Capital Costs

The capital program is significantly under budget, primarily due to the timing of vehicle deliveries. Capital expenses will increase as vehicles are delivered by the end of the fiscal year and as

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engineering and construction activities begin on Access' planned facilities in the Antelope Valley and City of Compton.

It should be noted that Access has secured nearly \$40 million in grants and FEMA reimbursements to support capital priorities, including operations and maintenance facilities. Access continues to apply for outside grants and is looking to enhance the revenue it receives from the state Medi-Cal transportation program.

### Federal Funding

Through the Southern California Association of Governments (SCAG) new regional Surface Transportation Block Grant (STBG) competitive process, Access requested \$283.1 million for FY27 and FY28 service operations and capital funding for its Southern Region facility. Metro staff reviewed the application and ranked it as "Highly Recommended," including it in a package of ranked STBG projects for Los Angeles County approved by the Metro Board in July 2025. Following the final submission, SCAG awarded Access a base amount of \$131.8 million for FY27 and FY28- representing 46% of the requested amount. This funding shortfall directly affects the development of the FY27 budget; consequently, Metro is working with Access to secure additional funding to bridge the gap.

### Other Initiatives - Update

#### **FIFA World Cup Planning**

In June 2025, Access provided shuttle services during the Club World Cup games. Access staff continues to prepare for the eight matches to be hosted at SoFi Stadium in Inglewood in June and July 2026 and is currently working with Metro on the World Cup Operations Plan. Staff have been coordinating with Metro and other regional transit providers and anticipate entering into a formal agreement with Metro to provide additional services. Furthermore, Access' Emergency Operations Center will be activated for each World Cup game to provide an extra level of oversight.

#### **2028 Olympic/Paralympic Games Planning**

Access staff continues to work with Metro and other regional partners to prepare for the 2028 Olympic and Paralympic Games. Access staff continue to meet with Metro and LA28 staff and regularly attends regional planning meetings.

In December 2025, Access brought a revised Visitor Policy to its Board to ensure that all local and international visitors can use the Access paratransit system when they come to Los Angeles County. Changes include modifying Access' systems to use international phone numbers, giving international visitors access to the Where's My Ride application and online reservations, enhancing interpreter services for non-English speaking visitors, and updating the Access website and other materials with these revised policies.

## FTA Triennial Review

In May 2025, Access underwent its FTA Triennial Review, which examines how recipients of Urbanized Area Formula Program funds meet statutory and administrative requirements. The review examines 23 areas, including Financial Management and Capacity, Technical Capacity and Program Management, Maintenance, Procurement, and Americans with Disabilities Act (ADA) Compliance. As reported by the FTA, Access achieved full compliance and no findings.

## Operations and Maintenance Facilities

Access is developing agency-owned paratransit facilities as part of its 2022-2026 Strategic Plan. These projects are largely funded by FEMA, Medi-Cal, and outside grants.

- **Antelope Valley (Lancaster):** NEPA review is complete and plans are under city review. Construction bids are expected in **2026**, with the facility fully operational by **Summer 2027**.
- **Southern Region (Compton):** A 6.1-acre site is currently under development in three phases. Partial occupancy is scheduled for **Summer 2026**.

## Other Community Initiatives

### Customer Technology Survey

Access' technology initiatives, such as Where's My Ride and online reservations, are backed by a current survey of 1,261 customers, which identified a significant, ongoing trend toward digital self-service. With high user satisfaction reported for existing tools, the agency is leveraging these insights to prioritize future enhancements like mobile ticketing. The full survey report is available at [https://accessla.org/about\\_us/publications.html](https://accessla.org/about_us/publications.html).

### Community Meeting

On August 23, 2025, Access hosted a virtual Community Meeting with over 70 participants, including riders and stakeholders. Staff shared essential updates on Heat Safety Awareness, provided tips for using the Where's My Ride app, and highlighted the benefits of traveling with a Personal Care Attendant (PCA). The session concluded with an interactive Q&A where staff addressed service concerns and gathered valuable feedback on improving paratransit operations.

Access will host its next virtual community meeting on February 28, 2026. This session will focus on resources for using the Where's My Ride app and online reservations, followed by an open forum for customers to ask questions and receive individualized assistance from staff.

