



**Metro**

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

**Agenda - Final**

**Wednesday, April 19, 2023**

**1:30 PM**

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

*Kathryn Barger, Chair  
Holly J. Mitchell, Vice Chair  
Karen Bass  
Paul Krekorian  
Tim Sandoval  
Gloria Roberts (Interim), 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 public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for one (1) minute during this Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

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

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

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

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

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

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## DISCLOSURE OF CONTRIBUTIONS

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

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Requests can also be sent to [boardclerk@metro.net](mailto:boardclerk@metro.net).

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Requests can also be sent to [boardclerk@metro.net](mailto:boardclerk@metro.net).



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

### **Live Public Comment Instructions:**

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

The Committee Meeting begins at 1:30 PM Pacific Time on April 19, 2023; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-251-2949 and enter  
English Access Code: 8231160#  
Spanish Access Code: 4544724#

***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 1:30 PM, hora del Pacifico, el 19 de Abril de 2023. Puedes unirse a la llamada 5 minutos antes del comienzo de la junta.

Marque: 888-251-2949 y ingrese el codigo  
Codigo de acceso en ingles: 8231160#  
Codigo de acceso en espanol: 4544724#

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

### **Written Public Comment Instruction:**

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

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

Email: BoardClerk@metro.net

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Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

## CALL TO ORDER

## ROLL CALL

APPROVE Consent Calendar Items: 11, 12, and 13.

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

## CONSENT CALENDAR

**11. SUBJECT: PROPERTY INSURANCE PROGRAM** [2023-0013](#)

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to negotiate and purchase All Risk Property and Boiler and Machinery insurance policies for all Metro properties at a not to exceed premium of \$8.5 million for the 12-month period May 10, 2023, through May 10, 2024.

**Attachments:** [Attachment A - Recommended Program Pricing and Carriers](#)  
[Attachment B - Alternatives Considered](#)

**12. SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS** [2023-0195](#)

**RECOMMENDATION**

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe LLP (Crowe) as of and for the fiscal year ended June 30, 2022.

**Attachments:** [Attachment A - SAS 114 Letter](#)  
[Attachment B - Single Audit Report for FY22](#)  
[Attachment C - Federal Funding Allocation Data](#)  
[Attachment D - TDA Operations Agency](#)  
[Attachment E - TDA Schedule of Revenues](#)  
[Attachment F - STA Special Revenue](#)  
[Attachment G - SAFE](#)  
[Attachment H - LCTOP](#)

**13. SUBJECT: MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE SELECTION** [2023-0196](#)

**RECOMMENDATION**

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APPROVE Stephen Heaney, the recommended nominee for the Measure M Independent Taxpayer Oversight Committee for the area of expertise B, a professional from the field of municipal/public finance and/or budgeting.

**Attachments:**      [Attachment A - Committee Membership Requirements](#)  
[Attachment B - Selection Panel Guidelines](#)  
[Attachment C - Candidate Bio](#)

**NON-CONSENT**

- 14. SUBJECT: FARE CAPPING MARKETING UPDATE, CASH TO TAP CONVERSION UPDATE AND CAL-ITP OPEN PAYMENT EFFICACY** [2023-0002](#)

**RECOMMENDATION**

RECEIVE AND FILE report on TAP updates about Fare Capping Marketing, Cash to TAP Conversion and the review of CAL-ITP open payment.

**Attachments:**      [Attachment A - Metro Fare Change Summary](#)  
[Attachment B - Cash and TAP Use on Metro in 2022](#)  
[Attachment C - Market Research Findings Summary & Sources](#)  
[Attachment D - Fare Payment Survey Analysis](#)  
[Attachment E - Bus Operator Survey Questions and Results](#)  
[Attachment F - Cash to TAP Campaign Update](#)  
[Attachment G - Fare Capping Customer Journey](#)  
[Attachment H - Fare Changes & Capping Campaign Strategy](#)  
[Attachment I - TAP Vendor Update](#)

- 15. SUBJECT: FISCAL YEAR 2024 BUDGET DEVELOPMENT STATUS UPDATE** [2023-0107](#)

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year (FY24) Budget Development Status Update.

**Attachments:**      [Attachment A - Metro Transit O&M - \(Budget and Service Plan\)](#)  
[Attachment B - Metro Transit Capital Improvement Projects Details](#)  
[Attachment C - Overall Bus Investments](#)  
[Attachment D - Congestion Mgmt, General P&P, Oversight Admin Programs](#)  
[Attachment E - Early, Improved & Expanded Public Engagement Update](#)

- SUBJECT: GENERAL PUBLIC COMMENT** [2023-0232](#)

RECEIVE General Public Comment

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

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

**Adjournment**



## Board Report

File #: 2023-0013, File Type: Program

Agenda Number: 11.

### FINANCE, BUDGET, AND AUDIT COMMITTEE APRIL 19, 2023

**SUBJECT: PROPERTY INSURANCE PROGRAM**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to negotiate and purchase All Risk Property and Boiler and Machinery insurance policies for all Metro properties at a not to exceed premium of \$8.5 million for the 12-month period May 10, 2023, through May 10, 2024.

#### **ISSUE**

The All Risk Property and Boiler and Machinery insurance policies expire on May 10, 2023.

#### **BACKGROUND**

Metro's insurance broker, USI Insurance Services ("USI"), is responsible for marketing the property insurance program to qualified insurance carriers. In this challenging hard market, quotes are currently being received from, and negotiations are ongoing with, carriers with A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. Premium indications are based on current market expectations. Final pricing, however, is not yet available as USI continues to broker the most competitive pricing for Metro.

