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

Agenda - Final

Thursday, September 19, 2024

10:00 AM

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Finance, Budget and Audit Committee

Tim Sandoval, Chair

Lindsey Horvath, Vice Chair

Kathryn Barger

James Butts

Paul Krekorian

Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

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

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

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

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

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

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

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

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

Agendas for the Regular MTA Board meetings are prepared by the Board Clerk and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded and is available at <https://www.metro.net> or on CD's and as MP3's for a nominal charge.

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

ADA REQUIREMENTS

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Requests can also be sent to boardclerk@metro.net.

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

Live Public Comment Instructions:

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The Committee Meeting begins at 10:00 AM Pacific Time on September 19, 2024; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 202-735-3323 and enter
English Access Code: 5647249#
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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 Septiembre de 2024. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

Marque: 202-735-3323 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.

Written Public Comment Instruction:

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

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

Email: BoardClerk@metro.net

Post Office Mail:

Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

14. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2024 FOURTH QUARTER AND CUMULATIVE YEAR-END REPORT** [2024-0449](#)

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2024 Fourth Quarter and cumulative FY 2024 year-end report.

Attachments: [Attachment A - FY 2024 Fourth Quarter and Cumulative Year-End Report Presentation](#)

15. **SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2023 TO DECEMBER 31, 2023** [2024-0522](#)

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of October 1, 2023 to December 31, 2023.

Attachments: [Attachment A - Final Report No. 25-AUD-01 Presentation](#)

16. **SUBJECT: GROUP INSURANCE PLANS** [2024-0523](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamster employees, and life insurance for all full-time Metro employees, for the one-year period beginning January 1, 2025.

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

17. SUBJECT: PRE-QUALIFICATION PROGRAM

[2024-0355](#)

RECOMMENDATION

CONSIDER:

- A. ADOPTING an amendment to Metro's Administrative Code Chapter 4-05 to replace the existing contractor pre-qualification language with Attachment A of this Board Report; effective January 1, 2025; and
- B. RECEIVING AND FILING streamlining initiatives, including electronic signature deployment for procurement contracts and purchase orders.

Attachments: [Attachment A - Revised Metro Admin Code - Chapter 4-05](#)
 [Attachment B - Revised Metro Admin Code - Chapter 4-05 \(Redlined\)](#)
 [Presentation](#)

18. SUBJECT: MEASURE R BONDS

[2024-0434](#)

RECOMMENDATION

CONSIDER:

- A. ADOPTING a Resolution, Attachment A ("Resolution"), that authorizes the issuance and sale of up to \$500 million in aggregate principal amount of Measure R Senior Sales Tax Revenue Refunding Bonds in one or more series and taking all other actions necessary in connection with the issuance of the refunding bonds ("Refunding Bonds"); and
- B. ESTABLISHING an underwriter pool as shown in Attachment B that will be used to select underwriters for all future negotiated debt issues through June 30, 2029.

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE FULL BOARD)

Attachments: [Attachment A - Authorizing Resolution](#)
 [Attachment B - Summary of Underwriter Selection](#)
 [Presentation](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2024-0544](#)

RECEIVE General Public Comment

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

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

Adjournment



Metro

Board Report

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

File #: 2024-0449, **File Type:** Informational Report

Agenda Number: 14.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 19, 2024

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2024 FOURTH QUARTER AND CUMULATIVE YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2024 Fourth Quarter and cumulative FY 2024 year-end report.

ISSUE

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

BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2024 Fourth Quarter report covers the period from April 1, 2024, through June 30, 2024, and the cumulative FY 2024 year-end for the period from July 1, 2023, through June 30, 2024.

DISCUSSION

MAS provides audit services in support of Metro's ability to provide responsive, accountable, and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency, while external audits analyze contractors, cities, and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups: Performance Audit, Contract, Financial and Compliance Audit, and Administration and Policy, which includes audit support functions. Performance Audit is mainly responsible for internal audits related to Operations, 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, financial management, quality assurance, and audit support, including audit follow-up and resolution tracking.

The following summarizes MAS activity for FY 2024 Fourth Quarter and FY 2024 year ending June 30, 2024. Additional details can be found in the FY 2024 Fourth Quarter and Cumulative Year-End Report (Attachment A).

Performance Audits: Two audit projects were completed for the quarter, four for the fiscal year, and seven were in progress.

Contract, Financial and Compliance Audits: Twenty audits with a total expenditure value of \$4.7 million were completed for the quarter. Fifty-nine audits with a total expenditure value of \$47 million were completed for the fiscal year, and 69 were in progress.

Other Audits: Five audits issued by external firms were completed for the quarter, and 151 audits were completed for the fiscal year.

Audit Follow-up and Resolution: Ten recommendations were closed for the quarter and 29 for the fiscal year.

Note: MAS performs audit follow-up for the Office of Inspector General (OIG). One recommendation was closed for the fiscal year.

EQUITY PLATFORM

Management Audit Services' activities provide an additional level of review and assessment to identify potential equity impacts from Metro's work and performance. There are no known equity impacts or concerns from audit services conducted during this period.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2024 Fourth Quarter and Cumulative Year-End Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

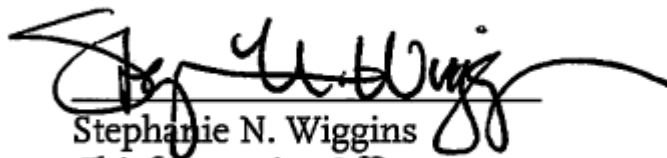
Management Audit Services will continue to report audit activity throughout the fiscal year.

ATTACHMENT

Attachment A - FY 2024 Fourth Quarter and Cumulative Year-End Report

Prepared by: Kimberly Houston, Deputy Chief Auditor, (213) 922-4720
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Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101



Stephanie N. Wiggins
Chief Executive Officer

Fiscal Year 2024 Fourth Quarter and Cumulative Year-End Report



Metro

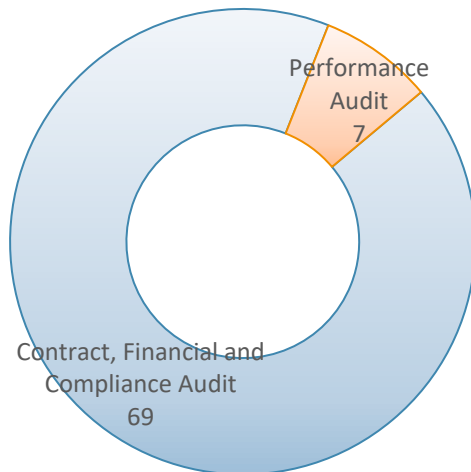
**MANAGEMENT
AUDIT SERVICES**

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Executive Summary

In Progress Audits
as of June 30, 2024



Summary of In Progress Audit Activity

As of June 30, 2024, Management Audit Services (MAS) had 76 in progress projects, including seven (7) performance audits and 69 contract, financial, and compliance audits. The in-progress performance audits are listed in Appendix A.

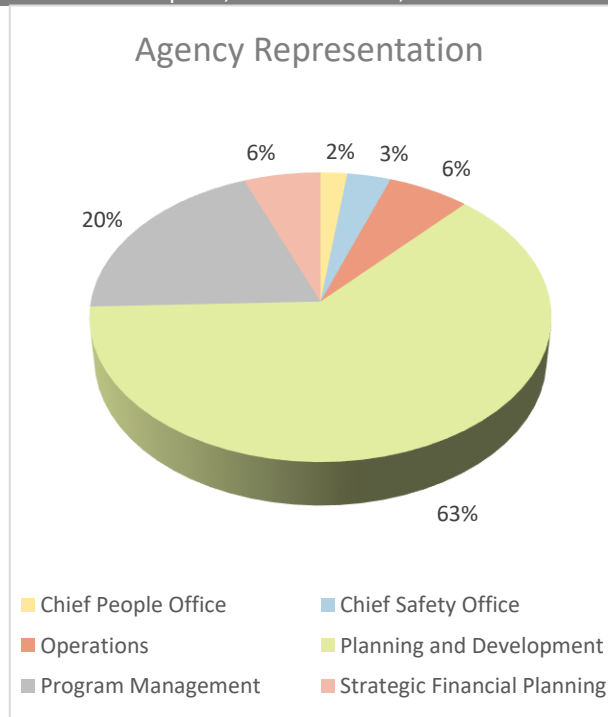
As of the reporting period, there are 22 open MAS audit recommendations.

Summary of Fourth Quarter Completed Audit Activity

MAS completed 28 audit projects and closed ten (10) open audit recommendations. The projects are comprised of two (2) performance audits, 20 contract, financial and compliance audits, and six (6) other audits issued by external firms.

The completed performance audit is 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 beginning on page 6. A summary of closed and open audit recommendations is included on page 7.

Summary of Audit Activity by Department
Reporting Period
April 1, 2024 – June 30, 2024



Performance Audits

This section includes performance audits completed according to Generally Accepted Government Auditing Standards and International Professional Practices Framework and other types of projects performed by the Performance Audit team to support Metro. Other projects may include independent reviews, analysis, or assessments of select areas. Non-audit services aim to provide Metro with other services that help support decision-making and promote organizational effectiveness.

Performance Audit of the Contract Price Structures for Professional Services

MAS completed the Performance Audit of Contract Price Structures for Professional Services. The audit objective was to assess the process performed by contract administrators and project managers for firm-fixed-price professional service contracts, payment structures, and performance milestones. In addition, determine whether the firm fixed-priced Professional Service contracts have properly detailed payment milestones, fee schedules, pricing sheets, or other such payment plans.

MAS found that most of the firm-fixed-price contracts sampled suited the type of work being performed per the scope of work. However, Vendor Contract Management needs to develop a mechanism to clarify and communicate the responsibilities of the project manager and the contract administrator at the beginning of each procurement. This understanding must be documented and archived. Three (3) recommendations were provided as part of this audit to address conditions relating to training, communication, clarification of project management roles, and the development and utilization of payment schedules. Management agreed with all recommendations and has taken corrective action.

Performance Audit of Operations Central Instruction and Development Training

MAS completed the Performance Audit of Operations Central Instruction and Development Training. The audit objective was to determine the compliance of new bus operators and Operations employees working in Maintenance and Transportation within the OCI Matrix safety program. The audit focused on the conformance of safety training records with applicable Federal, State, and Metro requirements and the accuracy and completeness of the records.

MAS found that Bus Division instruction teams were knowledgeable, and bus operators complied with the critical Verification Transit Training (VTT) training requirement (8 hours). However, Metro needs to enhance its record retention practices and documentation of procedures to ensure full compliance with the safety program listed in the OCI Matrix. Ten (10) recommendations were provided as part of this audit. Management agreed with all recommendations and has started to implement corrective actions.

Contract, Financial & Compliance Audits

MAS staff completed 20 independent auditor's reports on agreed-upon procedures for the following projects during the fourth quarter:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Pasadena – SEED Program	\$434,400	\$37,658
County of LA Public Works – Arrow Hwy Bus Stop	\$167,601	\$191,381
City of Downey – Imperial Hwy Fiber-Optic Traffic Signal	\$810,604	\$88,111
City of Santa Clarita – Intelligent Transportation System	\$2,235,324	\$-
City of Compton – Artesia Station TOD	\$431,632	\$450,000
City of Bellflower – Bellflower Station TOD	\$436,780	\$263,850
Foothill Transit – Colorado Blvd Corridor Signal Priority	\$236,045	\$50,271
<i>Reviewed and questioned costs were not identified for the following, as these audits reviewed labor rates for pre-award or indirect cost rates.</i>		
Vehicle Engineering and Acquisition (13 Audits)	N/A	N/A
Total Amount	\$4,752,386	\$1,081,271

Details on all contract, financial and compliance audits completed during FY 2024 are included in Appendix C.

Other Audits

The following highlights other audits completed by the external firms:

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

MAS contracted Vasquez & Company to conduct the financial and compliance audit of Access Services (Access) for the year ended June 30, 2023. The auditor found that Access' schedules/financial statements present fairly, in all material respects. The auditor also found that Access complied, in all material respects, with the compliance requirements included in the Proposition C Discretionary Program Guidelines, Measure M 2% Program Guidelines, and the Memorandum of Understanding.

MAS contracted with Simpson and Simpson, CPAs (Simpson) to verify the compliance of FAME Corporation (FAME) and the International Institute of Los Angeles (IILA) with the eligibility verification requirements of the LIFE program during the period from July 1, 2022, through June 30, 2023. The auditor sampled 59 patrons from each of the administrators, totaling 118 patrons. Of these, 27 patrons from IILA and 29 from FAME responded and were all confirmed as meeting the program's minimum income requirements and other eligibility criteria. However, the auditor encountered challenges in contacting the remaining sampled patrons due to inaccuracies in the information provided and was unable to verify eligibility. Simpson recommends implementing a process for patrons to update their contact information when clear inaccuracies are identified. This proactive approach will help ensure the integrity of data and improve communication throughout the verification process. The Metro Program Manager is working with the administrators to implement the recommendation.

Business Interruption Fund (BIF)

MAS contracted with BCA Watson Rice to conduct an audit of Pacific Coast Regional Small Business Development Corporation's (PCR) compliance with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures. The objective of this audit was to determine PCR's compliance with program guidelines and Fund Disbursement Procedures for the fiscal year ended June 30, 2023. The auditors found that PCR complied, in all material respects, with the Administrative Guidelines and Fund Disbursement Procedures.

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

MAS contracted K-Coe Isom, LLP to complete agreed-upon procedures engagements of Metro-owned RINs. The objective was to assist Metro's Environmental Compliance and Sustainability Department by preparing reports following the procedures detailed in the Electronic Code of Federal Regulations to verify that Metro's Environmental Protection Agency (EPA) reporting of RINs for renewable energy credits is complete and accurate for calendar years 2021, 2022 and 2023. The auditors noted that EPA reports for calendar years 2021 and 2022 had not been filed in a timely manner. No exceptions were noted for calendar year 2023. Metro management concurred and outlined corrective actions.

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of June 30, 2024.

MAS and External Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Chief People Office			3	
Chief Safety Office	4		2	
Operations	6	8	6	
Strategic Financial Planning		3		
Total	10	11	11	

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

FY 2024 Year-End Activity

Cumulative FY 2024 Completed Audit Activity

As of the FY 2024 year-end, MAS completed 214 audit projects and closed 30 recommendations.

Summary of Completed Projects

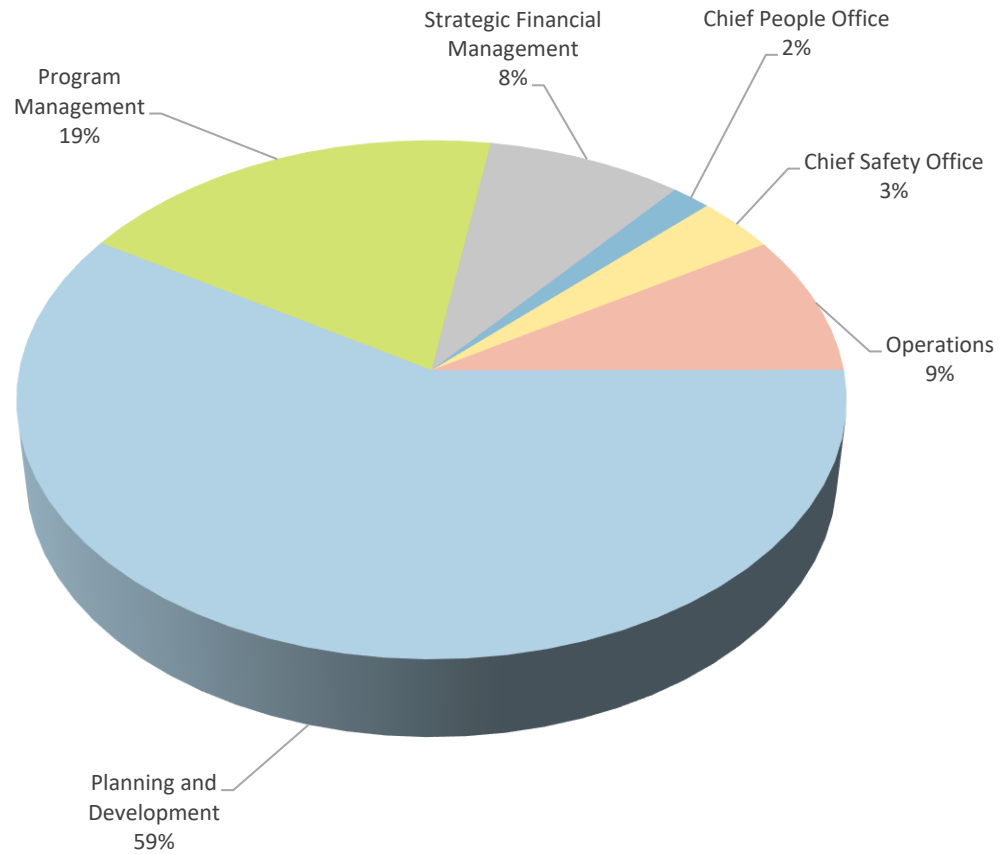
The completed audit projects comprise of:

- Four (4) performance audits, which also include independent reviews, analysis, or assessments of select areas;
- 59 contract, financial, and compliance audits with an audit value amount of \$47 million, of which \$3.6 million or 7% of identified unused funds that may be reprogrammed; and
- 151 financial and/or compliance audits issued by external auditors comprised mainly of legally mandated audits such as Prop A & C, Measure R, Measure M, State Transit Assistance (STA), Transportation Development Act (TDA), National Transit Database (NTD), and other funds distributed to the cities and County of Los Angeles.

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

Audit Follow-up

MAS closed 29 open recommendations during the fiscal year and provided administrative support for the closure of 1 open OIG recommendation.

Cumulative FY 2024 Audit Activity by Department

Appendix A

Performance Audit - In Progress Audits as of June 30, 2024				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Chief Safety Office	24-OPS-P01 - Special Review Fire Safety Response	Examine the adherence to Metro protocols in response to USG fire alarm activation.	7/2024
2	Strategic Financial Management \ Chief People Office	23-ITS-P01 - Third Party Risk Management (Outsourced Service Providers)	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.	8/2024
3	Program Management	24-CON-P01 - Eastside Access Improvement Project (EAIP)	Assess whether usage of EAIP funds, including grants, complied with applicable terms, conditions, and restrictions, and determine whether the executed scope of the EAIP aligned with the scope described in the Board Report, Grant, and other funding agreements and assess reasons for variances, including change orders.	9/2024
4	Operations	23-SEC-P01 - Bus Operations Continuity of Operations Plan (COOP)	Evaluate the adequacy of Bus Operations' COOP and Standard Operating Procedures to support mission essential functions during emergencies.	9/2024
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.	9/2024
6	Strategic Financial Management	23-VCM-P03 - Spare Parts Inventory	Assess whether Logistics manages critical spare parts inventory effectively and in accordance with Metro policies and procedures. This includes examining methodology for identifying critical components and ensuring that necessary spare parts are readily available.	9/2024
7	Chief People Office	24-BEN-P01 – Employee Health Care Benefits	Verify the accuracy and completeness of the health and dental benefits enrollment and the corresponding payroll deductions for all active eligible recipients, excluding represented employee and retirees.	10/2024

Appendix B

Performance Audit - Audits Completed as of June 30, 2024				
No.	Area	Audit Number & Title	Description	Date of Completion
1	Planning and Development	21-PLN-P02 - Real Estate Management System Advisory	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.	8/2023
2	Chief Safety Office	21-SEC-P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	Evaluate the adequacy of Rail Operations' Continuity of Operations Plan and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies.	3/2024
3	Strategic Financial Management	23-VCM-P02 - Performance Audit of Contract Price Structures for Professional Services	Assess the process performed by contract administrators and project managers for firm fixed-price professional service contracts, payment structures and performance milestones. Assess the process used to determine the use of firm fixed price professional services contracts.	4/2024
4	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	Assess the compliance of training records of new Bus Operators and of Operations employees working in Maintenance and Transportation with applicable Federal, State, and technical requirements. Training records will be assessed for accuracy and completeness.	5/2024

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning & Development	23-PLN-A17(I) - Agreed-Upon Procedures	Vicus, LLC's	7/2023
2	Planning & Development	23-HWY-A01 - Agreed-Upon Procedures	City of Los Angeles Board of Harbor Commissioners	7/2023
3	Planning & Development	23-PLN-A17(A) - Agreed-Upon Procedures	AECOM Technical Services, Inc.'s	7/2023
4	Planning & Development	23-PLN-A17(D) - Agreed-Upon Procedures	Guida Surveying, Inc.	7/2023
5	Planning & Development	23-PLN-A17(F) - Agreed-Upon Procedures	NN Engineering, Inc.	7/2023
6	Planning & Development	23-PLN-A17(G) - Agreed-Upon Procedures	TY Lin International	7/2023
7	Planning & Development	23-PLN-A17(B) - Agreed-Upon Procedures	RAW International, Inc.	8/2023
8	Planning & Development	23-PLN-A17(C) - Agreed-Upon Procedures	Terry A. Hayes Associates, Inc.	8/2023
9	Planning & Development	23-PLN-A17(H) - Agreed-Upon Procedures	V&A, Inc.	8/2023
10	Program Management	23-HWY-A02 - Agreed-Upon Procedures	City of Malibu	8/2023
11	Program Management	23-HWY-A05 - Agreed-Upon Procedures	City of Pico Rivera	8/2023
12	Program Management	22-CON-A08 - Agreed-Upon Procedures	Coleman Environmental Engineering, Inc.	10/2023
13	Program Management	23-HWY-A11 - Agreed-Upon Procedures	City of Glendale	11/2023