## EQUITY PLATFORM

By federal mandate, Access exclusively serves people with disabilities. Most recently, Access analyzed its service area map to determine the percentage of riders served in Equity Focus Communities (EFCs). From January 1, 2025, through December 31, 2025, about 44.5 percent of all trips taken by 59,997 Access riders were picked up in EFCs. As EFCs comprise approximately 40 percent of Los Angeles County, this shows that EFCs are proportionately and well served by Access

services.

On a semi-annual basis, Access conducts countywide virtual community meetings designed to allow customers and stakeholders to receive information about Access and ask staff direct questions about their service experience. Closed captioning, language translation services, braille, and large print materials are available upon request to ensure all customers throughout Los Angeles County can participate. The next virtual community meeting is planned for February 28, 2026.

Access continues to consult and work with community partners on a variety of issues with its community and public agency partners, including its own Community Advisory Committee (CAC), the Aging and Disability Transportation Network (ADTN), the Los Angeles City and County Commissions on Disabilities (LACCOD), Rancho Los Amigos National Rehabilitation Center, and various Metro departments.

### **VEHICLE MILES TRAVELED OUTCOME**

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

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT through operational activities that will benefit and further encourage transit ridership by providing high quality shared ride services between locations within  $\frac{3}{4}$  of a mile of local bus routes and rail lines. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

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

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

Goal 2: Deliver outstanding trip experiences for all users of the transportation system

Goal 3: Enhance communities and lives through mobility and access to opportunity

### **NEXT STEPS**

Access is working on the following:

- Developing the FY27 budget request
- Developing the 2026-2030 Access Strategic Plan

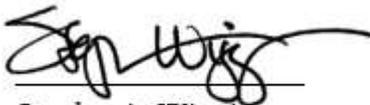
- Collaborating with Metro on Mega events planning for the 2026 World Cup and 2028 Olympic and Paralympic Games
- Seeking grant funding for Access-owned operations and maintenance facilities
- Completing the 2026 Customer Satisfaction Survey

## **ATTACHMENT**

### Attachment A - Access Services Key Performance Indicators

Prepared by: Fayma Ishaq, Senior Manager, Budget, 213-922-4925  
Giovanna Gogreve, Senior Director, Finance, 213-922-2835  
Tina Panek, Executive Officer, Finance, 213-922-4530

Reviewed by: Michelle Navarro, Chief Financial Officer (Interim), 213-922-3056



Stephanie Wiggins  
Chief Executive Officer

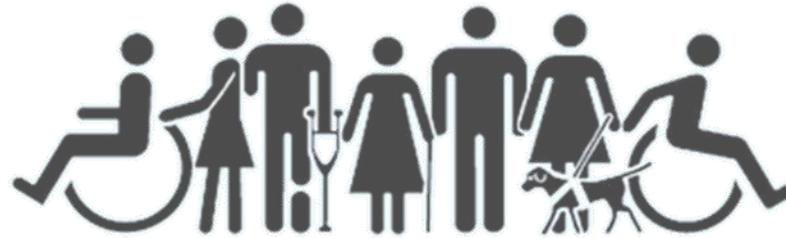
## Attachment A

### Access Services Key Performance Indicators (KPIs)

A comparison summary of the main KPIs is provided below:

<b>Key Performance Indicators</b>	<b>Standard</b>	<b>FY25</b>	<b>FY26 YTD*</b>
On-Time Performance	≥ 91%	92.8%	<b>92.0%</b>
Excessively Late Trips	≤ 0.10%	0.02%	<b>0.03%</b>
Excessively Long Trips	≤ 5.0%	3.2%	<b>2.9%</b>
Missed Trips	≤ 0.75%	0.29%	<b>0.29%</b>
Denials	0	2	<b>0</b>
Access to Work - On-Time Performance	≥ 94%	96.2%	<b>95.3%</b>
Average Hold Time (Reservations)	≤ 120	56	<b>57</b>
Calls On Hold > 5 Min (Reservations)	≤ 5%	3.0%	<b>2.9%</b>
Calls On Hold > 5 Min (ETA)	≤ 10%	2.9%	<b>3.6%</b>
Complaints Per 1,000 Trips	≤ 4.0	1.9	<b>1.8</b>
Preventable Incidents per 100,000 miles	≤ 0.25	0.22	<b>0.19</b>
Preventable Collisions per 100,000 miles	≤ 0.85	0.81	<b>0.70</b>
Miles Between Road Calls	≥ 50,000	50,535	<b>69,795</b>