Metro established a Excess Commercial Property Insurance program to protect against insured losses. Each year, Risk Management meets with USI to prepare for the upcoming marketing process and secure the data required to approach underwriters and obtain the most competitive coverage and premium available.

Initial discussions begin in the first quarter of the fiscal year through an evaluation of market conditions to determine the availability of coverages and what premium levels are indicated. Once established, an annual stewardship meeting is conducted in September to review what data will be required, including new infrastructure, such as rolling stock (bus, rail, and non-revenue vehicles), real property (buildings and facilities), business personal property (equipment, furniture), and newly completed projects as the agency accepts each. Risk Management obtains status data, including targeted completion dates of various projects, to provide an accurate account of the agency's present and future property exposures.



Risk Management compiles updated information, including projected revenues, payroll, property valuations, and property distribution, as needed. Once internal data is collected, the data is forwarded to USI for presentation to the domestic insurance marketplace as well as international markets in London, Bermuda, and European markets. Due to timing requirements, USI approaches underwriters in January to ensure that data is current. Initial indications of interest and costs generally become apparent in late March.

USI provides a not-to-exceed number that serves two functions. First, the number provides an amount that Risk Management may utilize to approach the CEO and Board to obtain approval for the binding of the new program, which mitigates a potential gap in insurance coverage. And second, the number allows our broker ample time to continue to negotiate with underwriters to ensure that Metro obtains the most competitive pricing available.

## **DISCUSSION**

Property insurance protects against losses to structures, fleets, and improvements, which are valued at approximately \$18.8 billion, up from last year's \$14.6 billion. The increase in total insured value is primarily due to general replacement cost growth (mainly soaring construction costs) along with revaluation of both heavy and light rail vehicles. In addition, the Regional Connector Project, scheduled for final acceptance and operations during the upcoming policy term, has been included in the overall statement of values. The inclusion ensures that no gaps in protection occur during the transition into revenue operations. Property insurance is also required by many contracts and agreements, such as our lease/leaseback deals involving several of Metro's operating assets.

USI marketed the property program to qualified insurance carriers to obtain property insurance pricing with Probable Maximum Loss (PML) coverage limits at a minimum of \$450 million. Property insurance program quotations are currently being received from carriers with acceptable A.M. Best ratings. Final pricing is pending, and the quotes, including contingencies for unanticipated adjustments, serve as a not to exceed cost before policy binding.

The current property program includes an All Risk deductible of \$250,000 with no earthquake coverage and a flood deductible of 5% per location, subject to a \$250,000 minimum. USI continues negotiations with carriers regarding deductible limits and selected Metro assets, including rolling stock, non-revenue vehicles, and potential flooding in subway tunnels. Under the current program, if a loss exceeds the deductible, All Risk coverage is provided up to \$450 million per occurrence for losses except for flood related damages that are covered up to \$150 million (tsunami and tunnels are covered up to \$50 million with a \$500,000 deductible for tsunami and flood damages). Therefore, authority for the upcoming property renewal program is requested to continue negotiations with carriers for a minimum of \$450 million in coverage limits and a not to exceed deductible of \$1 million. Attachment A shows the outline of the renewal program structure within the parameters requested. The not to exceed premium price includes a contingency for premium adjustments, taxes, and fees due to ongoing negotiations with insurance carriers.

Metro has not purchased earthquake coverage in previous years. In the event of a major disaster, we believe funding would be available through federal and state sources to restore public transportation

in Southern California. The lack of earthquake coverage is consistent with decisions made by other large local government agencies.

The Terrorism Risk Insurance Act (TRIA) provides government support by providing mechanisms for spreading losses across policyholders. In the past, we rejected this coverage because of the high likelihood of federal and state funding to restore transportation services due to a serious terrorism incident. We will continue to reject terrorism coverage at the present time.

The current and recommended renewal programs of insurance are layered structures. Several insurance carriers participate in the program, with each contributing a portion of coverage that maintains a diversified portfolio of insurance carriers. Continual monitoring through internal methods, as well as updates provided by USI, ensure that all carriers maintain the required financial ratings indicated by financial reporting agencies and as determined by A.M. Best.

In January, February, and March 2023, USI contacted multiple domestic and international insurance providers to present Metro's property risks and supplemental data. USI provided an overview of the Metro transit system during discussions with the underwriters, including its extensive security infrastructure, fire protection, loss control, and minimal risk of flood exposures.

The Metro property program continues to be well received by insurers due to its favorable loss history and the account's growth from \$7.8 billion in value in 2010 to \$18.8 billion for this renewal. USI presented the submission to incumbent and competing insurers to create competition in the insurance marketplace. Incumbent carriers were maintained but at reduced participation, requiring additional carriers to be added to the program. Due to the current hard market, Metro's estimated renewal rate and premium are expected to increase significantly. The major factors driving the rate increase are summarized in the following paragraphs.

The property insurance market continues to experience major interruptions. Capital (and therefore capacity) has either been exhausted or withdrawn from the market with little new capital added.

Commercial property insurance rates continue to show significant growth over several quarters. The influence of climate change on natural catastrophes, supply chain challenges, and inflation are working concurrently to push rates higher, according to a report from Westchester, Chubb Ltd.'s wholesale excess and surplus lines division. Gallagher Re further projects that rates will increase from 35% to 50% for loss free property programs. In addition to driving up rates, these issues make underwriting more challenging. Further, inflationary pressures, along with rising costs for labor and building materials which current supply chain issues have exacerbated, are increasing the possibility for undervalued replacement costs. Lastly, hurricane Ian capped an already unprofitable year with an estimated \$120 billion of losses.