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
14	Planning & Development	23-PLN-A09 - Agreed-Upon Procedures	City of Norwalk	11/2023
15	Program Management	23-HWY-A08 - Agreed-Upon Procedures	City of Lomita	11/2023
16	Program Management	23-HWY-A12 - Agreed-Upon Procedures	City of Pico Rivera	11/2023
17	Planning & Development	23-PLN-A14 - Agreed-Upon Procedures	City of Monterey Park	11/2023
18	Program Management	23-HWY-A06 - Agreed-Upon Procedures	City of Bellflower	11/2023
19	Operations	22-OPS-A02 - Agreed-Upon Procedures	New Flyer of America, Inc.	11/2023
20	Operations	22-OPS-A01 - Agreed-Upon Procedures	Eldorado National (California), Inc.	11/2023
21	Planning & Development	23-PLN-A20 - Agreed-Upon Procedures	City of Arcadia	12/2023
22	Planning & Development	23-PLN-A15 - Agreed-Upon Procedures	City of Azusa	12/2023
23	Program Management	23-HWY-A07 - Agreed-Upon Procedures	City of Glendale	12/2023
24	Planning & Development	23-PLN-A21 - Agreed-Upon Procedures	City of Diamond Bar	12/2023
25	Program Management	20-HWY-A10 - Agreed-Upon Procedures	City of Hawthorne	12/2023
26	Operations	22-OPS-A03 - Agreed-Upon Procedures	New Flyer of America, Inc.	12/2023

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
27	Planning & Development	24-PLN-A01 - Agreed-Upon Procedures	City of Bell	1/2024
28	Program Management	23-CON-A04 - Agreed-Upon Procedures	SHA Analytics	2/2024
29	Planning & Development	24-PLN-A02 - Agreed-Upon Procedures	City of Westlake Village	2/2024
30	Planning & Development	24-PLN-A10 - Agreed-Upon Procedures	City of Calabasas	3/2024
31	Planning & Development	24-PLN-A17 - Agreed-Upon Procedures	City of South Pasadena	3/2024
32	Planning & Development	22-PLN-A01 - Agreed-Upon Procedures	City of Los Angeles Department of Transportation	3/2024
33	Planning & Development	20-PLN-A01 - Agreed-Upon Procedures	City of Los Angeles Department of Transportation	3/2024
34	Planning & Development	23-PLN-A12 - Agreed-Upon Procedures	City of Whittier	3/2024
35	Operations	24-OPS-A02(A) - Agreed-Upon Procedures	Hatch Associates Consultants, Inc.	3/2024
36	Operations	24-OPS-A02(B) - Agreed-Upon Procedures	Capitol GCS, Inc.	3/2024
37	Operations	24-OPS-A02(C) - Agreed-Upon Procedures	Turner Engineering Company	3/2024
38	Operations	24-OPS-A02(D) - Agreed-Upon Procedures	Virginkar & Associates, Inc.	3/2024
39	Program Management	22-CON-A03 - Agreed-Upon Procedures	SunWest Engineering Constructors, Inc.	3/2024
40	Planning & Development	24-PLN-A03 - Agreed-Upon Procedures	City of Pasadena	4/2024
41	Planning & Development	24-PLN-A06 - Agreed-Upon Procedures	County of Los Angeles Department of Public Works	4/2024
42	Planning & Development	23-PLN-A22 - Agreed-Upon Procedures	City of Downey	5/2024
43	Planning & Development	23-PLN-A13 - Agreed-Upon Procedures	City Compton	5/2024

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
44	Planning & Development	23-PLN-A19 - Agreed-Upon Procedures	City of Santa Clarita	5/2024
45	Strategic Financial Management	24-VCM-A01 (A) - Agreed-Upon Procedures	AECOM Technical Services, Inc.	6/2024
46	Strategic Financial Management	24-VCM-A01 (B) - Agreed-Upon Procedures	Arellano Associates, LLC	6/2024
47	Strategic Financial Management	24-VCM-A01 (C) - Agreed-Upon Procedures	Burns Engineering, Inc.	6/2024
48	Strategic Financial Management	24-VCM-A01 (D) - Agreed-Upon Procedures	JCL Consulting Group	6/2024
49	Strategic Financial Management	24-VCM-A01 (E) - Agreed-Upon Procedures	Kewo Engineering Corporation	6/2024
50	Strategic Financial Management	24-VCM-A01 (F) - Agreed-Upon Procedures	Niti Systems Consultants, Inc.	6/2024
51	Strategic Financial Management	24-VCM-A01 (G) - Agreed-Upon Procedures	Omni Strategy, LLC	6/2024
52	Strategic Financial Management	24-VCM-A01 (H) - Agreed-Upon Procedures	Rheia Consulting LLC	6/2024
53	Strategic Financial Management	24-VCM-A01 (I) - Agreed-Upon Procedures	N. Saylor Consulting Group, Inc.	6/2024
54	Strategic Financial Management	24-VCM-A01 (J) - Agreed-Upon Procedures	Steve Policar LLC	6/2024
55	Strategic Financial Management	24-VCM-A01 (K) - Agreed-Upon Procedures	Terravanta Inc.	6/2024
56	Strategic Financial Management	24-VCM-A01 (L) - Agreed-Upon Procedures	Virginkar & Associates, Inc.	6/2024
57	Strategic Financial Management	24-VCM-A01 (M) - Agreed-Upon Procedures	VST Engineering, Inc.	6/2024
58	Planning & Development	23-PLN-A16 - Agreed-Upon Procedures	City of Bellflower	6/2024
59	Planning & Development	24-PLN-A08 - Agreed-Upon Procedures	Foothill Transit	6/2024

Appendix D

Open Audit Recommendations as of June 30, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	16	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
2	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	17	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to clarify and enforce the roles and responsibilities of system owners and data custodians to review and update the access list periodically.	12/31/2024	
3	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	18	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
4	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1b	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. b) Continue working with the EAMS implementation team to plan, design, develop and implement a system integration/interface to transfer available asset data from the accounting system to the new EAMS. Update: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.	11/30/2022	12/31/2024
5	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	3	Work with the EAMS implementation team and other functional groups (Accounting, ITS, Operations etc.), who maintain an asset list, to consolidate inventory records in the upcoming EAMS. Update: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.	11/30/2022	12/31/2024
6	Operations	21-SEC-P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	6 Total	The recommendations included in this report address findings in Metro's Operational System.	Ongoing	
7	Strategic Financial Management	23-VCM-P02 - Performance Audit of Contract Price Structures for Professional Services	1	V/CM should i) develop a checklist or similar form to specify and clarify project manager's responsibilities including their role in the development of and review of contract price type, deliverable milestones, payment schedules and any significant decisions made including consultation with legal counsel to ensure project managers are notified of their roles ii) require project manager to read, understand and sign the form; and iii) maintain signed form with the contract file. Update: VCM has provided documentation to close recommendation.	6/30/2024	
8	Strategic Financial Management	23-VCM-P02 - Performance Audit of Contract Price Structures for Professional Services	2	V/CM should conduct training on the Acquisition Policy and Procedure Manuals for contract administrators and project managers who may, in the performance of their job duties, have occasion to procure contracts and/or oversee contracts. This training should be conducted prior to or at assignment of contract procurement or oversight, and annually as a refresher. Update: VCM has provided documentation to close recommendation.	6/30/2024	

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

Appendix D

Open Audit Recommendations as of June 30, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
9	Strategic Financial Management	23-VCM-P02 - Performance Audit of Contract Price Structures for Professional Services	3	V/CM should require contract administrators and project managers to discuss the necessity of a payment schedule being included in the contract prior to the execution of the contract. Any outcome, such as project manager concurrence with the schedule's inclusion, should be documented within a checklist or the like, and retained within procurement records. Update: VCM has provided documentation to close recommendation.	6/30/2024	
10	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	1	OCI should establish and document a formal process for overseeing training courses that are required under the OCI Training Matrix and delivered by either OCI or the Divisions to ensure compliance with the PTASP.	6/30/2025	
11	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	2	OCI should update the OCI Standard Operating Procedures (SOP), Revision 1, January 22, 2020, to ensure alignment with the PTASP OCI Training Matrix and current practices.	6/30/2025	
12	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	3	OCI should explore the feasibility of adding the proper naming convention within OTTS when an employee completes training courses for the first, second, and third avoidable accidents within 18 months of the first accident. The naming convention should align with the procedures outlined in the PTASP on Post Accident Training.	6/30/2025	
13	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	4	OCI should explore the feasibility of utilizing OTTS or collaborate with Talent Development, to assess the capability of using the Adobe Learning Management System to capture not only employees' training course titles and hours but also as a data repository for all hard copy files associated with an employee's completed training records. This will help ensure that all training files are maintained in a centralized location. Regardless of the chosen approach, OCI Management should pursue an alternative solution, including documenting the process.	6/30/2025	
14	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	5	To help with archival and retrieval of OCI Matrix training courses, OCI should collaborate with the Divisions to develop a standardized method for retaining attendee rosters. This approach should be uniform and adopted across all Bus Divisions.	6/30/2025	
15	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	6	For consistent record keeping across OCI and the Bus Divisions, OCI and Division Management should document their process for the electronic archiving of training records for employees and Goodyear contractor personnel. This should include a training checklist outlining essential documents (e.g. DL260) required for each type of OCI Matrix training course.	6/30/2025	
16	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	7	OCI should collaborate with the Divisions to formally communicate the need to comply with the OCI Training Matrix as it relates to recommendations 1-7.	6/30/2025	
17	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	9	OCI should work with Corporate Safety to ensure that the OCI Training Matrix includes current course descriptions, and any updates should be communicated to all staff that have responsibility for compliance with the OCI Training Matrix.	6/30/2025	

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

Management Audit Services

FY 2024 Fourth Quarter and Cumulative Year-end Report

Finance, Budget & Audit Committee
September 19, 2024

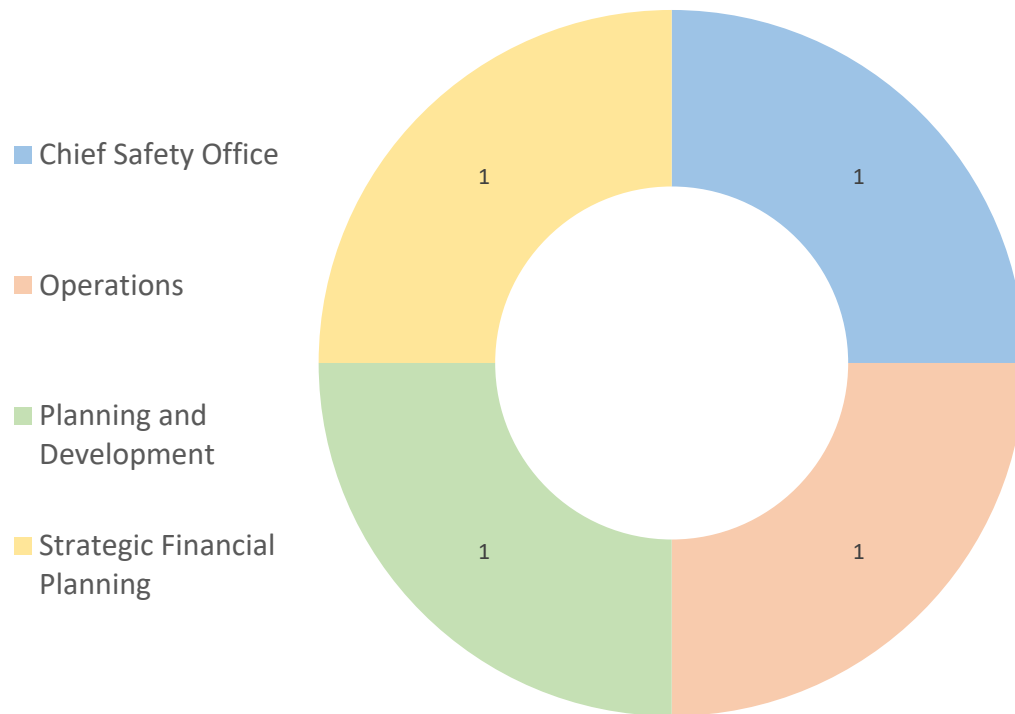
Kimberly Houston
Deputy Chief Auditor



MANAGEMENT
AUDIT SERVICES

Completed: Performance Audits

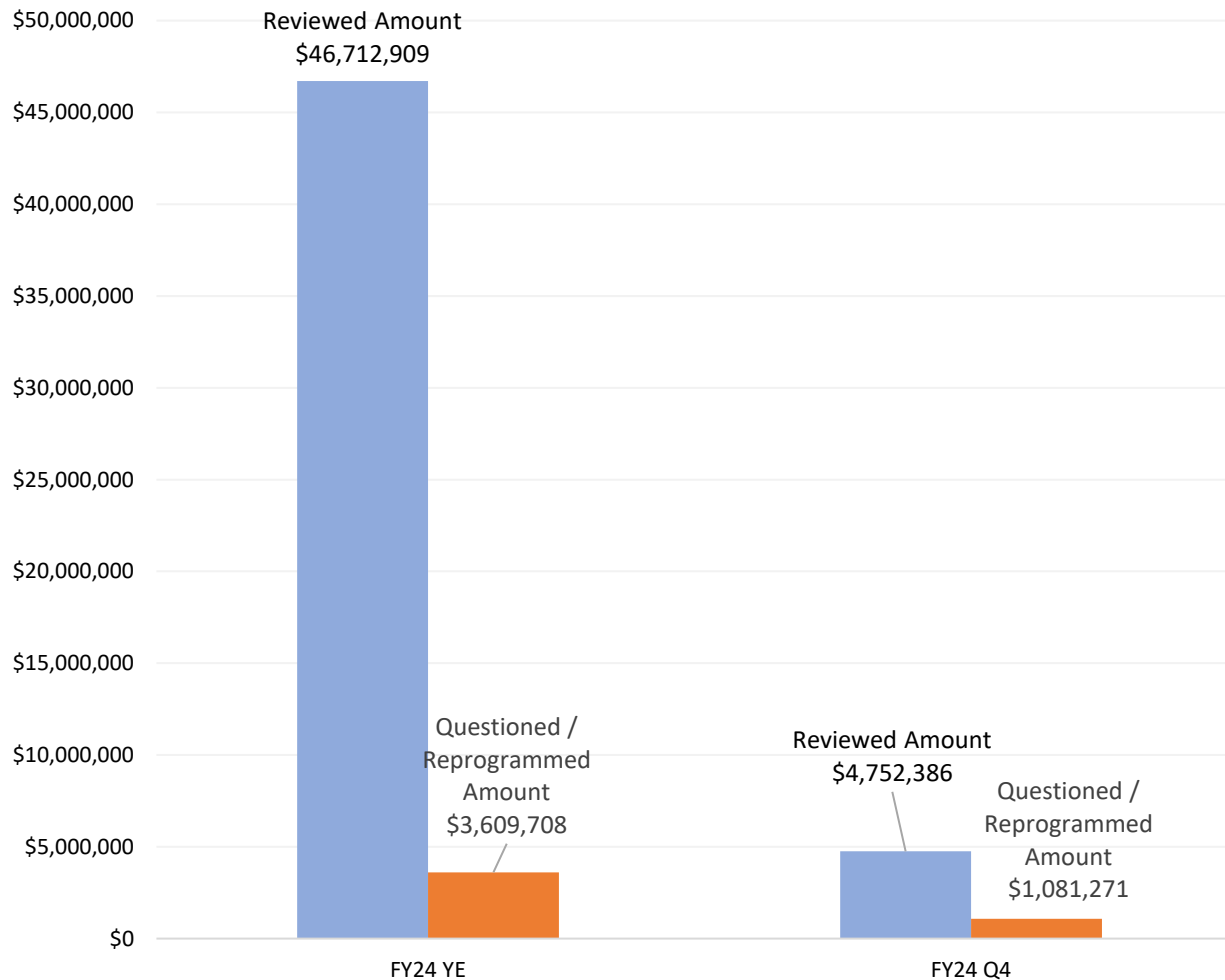
Agency Representation



Completed 4 Audits:

- Real Estate Mgmt. System
- Rail COOP
- Contract Price Structures
- Operations Central Instruction

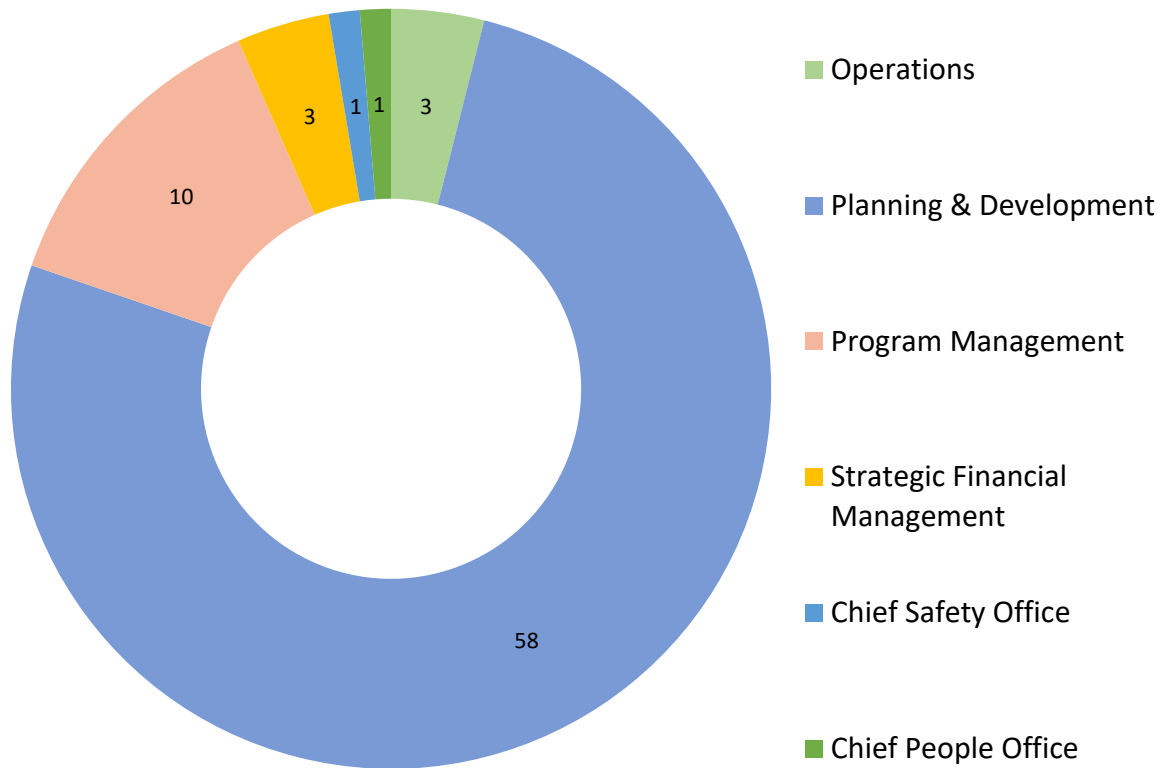
Completed: Contract, Financial & Compliance Audits



Delivered financial audits that reviewed \$46M of funding for FY24 YE and \$4.7M for FY24 Q4 and identified \$3.6M and \$1M, respectively, for reprogramming.








In Progress: MAS Audit Activity

Agency Representation



- 7 Performance Audits
- 69 Contract, Financial and Compliance Audits

In Progress: Performance Audits

	Audit Title	Description	Estimated Completion			
			FY25 Q1 Jul - Sept	FY25 Q2 Oct - Dec	FY25 Q3 Jan - Mar	FY25 Q4 Apr - Jun
1	Special Review Fire Safety Response	Examine the adherence to Metro protocols in response to USG fire alarm activation.				
2	Third Party Risk Management	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.				
3	Eastside Access Improvement Project	Review Metro's process for projecting and managing inflation risk for construction projects.				
4	Business Continuity Plan - Bus	Evaluate the adequacy of Bus Operations' COOP and SOPs to support Bus Operations' mission essential functions during emergencies.				
5	Purple (D-Line) Extension 1	Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations.				
6	Spare Parts Inventory	Assess whether Logistics is managing critical spare parts inventory effectively and in accordance with Metro policies and procedures.				
7	Employee Health Care Benefits	Verify the accuracy and completeness of the health and dental benefits enrollment and the corresponding payroll deductions for all active eligible recipients, excluding represented employee and retirees.				

Next Steps

- Ongoing implementation of performance and financial audits and reporting
- Delivery of Consolidated Audit Reports and Annual Comprehensive Financial Reports (FY 24)
- Focused efforts on MAS quality improvement and value-added audit services



Board Report

File #: 2024-0522, File Type: Informational Report

Agenda Number: 15.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 19, 2024

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2023
TO DECEMBER 31, 2023**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of October 1, 2023 to December 31, 2023.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2023 to December 31, 2023. 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, 2023 to December 31, 2023. For this period, miscellaneous expenses totaled \$2,731,926 with 661 transactions. We selected 50 expense transactions totaling \$1,631,777 for detail testing.

DISCUSSION

FINDINGS

The miscellaneous expenses we reviewed for the period of October 1 to December 31, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of noncompliance with P-card policies as well as seven instances of noncompliance with the GEN 65 Metro Business Travel Policy.