\*Statistical data through December 2025



# **Access Services**

# **Semi-Annual Update**

Finance, Budget & Audit Committee  
February 2026



**Metro**<sup>®</sup>

# Key Performance Indicators

Key Performance Indicators	Standard	FY25	FY26 YTD*
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# Expense Overview

Access Services FY26 Semi-Annual Expense Overview (\$ in millions)	YTD December 31, 2025			
	Budget	Actuals	Over / (Under) Budget	% of Budget
1 Direct Transportation <sup>1</sup>	\$ 139.9	\$ 140.8	\$ 0.9	100.6%
2 Contracted Support	7.8	7.3	(0.5)	93.1%
3 Management/Administration	9.2	8.6	(0.6)	93.9%
<b>4 Total Operating Costs</b>	<b>\$ 156.9</b>	<b>\$ 156.7</b>	<b>\$ (0.2)</b>	<b>99.9%</b>
5 Capital Rolling Stock- New <sup>2</sup>	18.9	7.3	(11.6)	38.5%
6 Facilities Development & Construction (Non-Metro) <sup>3</sup>	7.6	0.0	(7.6)	0.0%
<b>7 Total Capital Program</b>	<b>\$ 26.5</b>	<b>\$ 7.3</b>	<b>\$ (19.2)</b>	<b>27.5%</b>
<b>8 Total Expenses <sup>6</sup></b>	<b>\$ 183.4</b>	<b>\$ 164.0</b>	<b>\$ (19.4)</b>	<b>89.4%</b>

Totals may not add up because of rounding

<sup>1</sup> Ridership 2.5% above FY26 forecasted projections

<sup>2</sup> Vehicles are expected to be delivered in second half of the fiscal year

<sup>3</sup> Antelope Valley facility - Awaiting final approval of design from City



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# Other Agency Initiatives

## Mega Events Planning

- Developing operations and shuttle service plans for FIFA World Cup 2026 and the 2028 Olympic/Paralympic Games

## Revised Visitor Policy

- Improved international guest access: international phone support, online booking, and enhanced interpreter services

## FTA Triennial Review

- Audit of 23 functional areas (ADA, Finance & Procurement)
- Full Compliance and No findings

## Operation & Maintenance Facilities

- Southern Region: Partial opening Summer 2026
- Antelope Valley: Opening Summer of 2027



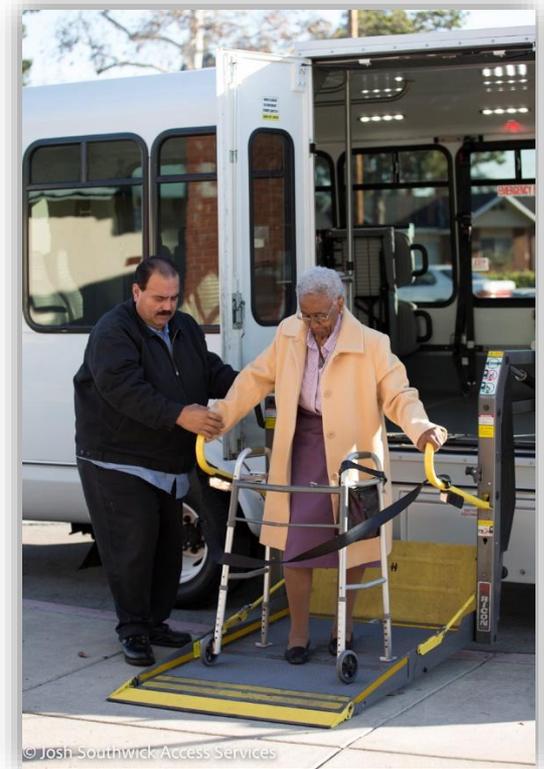
# Working with the Community

## Customer Technology Survey

- Approximately 1,261 customers participated
- Conducted survey to gain feedback on technological improvements
- Increased satisfaction with digital booking and tracking tools

## Community Meeting

- **August 2025 Recap**
  - Heat Safety, Technology and Personal Care Attendant Updates
- **Next meeting - February 28, 2026**
  - Tips on *Where's My Ride* app and online reservations



# Agency Update/Next Steps

- Developing the FY27 budget request
- Developing the 2026-2030 Access Strategic Plan
- Seeking grant funding for Access-owned operations and maintenance facilities
- Completing the 2026 Customer Satisfaction Survey



Thank you!



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