Carriers are looking to return their portfolios to profit, which has led to continuing universal rate increases even for insureds that are claims-free. Along with premium increases and higher deductibles, insurers are instituting more restrictive terms. Carriers are rating on the potential for loss (regardless of good loss history), and with Metro's increased valuations on buildings, facilities, buses, and rail cars, carriers are rating on total loss estimates. Many carriers continue to reduce their capacity by 20% to 50%, in some cases requiring more carriers to participate in insurance programs

to maintain limits. During this renewal, Metro's insurers are also taking losses on the recent severe weather, flooding, and, most recently, train derailments in Ohio.

Metro has historically enjoyed some of the lowest rates among transit systems and remains an attractive client within this space. Unfortunately, the space is not held in the same regard it was just a few years ago, and carriers continue to reduce their appetite for transit risks. This year's renewal is especially challenging, but Metro's favorable insurability and ability to take full advantage of USI's marketing efforts in a very demanding market environment places Metro at an advantage compared to other transit agencies in the country.

### **DETERMINATION OF SAFETY IMPACT**

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

### **FINANCIAL IMPACT**

The funding for two months of \$1,416,667 for this action is included in the FY23 Budget in cost center 0531, Risk Management - Non Departmental Costs, under projects 100001 - General Overhead, 300022 - Rail Operations - Blue Line, 300033 - Rail Operations - Green Line, 300044 - Rail Operations - Red Line, 300055 - Gold Line, 300066 - Expo Line, 301012 - Metro Orange Line, 306001 - Operations Transportation, 306002 - Operations Maintenance, 320011 - Union Station, and 610061 - Owned Property in account 50601 (Ins Prem For Phys Damage). In FY24, an estimated \$7.1 million will be expensed for property insurance.

The remaining ten months of premiums are included in the FY24 Preliminary Budget, cost center 0531, Risk Management - Non Departmental Costs, under projects 100001 - General Overhead, 300022 - Rail Operations - Blue Line, 300033 - Rail Operations - Green Line, 300044 - Rail Operations - Red Line, 300055 - Gold Line, 300066 - Expo Line, 300077 - Rail Operations - Crenshaw/LAX (K) Line, 301012 - Metro Orange Line, 306001 - Operations Transportation, 306002 - Operations Maintenance, 320011 - Union Station, and 610061 - Owned Property in account 50601 (Ins Prem For Phys Damage).

### **Impact to Budget**

Additional funds required to cover premium costs beyond FY24 budgeted amounts will be addressed by fund reallocations during the year. The current fiscal year funding for this action will come from the Enterprise, General, and Internal Service funds. No other sources of funds were considered for this activity because these are the funds that benefit from the insurance. This activity will result in an increase in operating costs from the prior fiscal year.

### **EQUITY PLATFORM**

The insurance policies cover all Metro-owned property, stations, tunnels, bridges, rolling stock fleet, right of ways, facilities, and buildings that provide transportation service and benefits to low-income residents, black, indigenous, and people of color, people with disabilities, people with limited English proficiency, minorities, women, disadvantaged or disabled veterans, LGBTQ community, and other

marginalized groups. Metro's property insurance program ensures that its facilities, rolling stock fleet, and infrastructure, which serve these groups, are covered by insurance policies in the event of a major loss or damage. Valuation of these assets, including assets in Equity Focus Communities, conforms to the insurance industry's replacement cost methodology.

### **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 risk management programs includes using insurance to mitigate large financial risks resulting from damage to or loss of Metro property.

### **ALTERNATIVES CONSIDERED**

The current program, the recommended renewal program, and an alternative option with earthquake coverage are summarized in Attachment B. Based upon the history of favorable renewal and losses, Risk Management recommends continuing the current insurance program as the most cost effective and prudent program. The option of adding earthquake coverage is not recommended because the high cost of earthquake premium does not justify the benefit of the coverage.

### **NEXT STEPS**

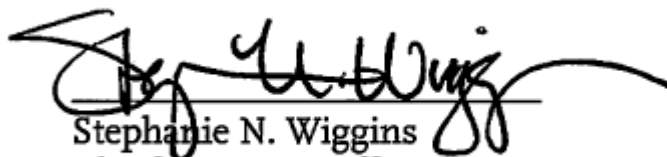
Upon Board approval of this action, we will advise USI to proceed with the placement of the property insurance program outlined herein, effective May 10, 2023.

### **ATTACHMENTS**

Attachment A - Recommended Program Pricing and Carriers  
Attachment B - Alternatives Considered

Prepared by: Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4158  
Kenneth Hernandez, Deputy Chief Risk, Safety, and Asset Management Officer,  
(213) 922-2990

Reviewed by: Gina L. Osborn, Chief Safety Officer, (213) 922-3055



Stephanie N. Wiggins  
Chief Executive Officer

RECOMMENDED PROGRAM PRICING AND CARRIERS



USI Insurance Services  
 Proposed Property/B&M Insurance 2023 - 2024  
 Los Angeles County Metropolitan Transportation Authority

Limit	Excess of	Coverage	Carrier - Best Rating	Participation (\$)	Participation (%)	Total Premium (incl taxes & fees)
<b>\$300M</b>	<b>\$150M</b>	<b>All Risk Excluding Flood &amp; Earthquake</b>	Chubb Bermuda - AA	\$300,000,000	100.00%	795,000
				<b>\$300,000,000</b>	<b>100.00%</b>	<b>795,000</b>
<b>\$150M</b>	<b>Underlying Deductibles</b>	<b>All Risk Excluding Earthquake</b>	Various Carriers	\$150,000,000	100.00%	7,705,000
				<b>\$150,000,000</b>	<b>100.00%</b>	<b>7,705,000</b>

**Estimated Program Not-To-Exceed Total\* \$8,500,000**

\* Subject to finalization of on-going negotiations with carriers. Estimates shown are not to exceed premiums.