Other findings include Advertising and Corporate Membership expenses charged to incorrect accounts, as well as the P-Card program needing updates for transactions processed through CIMS.

Employees should be instructed to read and comply with Metro's GEN 65 Business Travel Policy: Submit Travel Request/Authorization forms at least 30 days in advance of travel and provide the required and applicable justification memos. Employees should be reminded to obtain written pre-approval for P-card purchases and accurately charge expenses to the correct accounts.

RECOMMENDATIONS

We recommend the following:

Vendor/Contract Management

1. Due to the unique nature of P-Card usage by V/CM for advertising expenses related to solicitations from various departments, and their systematic approvals through Metro's CIMS, update the P-Card program to include exceptions for systematic approvals compared to individual P-Card purchases requiring written pre-approval.
2. Coordinate with Metro's Talent Development department and develop additional CIMS training that helps ensure all departments who prepare purchase requisitions are cognizant that advertising expenses are legally required for formal solicitations, and budget for these advertising costs.

Metro OMB

3. Provide adequate notification to department/cost Centers for possible advertising expenses who submit solicitations to V/CM for procurement and prepare a budget for possible advertising expenses. Include as part of the annual budgeting process a provision for advertising expenses related to their solicitations to avoid budget shortfalls.

Risk Management, Public Relations, Program Management Executive Office, Transit Security, System Security and Law Enforcement:

4. Remind the P-Cardholders and Approving Officials that approval of P-card transactions should be made explicitly in writing in advance of purchase and included with the supporting documentation of P-card transactions, according to the P-Card program.

Rail MOW Signal Systems, Station Experience, Management Audit Services, Facilities and Property Maintenance, Office of Strategic Innovation

5. Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.
6. Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of their trip.

Management Audit Services

7. Require the traveler to submit an approved justification memo for personal vehicle use before the travel is set to begin.

Talent Development

8. Require the traveler to submit a justification memo when lodging expenses are higher than the allowable GSA per diem rate and include the approved justification memo in the supporting documentation with their Travel & Business Expense Report.

Marketing

9. Ensure that the 50918 Advertising account is budgeted sufficiently in future periods to avoid the misclassification of advertising expense transactions by using other accounts.

Community Relations

10. Remind the employees that memberships with local chambers of commerce, even those considered smaller or insignificant in amount, should be charged to the Corporate Membership account and staff should comply with the Corporate and Professional Membership Policy, HR 6.

EQUITY PLATFORM

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period of October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

Prepared by: Hovsep Khachatryan, Auditor, (213-244-7326)
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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

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

**Statutorily Mandated Audit of
Miscellaneous Expenses
October 1, 2023 to December 31, 2023
(Revised)**

Report No. 25-AUD-01

September 6, 2024



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

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

213.244.7300 Tel
213 244-7318 Fax

DATE: September 6, 2024

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1 to December 31, 2023. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

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

1. Purchase Card Program should be updated regarding advertising expenses
2. Noncompliance with Purchase Card Program
3. Noncompliance with GEN 65 Metro Business Travel Guidelines
 - a. Travel Request/Authorization was submitted less than 30 days prior to travel
 - b. Justification memo for use of personal vehicle submitted after travel
 - c. No justification memo for lodging in excess of the allowable per diem rate
4. Advertising expenses charged to an incorrect account
5. Corporate membership charged to an incorrect Account

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

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

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

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Countywide Planning and Development, Customer Programs and Services, Marketing, Office of Board Administration, Operations, Program Management, Talent Development, and Transit Security; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of October 1, 2023 to December 31, 2023. For this period, miscellaneous expenses totaled \$2,731,926¹ with 661 transactions. We selected 50 expense transactions totaling \$1,631,777 for detail testing. Thirty (30) of the expense transactions were randomly selected, nine (9) were selected due to their large dollar amounts, and eleven (11) were selected to add more samples for travel and to sample 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,

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

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

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.

RESULTS OF AUDIT

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

1. Purchase Card Program Needs to be Updated Regarding Advertising Expenses

Criteria: The P-Card Program requires that *"The Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc."*

The Administrative Aide of the Administrative Business Services Department paid \$1,306.11 on October 3, 2023, for advertising related to Union Station Parking Management using a P-card. When inquiring about the written pre-approval, the Senior Manager mentioned that approval was done digitally through Metro's Contract Information Management System (CIMS). As a result, pre-approval was not included in the supporting documentation posted to FIS.

Our research into this transaction(s) found when Metro departments submit proposals for goods or services that require Metro's V/CM to solicit proposals for such goods and services, V/CM may use their department P-Card to pay for advertising related to the solicitation. The advertising expenses are then charged back to the requesting department. The approval process for this type of P-card transaction is systematic and transpires within the CIMS workflow. A written pre-approval, as with other P-Card purchases, is not created and matched with P-Card purchases but can be inferred with this systematic approval and workflow process.

VC/M said requesting departments/cost centers should budget for possible proposal advertising expenses.

The P-Card Administrator and Senior Director of Finance stated that prior written approval for this type of P-Card purchase is not required.

Metro's P-Card administrator and Senior Director of Finance stated - *"Requiring the V/CM Sr. Manager to pre-approve all legally required Agency procurement advertisements to comply with*

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

the purchase card guideline of approving all transactions in advance of being transacted by the cardholder(s) in writing is not feasible, reasonable, or necessary. Approval to advertise is already obtained via CIMS or other mechanisms from the requestor and budget owner and included in the packet as noted by the Sr. Manager, Systems and Analytics. Further approvals are unnecessary and not required in this instance."

According to the P-Card administrator and V/CM's Senior Director of Finance— the utilization of V/CM's assigned P-Card is an allowable method of payment for advertising expenses made on behalf of requests for proposals by various Metro departments. Approval for this type of P-Card expense is realized/obtained systematically through the CIMS workflow process and is an allowable use of a P-Card.

It is unclear whether departments can plan and budget for their proposal advertising expenses if they do not know what proposals will incur advertising costs and how much these expenses may be.

The P-card Program includes several allowances and restrictions for P-card usage but does not address this type of P-Card usage.

Recommendations:

Vendor/Contract Management

- Due to the unique nature of P-Card usage by V/CM for advertising expenses related to solicitations from various departments, and their systematic approvals through Metro's CIMS, update the P-Card program to include exceptions for systematic approvals compared to individual P-Card purchases requiring written pre-approval.
- Coordinate with Metro's Talent Development department and develop additional CIMS training that helps ensure all departments, who prepare purchase requisitions, are cognizant that advertising expenses are legally required for formal solicitations, and budget for these advertising costs.

Metro OMB

- Provide adequate notification to department/cost Centers for possible advertising expenses who submit solicitations to V/CM for procurement and prepare a budget for possible advertising expenses. Include as part of the annual budgeting process a provision for advertising expenses related to their solicitations to avoid budget shortfalls.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

2. Noncompliance with Purchase Card Program

Criteria: The P-Card Program requires that *“The Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc.”*

- (1) The Director of Metro’s Risk Management department paid \$325 for a Worker’s Compensation Claims Professional virtual examination using a P-card on August 28, 2023, to support the career growth of their administrative staff. This transaction appeared in the October 2023 P-Card log. When we inquired about the written pre-approval for this transaction, the Executive Officer mentioned that the approval for this transaction was given verbally.
- (2) The Assistant Public Communications Officer of the Public Relations department paid \$244.14 for various newspaper subscriptions, including The LA Times, New Yorker, and the Chicago Tribune on various dates in late August and early September. When we inquired about the written pre-approval for this transaction, the Assistant Public Communications Officer mentioned that pre-approvals are given either verbally or through email. However, a pre-approval email was not given for the sampled transaction.

While inquiring with the Executive Officer, they mentioned that these charges were approved/authorized by their predecessor. The EO also mentioned that they will follow Metro’s P-Card written pre-approval requirements moving forward.

- (3) The Senior Manager of the Program Management Executive Office paid \$2,166.67 for Signature Leadership Training provided by WTS on September 4, 2023. This transaction was included in the October 2023 P-Card log. When we inquired about the written pre-approval for this transaction, the Senior Manager stated that the pre-approval letter could not be located and as a result, no written record was included with the supporting documentation.
- (4) The Chief Administrative Analyst of the Transit Security department used a P-card to pay two separate transactions, both of which were for new hires for their public safety-related training at Rio Hondo College. The first transaction was for \$7,136.05 on September 19th, 2023, while the second transaction was for \$2,832.75 in October 2023. When inquiring about the written pre-approval for these two purchases, the Chief Administrative Analyst stated that there was no written pre-approval for these purchases.

While inquiring with the Senior Director, they mentioned they requested a pre-approval template be made so it can be used to satisfy Metro’s P-Card written pre-approval requirements moving forward.

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- (5) The Director of the Physical Security department used their P-card to pay \$2,997 for Excel training on October 26, 2023, and the professional development of their staff. When inquiring about written pre-approval for this transaction, the Director mentioned that approval was given verbally. As a result, no written record of the approval was included in the supporting documentation of this transaction.

It is important for employees to follow the P-card Program Rules and Guidelines so transactions are adequately documented and have the proper approvals in writing prior to payment.

Recommendations:

Risk Management/Public Relations/Program Management Executive Office/Transit Security/System Security and Law Enforcement:

- Remind the P-Cardholders and Approving Officials that approval for P-card transactions should be made explicitly in writing in advance of purchase and included with the supporting documentation of P-card transactions.

3. Noncompliance with GEN 65 Metro Business Travel Guidelines

a. Travel Request/Authorization was Submitted Less than 30 Days Prior to Travel

Criteria: The Metro Business Travel Policy (GEN 65) states that *"The traveler must electronically submit a completed and approved TA Request as far in advance of travel as possible. If a request is made less than thirty (30) days in advance of the intended travel, the employee must explain in their business justification memo, detailing why the request was submitted less than 30 days prior to the travel date."*

- (1) The Director, Wayside Systems of the Rail MOW Signal Systems department attended the AREMA conference in Indianapolis, Indiana from October 1 to 4, 2023 and submitted a Travel and Business Expense (TBE) Report for \$3,507.25 with a total reimbursable expense amount of \$1,719.72. The Travel Request/Authorization was submitted on September 12, 2023, less than 30 days prior to his travel.

The Director did not provide an explanation in the justification memo for the travel. When inquiring about this issue, the Director mentioned that they were informed of the need to attend the AREMA conference less than 30 days before the conference was scheduled to begin.

- (2) The Principal Transportation Planner of the Station Experience Department attended the 2023 International Sanitary Supply Association Conference in Las Vegas, Nevada

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from November 13 to 16, 2023, and submitted a Travel and Business Expense Report for \$2,435.34 with a total reimbursable expense amount of \$1,361.61. He submitted the Travel Request/Authorization on October 25, 2023, 21 days prior to his travel.

When inquiring about this, the Principal Transportation Planner mentioned that a colleague was initially scheduled to go to the conference; however, after it became clear that his colleague could not go, the Principal Transportation Planner was chosen to go in her place on short notice.

- (3) The Senior Manager, Audit of the Management Audit Services attended the “Administrative Professionals Conference” in Las Vegas, Nevada from October 22 to 25, 2023, and submitted their Travel and Business Expense Report for \$2,664.42 with total reimbursable expenses of \$1,069.42. She submitted the Travel Request/Authorization (TA) on September 28, 2023, 25 days prior to her travel.

The Senior Manager did not provide her explanation in the justification memo for the travel. When inquiring about this issue, she stated that she had returned from a leave of absence close to the conference and she had many pressing priorities. Thus, the TA form was completed less than 30 days prior to travel.

- (4) The Facilities Maintenance Supervisor of the Facilities/Property Maintenance department attended the EnoMax Leadership Program in Charlotte, North Carolina from October 15 to 20, 2023, and submitted the Travel and Business Expense Report for \$2,081.54 with total reimbursable expenses of \$510.04. He submitted the Travel Request/Authorization on September 19, 2023, 26 days prior to travel.

The Facilities Maintenance Supervisor did not provide an explanation as to why the TA was submitted less than 30 days prior to his trip. When inquiring about this, the Facilities Maintenance Supervisor mentioned that there was a delay in getting a TA number from the Travel office.

- (5) The Deputy Chief Innovation Officer of the Office of Strategic Innovation attended the APTA Transform Conference in Orlando, Florida from October 8 to 10, 2023 and submitted a Travel and Business Expense Report for \$1,345.52 with total reimbursable expenses of \$562.81. He submitted the TA on October 2, 2023, six days prior to his travel. The Deputy Chief Innovation Officer did not provide an explanation as to why the TA was submitted less than 30 days prior to his travel.

When inquiring about this, the Deputy Chief Innovation Officer mentioned that another individual was initially supposed to attend the event; however, the CEO eventually decided that the traveler should go instead.

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It is important that explanations for the circumstances causing TA requests to be submitted less than 30 days before travel be included in the justification memo, in compliance with Metro's GEN 65 policy.

Recommendations:

Rail MOW Signal Systems/Station Experience/Management Audit Services/Facilities and Property Maintenance/Office of Strategic Innovation

- Require the traveler and those charged with reviewing and approving travel expenses to be familiar with Metro's Business Travel Policy GEN 65.
- Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of travel.

b. Justification Memo for Use of Personal Vehicle Submitted After Travel

The employee mentioned above said she used her personal vehicle for the trip; however, the required justification memo was submitted after the travel.

GEN 65 Metro Business Travel Policy, Attachment 4, states that "*LACMTA reserves the right to pay the lower of either mileage reimbursement or a common carrier such as Amtrak, Metrolink, or commercial airline. Travelers must submit a separate justification memo when requesting the use of a personal vehicle for non-local travel.*"

While a justification memo for personal vehicle use was given, it was given after the travel had concluded. When inquiring about this issue, the Senior Manager stated that they did not believe that justification memos for personal vehicle use were required. They became aware of the requirement after travel had ended which caused the late submission of the personal vehicle use justification memo.

It is important to submit an approved justification memo for personal vehicle use in advance of travel according to Metro's GEN 65 Policy.

Recommendation:

Management Audit Services

- Require the traveler to submit an approved justification memo for personal vehicle use before the travel is set to begin.

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c. No Justification Memo for Lodging in Excess of the Allowable Per Diem Rate

The Deputy Chief People Officer of the Talent Development department attended the “Changing the Game: Negotiation and Competitive Decision-Making” conference in Cambridge, Massachusetts from October 29 to November 3, 2023, and submitted their Travel and Business Expense Report for \$16,002.11 with total reimbursable expenses of \$855.71. The individual arrived at the city where the conference was held the day prior to the conference and stayed at a hotel at a rate higher than the per diem rate allowable at the time.

Pursuant to Metro’s GEN 65 policy, which became effective approximately two months prior to the audit period, justification memos for travel should include requests for overages on lodging per diems. However, the Deputy Chief People Officer did not include a justification memo for this overage. When inquiring about this, the Deputy Chief People Officer mentioned that they did not have a justification memo for the overage as it was not requested from them.

The GEN 65 Metro Business Travel Policy states that *“The business justification memo must be specific to the traveler and include the purpose of the trip, identify the organization, meeting location and the dates of travel. It may also include additional requests for approval such as a request for car rental, exception for lodging expense over the per diem rate, personal vehicle use/parking, local lodging, or other special requests.”*

It is important that lodging per diem overages be supplemented with a justification memo to demonstrate proper approvals for lodging.

Recommendation:

Talent Development

- Require the traveler to submit a justification memo when lodging expenses are higher than the allowable GSA per diem rate and include an approved justification memo in the supporting documentation with their Travel & Business Expense Report.

4. Advertising Expenses Charged to Incorrect Account

The Marketing department split the charges of four different invoices from the Civilian advertising firm between accounts 50918 (for Advertising Media Expenses) and 50316 (for Professional Services). When inquiring about the reason for this allocation, the Director’s Admin

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Analyst stated that there was not enough budget in the advertising bucket to cover the amount of total work. Therefore, funds from the account 50316 were pulled to cover any remaining amounts of total expenses incurred.

The Descriptive Chart of Accounts describes account 50316 – Professional and Technical Services as payment of services provided by external entities while account 50918 – Advertising is for payments specifically for advertising media expenses.

- While advertising expenses might include an element of professional services, portions of these invoices charged to Professional Services account 50316 were due to budget shortfalls. It is important to avoid utilizing the budgets of other accounts in the absence of a clear need for those accounts. If funds run out for a particular type of expense, funds from another account may have to be transferred to the proper accounts.

Recommendation:

Marketing

- We recommend that Marketing ensure that the 50918 Advertising account is budgeted sufficiently in future periods to avoid the misclassification of advertising expense transactions by using other accounts.

5. Corporate Membership Charged to Incorrect Account

On October 20, 2023, the Executive Officer of Community Relations approved a transaction involving the payment of membership fees of a local chamber of commerce for \$760, which has been considered a corporate membership in the past. According to the HR 6 Corporate and Professional Memberships, the CEO will review and approve all applicable corporate memberships. However, there was no approval from the CEO and there was no Corporate and Professional Membership form included with the supporting documentation for this transaction. When inquiring about this, the Executive Officer mentioned that during discussions with the OCEO's office, it was determined that corporate memberships for smaller chambers of commerce would be reviewed and approved by either Community Relations or Public Relations.

The HR 6 Corporate and Professional Memberships states that *"The CEO will review and approve applicable corporate memberships annually, and they or their designee will be designated as the Agency representative for LACMTA."* However, due to this particular chamber of commerce being considered a smaller chamber of commerce, account 50999 Other Miscellaneous Expenses was used instead of account 50905 Corporate Membership. This in turn led to the omission of a Corporate and Professional Membership Information Form and the absence of CEO approval.

It is important that corporate membership transactions be accurately charged to the Corporate Memberships account and receive the proper level of approval.

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Recommendation:

Community Relations

- Remind employees that memberships with local chambers of commerce, even those considered smaller or insignificant in amount, should be charged to the Corporate Membership account and staff should comply with the Corporate and Professional Membership Policy, HR 6.

OBSERVATION

Non-Work Time Charged Erroneously to Relocation Expense

The Accounting department erroneously charged \$2,626.08 to account 50908 – Employee Relocation - for time entries of an employee who was on Union business. When inquiring about this, the Payroll Supervisor explained that this transaction was “*mapped in error*” and should have been recorded to account 50281 – NC-Non Work time PTSC. The correcting entry was subsequently made by Accounting in March 2024.

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 (FY24 Q2) versus Prior Quarter (FY24 Q1) Miscellaneous Expenses

Miscellaneous expenses in FY24 Q2 posted an increase of \$988,273 or 57% compared to FY24 Q1 or Jul-Sep 2023. During this quarter, all expenses (except Professional Membership and account # 50999) were higher, especially Advertising expenses (account # 50918) which had an increase of \$646,542. For FY24 Q2, Metro paid various advertising expenses for Fare Capping Media, Meta, Summer Ridership, SoCal 511, iHeart Radio, GoPass Full Media Plan, FY24 Rail Safety Month, and the DTLA Connections Campaign.

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Table 1: Reviewed Quarter vs. Prior Quarter

Account	Oct-Dec 2023	Jul-Sep 2023	Increase (Decrease)
Advertising	1,400,244	\$ 753,702	\$ 646,542
Business Meals	194,210	90,606	103,604
Business Travel	208,508	84,113	124,395
Corporate Membership	182,780	77,200	105,580
Employee Relocation	71,020	0	71,020
Professional Membership	11,343	11,875	(532)
Seminar and Conference Fee	111,589	85,386	26,203
Miscellaneous (50999) *	510,364	629,790	(119,426)
Others (Mileage and Parking, etc.)	41,868	10,981	30,887
Total	\$ 2,731,926	\$ 1,743,653	\$ 988,273
Increase Over Prior Quarter			57%

* 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 expenditure of fines and penalties incurred by Metro, books, and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)

2. Reviewed Quarter (Oct-Dec 2023) versus Same Quarter of Prior Year (Oct-Dec 2022) Miscellaneous Expenses

Miscellaneous expenses for FY24 Q2 increased by \$171,790 or 7% as compared to the same quarter of FY23. This was mainly due to Miscellaneous expenses (account 50999) - \$510,364 for the reviewed quarter compared with only \$394,017 for the same quarter of FY23. See Table 2.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Oct-Dec 2023	Oct-Dec 2022	Increase (Decrease)
Advertising	\$ 1,400,244	\$ 1,356,575	\$ 43,669
Business Meals	194,210	248,725	(54,515)
Business Travel	208,508	133,170	75,338
Corporate Membership	182,780	263,764	(80,984)
Employee Relocation	71,020	74,258	(3,238)
Professional Membership	11,343	11,975	(632)
Seminar and Conference Fee	111,589	65,873	45,716
Miscellaneous (50999) *	510,364	394,017	116,347
Others (Mileage and Parking, etc.)	41,868	11,779	30,089
Total	\$ 2,731,926	\$ 2,560,136	\$ 171,790
Increase Over Same Quarter of Prior Year			7%

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

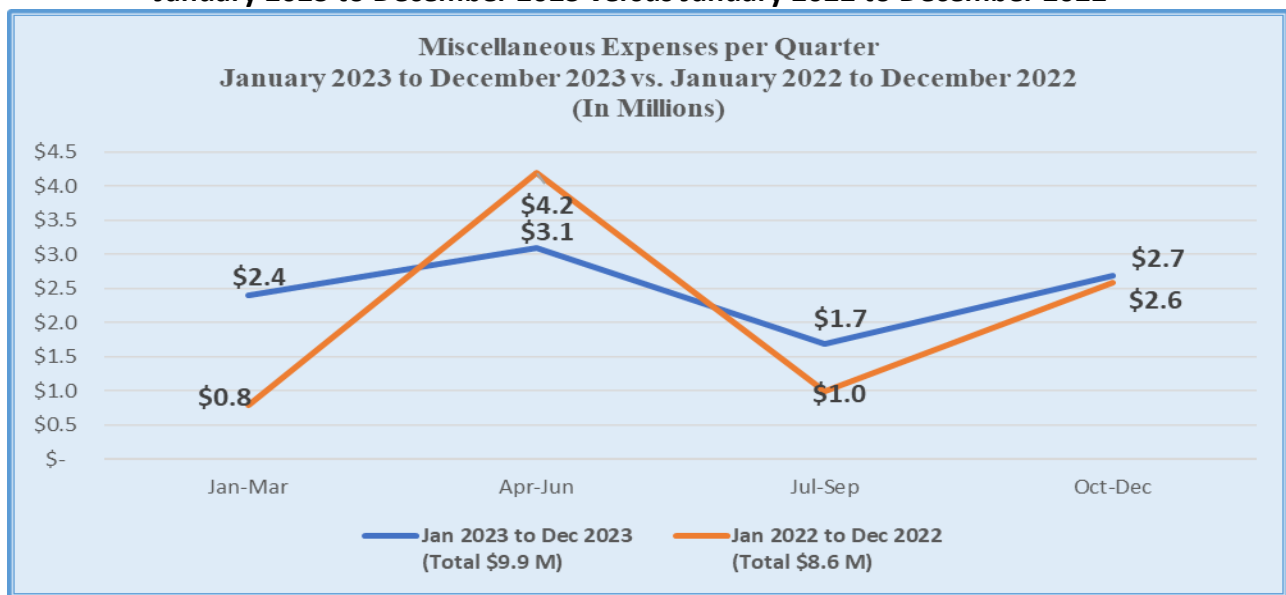
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3. January 2023 to December 2023 versus January 2022 to December 2023

Miscellaneous expenses of \$9.9 million from January 2023 to December 2023 were \$1.3 million higher compared with \$8.6 million from January 2022 to December 2022. Corporate Memberships and Advertising expenses decreased by about \$1.1 million. However, this was offset by an increase of about \$1.5 million in other miscellaneous expenses (account # 50999). See Figure 1.

Figure 1: Miscellaneous Expenses by Quarter
January 2023 to December 2023 versus January 2022 to December 2022



Statutorily Mandated Audit of Miscellaneous Expenses

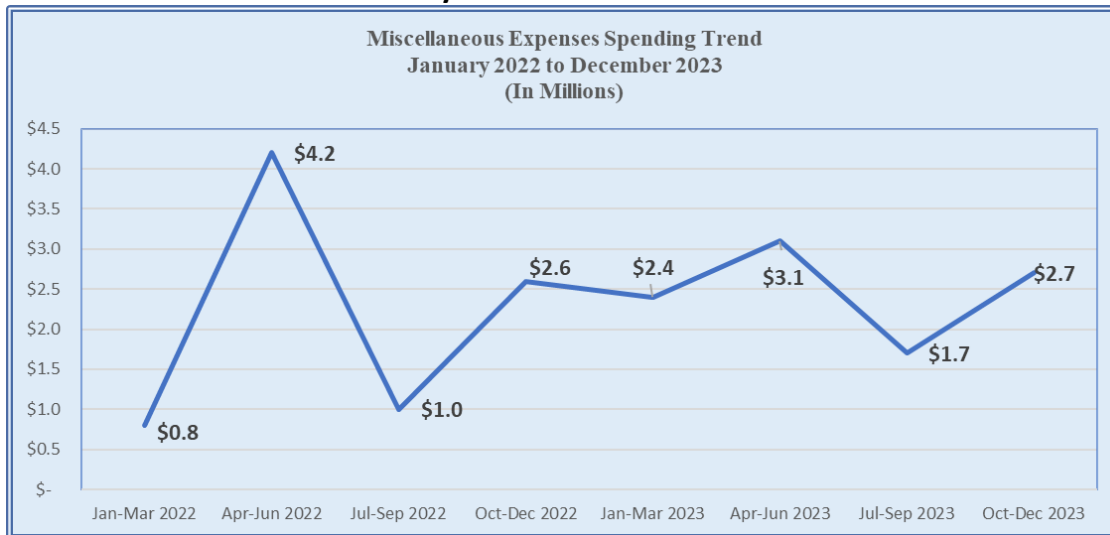
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Figure 2 shows the spending trend for miscellaneous expenses for the last two years:

**Figure 2: Miscellaneous Expenses Spending Trend
January 2022 to December 2023**



As shown in Figure 2, miscellaneous expenses were highest during April-June 2022. This was due to Advertising expenses comprising about \$3 million of the total \$4.2 million miscellaneous expenses.

For the last four quarters (January 2023 to December 2023), miscellaneous expenses in every quarter were higher than the miscellaneous expenses for the previous quarters (January 2022 to December 2022, except for April to June 2022.). This is an indication that Metro operations are starting to normalize after the pandemic.

CONCLUSION

The miscellaneous expenses we reviewed for FY24 Q2 October 1 to December 31, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of noncompliance with P-card policies as well as seven instances of noncompliance with the GEN 65 Metro Business Travel Policy.

Other findings include Advertising and Corporate Membership expenses charged to incorrect accounts, as well as the P-Card program needing updates with respect to transactions processed through CIMS.

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Employees should be instructed to review and comply with Metro's GEN 65 Business Travel Policy: Submit Travel Request/Authorization forms at least 30 days in advance of travel and provide the required and applicable justification memos. In addition, employees should be reminded to obtain written pre-approval for P-card purchases and accurately charge expenses to the correct accounts.

RECOMMENDATIONS

We recommend:

Vendor/Contract Management

1. Due to the unique nature of P-Card usage by V/CM for advertising expenses related to solicitations from various departments, and their systematic approvals through Metro's CIMS, update the P-Card program to include exceptions for systematic approvals compared to individual P-Card purchases requiring written pre-approval.
2. Coordinate with Metro's Talent Development department and develop additional CIMS training that helps ensure all departments who prepare purchase requisitions are cognizant that advertising expenses are legally required for formal solicitations, and budget for these advertising costs.

Metro OMB

3. Provide adequate notification to department/cost Centers for possible advertising expenses who submit solicitations to V/CM for procurement and prepare a budget for possible advertising expenses. Include as part of the annual budgeting process a provision for advertising expenses related to their solicitations to avoid budget shortfalls.

Risk Management, Public Relations, Program Management Executive Office, Transit Security, System Security and Law Enforcement:

4. Remind the P-Cardholders and Approving Officials that approval of P-card transactions should be made explicitly in writing in advance of purchase and included with the supporting documentation of P-card transactions, according to the P-Card program.

Rail MOW Signal Systems, Station Experience, Management Audit Services, Facilities and Property Maintenance, Office of Strategic Innovation

5. Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

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6. Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of their trip.

Management Audit Services

7. Require the traveler to submit an approved justification memo for personal vehicle use before the travel is set to begin.

Talent Development

8. Require the traveler to submit a justification memo when lodging expenses are higher than the allowable GSA per diem rate and include the approved justification memo in the supporting documentation with their Travel & Business Expense Report.

Marketing

9. Ensure that the 50918 Advertising account is budgeted sufficiently in future periods to avoid the misclassification of advertising expense transactions by using other accounts.

Community Relations

10. Remind the employees that memberships with local chambers of commerce, even those considered smaller or insignificant in amount, should be charged to the Corporate Membership account and staff should comply with the Corporate and Professional Membership Policy, HR 6.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On July 19, 2024, we provided Metro Management with our draft report. By September 6, 2024, Metro Management submitted their responses summarizing their corrective actions. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

**Summary of Sampled Expenses Audited
October 1, 2023 to December 31, 2023**

Account	Account Description	Audit Population	Sample Amount
50213	Training Program	\$ 15,352	15,132
50903	Business Meals	194,210	12,208
50905	Corporate Membership	182,780	174,780
50908	Employee Relocation	71,020	17,626
50910	Mileage and Parking	26,516	943
50912	Professional Membership	11,343	2,259
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	111,589	1,345
50917	Business Travel	208,508	13,348
50918	Advertising	1,400,244	1,287,307
50930	Employee Activities & Recreation<a>	0	0
50999	Other Miscellaneous Expenses	<u>510,364</u>	<u>106,829</u>
	Total	<u>\$2,731,926</u>	 <u>\$1,631,777</u>

<a> No expenses incurred for this quarter.

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

Management Comments to Draft Report

Vendor/Contract Management and OMB


Metro

Interoffice Memo

Date	August 2, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nalini Ahuja Chief Financial Officer
Subject	Management Response – Statutorily Mandated Audit of Metro Miscellaneous Expenses – October 1, 2023, to December 31, 2023 Report No. 25-AUD-01

The Office of Inspector General (OIG) performed a review of Metro Miscellaneous Expenses from October 1, 2023, to December 31, 2023 (Report No. 25-AUD-01).

Audit Conclusion

This audit found that the transactions reviewed generally complied with Metro policies, were reasonable, and were adequately supported by required documents. Upon engagement with V/CM and Office of Inspector General regarding this review, OIG auditors have reported on the following finding:

1. Purchase Card Program Should be Updated Regarding Advertising Expenses

Based on these findings, OIG's report documented three recommendations to improve transactions of Metro Miscellaneous Expenses. Below are V/CM's responses for Report No. 25-AUD-01.

OIG Recommendations:

Recommendation 1. Vendor/Contract Management

- Due to the unique nature of P-Card usage by V/CM for advertising expenses related to solicitations from various departments, and their systematic approvals through Metro's CIMS, update the P-Card program to include exceptions for systematic approvals compared to individual P-Card purchases requiring written pre-approval.
- Coordinate with Metro's Talent Development department and develop additional CIMS training that helps ensure all departments, who prepare purchase requisitions, are

Management Comments to Draft Report

cognizant that advertising expenses are legally required for formal solicitations, and budget for these advertising costs.

V/CM Response:

- Agree. This recommendation has been implemented. P-Card Administrator has clarified in the Purchasing section of the Rules and Guidelines page of the P-Card site and in the P-Card training that advertising in support of procurements as coordinated with V/CM are exempt from requiring prior written approval as this is obtained through the CIMS workflow. This was completed July 22, 2024.
- Agree. The Procurement Card support team will work with the V/CM Systems team and HC&D Talent Development to incorporate the necessary advertising budget information into the agencywide requisition training. The anticipated completion of this will be by the end of Q3 FY25.

Recommendation 1. Metro OMB

- Provide adequate notification to department/cost Centers for possible advertising expenses who submit solicitations to V/CM for procurement. and prepare a budget for possible advertising expenses. Include as part of the annual budgeting process a provision for advertising expenses related to their solicitations to avoid budget shortfalls.

OMB Response:

- Agree. OMB will direct departments to plan and budget their anticipated procurement advertising requests during the annual budget process. This recommendation will be implemented for the FY26 Budget cycle.

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

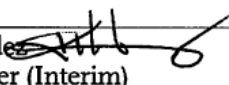
cc: Debra Avila, Deputy Chief Vendor/Contract Management Officer
Dr. Irma L. Licea, Executive Officer, Support Services
Abraham Lora, Senior Director, Finance, Vendor/Contract Management

Management Comments to Draft Report

Risk Management, Transit Security, System Security and Law Enforcement


Metro

Interoffice Memo

Date	July 29, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Kenneth Hernandez  Chief Safety Officer (Interim)
Subject	Statutorily Mandated Audit of Miscellaneous Expenses October 1, 2023 to December 31, 2023

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

Noncompliance with Purchase Card Program

Recommendation # 4 pertaining to Risk Management, Transit Security and System Security and Law Enforcement:

Remind the P-Cardholders and Approving Officials that approval of P-Card transactions should be made explicitly in writing in advance of purchase and included with the supporting documentation of P-card transactions, according to the P-card program.

Response:



Staff concurs with the recommendation, and as recommended on page 15 of the report, I will send an email reminder to the P-card holders and Approving Officials that approval of P-card transactions should be made explicitly in writing in advance of purchase and included in supporting documentation of P-card transactions in accordance with the P-card program will be issued no later than July 31, 2024.

Management Comments to Draft Report

Public Relations


Metro

Interoffice Memo

Date	July 29, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Jennifer Vides  Chief Customer Experience Officer
From	Monica Bouldin  Deputy Chief Customer Experience Officer
Subject	Response to Draft Report: Noncompliance with Purchase Card Program, October 1, 2023 to December 31, 2023 (Report No. 25- AUD-01)

The Public Relations department has received and reviewed the audit findings and recommendations regarding item 2 (part 2): “Noncompliance with Purchase Card Program.” We followed up with staff to discuss the findings and have put together our response below for your review.

Item 2, part 2: Noncompliance with Purchase Card Program

The audit disclosed that the Assistant Public Communications Officer of the Public Relations department paid \$244.14 for various newspaper subscriptions, including The LA Times, New Yorker, and the Chicago Tribune on various dates in late August and early September. When we inquired about the written pre-approval for this transaction, the Assistant Public Communications Officer mentioned that pre-approvals are given either verbally or through email. However, a pre-approval email was not given for the sampled transaction.

To prevent future noncompliance with Purchase Card Program:

1. The Assistant Public Communications Officer will carefully monitor when the department’s subscriptions are due for renewal and will submit a written request to the EO, Communications, Public Relations, for approval to renew the subscription no less than one week prior to the renewal date, noting the cost and term of the renewal.
2. The EO, Communications, Public Relations will review the request and either approve the renewal of the subscription or state that the subscription should be cancelled.
3. If the subscription is approved, the Assistant Public Communications Officer will renew the subscription with the PCard, according to Metro Policy.
4. If the EO does not approve the renewal of the subscription, the Assistant Public Communications Office will cancel the subscription prior to any auto-renewal.

Management Comments to Draft Report

Program Management



Metro

Interoffice Memo

Date	July 31, 2024
To	Yvonne Zheng Senior Manager, Audit
From	Tim Lindholm Chief Program Mgmt Officer (Interim)
Subject	Response to OIG Audit No. 25-AUD-01

The Office of Inspector General (OIG) audited Metro’s miscellaneous expenses from October 1, 2023, to December 31, 2023. OIG found that the sampled transactions generally complied with Metro policies, were reasonable, and was adequately supported by required documents.

However, there was a Purchase Card Program finding related to a Program Management transaction. Therefore, Program Management will take the actions below to comply with the audit recommendations.

Noncompliance with the Purchase Card Program

Recommendation: Remind the P-Cardholders and Approving Officials that approval for P-card transactions should be made explicitly in writing in advance of purchases and included with the supporting documentation of the P-card transaction.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising management to all P-card holders and approving officials.

Completion Date: August 30, 2024.

Please contact me at extension 27297 or Kathy Knox extension 27504 if you would like to discuss or require additional information.

Management Comments to Draft Report

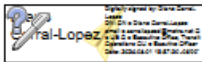
Rail MOW Signal Systems, Station Experience,
and Facilities & Property Maintenance



Metro

Interoffice Memo

Date	August 1, 2024
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)
From	Diane Corral-Lopez Executive Officer
Subject	25-AUD-01 Management Response to Audit of Metro Misc. Expenses October 2023 – December 2023



The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from October 2023 – December 2023. Although OIG found that the sampled transactions generally complied with Metro policies, two issues were identified across several departments within Operations. Therefore, the actions below will be taken by each team to comply with the recommendations from the audit:

Operations (Rail MOW Signal Systems)

Recommendation #5

Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

Management Response: Agree; All Travelers and approvers will be required to review and acknowledge they understand Travel Policy Gen 65.

Completion Date: August 30, 2024

Recommendation #6

Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of their trip.

Management Response: Agree; All travelers will be required to review Policy Gen 65 section (2.0 Procedures) and acknowledge they understand the requirement to submit a justification memo if TA request are submitted less than 30 day in advance of their trip.

Completion Date: August 30, 2024

Operations (Station Experience)

Management Comments to Draft Report

Recommendation #5

Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

Management Response: Agree; The traveler has read, understood, and familiarized himself with the Business Travel Policy GEN 65 and will abide by all travel related policies.

Completion Date: Completed on April 30, 2024

Recommendation #6

Instruct the travelers to include an explanation in their justification memo if they submit a TA request less than 30 days before their trip.

Management Response: Agree; The traveler understands to include a clear explanation for future justification memos in cases where he submits a TA request less than 30 days in advance of a business trip.

Completion Date: Completed on April 30, 2024

Operations (Facilities and Property Maintenance)**Recommendation #5**

Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

Management Response: Agree; Operations concurs with the recommendation and will provide training to all Facilities Maintenance management and supervision by the completion date.

Completion Date: August 30, 2024

Recommendation #6

Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of their trip.

Management Response: Agree; Operations concurs with the recommendation and will provide training to all Facilities Maintenance management and supervision by the completion date.

Completion Date: August 30, 2024

CC: Conan Cheung
Diane Corral-Lopez
Chris Reyes
Errol Taylor
Chris Limon
Leticia Solis
Ricardo Moran
Stephen Tu


Management Comments to Draft Report

Management Audit Services



Metro

Interoffice Memo

Date	August 1, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Kimberly L. Houston  Deputy Chief Auditor Management Audit Services
Subject	25-AUD-01 Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2023 to December 31, 2023

Management Audit Services has thoroughly reviewed the draft report distributed on July 19, 2024. In response, please note the following:

Recommendation 5 – Travel Request/Authorization Submitted Less than 30 Days Prior to Travel

The department agrees that travelers, reviewers, and approvers must be familiar with the Business Travel Policy. In June 2024, staff was asked to read and understand GEN 65, Metro’s Business Travel Guidelines.

Completion Date: July 31, 2024

Recommendation 6 – Travel Request/Authorization Submitted Less than 30 Days Prior to Travel

The department agrees and will instruct travelers to include an explanation in their justification memo if circumstances don’t allow for the submission of Travel Authorizations at least 30 days before travel.

Completion Date: August 30, 2024

Recommendation 7 - Justification Memo for Use of Personal Vehicle Submitted After Travel

The department agrees that travelers must submit an approved justification memo for personal vehicle use before travel is set to begin and will ensure compliance for all future travel. In June 2024, staff was asked to read and understand GEN 65, Metro’s Business Travel Guidelines.

Completion Date: July 31, 2024

Management Comments to Draft Report

Office of Strategic Innovation




Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

Date	July 25, 2024
To	Office of the Inspector General
From	Seleta Reynolds  Chief Innovation Officer
Subject	Response to the Statutorily Mandated Audit of Metro Miscellaneous Expenses report for October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses report that were processed from October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01). OIG found that the transactions reviewed generally complied with Metro policies, however a few issues were identified. The actions below will be taken by the Office of Strategic Innovation to comply with the audit recommendations.

Noncompliance with GEN 65 Metro Business Travel Guidelines

Recommendation #5: Require the traveler and those charged with reviewing and approving travel expenses to be familiar with Metro's Business Travel Policy GEN 65.

Management response: Metro's Business Travel Policy GEN 65 will be emailed to all staff to remind them of the requirements detailed in the policy.

Completion date: August 9, 2024

Recommendation #6: Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of travel.

Management response: An email will be sent to staff reminding them to flag future travel requests that occur less than 30 days prior to travel. As part of the travel request, an explanation for the travel request and reason for delayed request will be provided and will receive Chief approval before travel is booked.

Completion date: August 9, 2024



Please contact me at extension x24098 if additional information or discussion is needed.

Management Comments to Draft Report

Talent Development



Interoffice Memo

Date	September 6, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Ilyssa DeCasperis  Chief People Officer  <small>Digitally signed by Ilyssa DeCasperis Date: 2024.09.06 14:37:53 -0700</small>
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

Purpose: This memo is to respond to Recommendation #8 provided by report No. 25-AUD-01 issued by the Office of Inspector General (OIG) on August 7th, 2024.

The Chief People Office (CPO) has thoroughly reviewed the report distributed on August 7, 2024. Please see the response to the recommendation for the Talent Development Department.

Recommendation #8:

Talent Development

Require the traveler to submit a justification memo when lodging expenses are higher than the allowable GSA per diem rate and include an approved justification memo in the supporting documentation with their Travel & Business Expense Report.

Management Response: Agree

The Chief People Office (CPO) will send a memo to staff reminding them that if their lodging expenses are higher than the allowable GSA rate, they must include a justification memo with the supporting documentation for approval. In the event the justification is unacceptable, staff will be notified of the reason and have the opportunity to amend their lodging choices to comply accordingly in a timely manner.

Additionally, the particular travel as outlined in the audit report was not a conference. The travel was part of a 3-part educational certification program. The costs covered travel and tuition for the "Changing the Game: Negotiation and Decision Making" course.

In the future CPO will ask vendors to split out meals and lodging costs to ensure that they are within the GSA permissible amounts.

Completion Date: September 27, 2024

Management Comments to Draft Report

Marketing


Metro

Interoffice Memo

Date	July 26, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Jennifer Vides <i>JV</i> Chief Customer Experience Officer
From	Monica Bouldin <i>MB</i> Deputy Chief Customer Experience Officer
Subject	Response to Draft Report: Advertising Expenses Charged to an Incorrect Account, October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

Background

The Marketing department has received and reviewed the audit findings and recommendations regarding item 4: "Advertising Expenses Charged to an Incorrect Account." We followed up with staff to discuss the findings and have compiled our response below for your review.