**2023/24 Total Insurable Values: \$18,827,046,887**

Terrorism pricing is not included above.

Earthquake pricing is not included above.

**Chubb Higher Limit Options:**

USD 50,000,000 xs USD 450,000,000 xs underlying deductibles/retentions @ USD 95,000  
 USD 50,000,000 xs USD 500,000,000 xs underlying deductibles/retentions @ USD 65,000

**Non-TRIA Terrorism subject to full underwriting:**

TIV: \$18.8B  
 Loss Limit: \$100M  
 Deductible: \$250k deductible  
 Premium: \$567,875

**Earthquake subject to full underwriting:**

TIV: \$18.8B  
 Loss Limit: \$50M  
 Deductible: 10% per unit of coverage  
 Premium: \$6,146,748

\*Subject to no losses until expiration.

## ATTACHMENT B

### ALTERNATIVES CONSIDERED

	Current Program	Recommended Program	Alternative Program with Earthquake
<b>Deductibles</b>	\$250,000 All Risk / 5% of location per unit value for Flood *	Up to \$1,000,000 All Risk / 5% of location per unit value for Flood *	Up to \$1,000,000 All Risk / 5% of location per unit value for Flood *
<b>All Risk Limits</b>	\$450 Million	Min. \$450 Million	Min. \$450 Million
<b>Flood Limits</b>	\$150 Million	\$150 Million	\$150 Million
<b>Earthquake Limits</b>	None	None	\$50 Million after 10% per location deductible
<b>Terrorism</b>	None	None	None
<b>Total not to Exceed or Actual Premium</b>	\$4,995,000	\$8,500,000**	\$14,565,000**

\*\$50 million limit on tsunami/flood in tunnels with \$500,000 deductibles.  
 \$25 million limit for flood in special flood hazard areas.

\*\*Not to exceed amounts, subject to no losses until expiring.

**Chubb Higher Limit Options:**

- USD 50,000,000 xs USD 450,000,000 xs underlying deductibles/retentions @ USD 95,000
- USD 50,000,000 xs USD 500,000,000 xs underlying deductibles/retentions @ USD 65,000

**Non-TRIA Terrorism subject to full underwriting:**

TIV: \$18.8B  
 Loss Limit: \$100M  
 Deductible: \$250k deductible  
 Premium: \$567,875

**Earthquake subject to full underwriting:**

TIV: \$18.8B  
 Loss Limit: \$50M  
 Deductible: 10% per unit of coverage  
 Premium:  
 \$6,146,748

**Board Report**

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**File #:** 2023-0195, **File Type:** Informational Report**Agenda Number:** 12.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
APRIL 19, 2023****SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe LLP (Crowe) as of and for the fiscal year ended June 30, 2022.

**ISSUE**

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and the following component audits for the fiscal year ended June 30, 2022 (FY22):

- Annual Comprehensive Financial Report for the Los Angeles County Metropolitan Transportation Authority;
- Independent Auditor's SAS 114 letter covering required communications related to the financial statement audit;
- Single Audit Report;
- Independent Accountant's Report on Applying Agreed-Upon Procedures on Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154);
- Independent Auditor's Report on Compliance with the California Code of Regulations (Section 6667); Report on Internal Control over Compliance; and Report on 50% Expenditure Limitation Schedule for Transportation Development Act Operations Agency;
- Independent Auditor's Report on Compliance with the California Code of Regulations (Sections 6640-6662); Report on Internal Control over Compliance; and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for Transportation Development Act;
- Independent Auditor's Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements for the fiscal years ended June 30, 2022, and 2021.
- Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial

- statements; and
- Independent Auditor's Report on Compliance with Rules and Regulations of the Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the Los Angeles County Metropolitan Transportation Authority's compliance with the LCTOP Guidelines.

## **DISCUSSION**

Metro's basic financial statements include its audited financial statements, supplemental information, and unmodified audit opinion from the independent external auditor. The independent auditor issued unmodified opinions on all audit reports for FY22. Receiving an unmodified opinion indicates that all financial statements for FY22 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements. Crowe identified two findings in the Single Audit Report related to internal controls over procurements and compliance with federal wage rate requirements. Management concurred with the recommendations and has implemented corrective action plans to address the findings.

Due to the considerable size of the document, the Annual Comprehensive Financial Report is accessible on Metro's website at <https://www.dropbox.com/s/crl8j8kma214p84/FY22%20-%20LA%20Metro%20ACFR.pdf?dl=0>.

## **EQUITY PLATFORM**

There are no anticipated equity impacts or concerns from audit services conducted to complete the Annual Financial Comprehensive Report.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

## **ALTERNATIVES CONSIDERED**

Audited annual financial audit financial statements are required for compliance state, federal, and local funds. This audit was conducted by an independent certified public accounting firm, and as such, it is not recommended that the Board reject the audits. Rejection of the audit would delay documentation of compliance with Metro's sales tax provisions as well as state and federal grantee requirements.

## **NEXT STEPS**

Management Audit Services will continue reporting audit activities on the basic financial statements and component financial statements in the next fiscal year.

## **ATTACHMENTS**



Attachment A - SAS 114 Letter Covering Required Communications

Attachment B - Single Audit Report for FY22

Attachment C - Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for FY22

Attachment D - Transportation Development Act Operations Agency for FY22

Attachment E - Transportation Development Act Schedule of Revenues, Expenditures, and Changes in Fund Balances for FY22

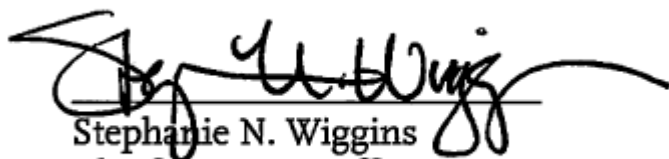
Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements as of FY22 and FY21

Attachment G - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for FY22

Attachment H - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for FY22

Prepared by: Lauren Choi, Deputy Executive Officer, Administration (Interim), (213) 922-3926  
Monica Del Toro, Senior Manager, Audit, (213) 922-7494

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



Stephanie N. Wiggins  
Chief Executive Officer



Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our contract with the Los Angeles County Metropolitan Transportation Authority (LACMTA) for further information on the responsibilities of management and of Crowe LLP.

### **AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS**

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of LACMTA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We direct your attention to our report issued under *Government Auditing Standards* for matters required to be reported under the standards.

### **COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM LACMTA**

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to LACMTA under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with LACMTA that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

## PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications between the entity and regulators.
  - Other matters you believe are relevant to the audit of the financial statements.
- Matters relative to the use of other auditors/other accountants during the audit:
  - An overview of the type of work to be performed by other auditors/other accountants.
  - The basis for the decision to make reference to the audit of the other auditor in our report on the entity's financial statements.
  - An overview of the nature of our planned involvement in the work to be performed by the other auditor/other accountant.

## SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
Significant Unusual Transactions.	No such matters noted
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted

Accounting Standard	Impact of Adoption
<p><b>GASB Statement No. 87, “Leases”</b>  This Statement was issued to improve accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources. Lessees and lessors should recognize short-term lease payments as outflows of resources and inflows of resources, respectively, based on the payment provisions of the lease contract.</p>	<p>Upon adoption of this Statement, LACMTA recorded its lessee lease obligations as lease liabilities and right-to-use lease assets and its lessor lease arrangements as lease receivables and deferred inflows of resources. See Note O of the audited financial statements for more details on the impact of implementation of this Statement.</p>

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management’s current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in LACMTA’s year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management’s estimates.
Loss Contingencies	LACMTA consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management’s evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements.	Based on information obtained from LACMTA’s legal counsel regarding this matter and discussions with management, we concur with management’s accrual and disclosure, or lack thereof, of loss contingencies.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.
Accrual for Self-Insured Claims	Accruals for self-insured claims are based on management's estimate of the ultimate incurred losses and losses that have been incurred but not yet reported. Management determines the self-insured reserves for estimated claims based historical rate of claims, actual claims experience and projected claims experience.	We tested the propriety of information underlying management's estimates and the reasonableness of estimates and assumptions.

**AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES**

We are to discuss with you our comments about the following matters related to LACMTA's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures

1. A misstatement related to intergovernmental receivables and deferred revenues for the Measure R fund was corrected by management. There was a \$53.7m over accrual of receivables and deferred revenue one of the projects. There was no related revenue entry that required correction.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

1. Two known misstatements and one likely misstatement were waived by management relating to the generation and sale of low carbon fuel standards (LCFS) credits, a program administered by the California Air Resources Board. LACMTA generates these credits through the usage of low carbon fuel options, such as CNG and propulsion power, activities that are recorded on the Enterprise fund (business-type activities). Thus, the \$10.0 million of revenue from the sales of these credits should be recorded on the Enterprise fund. However, management has recorded the revenue on the General fund to provide greater visibility to the revenue being generated.

In addition to reclassifying the revenue between LACMTA's funds, we also noted that the number of credits held as of the reporting date, multiplied by their estimated fair value, should be recorded as an asset based on the GASB's definition of an asset. This resulted in a likely misstatement that understated Enterprise fund assets by approximately \$35.7 million, overstated revenue by approximately \$19.9 million, and understated net position by approximately \$55.7 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2021, which was reported as waived adjustment in the FY 2021 audit.

2. Two likely misstatements were waived by management related to not accounting for the Regional Transit Access Pass (RTAP) activity for other operators (non LACMTA) as fiduciary activities. The stored value estimated to be used by other operators results in an increase in cash in the amount of \$8.0M. The amount payable to operators results in an increase to accounts payable in the amount of \$1.5 million. Additionally, the activity for the year related to other operators results in an increase in deductions and additions in the amount of \$11.8 million and \$11.9 million, respectively.
3. Known misstatement was waived by management to record intergovernmental receivable and related deferred revenue. The error resulted in understatement of receivables and deferred inflows of resources of \$7.2 million for the Measure R fund.