The audit disclosed that the Marketing department split the charges of four invoices from the Civilian advertising firm between accounts 50918 (for Advertising Media Expenses) and 50316 (for Professional Services). An expedited request to fund a marketing campaign for the LIFE program beyond the amount budgeted for the fiscal year led to our Marketing Sr. Administrative Analyst utilizing Professional Services funds to cover advertising costs.

OIG Recommendation:

We recommend that Marketing ensure that the 50918 Advertising account is budgeted sufficiently in future periods to avoid misclassifying advertising expense transactions by using other accounts.

Management Response to Audit Finding

Marketing department management concurs with the OIG recommendation. Further, because this is the third audit finding related to marketing-related budgets and expenses, the Deputy Chief of Customer Experience, who oversees marketing, has instituted the following with a completion date by January 1, 2025:

1. Budgeting and accounting procedures training for the Senior Admin Analyst, Directors and DEOs overseeing the marketing department.

Management Comments to Draft Report

2. Requests for advertising campaigns or professional services representing incremental costs beyond the fiscal year's budget will prompt notification to the Marketing Sr. Administrative Analyst and DEO, Marketing Operations.
3. The senior administrative Analyst will determine if funds are available and communicate this information to the PM and DEO, Marketing.
4. The Marketing PM will communicate with the requesting party based on the funds' availability. If funds are unavailable, they will be asked to find alternative funding, or the campaign cannot proceed.
5. In response, the Marketing Senior Administrative Analyst will run a monthly funds available report to determine whether campaign requests can be funded.
6. The Marketing PM and Marketing DEO will review the report monthly to maintain awareness of available advertising funds.
7. If funds are available, but there is not sufficient budget in 50918, a transfer will be executed from other appropriate projects and/or accounts into 50918,
8. The transfer of funds must be approved by the EO or Deputy Chief of Customer Experience.
9. If funds are unavailable in the Marketing cost center and additional funds cannot be secured from other cost centers or campaigns, we will not proceed with the campaign request.

Management Comments to Draft Report

Community Relations


Metro

Interoffice Memo

Date	July 25, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Lilian De Loza-Gutierrez, Executive Officer, Community Relations <i>LDG</i>
Thru	Jennifer Vides Chief Customer Experience Officer <i>JV</i>
Subject	Response to Statutorily Mandated Audit of Metro Miscellaneous Expenses (Report Number 24-AUD-07) from Community Relations Business Unit

Purpose:

This is a response to the Office of the Inspector General's Statutorily Mandated Audit of Metro Miscellaneous Expenses (Report number 24-AUD-07).

Background:

An audit was performed by the Office of the Inspector General (OIG) on miscellaneous expenses from October 1, 2023 - December 31, 2023 (Report No. 25-AUD-01). The results of the audit uncovered that on October 20, 2023, an Executive Officer of the Community Relations department approved the payment of membership fees of a local chamber of commerce for \$760, which has been considered a corporate membership in the past.

According to the HR 6 Corporate and Professional Memberships, the CEO will review and approve all applicable corporate memberships. However, there was no approval from the CEO and there was no Corporate and Professional Membership form included with the supporting documentation for this transaction.

The HR 6 Corporate and Professional Memberships states that, "The CEO will review and approve applicable corporate memberships annually, and they or their designee will be designated as the Agency representative for LACMTA."

OIG Recommendation:

- Remind the employees that memberships with local chambers of commerce, even those considered smaller or insignificant in amount, should be charged to the Corporate Membership account and staff should comply with the Corporate and Professional Membership Policy, HR 6.

Community Relations Unit Response:

The three Executive Officers of the Community Relations business unit within the Customer Experience Department have reviewed the policy, agree with the OIG Report and appreciate the clarification that all corporate memberships are to be reviewed and approved by the CEO or their designee annually, and that they or their designee will be

Management Comments to Draft Report

designated as the Agency representative for LACMTA. The Executive Officers understand the HR 6 Corporate and Professional Memberships and will follow and comply with it moving forward as it seeks corporate memberships with various chambers of commerce throughout Los Angeles County, when needed.

Executive Officers have communicated this policy with all Area Managers and staff who represent Metro on various chambers and have reminded them to secure written pre-approvals utilizing the HR6 Corporate and Professional Memberships approval form. Additionally, all chamber membership payments will be accurately charged to the Corporate Membership account 50905.

Final Report Distribution

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Chief Innovation Officer
Chief Operations Officer
Chief People Officer
Chief Program Management Officer (Interim)
Chief Safety Officer (Interim)
Deputy Chief Vendor/Contract Management Officer
Deputy Chief Auditor

Audit of Miscellaneous Expenses October 1 to December 31, 2023

OIG Report No. 25-AUD-01
Karen Gorman, Inspector General

September 19, 2024



Objectives

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 are adequate to ensure that expenses are documented and accounted for properly.

Results of Audit

- Staff generally complied with Metro policies and procedures; however, OIG found the following:
 - Purchase Card program needs to be updated for advertising expenses
 - Noncompliance with Purchase Card program
 - Noncompliance with Business Travel Policy
 - Travel Request/Authorization submitted less than 30 days prior to travel
 - Justification memo for use of personal vehicle submitted after travel
 - No justification memo for lodging in excess of the allowable per diem rate
 - Advertising and corporate membership expenses charged to incorrect accounts
- ❖ OIG provided **10** recommendations.





Board Report

File #: 2024-0523, File Type: Contract

Agenda Number: 16.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 19, 2024

SUBJECT: GROUP INSURANCE PLANS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamster employees, and life insurance for all full-time Metro employees, for the one-year period beginning January 1, 2025.

ISSUE

Existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamsters and life insurance for all full-time Metro employees, end on December 31, 2024, and must be renewed on an annual basis. Renewal of the existing group insurance plan coverage, for the one-year period must be approved and in effect on January 1, 2025, to provide seamless group insurance coverage for Metro employees.

BACKGROUND

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

DISCUSSION

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

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

The overall health and dental premium cost will increase by 6.2% for calendar year 2025. Factors contributing to increased premium cost include a higher number of claims and specialty high-cost prescriptions drugs within the industry. In addition, inflation, supply chain disruptions, and labor shortages are also impacting cost.

The recommended medical, dental, and vision premiums are shown in Attachment A. Non-Contract and AFSCME employees contribute 10% of the actual premium for each medical and dental plan selected. The monthly employee contributions are shown in Attachment B. The life insurance for all full-time Metro employees and long-term disability plans for Teamster employees rates are guaranteed until January 1, 2026.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans, along with life insurance for all full-time Metro employees and long-term disability plans for Teamster employees, is included in each department's FY25 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$76 million are within the adopted budget. Costs are allocated and funded via Metro's Federally approved Indirect Cost Allocation Plan and do involve the use of operating eligible funds.

Impact to Budget

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

EQUITY PLATFORM

Currently, 96% of employees in the Non-Contract, AFSCME, and Teamster classifications enroll in health benefits, with the remaining 4% choosing to waive coverage by providing proof they are covered under another plan. References are provided in the Benefits Enrollment Guide for [CoveredCA.com](http://coveredca.com/) [<http://coveredca.com/>](http://coveredca.com/) and [Healthcare.gov](http://healthcare.gov/) [<http://healthcare.gov/>](http://healthcare.gov/), and staff provides additional guidance on an individual basis when needed.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

ALTERNATIVES CONSIDERED

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

NEXT STEPS

Metro will hold annual open enrollment during November 2024 and implement benefit elections effective January 1, 2025.

ATTACHMENTS

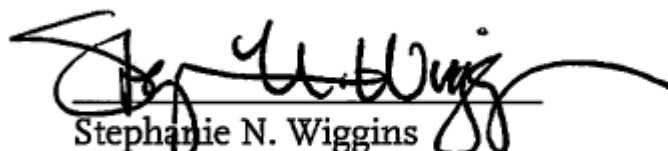
Attachment A - Proposed Monthly Premium Rates

Attachment B - Proposed Monthly Employee Contributions

Prepared by: Kyle Vong, (Interim) Manager, Pension & Benefits
213-922-7178

Don Howey, Executive Officer, Administration, (213) 922-8867

Reviewed by: Ilyssa DeCasperis, Chief People Officer (213) 922-3048


Stephanie N. Wiggins
Chief Executive Officer

Proposed Monthly Premium Rates

Provider	Coverage Option	CY 2024	CY 2025	%Change	Est # of Employees (1/1/25)
Blue Cross (PPO)	Single	\$1,384.59	\$1,509.21	9.0%	299
	Couple	\$2,787.15	\$3,037.99	9.0%	308
	Family	\$3,738.34	\$4,074.79	9.0%	359
Blue Cross (HMO)	Single	\$1,052.79	\$976.46	-7.2%	93
	Couple	\$2,210.83	\$2,050.55	-7.2%	87
	Family	\$3,158.08	\$2,929.12	-7.2%	151
Kaiser (HMO)	Single	\$767.84	\$837.07	9.0%	584
	Couple	\$1,535.67	\$1,674.14	9.0%	317
	Family	\$2,172.97	\$2,368.91	9.0%	504
Delta Dental (PPO)	Single	\$65.46	\$65.46	0.0%	673
	Couple	\$113.76	\$113.76	0.0%	661
	Family	\$170.94	\$170.94	0.0%	841
DeltaCare (DHMO)	Single	\$20.21	\$20.21	0.0%	71
	Couple	\$36.71	\$36.71	0.0%	45
	Family	\$54.32	\$54.32	0.0%	75
Dental Health Services (DHMO)	Single	\$19.56	\$19.56	0.0%	43
	Couple	\$37.93	\$37.93	0.0%	35
	Family	\$57.18	\$57.18	0.0%	89
Vision Service Plan	Single	\$11.25	\$11.25	0.0%	450
	Couple	\$16.27	\$16.27	0.0%	460
	Family	\$29.15	\$29.15	0.0%	668
Voluntary Waiver of Coverage.*					
	Medical	\$277.00			164
	Dental	\$40.00			96
* Waiver of Medical coverage requires proof of alternative coverage.					

Proposed Monthly Employee Contributions

Provider	Coverage Option	NC & AFSCME Employee Contribution (Current)	NC & AFSCME Employee Contribution (Proposed) Effective 1/1/25	Change
Blue Cross (PPO)	Single	\$138.00	\$150.00	\$12.00
	Couple	\$279.00	\$303.00	\$24.00
	Family	\$374.00	\$407.00	\$33.00
Blue Cross (HMO)	Single	\$105.00	\$97.00	-\$8.00
	Couple	\$221.00	\$205.00	-\$16.00
	Family	\$316.00	\$292.00	-\$24.00
Kaiser (HMO)	Single	\$77.00	\$83.00	\$6.00
	Couple	\$154.00	\$167.00	\$13.00
	Family	\$217.00	\$236.00	\$19.00
Delta Dental (PPO)	Single	\$7.00	\$7.00	\$0.00
	Couple	\$11.00	\$11.00	\$0.00
	Family	\$17.00	\$17.00	\$0.00
DeltaCare (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$4.00	\$4.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$3.00	\$3.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Vision Service Plan	Single	\$1.00	\$1.00	\$0.00
	Couple	\$2.00	\$2.00	\$0.00
	Family	\$3.00	\$3.00	\$0.00

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

Group Insurance Plans

Background



- Existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamsters and life insurance for all full-time Metro employees, end on December 31, 2024, and must be renewed on an annual basis
- Renewal of the existing group insurance plan coverage, for the one-year period must be approved and in effect on January 1, 2025, to provide seamless group insurance coverage for Metro employees
- Roughly 99% of the employees covered by the benefit plans are PTSC employees
- Metro's health insurance plans are part of the total compensation package that helps attract and retain qualified employees

Group Insurance Plans



- Employees who work 30+ hours are eligible to enroll in a medical plan and other benefits
- The overall health and dental premium cost will increase by 6.2% for calendar year 2025
- Factors contributing to increased premium costs include:
 - ✓ higher number of claims
 - ✓ specialty high-cost prescriptions drugs
 - ✓ inflation
 - ✓ supply chain disruptions
 - ✓ labor shortages
- Non-Contract and AFSCME employees contribute 10% of the actual premium for each medical and dental plan selected
- The life insurance for all full-time employees and long-term disability plans for Teamster employees rates are guaranteed until January 1, 2026

Staff Recommendation

- Authorize the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamster employees, and life insurance for all full-time Metro employees, for the one-year period beginning January 1, 2025

Next Steps



- Metro will hold annual open enrollment during November 2024 and implement benefit elections effective January 1, 2025



Board Report

File #: 2024-0355, **File Type:** Ordinance / Administrative Code

Agenda Number: 17.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 19, 2024

SUBJECT: PRE-QUALIFICATION PROGRAM

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. ADOPTING an amendment to Metro's Administrative Code Chapter 4-05 to replace the existing contractor pre-qualification language with Attachment A of this Board Report; effective January 1, 2025; and
- B. RECEIVING AND FILING streamlining initiatives, including electronic signature deployment for procurement contracts and purchase orders.

ISSUE

On average, Vendor/Contract Management (V/CM) manages over 22,000 procurement requisitions per year. Staff has received feedback across the Agency that the cycle time to complete some procurement transactions poses a challenge to meeting schedule deadlines. In addition, the small business and disadvantaged business community have expressed frustration with the burdensome amount of paperwork required in Metro's procurement and contracting process.

Staff identified opportunities to reduce cycle times for procurements, as well as post-award contract administration. By increasing the pre-qualification contract value threshold for certain contracts, an immediate benefit can be realized in reducing the administrative burden on small businesses, V/CM, and obstructions to faster procurement processing. The pre-qualification process timing can be just as effectively monitored by moving specifics of the Program to an Agency procurement policy for controls.

After adoption of the simplified ordinance, specifics beyond the ordinance of the Program shall instead be provided for in Metro's Procurement Policy & Procedures (ACQ 2). This modernization not only brings it in line with other procurement policies but improves the pre-qualification process efficiency by facilitating future updates to the Program more readily.

BACKGROUND

California Public Utilities Code section 130051.22 requires Metro to have a program to pre-qualify contractors seeking to do business with Metro. Metro Administrative Code Chapter 4-05 was adopted by the Board in 2004 and details the pre-qualification program and process ("Program") for all vendors seeking to do business with Metro.

In order to minimize Metro's risk in awarding contracts, pre-qualifying vendors is recognized as an effective method of ensuring that Metro does business only with responsible entities. As such, Pre-Qualification Department staff verifies the information provided by vendors on the Program application by reviewing financial records, searching public records and US Treasury sanctions lists, and evaluating the business entity's credit history. Maintaining this best practice, reduces the risk to Metro of doing business with companies that are not financially solvent, are sanctioned, debarred, or engaged in unlawful activity. Once an application is reviewed and approved, companies are pre-qualified for two years.

Currently, Metro Administrative Code Chapter 4-05 details the Program process for all vendors seeking to do business with Metro. Contracts, other than for public works construction contracts, in which the awarded contract, or first-tier subcontract, is reasonably expected to exceed \$100,000 in value are subject to a prequalification review. This \$100,000 threshold adopted by the Board in 2004 is outdated. It fails to reflect inflation, cost increases, market fluctuations, and similar changed economic conditions that have occurred in the economy in the last 20 years. The threshold amount also does not present the same level of risk for the agency at this time.

DISCUSSION

Currently, the Program applies to all contractors, consultants, first-tier subcontractors, and direct suppliers to Metro in which the awarded contract, or first-tier subcontract, is reasonably expected to exceed \$100,000 in value. This threshold has not been updated for 20 years. There are no exceptions for small businesses, minority-owned businesses, or any other categories of businesses with whom Metro has actively sought to increase participation. Pre-qualification reviews adds an average of 3days to the timeline for a procurement. Increasing the threshold would yield an immediate benefit to our vendor and small business community since it would eliminate the pre-qualification review for contracts under \$500,000 for small dollar procurements where the risk to Metro is minimal. In the past two fiscal years, an average of 35% of all procurement contract reviews conducted by Program staff fell within the \$100,000 to \$499,999 range. This represented a total of 507 pre-qualification reviews within the threshold - with 15% of those attributed to small businesses. Furthermore, a higher threshold will enable existing Program staff to prioritize required reviews to address higher award risk procurements to Metro, such as those supporting rolling stock and other time-sensitive requests - including bench task order contract awards, with an objective of improving processing time in procurement processes.

Therefore, increasing the Program threshold from \$100,000 to \$500,000 for the eligible contract types is prudent, and aligns this Program with other areas of Metro's Procurement Policy by

incorporating the detailed procedures of the Pre-Qualification process into Procurement Policy & Procedures (ACQ-2). This will also reduce the administrative workload for the small business and disadvantaged business community who are awarded contracts under \$500,000.

In addition to increasing Program thresholds, incorporating the Pre-Qualification Program specifics within Metro Procurement Policy will ensure that the Program can evolve and be updated based on Metro's and the vendor community's needs and business best practices more nimbly.

Other Streamlining Initiatives

V/CM's e-Signature processes went live on March 1st, 2024, and was formally announced to the Transportation Business Advisory Council (TBAC) with a training demonstration on Thursday, March 7th, 2024 at the monthly TBAC Board meeting. An announcement was posted to Metro's Vendor Portal on Friday, February 23rd, 2024, in advance of the launch date. Additionally, Metro Contract Administrator, Buyer, and Procurement Clerk training was conducted during the week of February 26th, 2024. For Metro staff, training consisted of an overview of new contract, purchase order and solicitation language, legal requirements, and workflow modifications including loading documents to a digital repository.

The benefit of the new e-Signature processes is multi-faceted, encompassing environmental sustainability, faster contract execution for Vendors, multi-platform delivery across computers, tablets, and smartphones, as well as consistency and security rooted in Vendor registered email. Over the past two months since implementation, V/CM has issued over 3100 inventory e-purchase orders (e-POs) with over 26% awarded to Small Business Enterprises (SBE) and Disadvantaged Business Enterprises (DBE).

The e-Signature project delivery marks the beginning of a V/CM transformational effort to shift from paper-based processes to full electronic workflow, creating efficiencies for our staff and Vendor community. With the rollout, Metro V/CM anticipates a reduction in paper output of approximately 500,000 sheets annually, contributing significantly to Metro's environmental sustainability efforts. Additionally, we anticipate contract execution cycle times to collapse from days or weeks to minutes or hours which will be a significant benefit to both Metro and its Vendors. Furthermore, through email notification, the Vendor e-Signature process can be performed securely on any computer, tablet or cellphone through the embedded email link. Secure email addresses are captured during the Vendor Registration and Solicitation processes and will be used to complete the Vendor contract execution process.

In addition to this Prequalification change and e-Signature implementation, over the past 12 months V/CM has also implemented a number of other Business Process Improvements such as, Change Order Cycle Time process reductions, Increased Escrow Thresholds, Removal of Prequalification Notarization requirement, and Set-Aside goal waivers for all ITS Maintenance and License renewals. V/CM staff continues to pursue new ways to create process efficiencies in areas like the RFP Award process, Option Terms, Contract Mods within CMA, Procurement Milestone Scheduling, and Reference Checks to name a few.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no direct impact on the physical safety of Metro's employees, patrons, or customers.

FINANCIAL IMPACT

As this is a policy update only, there is no financial impact to Metro.
There is no financial impact.

EQUITY PLATFORM

The lack of prequalification exceptions for small businesses, minority-owned businesses, or any other categories of businesses with whom Metro actively seeks to increase participation has created contracting inequities and barriers. The small business community has expressed concerns regarding burdensome administrative procurement processes. By raising the threshold to \$500,000, the burden on the small, disadvantaged, and minority owned business community will be lessened since smaller contracts under the threshold will not have to go through Pre-Qualification during the procurement process. Staff anticipates that this improvement will not only facilitate the process for small businesses, but will increase participation since the administrative burden is lessened and a higher threshold expands contracting opportunities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Raising the Pre-Qualification threshold amount and expressing the details and specifics of the Program in ACQ-2 supports Strategic Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization. This modernization shows Metro's commitment to responsive, accountable, and trustworthy governance to continue building credibility with decision-makers, public and private sector partners, customers, and employees. By improving its business practices, Metro can perform more effectively and adapt more nimbly to the changing needs of its customers.

ALTERNATIVES CONSIDERED

The Board may not approve staff's recommendations. This alternative is not recommended because proceeding with the recommendations presents an opportunity to streamline the procurement process to enable staff to reduce cycle times on procurements and reduce the amount of administration for the vendor community.

NEXT STEPS

Subject to the Board of Directors' approval to adopt these recommendations, the amended ordinance shall be effective January 1, 2025, and staff will update the ACQ-2 Policy & Procedure to increase the contract value threshold in the Program as indicated herein, and update the ACQ-2 to incorporate the changes approved in this report and specifics of the Program substantially consistent with ordinance into the policy.

ATTACHMENTS

Attachment A - Revised Metro Administrative Code - Chapter 4-05

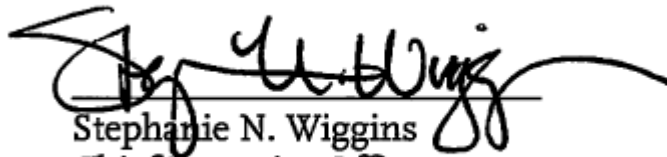
Attachment B - Revised Metro Administrative Code - Chapter 4-05 (Redlined)

Prepared by: Dr. Irma L. Licea, Executive Officer, Support Services, (213) 922-2207

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Karen Gorman, Inspector General, (213) 922-2975

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



Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A

AN ORDINANCE AMENDING TITLE 4, CONTRACTING, OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY ADMINISTRATIVE CODE RELATING TO THE PRE-QUALIFICATION OF PROSPECTIVE CONTRACTORS.