## OTHER COMMUNICATIONS

Communication Item	Results
<p><b>Other Information Included in an Annual Report</b> Information may be prepared by management that accompanies or includes the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that:</p> <ul style="list-style-type: none"> <li>• Material inconsistency exists between the other information and the auditor’s knowledge obtained in the audit; or</li> <li>• A material misstatement of fact exists, or the other information is otherwise misleading.</li> </ul> <p>If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared other information to accompany the audited financial statements.</p>
<p><b>Significant Difficulties Encountered During the Audit</b> We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p><b>Disagreements with Management</b> We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LACMTA’s financial statements or the auditor’s report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p><b>Difficulties or Contentious Matters</b> We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team.</p>	<p>During the audit, there were no such issues for which we consulted outside the engagement team.</p>
<p><b>Circumstances that Affect the Form and Content of the Auditor’s Report</b> We are to discuss with you any circumstances that affect the form and content of the auditor’s report, if any.</p>	<p>There are no such circumstances that affect the form and content of the auditor’s report.</p>
<p><b>Consultations with Other Accountants</b> If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>
<p><b>Representations the Auditor Is Requesting from Management</b> We are to provide you with a copy of management’s requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management’s representation to us provided separately.</p>

Communication Item	Results
<p><b>Significant Issues Discussed, or Subject to Correspondence, With Management</b>            We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no such significant issues discussed, or subject to correspondence, with management.</p>
<p><b>Significant Related Party Findings or Issues</b>            We are to communicate to you significant findings or issues arising during the audit in connection with LACMTA's related parties.</p>	<p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>
<p><b>Other Findings or Issues We Find Relevant or Significant</b>            We are to communicate to you other findings or issues, if any, arising during the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>

We are pleased to serve LACMTA as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Los Angeles, California  
 January 24, 2023



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Uncorrected Misstatements**  
**June 30, 2022**  
(amounts in thousands)

Opinion Unit	Account Name	Debit	Credit	Increase (Decrease)					
				Assets / Deferred Outflows	Liabilities / Deferred Inflows	Net Position / Fund Balance	Revenues	Expenses / Expenditures	Other Financing S&U
1 Enterprise fund / Business-type activities	LCFS asset	\$ 35,731		\$ 35,731					
	Other revenue	\$ 19,934					\$ (19,934)		
	Net position		\$ 55,665			\$ 55,665			
	Operating transfers out	\$ 10,065							\$ (10,065)
	Other revenue		\$ 10,065				\$ 10,065		
General fund / Governmental activities	Miscellaneous revenue	\$ 10,065					\$ (10,065)		
	Operating transfers in		\$ 10,065						\$ (10,065)
2 Fiduciary Fund	Cash	\$ 8,003		\$ 8,003					
	Payable to operators		\$ 1,536		\$ 1,536				
	Net position		\$ 6,325			\$ 6,325			
	Deductions	\$ 11,794							\$ 11,794
	Additions		\$ 11,936				\$ 11,936		
2 Measure R	Intergovernmental receivable	\$ 7,232		\$ 7,232					
	Deferred revenue		\$ 7,232		\$ 7,232				
<b>Total impact on change in fund balance / net position:</b>									
	Governmental activities	\$ -							
	Enterprise fund / Business-type activities	\$ 196							
	Fiduciary Fund	\$ 142							

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Corrected Misstatements**  
**June 30, 2022**  
 (amounts in thousands)

Opinion Unit	Account Name	Debit	Credit	Increase (Decrease)						
				Assets / Deferred Outflows	Liabilities / Deferred Inflows	Net Position / Fund Balance	Revenues	Expenses / Expenditures	Other Financing S&U	
1 Measure R	Deferred revenue	\$ 53,734			\$ (53,734)					
	Intergovernmental receivable		\$ 53,734	\$ (53,734)						



**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**SINGLE AUDIT REPORT**

Fiscal year ended June 30, 2022

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
Los Angeles, California

SINGLE AUDIT REPORT  
Fiscal year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated January 23, 2023. Our report includes a reference to other auditors who audited the financial statements of the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, as described in our report on LACMTA's financial statements. The financial statements of the defined benefit pension plan of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be a significant deficiency.

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(Continued)

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **LACMTA's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on LACMTA's response to the findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. LACMTA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Los Angeles, California  
January 23, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2022. LACMTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to LACMTA's federal programs.

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(Continued)

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a significant deficiency.

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(Continued)



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on LACMTA's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. LACMTA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated January 23, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Los Angeles, California  
February 16, 2023

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2022

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
<b>Federal Grants</b>								
U.S. Department of Transportation								
Federal Transit Administration								
Passed through State of California Department of Transportation:								
Highway Planning and Construction Cluster								
Highway Planning and Construction								
Extension of Transit way on 1-110 to Downtown LA	20.205	EA 07-278008	\$ 6,272,631	\$ 417,702	\$ 334,162	\$ -	\$ -	\$ 83,540
I-5 Chokepoint Relief Project	20.205	07-5187	47,000,000	43,059,548	34,433,102	-	-	8,626,446
Freight Advanced Traveler Information System (FRATIS)	20.205	ATCMTDL-6065(218)	3,000,000	507,414	253,707	-	-	253,707
I-605/SR-91 Interchange Improvements	20.205	07-5186	32,000,000	4,889,205	4,041,889	-	523,652	323,664
Soundwall Package #10	20.205	HIPL-6065(251)	48,649,000	295,604	295,604	-	-	-
Highway Planning and Construction Cluster Total			<u>136,921,631</u>	<u>49,169,473</u>	<u>39,358,464</u>	<u>-</u>	<u>523,652</u>	<u>9,287,357</u>
Direct Programs:								
Federal Transit Cluster:								
Federal Transit Capital Improvement Grants:								
Trans Ctr / Bus Park & Shelters	20.500	CA-04-0088	5,570,560	77,768	62,214	62,214	-	15,554
Los Angeles Union Station/Cesar Chavez Bus Stop	20.500	CA-2016-123	1,668,557	178	142	-	-	36
Regional Connector Transit Corridor	20.500	CA-2016-046	504,900,000	120,433,163	80,641,081	-	-	39,792,082
Westside Purple Line Ext – Section 1 New Starts	20.500	CA-2016-017	597,710,967	299,630,264	61,102,709	-	-	238,527,555
Westside Purple Line Ext – Section 2 New Starts	20.500	CA-2016-047	597,710,967	156,194,251	95,553,641	-	-	60,640,610
Westside Purple Line Ext – Section 3 New Starts	20.500	CA-2019-170	397,710,967	282,432,027	60,101,532	-	-	222,330,495
Federal Transit - Capital Improvement Grants Total			<u>2,105,272,018</u>	<u>858,767,651</u>	<u>297,461,319</u>	<u>62,214</u>	<u>-</u>	<u>561,306,332</u>
Federal Transit - Formula Grants:								
Congestion Mitigation & Air Quality (CMAQ) CA-95-X251	20.507	CA-95-X251	64,000,000	11,416,935	13,061,626	-	-	(1,644,691)
COVID-19 - FFY21 5307-08 CRRSAA Grant	20.507	CA-2021-140	771,248,282	771,248,282	771,248,282	-	-	-
Systemwide Light Rail Vehicles	20.507	CA-2016-026	121,630,000	27,842,796	10,604,267	-	-	17,238,529
COVID-19 - FFY21 5307-09 ARPA Grant	20.507	CA-2022-021	1,239,508,166	1,239,508,166	1,239,508,166	-	-	-
FY2020 CMAQ and RSTP Bus Acquisition	20.507	CA-2020-139	150,500,000	58,764,020	13,034,784	-	-	45,729,236
Federal Transit - Formula Grants Total			<u>2,346,886,448</u>	<u>2,108,780,199</u>	<u>2,047,457,125</u>	<u>-</u>	<u>-</u>	<u>61,323,074</u>
State of Good Repair Grants Program								
5337 LA Metro Rail Vehicle Midlife Overhauls	20.525	CA-2018-031	86,251,460	8,630,615	6,904,492	-	-	1,726,123
State of Good Repair Grants Program Total			<u>86,251,460</u>	<u>8,630,615</u>	<u>6,904,492</u>	<u>-</u>	<u>-</u>	<u>1,726,123</u>
Bus and Bus Facilities Formula Program								
Section 5339 Bus Overhauls	20.526	CA-2019-056	96,632,212	29,433,435	21,679,318	-	-	7,754,117
FY2018 5339 Funds (D2018-BUSC-142) (Los Angeles 60020)	20.526	CA-2021-056	5,457,098	9,548,854	5,457,098	-	-	4,091,756
Bus and Bus Facilities Formula Program Total			<u>102,089,310</u>	<u>38,982,289</u>	<u>27,136,416</u>	<u>-</u>	<u>-</u>	<u>11,845,873</u>
Federal Transit Cluster Total			<u>4,640,499,236</u>	<u>3,015,160,754</u>	<u>2,378,959,352</u>	<u>62,214</u>	<u>-</u>	<u>636,201,402</u>

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 Fiscal year ended June 30, 2022