**Be it ordained by the Board of Directors of the Los Angeles County
Metropolitan Transportation Authority (“LA Metro”):**

SECTION 1: Chapter 4-05 of the LA Metro Administrative Code is replaced to read as follows:

4-05-010 Purpose. The purpose of this chapter is to establish that LA Metro shall have rules and procedures for a contractor pre-qualification program (“Program”) as authorized by Public Utilities Code section 130051.22.

4-05-020 Objective and Scope of Pre-Qualification Program. The objective of the Program is to make a preliminary assessment of the integrity and responsibility of business entities seeking to do business with the LA Metro. A determination of pre-qualification allows the business entity that has been pre-qualified to proceed with the procurement process in seeking a contract with the LA Metro. The pre-qualification of a business entity does not preclude the LA Metro from making a further responsibility determination as a part of the procurement process. During any period for which pre-qualification has been denied, the business entity may not compete for or otherwise seek a contract with the LA Metro. The terms of the Program shall be set forth in an internal policy and procedure of LA Metro determined by the Chief Executive Officer of LA Metro in consultation with the Inspector General and Legal Counsel of LA Metro.

4-05-030 Administrative Oversight of Pre-Qualification Program.

- A. The Chief Executive Officer, in consultation with the Inspector General, is responsible for the administrative oversight of the Program.
- B. The Chief Executive Officer shall prepare policies and procedures consistent with this Chapter and applicable law to implement the Program.
- C. The Program authorized by the Chief Executive Officer shall include the adoption of procedures for establishing an adjudication panel or judge to adjudicate appeals of a denial of certification for pre-qualification that provides reasonable due process to entities denied certification.

4-05-040 Pre-Qualification Questionnaire.

The Pre-Qualification Administrator, in consultation with the Inspector General, shall prepare Pre-Qualification questionnaires to be used in the LA Metro pre-qualification program. Different forms of the questionnaire, each tailored to the type of contract being sought, may be developed. The Procurement Department in consultation with the Inspector General shall review the questionnaire and related policy periodically to ensure adequate and relevant information is being requested. The questionnaires shall be formulated to obtain information relevant to determining whether the entity has the requisite integrity and can shoulder the responsibilities to timely and satisfactorily perform services and deliver products to LA Metro.

and is not otherwise in violation of any of the criteria on which an entity may be denied certification. The questionnaires shall be included in the Program policies and procedures established by the Chief Executive Officer pursuant to subdivision (a) of Section 20101 of the Public Contract Code as amended from time to time.

4-05-060 Completion of Pre-Qualification Questionnaire. Except as otherwise exempted by this Chapter, each business entity seeking a contract with the LA Metro which, at the time of initial award, is reasonably expected to exceed the assigned contract value threshold, shall complete a pre-qualification questionnaire as outlined in the Program policy. No threshold value shall apply for any public project construction contract as defined from time to time by subdivision (c) of Section 22002 of the Public Contract Code. All such contracts shall be subject to the Program requirements. All other contracts shall have a threshold value of \$500,000 or greater for application of the requirements of the Program.

4-05-070 Issuance or Denial of Pre-Qualification. A business entity shall be notified in writing of certification or denial of pre-qualification certification if the evidence supports a finding as to any of the circumstances or violations set forth in the Program policy and procedures.

4-05-100 Investigations, Determinations and Referrals.

A. The Pre-Qualification Administrator shall review the available information related to each business entity seeking pre-qualification and may conduct such further investigation as he or she deems necessary. LA Metro officials having information regarding a business entity they know to be seeking pre-qualification where such information is reasonably likely to bear on the pre-qualification determination shall promptly provide such information to the Pre-Qualification Administrator for consideration.

B. If information obtained during the pre-qualification process is of a sufficiently serious nature to warrant further investigation and possible action beyond the denial of Pre-Qualification, the Pre-Qualification Administrator shall refer the matter to the Inspector General, the General Counsel and other appropriate officials for possible debarment or suspension under chapter 4-10.

C. The Office of the General Counsel shall advise and assist the Pre-Qualification Administrator in reviewing for legal sufficiency any prospective denial of Prequalification and the notice of denial, and for providing any necessary coordination with LA Metro staff regarding legal issues that may arise during the pre-qualification review process.

D. All actions of the Pre-Qualification Administrator or other participants in the performance of their government duties pursuant to this chapter shall be considered to be actions within the course and scope of their employment with LA Metro and shall be subject to the protections for public employees set forth in Division 3.6 as amended from time to time of the Government Code.

4-05-140 Appeal of Pre-Qualification Denial.

Any business entity that has been issued a notice of denial of pre-qualification may appeal that decision to LA Metro pursuant to the policies and procedures of the Program.

SECTION 2:

Publication of Ordinance. Upon adoption, this Ordinance shall be signed by the Chair of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority. The Board Clerk shall cause the publication of this Ordinance once, within fifteen days of its adoption, in a newspaper of general circulation printed and published within the area served by the Los Angeles County Metropolitan Transportation Authority and the Board Clerk shall attest to such adoption and publication of this Ordinance.

Dated:

Chair, Board of Directors

Date Adopted by Board of Directors:

Date Published:

Attested to:

Dated:

Board Clerk

Title 4

Procurement

Chapter 4-05

Pre-Qualification of Bidders

ATTACHMENT A

AN ORDINANCE AMENDING TITLE 4, CONTRACTING, OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY ADMINISTRATIVE CODE RELATING TO THE PRE-QUALIFICATION OF PROSPECTIVE CONTRACTORS.

Be it ordained by the Board of Directors of the Los Angeles County
Metropolitan Transportation Authority ("LA Metro"):

SECTION 1: Chapter 4-05 of the LA Metro Administrative Code is replaced to read
as follows:

4-05-010 Purpose. The purpose of this chapter is to establish that LA Metro shall have rules and procedures for ~~the~~ contractor pre-qualification program ~~of the MTA~~ ("Program") as authorized by Public Utilities Code ~~§section~~ 130051.2122.

4-05-020 Objective and Scope of Pre-Qualification Program. The objective of the ~~pre-qualification program~~ Program is to make a preliminary assessment of the integrity and responsibility of business entities seeking to do business with the ~~MTA~~ LA Metro. A determination of pre-qualification allows the business entity ~~which~~ that has been pre-qualified to proceed with the procurement process in seeking a contract with the ~~MTA~~ LA Metro. The pre-qualification of a business entity does not preclude the ~~MTA~~ LA Metro from making a further responsibility determination as a part of the procurement process. During any period for which pre-qualification has been denied, the business entity may not compete for or otherwise seek a contract with the ~~MTA~~ LA Metro. The terms of the Program shall be set forth in an internal policy and procedure of LA Metro determined by the Chief Executive Officer of LA Metro in consultation with the Inspector General and Legal Counsel of LA Metro.

4-05-030 ~~Definitions.~~

~~The following terms, whenever used in this chapter, shall be construed as defined in this section:~~

~~A. "Business Entity" means a construction company, engineering firm, consultant, legal firm, product vendor, and any other business entity seeking a contract with the MTA for the furnishing of goods or services.~~

~~—B. "Certificate of Pre-Qualification" refers to the written notification granting pre-qualification to a business entity which has applied to the MTA for such status.~~

~~—C. "Contract Value Threshold" means in excess of one hundred thousand dollars (\$100,000) in total expenditures by the MTA under one contract and any amendments thereto.~~

~~—D. "Executive Review Committee" or "ERC" means a panel of at least three MTA employees serving in management positions appointed by the Chief Executive Officer as a committee to adjudicate an appeal of a denial of pre-qualification made by the Pre-Qualification Manager. Executive Review Committee or ERC also means any retired Superior Court Judge appointed by the Chief Executive Officer in lieu of a panel of MTA employees as authorized by paragraph D. of section 4-05-040.~~

~~—E. "Notice of Denial of Pre-Qualification" refers to the written notification issued to a business entity which has applied to the MTA for pre-qualification that the business entity has been denied pre-qualification.~~

~~—F. "Pre-Qualification" refers to a determination made by the MTA that a business entity has demonstrated sufficient integrity and responsibility to be permitted to be considered for a contract with the MTA. It also includes any validation process whereby a previously pre-qualified business entity updates its pre-qualification file for a specific contracting opportunity.~~

~~—G. "Pre-Qualification Manager" means the MTA employee who has been designated by the Chief Executive Officer as the administrative manager of the MTA contractor pre-qualification program.~~

4-05-040-Administrative Oversight of Pre-Qualification Program.

A. ~~—A.—~~ The Chief Executive Officer, in consultation with the Inspector General, is responsible for the administrative oversight of the ~~pre-qualification program~~ Program.

B. ~~—B.—~~ The Chief Executive Officer ~~is authorized to~~ shall prepare policies and procedures consistent with this ~~chapter as needed~~ Chapter and applicable law to implement the ~~pre-qualification program~~ Program.

~~—C. The Chief Executive Officer shall assign responsibility for The Program authorized by the day to day administrative management of the pre-qualification program to an MTA management employee who will serve as Pre-Qualification Manager.~~

C. ~~—D.—~~ The Chief Executive Officer shall ~~appoint~~ include the adoption of procedures for establishing an adjudication panel ~~of at least three management level employees of the MTA to serve as the Executive Review Committee or judge to adjudicate appeals by business entities from denials of pre-qualification. The Chief Executive Officer may appoint a separate ERC for each appeal or may appoint one ERC to serve for a specified period of time to~~

hear appeals filed during that period. If the Chief Executive Officer determines for any reason that it would not be efficient to have a panel of MTA employees serve as the Executive Review Committee for any particular appeal, the Chief Executive Officer may appoint a retired Superior Court Judge to serve in lieu of the panel of MTA employees. Any reference in this chapter to an Executive Review Committee or to an ERC shall also be a reference to a Superior Court Judge appointed pursuant to this paragraph.

of a denial of certification for pre-qualification that provides reasonable due process to entities denied certification.

4-05-050-040 Pre-Qualification Questionnaire.

~~A. The MTA~~ The Pre-Qualification Administrator, in consultation with the Inspector General, in consultation with the ~~shall prepare~~ Pre-Qualification Manager, shall prepare pre-qualification questionnaires to be used in the MTALA Metro pre-qualification program. Different forms of the questionnaire, each tailored to the type of contract being sought, may be developed. The Procurement Department in consultation with the Inspector General shall review the questionnaire and related policy periodically to ensure adequate and relevant information is being requested. The questionnaires shall be formulated to obtain information relevant to determining whether the entity has the requisite integrity and can shoulder the responsibilities to timely and satisfactorily perform services and deliver products to LA Metro and is not otherwise in violation of any of the criteria on which an entity may be denied certification. The questionnaires shall be included in the Program policies and procedures established by the Chief Executive Officer pursuant to subdivision (a) of Section 20101 of the Public Contract Code as amended from time to time.

~~B. At a minimum, each pre-qualification questionnaire shall seek information from the business entity regarding the following:~~

- ~~1. The experience of the business entity;~~
- ~~2. The quality and timeliness of the past performance of the business entity when contracting with the MTA or other agencies for similar work;~~
- ~~3. The reliability and responsibility of the business entity;~~
- ~~4. The business entity's compliance with equal employment requirements;~~
- ~~5. The business entity's compliance with wage, hours, and other fair labor standards;~~
- ~~6. The subcontractors to be used by the business entity;~~
- ~~7. The integrity of the key personnel of the business entity; and~~
- ~~8. Any gifts given, or contributions made, by or on behalf of the business entity to members of the MTA Board of Directors or to MTA employees.~~

~~C. The questionnaire used in the pre-qualification program may seek information in addition to that described in paragraph B. However, in order to ensure that the pre-qualification program operates in as efficient a manner as possible consistent with the~~

~~program objectives, information in addition to that required under paragraph B may be sought only if it is reasonably required to make a determination of integrity and responsibility relevant to the goods or services the business entity is likely to provide to the MTA if awarded a contract. The questionnaire used for the pre-qualification of a business entity whose services to the MTA will be as a subcontractor to another entity contracting directly with the MTA shall be in an abbreviated format which supports an expedited pre-qualification process, but which still provides the MTA with the information necessary to make a reasonable assessment regarding the integrity and responsibility of the business entity. Provided, however, any business entity may be required to complete any form of pre-qualification questionnaire if the MTA, in its sole discretion based upon the available information, determines that a more intensive than normal pre-qualification review is necessary for any particular business entity or any particular contract.~~

4-05-060 Completion of Pre-Qualification Questionnaire. Except as otherwise exempted by this ~~chapter~~Chapter, each business entity seeking a contract with the ~~MTA~~MTA LA Metro which, at the time of initial award, is reasonably expected to exceed the assigned contract value threshold, shall complete a pre-qualification questionnaire ~~prepared as set forth in section 4-05-050~~as outlined in the Program policy. No threshold value shall apply for any public project construction contract as defined from time to time by subdivision (c) of Section 22002 of the Public Contract Code. All such contracts shall be subject to the Program requirements. All other contracts shall have a threshold value of \$500,000 or greater for application of the requirements of the Program.

4-05-070~~Exceptions to Pre-Qualification Program.~~

~~For certain solicitations, because of the nature of the goods or services to be obtained, the nature of the business relationship between the MTA and the business entity, or because of exigent circumstances, there is insufficient advantage to the MTA to justify the expenditure of the resources necessary to conduct a pre-qualification. The types of procurements or types of business entities described in paragraphs A through J of this section are found to be procurements of this nature and pre-qualification is not required:~~

- ~~—A. Media or advertising contracts, including artists hired on a one-time basis to provide pictorial representation of MTA property;~~
- ~~—B. The purchase of goods from a department store or a home improvement store where:~~
 - ~~—1. The store make the same goods available to the general public; and~~

~~—2. The terms and prices for the MTA are no less favorable than the terms and prices available to the general public;~~

~~—C. The purchase of goods from a business entity if that business entity will:~~

~~—1. Have no legal obligation to warrant the goods sold, other than to pass on the manufacturer's warranty; and~~

~~—2. Have no obligation after the sale to provide any maintenance or repairs for the goods sold;~~

~~—D. Licensing and multiple-user agreements with software companies for existing software;~~

~~—E. Purchases of off the shelf computer software provided the seller does not enter into a contract for continuing maintenance or enhancements of the software program;~~

~~—F. Real estate purchase contracts, leases, licenses or other similar kinds of agreements;~~

~~—G. Goods or services for which there is only one known source if not obtaining such goods or services is not a reasonable option for the MTA;~~

~~—H. Emergency expenditures in case of public calamity pursuant to Public Utilities Code § 130234; and~~

~~—I. Expenditures for immediate remedial measures pursuant to Public Utilities Code § 130235.~~

~~—J. A business entity whose relationship with the MTA will be as a subcontractor at the second tier or below. Nothing herein prevents the MTA from requiring any subcontractor at any level to obtain pre-qualification if the MTA, in its sole discretion based upon the available information, determines that pre-qualification of that subcontractor is in the best interest of the MTA.~~

~~4-05-080 Mandatory~~ **Issuance or Denial of Pre-Qualification.** A business entity shall be ~~denied~~ notified in writing of certification or denial of pre-qualification certification if the evidence supports a finding as to any of the ~~following circumstances or violations set forth in the Program policy and procedures.~~

~~—A. The business entity, or any of its officers or principal owners, are currently debarred by a federal, state or local public authority;~~

~~—B. The business entity has knowingly submitted false information on the pre-qualification questionnaire or in response to any follow-up inquiries from the MTA; or~~

~~—C. The business entity has declined to submit to the MTA information requested by the Pre-Qualification Manager as part of the pre-qualification process.~~

~~4-05-090 Permissive Denial of Pre-Qualification.~~

~~The MTA may, in its sole discretion, deny pre-qualification to a business entity or any of its planned subcontractors, if the evidence supports a finding as to the business entity or as to a subcontractor, or their principals or officers, of any of the following:~~

~~—A. Commission of civil or criminal fraud in connection with obtaining, attempting to obtain, or performing a public contract, agreement or transaction;~~

~~—B. Violation of federal or state antitrust statutes, including, but not limited to, those proscribing price fixing between competitors, allocation of customers between competitors, and bid rigging;~~

~~—C. Commission of embezzlement, theft, forgery, bribery, making false statements, submitting false information, attempting to commit a fraud against the MTA or other public entity, receiving stolen property, making false claims to any public entity, obstructing justice or fraudulently obtaining public funds;~~

~~—D. Violation of federal guidelines for disadvantaged business entity status including, but not limited to, a violation of 49 CFR part 26 et seq., or misrepresenting minority or disadvantaged business entity status with regard to itself or one of its subcontractors;~~

~~—E. Conviction for non-compliance with the prevailing wage requirements of the California labor law, or similar laws of any other state;~~

~~—F. Violation of any law, regulation or agreement relating to a conflict of interest with respect to a government funded procurement;~~

~~—G. Falsification, concealment, withholding and/or destruction of records relating to a public agreement or transaction;~~

~~—H. Commission of any act or omission, or engaging in a pattern or practice, which tends to demonstrate that the business entity lacks the quality, fitness or capacity to perform a contract with the MTA, including, but not limited to, deficiencies in on-going contracts, false certifications or statements, fraud in performance or billing, or the lack of the financial resources necessary to perform contractual obligations;~~

- ~~—I. Indictment or conviction for an offense which indicates a lack of business integrity or business honesty;~~
- ~~—J. Willful failure to perform in accordance with the terms of one or more contracts;~~
- ~~—K. Violation of a statutory or regulatory provision or requirement applicable to a public or private agreement or transaction;~~
- ~~—L. Performance or conduct on one or more private or public agreements or transactions in a manner which negatively impacts or threatens the health or safety of the business entity's employees, the employees of any other entity involved with the transaction, the general public or any real property;~~
- ~~—M. Knowingly has entered into a business relationship with a business entity while that entity was debarred by the MTA;~~
- ~~—N. Violation of MTA policy regarding a drug-free workplace;~~
- ~~—O. Violation of any non-discrimination laws or provisions included in any public agreement or transaction;~~
- ~~—P. Violation of any labor laws, including, but not limited to, child labor violations, failure to pay wages, failure to pay into a trust account, failure to remit or pay withheld taxes to tax authorities or unemployment insurance tax delinquencies;~~
- ~~—Q. Violation of a licensing, sub-letting or subcontractor listing law;~~
- ~~—R. Failure to comply with California corporate registration, federal, state and local licensing requirements;~~
- ~~—S. Violation of a material provision of any settlement or a denial of pre-qualification or validation action;~~
- ~~—T. A history of failure to perform, or of unsatisfactory performance of one or more contracts including, without limitation, default on contracts with the MTA or another public agency;~~
- ~~—U. Has had its corporate status, business entity's license or any professional certification, suspended, revoked, or has otherwise been prohibited from doing business in the State of California in the past three years;~~
- ~~—V. Has undisputed or finally adjudicated and unresolved tax liens with federal, state or local taxing authorities; or~~
- ~~—W. Any other cause so serious or compelling in nature that it affects the present responsibility of the business entity, the quality of its work, and/or its fitness or capacity to perform on a contract with the MTA.~~

4-05-100 Investigations, Determinations and Referrals.

A. ~~—A.—~~ The Pre-Qualification ~~Manager~~Administrator shall review the available information related to each business entity seeking pre-qualification and may conduct such further investigation as he or she deems necessary. ~~MTA~~LA Metro officials having information regarding a business entity they know to be seeking pre-qualification where such information is reasonably likely to bear on the pre-qualification determination shall promptly provide such information to the Pre-Qualification ~~Manager~~Administrator for consideration.

~~—B.— Based upon all of the information obtained by the Pre-Qualification Manager, the Pre-Qualification Manager shall make a determination consistent with this chapter and any procedures adopted pursuant to section 4-05-040 as to whether a business entity seeking pre-qualification shall be granted pre-qualification.~~

B. ~~—C.—~~ If information obtained during the pre-qualification process is of a sufficiently serious nature to warrant further investigation and possible action beyond the denial of ~~pre-qualification~~Pre-Qualification, the Pre-Qualification ~~Manager~~Administrator shall refer the matter to the Inspector General, the General Counsel and ~~or~~ other appropriate ~~official~~officials for possible debarment or suspension under chapter 4-10.

C. ~~—D.—~~ The Office of the General Counsel shall advise and assist the Pre-Qualification ~~Manager~~Administrator in reviewing for legal sufficiency any prospective denial of ~~Pre-qualification~~Prequalification and the notice of denial, and for providing any necessary coordination with ~~MTA~~LA Metro staff regarding legal issues that may arise during the pre-qualification review process.

~~—E.—~~

D. All actions of the Pre-Qualification ~~Manager~~Administrator or other participants in the performance of their government duties pursuant to this chapter shall be considered to be actions with~~within~~ the course and scope of the ~~Pre-Qualifications Manager's~~their employment with ~~the MTA~~LA Metro and shall be subject to the protections for public employees set forth in Division 3.6 as amended from time to time of the Government Code.

~~4-05-110 Certificate of Pre-Qualification.~~

~~Upon a finding that a business entity is approved for pre-qualification, the Pre-Qualification Manager shall promptly provide that business entity with a certificate of pre-qualification.~~

~~4-05-120 Notice of Denial of Pre-qualification.~~

~~—A.— If the Pre-Qualification Manager denies pre-qualification a notice shall be promptly given by letter to the business entity.~~

~~—B. Such notice, or any other notice authorized or required by this chapter, shall be deemed sufficient notice if served personally or by mail by any of the means authorized by California Code of Civil Procedure §§ 1012 and 1013. Any attempt by a business entity to avoid service shall not prevent the denial of pre-qualification from becoming effective as of the date the MTA attempts notice as set forth in this paragraph.~~

~~4-05-130 Effect of Pre-Qualification Denial.~~

~~—A. A denial of pre-qualification for a business entity shall constitute a denial of the right to obtain or compete for a contract with the MTA, including contracts below the contract value threshold, until such time as the business entity is granted pre-qualification. Whether a denial of pre-qualification will extend to every division or other organizational element of the business entity will depend upon the structure of the business entity. However, if the application for pre-qualification is not limited to specific divisions or organizational elements of the business entity, a denial of pre-qualification shall apply to all affiliates, divisions, organizational elements.~~

~~—B. A denial of pre-qualification to a particular business entity for a particular solicitation shall not necessarily result in the suspension or deferral of the solicitation schedule, regardless of whether an appeal from a denial of pre-qualification has been filed. Any suspension or deferral of the solicitation schedule will be within the sole discretion of the MTA's procurement management.~~

~~—C. A denial of pre-qualification for a business entity then under contract with the MTA, where the denial of pre-qualification is based upon evidence which could support a cause for debarment under section 4-10-070, shall result in an immediate review of the status of that business entity's existing contracts with the MTA to determine whether action under chapter 4-10 is appropriate.~~

~~—D. A denial of pre-qualification shall extend for an indefinite period of time unless the denial is overturned through an appeal under this chapter. A business entity subject to a denial of pre-qualification may again apply for pre-qualification after six months have elapsed from the date of notice of denial of pre-qualification, or at any time upon a showing of changed circumstances.~~

4-05-140 Appeal of Pre-Qualification Denial.

~~—A. Any business entity that has been issued a notice of denial of pre-qualification may appeal that decision to the ERC. The appeal letter, together with all supporting documentation shall be submitted to the Pre-Qualification Manager within ten (10) working days of receipt of the notice of denial of pre-qualification.~~LA Metro pursuant to the policies and procedures of the Program.

~~—B. If a business entity which has been served with a notice of denial of pre-qualification fails to file a timely written appeal as described in this section, the denial of pre-qualification shall become final.~~

~~4-05-150 Executive Review Committee.~~

~~The ERC hears appeals of denials of pre-qualification. Each person serving as a member of the ERC pursuant to this chapter shall be considered to be acting within the course and scope of employment with the MTA for such service and shall be subject to the protections for public employees set forth in Division 3.6 of the Government Code.~~

~~4-05-160 Hearing Procedures.~~

~~—A. The ERC shall have the power to review and/or hold a hearing on any appeal received from a business entity that has been denied pre-qualification. The ERC may only affirm or reverse the denial decision of the Pre-Qualification Manager.~~

~~—B. For a denial of pre-qualification for a reason set forth in section 4-05-080, the decision of the ERC shall be limited to a determination as to whether there is factual support for the finding of at least one of the mandatory causes for denial of pre-qualification. For a denial of pre-qualification under section 4-05-090 the decision of the ERC shall be based upon its independent judgment as to whether one or more of the permissive bases for denial of pre-qualification has been established and, if so, whether it constitutes sufficient reason for the MTA to decline to do business with the business entity.~~

~~—C. The Business Entity may elect to waive its right to a hearing and rely solely on a written response. If the Business Entity elects in its appeal to waive a hearing, such a waiver must be clearly stated in its appeal. The ERC will set the dates for the submission of written materials and, if a hearing is requested, will set the time and date for the hearing.~~

~~—D. In each appeal, the Pre-Qualification Manager shall present the reasons for denial of pre-qualification and the evidence supporting that determination. The business entity will then be provided an opportunity to submit relevant evidence challenging the determination of the Pre-Qualification Manager. If there is a hearing on the appeal, the hearing will be conducted in an informal manner, but may be recorded for the sole use of the ERC in preparation of its decision.~~

~~—E. The ERC shall perform no independent collection of evidence and shall render a decision based solely on the evidence submitted by the Pre-Qualification Manager and~~

~~the business entity. In conducting the hearing the ERC shall follow evidence rules similar to those described in section 4-10-170. The ERC may take judicial notice of common, uncontroverted facts.~~

~~—F. The decision of the ERC is the final decision of the MTA. The business entity may seek judicial review of an ERC decision in Los Angeles County Superior Court. The appropriate party respondent in any such action shall be the MTA and not the individual members of the ERC, the Pre-Qualification Manager or any other MTA officer or employee.~~

~~—G. If the ERC reverses the denial of pre-qualification, the Pre-Qualification Manager shall issue a pre-qualification certificate within fifteen (15) business days from the date of the reversal. If the ERC affirms the denial decision and has notified all interested parties, the Pre-Qualification Manager will take no further action.~~

~~—H. An appeal from a decision of the ERC which upholds a denial of pre-qualification shall be filed with the time limits set forth in Code of Civil Procedure §§ 1094.5 and 1094.6.~~

~~—I. Each notice of final denial of pre-qualification after an appeal to the ERC shall include the following statement:~~

~~THE MTA HAS REACHED A FINAL DECISION IN THE ADMINISTRATIVE MATTER PENDING BEFORE THE MTA. IF YOU CHOOSE TO SEEK JUDICIAL REVIEW OF MTA'S FINAL DECISION, SUCH ACTION MUST BE INITIATED IN ACCORDANCE WITH CODE OF CIVIL PROCEDURE §§1094.5 AND 1094.6. IT IS YOUR SOLE RESPONSIBILITY TO TAKE WHATEVER ACTION AND TO OBTAIN WHATEVER ADVICE YOU DEEM APPROPRIATE IN RESPONSE TO THIS NOTICE.~~

SECTION 2:

Publication of Ordinance. Upon adoption, this Ordinance shall be signed by the Chair of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority. The Board Clerk shall cause the publication of this Ordinance once, within fifteen days of its adoption, in a newspaper of general circulation printed and published within the area served by the Los Angeles County Metropolitan Transportation Authority and the Board Clerk shall attest to such adoption and publication of this Ordinance.

Dated:

Chair, Board of Directors

Date Adopted by Board of Directors:

Date Published:

Attested to:

Dated:

|

Board Clerk



Pre-Qualification Program

Finance, Budget & Audit Committee
September 19, 2024



Metro

Recommendation

Staff is requesting the following:

- A. ADOPT an amendment to Metro's Administrative Code Chapter 4-05 to replace the existing contractor pre-qualification language with Attachment A of this Board Report; effective January 1, 2025.
- B. RECEIVE AND FILE streamlining initiatives including electronic signature deployment for procurement contracts and purchase orders.

Background

- California Public Utilities Code 130051.21 requires Metro to have a program to pre-qualify contractors seeking to do business with Metro. Metro Administrative Code Chapter 4-05 was adopted by the Board in 2004 and details the Pre-Qualification process for all vendors in which the awarded contract, or first tier subcontract, is reasonably expected to exceed \$100,000 in value.
- The update to the Metro Administrative Code Chapter 4-05 is needed as well as an increase to the \$100,000 threshold. The \$100,000 threshold is not consistent with the levels of inflation, cost increases, market fluctuations, etc. that have been seen in the economy in the last 20 years. It is also not consistent with the current level of risk for the agency. Raising the threshold to \$500,000 will better align with Metro contracting.
- This update will immediately benefit our vendor and small business community since it will eliminate the pre-qualification review for contracts under \$500,000, where Metro's risk is minimal.
- Additionally, the vendor and small business community, including the Southern California Contractors Association (SCCA), have expressed concerns about cumbersome elements of the procurement process.



Board Report

File #: 2024-0434, File Type: Resolution

Agenda Number: 18.

FINANCE, BUDGET & AUDIT COMMITTEE SEPTEMBER 19, 2024

SUBJECT: MEASURE R BONDS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. ADOPTING a Resolution, Attachment A (“Resolution”), that authorizes the issuance and sale of up to \$500 million in aggregate principal amount of Measure R Senior Sales Tax Revenue Refunding Bonds in one or more series and taking all other actions necessary in connection with the issuance of the refunding bonds (“Refunding Bonds”); and
- B. ESTABLISHING an underwriter pool as shown in Attachment B that will be used to select underwriters for all future negotiated debt issues through June 30, 2029.

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE FULL BOARD)

ISSUE

The outstanding Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (“2010 Bonds”) are eligible for refunding, on a current basis, pursuant to the Extraordinary Optional Redemption (“EOR”) provision described in Section 14.02 of the First Supplemental Trust Agreement relating to the 2010 Bonds. As discussed in more detail below, the EOR provision offers Metro an opportunity to pay off, or refund, the 2010 Bonds prior to maturity at a lower redemption price than otherwise provided following a reduction in federal subsidy payments relating to the 2010 Bonds. Such subsidy payments were originally authorized by the American Recovery and Reinvestment Act of 2009, as part of the Build America Bond (“BAB”) program at the time the 2010 Bonds were issued. Approximately \$482.40 million of the 2010 Bonds are outstanding and eligible for the refunding.

The refunding would also eliminate the risk to Metro that Congress further reduces, or outright terminates, the subsidy payments (which are reimbursements to Metro from the Federal Government for a portion of the interest payable on the 2010 Bonds). The reduction of subsidy payments is called sequestration. In addition, the refunding would add optionality to Metro’s Measure R debt portfolio by including a par call option (the ability to redeem the Refunding Bonds prior to their final maturity at a

redemption price equal the principal amount of the Refunding Bonds, plus accrued interest), not available in connection with the outstanding 2010 Bonds, which provide for only redemptions that utilize the EOR provision.

BACKGROUND

Following authorization of the proposed refunding, Metro may proceed to refund the outstanding 2010 Bonds as early as October 2024 using the EOR provision. The Debt Policy establishes criteria to evaluate refunding opportunities for economic cost-effective opportunities or other non-economic reasons to issue refunding obligations. The refunding would add option value with an early call option applicable to the Refunding Bonds, and it would eliminate the sequestration risk associated with the 2010 Bonds.

Build America Bonds history:

In 2009 and 2010, the Build America Bond (“BAB”) program allowed municipal issuers to issue taxable bonds for new money purposes with the expectation that issuers would be reimbursed for 35% of the interest payable on such bonds (in the form of subsidy payments distributed semi-annually to such issuers, including Metro). When Metro’s Series 2010-A Build America Bonds were issued in 2010 it was determined at the time that, with the 35% interest subsidy provided under the BAB program, the taxable 2010 Bonds provided a lower cost of funds than traditional tax-exempt bonds. However, following the subsequent enactment by Congress of the Budget Control Act of 2011, as amended by the American Taxpayer Relief Act of 2012, which required sequestration of certain direct federal spending, BAB subsidy payments, including with respect to the 2010 Bonds, were reduced by 8.7% in 2013 (reduced from 35% to 31.95%) for federal fiscal year 2013.

The sequestration percentage of the subsidy has fluctuated from year to year since 2013. Currently, BAB subsidy payments are subject to sequestration at the 5.7% (reduced from 35% to 33.01%) rate through FY2030. Additionally, the Statutory Pay-As-You-Go Act of 2010 can impose mandatory spending cuts, including potentially 100% sequestration of the BAB subsidy, if legislation increases the federal budget deficit. In 2022, there were concerns that the BAB subsidy could be subject to 100% sequestration in 2023. The Consolidated Appropriations Act of 2023 protected the BAB subsidy from being subject to 100% sequestration through 2025, but risks remain based on future federal budget conditions. Further, in November 2023, the U.S. Supreme Court effectively confirmed that Congress had full authority to reduce BAB payments through sequestration. Sequestration risk is the threat of reduced subsidy payments due to automatic government spending cuts, which can impact bondholders and increase costs for Metro. This refunding would eliminate the sequestration risk associated with the 2010 Bonds and protect Metro from paying increased debt service over the remaining life (potentially up to \$62 million). The Refunding Bonds help Metro avoid the risk of losing money if Congress cuts BAB subsidy payments, making it safer and easier to pay off debt.

DISCUSSION

Refunding Bonds:

The Refunding Bonds will be structured as fixed rate bonds and will be sold using a negotiated sale method. If market conditions change suddenly, a negotiated sale provides Metro the flexibility to alter

the sale date and/or bond structure, as needed. A negotiated sale method also allows Metro to advance its DBE/SBE/DVBE firm participation goals. In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 50% of the participants chosen for the proposed transaction identify as DBE/SBE/DVBE, including the lead Senior Manager role. The underwriters will pre-market the issue to target as many investors as possible, assist with the credit rating process and advise on market conditions for optimal bond pricing.

The evaluation team has selected the following firms as the underwriting syndicate for the transaction.

Senior Managing Underwriter: Siebert Williams Shank & Co. (DBE)

Co-Senior Managing Underwriters: Jefferies and Morgan Stanley

Co-Managing Underwriter: Academy Securities (DVBE)

Underwriting Pool:

Consistent with the Metro Debt Policy, underwriters for this transaction and the requested pool were selected by a competitive Request for Proposal ("RFP") process conducted by Montague DeRose and Associates, LLC ("MDA") and Public Resources Advisory Group ("PRAG"), Metro's Transaction Municipal Advisor and General Municipal Advisor, respectively. Of the 25 proposals received, 17 are recommended for the negotiated underwriting pool expiring June 30, 2029. Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP were selected by Treasury staff and County Counsel to serve as Bond Counsel and Disclosure Counsel, respectively.

Of the 25 proposals received during the underwriter selection process, 13 were designated as DBE/SBE/DVBE (doubling the number of DBE/SBE/DVBE firms in Metro's underwriter pool from 4 to 8).

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

The costs of issuance for the Refunding Bonds will be paid from proceeds of the financing and will be budget neutral. Approval of this item is intended to reduce financial risk, sequestration risk, and maintain planned funding and schedules for Metro capital projects funded by Measure R.

EQUITY PLATFORM

During the underwriter selection process, Metro was able to double the number of DBE/SBE/DVBE firms in the new underwriter pool. Almost half of the new members of the pool (8 of 17) is made up of DBE/SBE/DVBE firms. Metro Treasury will continue outreach encouraging participation by these firms while ensuring they have sufficient underwriting capacity to support bond transactions.

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.

ALTERNATIVES CONSIDERED

The Board could defer the issuance of the Refunding Bonds to a later time or indefinitely. This is not recommended because staff cannot predict that interest rates will remain low enough to generate a comparable economic benefit. Federal Reserve Bank actions and all other market and economic conditions may create federal budget constraints and result in further BAB subsidy reductions. Additionally, deferring issuance to a later time or indefinitely would result in the 2010 Bonds remaining at risk of increased or complete sequestration.

NEXT STEPS

- Obtain ratings on the Refunding Bonds
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing efforts
- Negotiate the sale of the Bonds with the underwriters


ATTACHMENTS

Attachment A - Authorizing Resolution

Attachment B - Summary of Underwriter Selection

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Stephanie N. Wiggins
Chief Executive Officer

Authorizing Resolution

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF ITS LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY MEASURE R SENIOR SALES TAX REVENUE REFUNDING BONDS, APPROVING THE EXECUTION AND DELIVERY OF ONE OR MORE SUPPLEMENTAL TRUST AGREEMENTS, PURCHASE CONTRACTS, CONTINUING DISCLOSURE CERTIFICATES AND PRELIMINARY AND FINAL OFFICIAL STATEMENTS, AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

(MEASURE R SALES TAX)

WITNESSETH:

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “LACMTA”) is a county transportation commission duly organized and existing pursuant to Section 130050.2 of the California Public Utilities Code; and

WHEREAS, the LACMTA is authorized by Sections 130350.4 and 130350.5 of the California Public Utilities Code (the “Sales Tax Law”) to impose a retail transactions and use tax at a rate of 0.5% that is applicable in the incorporated and unincorporated areas of the County of Los Angeles, California (the “County”) if authorized by at least two-thirds of the electors voting on the issue; and

WHEREAS, in accordance with such provision, the LACMTA, on July 24, 2008, adopted Ordinance No. 08-01, known as the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (the “Ordinance”) imposing the transactions and use tax for a period of 30 years, and the Ordinance was submitted to the electors of the County in the form of Measure R and approved by more than a two-thirds vote at an election held on November 4, 2008; and

WHEREAS, the Ordinance, as so approved, imposes for a period of 30 years, beginning July 1, 2009, a tax upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax (the “Measure R Sales Tax”); and

WHEREAS, Section 130500 et seq. of the California Public Utilities Code (the “Act”) provides that the LACMTA may issue bonds, which terms includes indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, and all of such obligations shall be special obligations of the LACMTA, payable from the proceeds of the Measure R Sales Tax; and

WHEREAS, to facilitate the construction, maintenance, improvement and operation of the transportation projects authorized by the Ordinance, including in particular Goldline Foothill Extension and Exposition Line Phase II, the LACMTA, as authorized by the Act, issued its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (Taxable Build America Bonds) (the “Prior Bonds”) on November 16, 2010, pursuant to a Trust Agreement, dated as of November 1, 2010, by and between the LACMTA and

the U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), and a First Supplemental Trust Agreement, dated as of November 1, 2010 (the “First Supplemental Trust Agreement”), by and between the LACMTA and the Trustee; and

WHEREAS, pursuant to the Act and the provisions of the Second Amended and Restated Trust Agreement, dated as of August 1, 2020 (as supplemented and amended from time to time, the “Trust Agreement”), between the LACMTA and the Trustee, the LACMTA is authorized to issue additional Bonds (as defined in the Trust Agreement); and

WHEREAS, the Prior Bonds were issued as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009, and the LACMTA elected to receive subsidy payments from the United States Treasury in an amount equal to 35% of the interest due on the Prior Bonds (the “Subsidy Payments”); and

WHEREAS, the LACMTA has determined that a Tax Law Change has occurred under, and as defined in, the First Supplemental Trust Agreement, reducing such Subsidy Payments; and

WHEREAS, the LACMTA has determined that the issuance of one or more series of Bonds, in an aggregate principal amount not to exceed \$500,000,000, is necessary in order to: (a) refund all or a portion of the Prior Bonds; and (b) pay the costs of issuance incurred in connection with such Bonds (collectively, the “Financing”); and

WHEREAS, the LACMTA has determined that such Bonds shall be entitled “Los Angeles County Metropolitan Transportation Authority Measure R Senior Sales Tax Revenue Refunding Bonds,” with such series designations and other additions and modifications as may be appropriate (collectively, the “Series 2024 Bonds”); and

WHEREAS, the LACMTA has determined that it is in its best interest to sell the Series 2024 Bonds to the public through a negotiated sale to one or more underwriters to be selected by a Designated Officer (as defined herein) through a competitive process by the LACMTA (the “Underwriters”); and

WHEREAS, the sale of the Series 2024 Bonds shall be in accordance with the Debt Policy of the LACMTA as determined by the a Designated Officer (as defined below), which determination shall be conclusive for purposes of this Resolution, and the proceeds of the Series 2024 Bonds will be applied in accordance with the provisions of the Act, the Sales Tax Law, the Ordinance and the Expenditure Plan adopted in connection with the Ordinance (the “Expenditure Plan”); and

WHEREAS, the forms of the following documents are on file with the Board Clerk (the “Clerk”) of the Board of Directors of the LACMTA (the “Board”) and have been made available to the members of the Board:

(a) a Supplemental Trust Agreement (the “Supplemental Trust Agreement”), by and between the LACMTA and the Trustee, one or more of which will supplement the Trust Agreement for purposes of providing the terms and conditions of the Series 2024 Bonds;

(b) a Purchase Contract (the “Purchase Contract”), one or more of which will be entered into by one or more of the Underwriters and the LACMTA, which shall set forth the terms of the sale of the Series 2024 Bonds;

(c) a Preliminary Official Statement (the “Preliminary Official Statement”), one or more of which will provide information about the Series 2024 Bonds, the LACMTA, the Measure

R Sales Tax and certain other related matters, and will be used, from time to time, in connection with the offer and sale of the Series 2024 Bonds; and

(d) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), one or more of which will be executed by the LACMTA, which will be used in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12; and

WHEREAS, the LACMTA has been advised by its bond counsel that such documents are in appropriate form, and the LACMTA hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the Series 2024 Bonds and whether such Series 2024 Bonds are issued in a single issuance or multiple issuances, and said documents are subject to completion to reflect the results of the sale of the Series 2024 Bonds; and

WHEREAS, the LACMTA has pledged the Pledged Revenues pursuant to the terms of the Trust Agreement to secure the Bonds and certain other obligations of the LACMTA and once issued, the Series 2024 Bonds will be “Bonds” as defined in the Trust Agreement and will be secured by the pledge of the Pledged Revenues under the Trust Agreement; and

WHEREAS, Section 5852.1 of the California Government Code requires that the governing body of a public body obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the Financing and to authorize the issuance of the Series 2024 Bonds, execution and delivery of one or more Supplemental Trust Agreements, Purchase Contracts and Continuing Disclosure Certificates, the preparation of one or more Preliminary Official Statements and the preparation, execution and delivery of one or more Official Statements (as hereinafter defined) for the purposes, in the manner and upon the terms provided; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

Section 1. Findings. The Board finds and determines that the foregoing recitals are true and correct and that:

(a) The issuance of one or more series of its Series 2024 Bonds from time to time under the Trust Agreement and the Supplemental Trust Agreement to refund all or a portion of the Prior Bonds, and to pay certain costs of issuance related to the issuance of the Series 2024 Bonds, is in the public interest.

(b) Under the provisions of the Ordinance, all of the Pledged Tax Revenues are revenues of the LACMTA available under the Expenditure Plan and are available to be and are, by

the terms of the Trust Agreement, pledged, to secure the Series 2024 Bonds, and, by this Resolution, such pledge is reaffirmed.

(c) The provisions contained in the Trust Agreement, as previously amended and supplemented, and as to be supplemented as set forth in the Supplemental Trust Agreement, are reasonable and proper for the security of the holders of the Series 2024 Bonds.

Section 2. Issuance of Series 2024 Bonds. The Board hereby authorizes the issuance by the LACMTA of one or more series of Series 2024 Bonds in an aggregate principal amount not to exceed \$500,000,000 to: (a) refund all or a portion of the Prior Bonds; and (b) pay the costs of issuance incurred in connection with the Financing; provided, however, that the True Interest Cost (as defined below) of each series of the Series 2024 Bonds shall not exceed 6.0%, as such shall be calculated by the LACMTA's municipal advisor as of the date of delivery of each series of the Series 2024 Bonds. The LACMTA hereby specifies that the Series 2024 Bonds shall mature not later than June 1, 2039.

The Series 2024 Bonds may be issued as bonds the interest on which is excludable from gross income under the Internal Revenue Code of 1986, as amended. The LACMTA hereby designates the Chair of the Board, any Vice Chair of the Board, the Chief Executive Officer of LACMTA, the Chief Financial Officer of LACMTA, the Treasurer of LACMTA, any Assistant Treasurer of LACMTA, any Executive Officer - Finance of LACMTA and any Deputy Executive Officer - Finance of LACMTA, or any such officer serving in an acting or interim capacity, and any written designee of any of them as Designated Officers (each a "Designated Officer"), and the Designated Officers, acting in accordance with this Section 2, are each hereby severally authorized to determine whether all or any portion, and which portion, of the Prior Bonds shall be refunded, the aggregate principal amount of each series of Series 2024 Bonds to be issued (not in excess of the maximum amount set forth above), and to direct the execution and authentication of the Series 2024 Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. Payment of the principal of, interest on and premium, if any, on the Series 2024 Bonds shall be made at the place or places and in the manner provided in the Trust Agreement and the Supplemental Trust Agreement.

As used herein, the term "True Interest Cost" shall be the interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the applicable series of Series 2024 Bonds and to the principal amount and original issue premium, if any, less underwriters' discount and original issue discount, if any, of the applicable series of Series 2024 Bonds. For the purpose of calculating the True Interest Cost, the principal amount of the applicable series of Series 2024 Bonds scheduled for mandatory sinking fund redemption as part of a term bond shall be treated as a serial maturity for such year. The calculation of the True Interest Cost shall include such other reasonable assumptions and methods as determined by the LACMTA's municipal advisor.

Section 3. Terms of Series 2024 Bonds. The Series 2024 Bonds shall be issued as current interest bonds, as serial bonds or term bonds or both, in denominations of \$5,000 and integral multiples thereof, in the aggregate principal amounts, and dated all as set forth in the Supplemental Trust Agreement as it is finally executed and delivered. Interest on the Series 2024 Bonds shall be paid at the rates (not to exceed 6.0% per annum) and on the dates, and the Series 2024 Bonds may be subject to optional or mandatory redemption on such terms and conditions, as shall be set forth in the Supplemental Trust Agreement as finally executed and delivered.

Execution and delivery of the Supplemental Trust Agreement, which document will contain the maturities, principal amounts, interest rates, the payment obligations of the LACMTA and terms,

all within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, principal amounts, interest rates, payment obligations and terms.

Section 4. Special Obligations. The Series 2024 Bonds shall be special obligations of the LACMTA payable from and secured by a pledge of and lien on Pledged Revenues and the funds and accounts held by the Trustee under the Trust Agreement, including as supplemented by the Supplemental Trust Agreement, all as provided therein.

Section 5. Form of Series 2024 Bonds. The Series 2024 Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in Exhibit A to the Supplemental Trust Agreement on file with the Clerk of the Board and made available to the Board, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Trust Agreement or the Supplemental Trust Agreement or otherwise by law, or as appropriate to adequately reflect the terms of such Series 2024 Bonds and the obligation represented thereby.

Section 6. Execution of Series 2024 Bonds. Each of the Series 2024 Bonds shall be executed on behalf of the LACMTA by any Designated Officer and any such execution may be by manual or facsimile signature, and each bond shall be authenticated by the endorsement of the Trustee or an agent of the Trustee. Any facsimile signature of such Designated Officer(s) shall have the same force and effect as if such officer(s) had manually signed each of such Series 2024 Bonds.

Section 7. Approval of Documents; Authorization for Execution. The forms, terms and provisions of the Supplemental Trust Agreement, Purchase Contract and the Continuing Disclosure Certificate on file with the Clerk of the Board and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA one or more Supplemental Trust Agreements, Purchase Contracts and Continuing Disclosure Certificates, including counterparts thereof, in the name of and on behalf of the LACMTA. The Supplemental Trust Agreement(s), Purchase Contract(s) and Continuing Disclosure Certificate(s), as executed and delivered, shall be in substantially the forms now on file with the Clerk of the Board and made available to the Board and hereby approved, with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Supplemental Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate, now on file with the Clerk of the Board and made available to the Board; and from and after the execution and delivery of the Supplemental Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of each Supplemental Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate.

Section 8. Sale of Series 2024 Bonds.

(a) The Designated Officers are each authorized and directed to engage third parties, including but not limited to, Underwriters, that such Designated Officer deems necessary or advisable in order to: consummate the Financing, assist with the issuance and sale of the Series 2024 Bonds, to manage and administer the Financing after the issuance and sale

of the Series 2024 Bonds or otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

(b) The Board hereby authorizes the sale of the Series 2024 Bonds to the public through a negotiated sale to the Underwriters. The Series 2024 Bonds shall be sold subject to an Underwriters' discount (excluding original issue discount and premium) not to exceed \$3.00 per \$1000 of principal amount of the Series 2024 Bonds and subject to the terms and conditions set forth in the form of the Purchase Contract.

Section 9. Preliminary Official Statement and Official Statement. One or more Preliminary Official Statements shall be used by the LACMTA in connection with the sale and issuance of the Series 2024 Bonds. The form of the Preliminary Official Statement on file with the Clerk of the Board and made available to the Board is hereby approved. The Preliminary Official Statement shall be substantially in the form of the Preliminary Official Statement on file with the Clerk of the Board and made available to the Board with such changes as a Designated Officer approves (such approval to be conclusively evidenced by the execution and delivery of the certificate referenced in the following sentence). The Preliminary Official Statement shall be circulated for use in selling the Series 2024 Bonds at such time or times as a Designated Officer shall deem such Preliminary Official Statement to be final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by said Designated Officer to said effect. The Preliminary Official Statement shall contain a description of the finances and operations of the LACMTA, a description of the Measure R Sales Tax and a description of historical receipts of sales tax revenues substantially in the form of the Preliminary Official Statement on file with the Clerk of the Board and made available to the Board with such changes as any Designated Officer determines are appropriate or necessary. The Preliminary Official Statement shall also contain a description of the applicable Series 2024 Bonds and the terms and conditions of the Trust Agreement and the Supplemental Trust Agreement together with such information and description as a Designated Officer determines is appropriate or necessary. The Underwriters are hereby authorized to circulate (via printed format and/or through electronic means) the Preliminary Official Statement and any supplement thereto for use in selling the Series 2024 Bonds from time to time. The Underwriters are hereby further authorized to distribute (via printed format and/or through electronic means) copies of the LACMTA's most recent annual audited financial statements and such other financial statements of the LACMTA as any Designated Officer shall approve. Upon the execution and delivery of the Purchase Contract, from time to time, one or more of the Designated Officers shall provide for the preparation, publication, execution and delivery of one or more final Official Statements in substantially the form of the Preliminary Official Statement deemed final by a Designated Officer with such changes as any Designated Officer approves, such approval to be conclusively evidenced by the execution of such final Official Statement. Any Designated Officer is hereby authorized and directed to execute and deliver one or more final Official Statements in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement(s) or revised final Official Statement(s) may be prepared and delivered to the Underwriters reflecting updated and revised information as shall be acceptable to the Underwriters and as the Designated Officers, or any one of them, approve. Each final Official Statement shall be circulated (via printed format and/or through electronic means) for use in selling the Series 2024 Bonds at such time or times as a Designated Officer deems appropriate after consultation with the Underwriters, the LACMTA's municipal advisor and bond counsel and such other advisors as a Designated Officer believes to be useful. The Underwriters are hereby authorized to circulate (via printed format and/or through electronic means) the final Official Statement, any supplement to the final Official Statement and any revised final Official Statement, as the case may be.

Section 10. Trustee, Paying Agent and Registrar. U.S. Bank Trust Company, National Association is hereby appointed as Trustee, Paying Agent and Registrar for the Series 2024 Bonds. Such appointments shall be effective upon the issuance of the Series 2024 Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 11. Additional Authorization. Each Designated Officer, for and on behalf of the LACMTA, is and they hereby are, jointly and severally authorized and directed to do any and all things necessary to effect the issuance of the Series 2024 Bonds and the Financing, and the execution and delivery of each Supplemental Trust Agreement, each Purchase Contract, and each Continuing Disclosure Certificate, and to carry out the terms thereof. The officers, employees and agents of the LACMTA, including, but not limited to the Designated Officers, are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the LACMTA, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, including, without limitation, any escrow agreements, any tax certificates or agreements, any documents with respect to the refunding of the Prior Bonds, any calculation agent certificates, any agreements for depository services, and any agreements for rebate compliance services, which they, or any of them, may deem necessary or advisable in order to consummate the Financing and the issuance and sale of the Series 2024 Bonds, to manage and administer the Financing after the issuance and sale of the Series 2024 Bonds and otherwise to carry out, give effect to and comply with the terms and intent of the Ordinance, this Resolution, the Series 2024 Bonds and the documents approved hereby.

All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the Series 2024 Bonds, including, without limitation, any of the foregoing that may be necessary or desirable in connection with any investment of proceeds of the Series 2024 Bonds, or in connection with the addition, substitution or replacement of underwriters, or any agreements with paying agents, calculation agents or the Trustee or any similar action may be given or taken by any Designated Officer without further authorization or direction by the LACMTA, and each Designated Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Designated Officer may deem necessary or desirable to further the purposes of this Resolution. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution and the Financing are hereby confirmed, ratified and approved.

Any Designated Officer, on behalf of the LACMTA, is further authorized and directed to cause written notice to be provided to the California Debt and Investment Advisory Commission (“CDIAC”) of the proposed sale of the Series 2024 Bonds, said notice to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice of final sale with CDIAC, to file the rebates and notices required under section 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended, if necessary, and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Series 2024 Bonds, and any such notices are hereby ratified, confirmed and approved.

In connection with the sale of all or a portion of the Series 2024 Bonds, any Designated Officers is hereby authorized on behalf of the LACMTA to purchase or otherwise arrange for the provision of (including the payment of such premiums, fees and other costs and expenses as such Designated Officer determines acceptable), one or more policies of municipal bond insurance to support the timely payment of principal of and interest on all or a portion of the Series 2024 Bonds, said municipal bond

insurance to contain such terms and conditions as such Designated Officer(s) shall determine is appropriate or necessary for the issuance of the Series 2024 Bonds.

Section 12. Continuing Authority of Designated Officers. The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by Chair of the Board, any Vice Chair of the Board, the Chief Executive Officer of LACMTA, the Chief Financial Officer of LACMTA, the Treasurer of LACMTA, any Assistant Treasurer of LACMTA, any Executive Officer - Finance of LACMTA or any Deputy Executive Officer Finance of LACMTA shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

Section 13. Investments. Each Designated Officer is hereby authorized to invest the proceeds of the Series 2024 Bonds in accordance with the Trust Agreement and the Supplemental Trust Agreement and the LACMTA's Investment Policy and is further authorized to enter into or to instruct the Trustee to enter into one or more investment agreements, float contracts, swaps or other hedging products (hereinafter collectively referred to as the "Investment Agreement") providing for the investment of moneys in any of the funds and accounts created under the Trust Agreement and the Supplemental Trust Agreement, on such terms as the Designated Officer shall deem appropriate. Pursuant to Section 5922 of the California Government Code, the LACMTA hereby finds and determines that the Investment Agreement is designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Series 2024 Bonds or enhance the relationship between risk and return with respect to investments.

Section 14. Good Faith Estimates. In accordance with Section 5852.1 of the California Government Code, good faith estimates of the following are set forth in Exhibit A attached hereto: (a) the true interest cost of the Series 2024 Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Series 2024 Bonds, (c) the amount of proceeds of the Series 2024 Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Series 2024 Bonds, and (d) the sum total of all debt service payments on the Series 2024 Bonds calculated to the final maturity of the Series 2024 Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Series 2024 Bonds.

Section 15. Further Actions. From and after the delivery of the Series 2024 Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify each document authorized or authorized to be amended by this Resolution at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement, or modification, upon consultation with the LACMTA's municipal advisor and bond counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof. Further, the Designated Officers and each of them are hereby authorized and directed to terminate any municipal bond insurance policy or investment agreement and enter into one or more municipal bond insurance policies or investment agreements as any such Designated Officer shall determine is appropriate or necessary.

Section 16. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of the Series 2024 Bonds, to be used to pay costs of issuance of the Series 2024 Bonds, including, but not limited to, costs of attorneys, accountants, municipal advisors, trustees, verification agents, escrow agents, calculation agents, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

Section 17. Severability. The provisions of this Resolution are hereby declared to be severable and if any section, phrase or provision shall for any reason be declared to be invalid, such sections, phrases and provisions shall not affect any other provision of this Resolution.

Section 18. Electronic Signatures. The Board hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the California Uniform Electronic Transactions Act and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

Section 19. Effective Date. This Resolution shall be effective with respect to the Series 2024 Bonds issued on or before June 30, 2025.

CERTIFICATION

The undersigned, duly qualified and acting as Board Clerk of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2024.

By _____

Board Clerk, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2024

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Montague DeRose and Associates (the “Municipal Advisor”) with respect to the bonds (the “Bonds”) approved in the attached Resolution, and is provided in compliance with Section 5852.1 of the California Government Code with respect to the Bonds:

Section 1. True Interest Cost of the Bonds. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 2.89%.

Section 2. Finance Charge of the Bonds. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$1,373,910, as follows:

(a) Underwriters’ Discount	\$767,060
(b) Bond Counsel and Disbursements	130,000
(c) Disclosure Counsel and Disbursements	65,000
(d) Municipal Advisor and Disbursements	55,000
(e) Rating Agencies	306,750
(f) Other	50,100
Total	<u>\$1,373,910</u>

Section 3. Amount of Proceeds to be Received. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the LACMTA for sale of the Bonds less the finance charge of the Bonds described in Section 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$505,885,855.

Section 4. Total Payment Amount. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the LACMTA will make to pay debt service on the Bonds plus the finance charge of the Bonds described in Section 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$627,251,711.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bonds sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the LACMTA based on need to provided funds for the Financing and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of

sale. Market interest rates are affected by economic and other factors beyond the LACMTA's control. The LACMTA has approved the issuance of the Bonds with a maximum true interest cost of 6.0%.

Summary of Underwriter Selection

Evaluation of Proposals

The Request For Proposals (“RFP”) was sent on July 16, 2024 to 43 firms who had previously expressed interest in serving as underwriter on Metro’s bonds or were known as active in the California market. An advertisement of the RFP was also posted in the Bond Buyer. Proposals were due August 2, 2024 and were received from 25 firms. Of the 25 firms that submitted a proposal, 13 were designated as DBE/SBE/DVBE.

Proposals were evaluated in accordance with the guidelines and the following criteria established in the RFP:

- Relevant experience of the firm and its individuals 25%
- Capabilities of the firm of underwriting & distributing LACMTA’s debt 30%
- Demonstrated commitment of the firm to LACMTA 25%
- Quality of the proposal 20%

Relevant experience included transportation debt, experience working directly with TIFIA or on debt that was secured by revenues that also secured TIFIA loans, toll revenue bonds, grant anticipation notes, private activity bonds, and Transit Oriented Development (TOD) financings. In addition to experience, firms were asked to provide evidence demonstrating their commitment to LACMTA which included items such as bidding on recent competitive bond issues, liquidity support, or other materials that had been recently provided. The RFP also included questions about providing specific suggestions for the structuring of LACMTA’s bonds as well as suggestions for our debt program, in general. The selection committee made up of three staff and LACMTA’s general municipal advisor reviewed all proposals and scored the firms based on the evaluation criteria. The seventeen firms that ranked the highest are being recommended for inclusion in the underwriting pool.

Recommended Firms for Underwriting Pool (in alphabetical order)

Academy Securities (Disabled Veteran Business Enterprise and Minority Business Enterprise)
American Veteran Group (Disabled Veteran Business Enterprise)
Bank of America
Barclays
Blaylock Van (Minority Business Enterprise)
Cabrera Capital Markets (Minority Business Enterprise)
Goldman Sachs
J.P. Morgan Securities
Jefferies
Loop Capital Markets (Minority Business Enterprise)
Mischler Financial Group (Disabled Veteran Business Enterprise)
Morgan Stanley
Ramirez & Co. (Minority Business Enterprise)
Raymond James
Siebert Williams Shank & Co. (Minority Business Enterprise and Woman Business Enterprise)
TD Securities
Wells Fargo Bank

Measure R Bonds

**Finance, Budget and Audit Committee
September 19, 2024**

Measure R Bonds

Measure R Bonds Summary

Purpose:

- To refund the Measure R Series 2010-A (Taxable Build America Bonds) Bonds in October 2024
 - The Build America Bond ("BAB") program, established in 2009, allowed municipal issuers to issue taxable bonds for new money purposes with the expectation that they would be reimbursed for 35% of annual interest costs
 - When the Series 2010-A Bonds were issued, determination was made that with the 35% subsidy, the BABs provided a lower cost of funds than traditional tax-exempt bonds

Issue:

- The refunding would de-risk the bonds by eliminating the threat of sequestration, as well as adding optionality with an early call option

Sequestration overview:

- BAB subsidy reduced by 8.7% in 2013 and annually since
- Subsidy payments are subject to sequestration at the 5.7% rate through FY2030
- In November 2023, Supreme Court confirmed that Congress has full authority to reduce BAB subsidy payments at any time

Measure R Bonds

Measure R Bonds Summary

Mode and Structure:

- Refunding Bonds will be sold to investors on a negotiated basis through underwriters selected from the newly established underwriter bench
- Refunding Bonds will be issued at a fixed rate with maturities ranging from 2025-2039

DBE/SBE/DVBE Participation Goals:

- Negotiated sale method allows Metro to advance its DBE/SBE/DVBE firm participation goals
- Of the 25 proposals received for the underwriting pool, 13 were designated as DBE/SBE/DVBE firms

Measure R Bonds

Measure R Bonds Summary

- In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 50% of the participants chosen for the proposed transaction identify as DBE/SBE/DVBE, including the lead Senior Manager role.

Underwriting Firm	Transaction Role
Siebert Williams Shank & Co., LLC (Minority Business Enterprise and Woman Business Enterprise)	Senior Manager
Jefferies	Co-Senior Manager
Morgan Stanley	Co-Senior Manager
Academy Securities (Disable Veteran Business Enterprise and Minority Business Enterprise)	Co-Manger

Measure R Bonds

Underwriter Pool Summary

- In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 47% of the participants chosen for the proposed pool identify as DBE/SBE/DVBE.
- DBE/SBE/DVBE firm participation has increased 76% from the previously selected pool which was comprised of 27% of DBE/SBE/DVBE designated firms

Underwriting Firm	DBE/SBE/DVBE Designation
Academy Securities	Disabled Veteran Business Enterprise and Minority Business Enterprise
American Veteran Group	Disabled Veteran Business Enterprise
Bank of America	No Designation
Barclays	No Designation
Blaylock Van	Minority Business Enterprise
Cabrera Capital Markets	Minority Business Enterprise
Goldman Sachs	No Designation
J.P. Morgan Securities	No Designation
Jefferies	No Designation
Loop Capital Markets	Minority Business Enterprise
Mischler Financial Group	Disabled Veteran Business Enterprise
Morgan Stanley	No Designation
Ramirez & Co.	Minority Business Enterprise
Raymond James	No Designation
Siebert Williams Shank & Co., LLC	Minority Business Enterprise and Woman Business Enterprise
TD Securities	No Designation
Wells Fargo Bank	No Designation



Metro

Measure R Bonds

Recommendation:

- A. Adopt a resolution authorizing the negotiated sale of up to \$500 million of Measure R Refunding Bonds
- B. Establish an underwriter pool that will be used to select underwriters for all future negotiated debt issues through June 30, 2029

Next Steps:

- Obtain credit ratings on the Refunding Bonds
- Complete legal documentation and initiate the pre-marketing efforts
- Negotiate the sale of the Refunding Bonds with the underwriters