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
<b>Direct Programs:</b>								
<b>Transit Services Programs Cluster</b>								
<b>Enhanced Mobility of Seniors and Individual with Disabilities</b>								
L.A. County Section 5310 Lanc/Palm - AVTA (2016)	20.513	CA-2018-122	129,351	129,351	129,351	129,351	-	-
Enhanced Mobility of Seniors and Individuals with Disability Program 5310 All	20.513	CA-16-X066	6,092,451	341,163	206,644	206,644	-	134,519
L.A. County Section 5310 Program Administration	20.513	CA-2018-029	1,043,894	175,241	175,241	175,241	-	-
LA County Section 5310 All Subrecipients FY17	20.513	CA-2018-065	9,207,811	616,797	452,659	452,659	-	164,138
Program Administration FFY19	20.513	CA-2021-226	1,115,715	124,382	124,382	124,382	-	-
L.A. County Section 5310 All Subrecipients - FY19	20.513	CA-2020-167	9,787,049	2,052,207	1,592,923	1,592,923	-	459,284
<b>Enhanced Mobility of Seniors and Individual with Disabilities Total</b>			<b>27,376,271</b>	<b>3,439,141</b>	<b>2,681,200</b>	<b>2,681,200</b>	<b>-</b>	<b>757,941</b>
<b>Job Access and Reverse Commute Program</b>								
L A County Job Access and Reverse Commute Program. Administration. FY 06-12	20.516	CA-37-X071	5,032,849	287,161	287,161	-	-	-
Job Access and Reverse Commute Program. Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	2,978,187	267,213	167,126	-	2,710,974
Job Access and Reverse Commute - Capital/Operating Assist.	20.516	CA-37-X123	13,878,024	166,360	166,360	166,360	-	-
LA County Job Access and Program Project - Capital/Operating Assist.	20.516	CA-37-X171	7,711,637	119,592	119,592	119,592	-	-
<b>Job Access and Reverse Commute Program</b>			<b>36,966,391</b>	<b>3,551,300</b>	<b>840,326</b>	<b>453,078</b>	<b>-</b>	<b>2,710,974</b>
<b>New Freedom Program:</b>								
New Freedom - Program Adm. FY06-12	20.521	CA-57-X003	2,152,346	76,073	76,073	-	-	-
New Freedom - Capital & Operating. Assistance	20.521	CA-57-X100	7,354,678	81,828	40,914	40,914	-	40,914
New Freedom - Capital/Operating Assist.	20.521	CA-57-X048	1,755,553	83,434	41,717	41,717	-	41,717
New Freedom - Capital & Operating. Assistance	20.521	CA-57-X084	8,702,026	323,215	317,730	317,730	-	5,485
<b>New Freedom Program Total</b>			<b>19,964,603</b>	<b>564,550</b>	<b>476,434</b>	<b>400,361</b>	<b>-</b>	<b>88,116</b>
<b>Transit Services Programs Cluster Total</b>			<b>84,307,265</b>	<b>7,554,991</b>	<b>3,997,960</b>	<b>3,534,639</b>	<b>-</b>	<b>3,557,031</b>
<b>Direct Programs:</b>								
<b>Research and Development Cluster</b>								
<b>Public Transportation Research, Technical Assistance, and Training</b>								
FY16 Demonstration of Collision Avoidance & Mitigation Technologies on Los Angeles Metro Bus Service	20.514	CA-2017-055	1,450,000	600,977	435,708	-	-	165,269
LACMTA FY15 Section 5312 LONO	20.514	CA-2017-089	4,275,000	4,998,899	110,082	-	-	4,888,817
<b>Public Transportation Research, Technical Assistance, and Training Total</b>			<b>5,725,000</b>	<b>5,599,876</b>	<b>545,790</b>	<b>-</b>	<b>-</b>	<b>5,054,086</b>
<b>Federal Transit Administration Total</b>			<b>4,867,453,132</b>	<b>3,077,485,094</b>	<b>2,422,861,566</b>	<b>3,596,853</b>	<b>523,652</b>	<b>654,099,876</b>
<b>Direct Programs:</b>								
<b>Office of the Secretary</b>								
<b>National Infrastructure Investments</b>								
Eastside Access Improvements	20.933	CA-79-0005	11,800,000	9,943,567	9,943,567	-	-	-
TIGER VII Rail to Rail Active Transportation Corridor Connector	20.933	CA-2017-103	15,000,000	7,751,749	3,681,351	-	(304,125)	4,374,523
<b>National Infrastructure Investments Total</b>			<b>26,800,000</b>	<b>17,695,316</b>	<b>13,624,918</b>	<b>-</b>	<b>(304,125)</b>	<b>4,374,523</b>
<b>U.S. Department of Transportation Total</b>			<b>4,894,253,132</b>	<b>3,095,180,410</b>	<b>2,436,486,484</b>	<b>3,596,853</b>	<b>219,527</b>	<b>658,474,399</b>

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2022

Federal grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total Federal Award	Total Expenditures	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
U.S. Department of Homeland Security:								
Direct Programs								
Rail and Transit Security Grant Program								
Transit Security Grant Program	97.075	EMW-2018-RA-00007	6,204,960	22,208	22,208	-	-	-
Transit Security Grant Program	97.075	EMW-2019-RA-00019	7,208,108	373,997	373,997	-	-	-
Video Management System/Security Intelligence	97.075	EMW-2020-RA-00029	12,180,025	431,072	431,072	-	-	-
Rail and Transit Security Grant Program Total			<u>25,593,093</u>	<u>827,277</u>	<u>827,277</u>	-	-	-
Passed through State of California Department of Transportation:								
Disaster Grants - Public Assistance								
COVID-19 - FEMA-4482-DR-CA	97.036	FEMA-4482-DR-CA	627,768	627,768	627,768	-	-	-
U.S. Department of Homeland Security Total								
			<u>26,220,861</u>	<u>1,455,045</u>	<u>1,455,045</u>	-	-	-
Total Federal Grants			<u>\$ 4,920,473,993</u>	<u>\$ 3,096,635,455</u>	<u>\$ 2,437,941,529</u>	<u>\$ 3,596,853</u>	<u>\$ 219,527</u>	<u>\$ 658,474,399</u>

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2022

Grantor/cluster title/program title/pass-through grantor/project title	Assistance Listing Number	Direct Program and Pass-through Grant Identifying Number	Total State Award	Total Expenditures	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
State Grants:								
Network Integration			\$ 7,000,000	\$ 626,259	\$ -	\$ -	\$ -	\$ 626,259
Access for All			-	94,956	-	-	94,956	
VMT Mitigation Program(CALTRANS)			700,000	31,643	-	-	28,013	3,629
FY2015 PROP1B 6761-0002			16,103,043	14,532,108	-	-	14,532,108	
Airport Metro Connect			40,000,000	90,900,000	-	-	40,000,000	50,900,000
STIP-PPM20-6065(242)			2,308,000	2,254,193	-	-	2,254,193	
Crenshaw Pre-Revenue			21,837,815	8,979,481	-	-	8,183,471	796,010
DIV 20 Portal Widening Turnbac			64,437,000	122,339,311	-	-	40,627,888	81,711,423
Rosa Parks Mezzanine			14,808,000	3,418,106	-	-	1,546,077	1,872,029
TAP Farebox Upgrade			8,201,000	125,900	-	-	(636)	126,536
TAP Farebox Upgrade - MUNI			5,000,000	311,087	-	-	155,543	155,543
Rosecrans/Marquardt			76,665,000	624,072	-	-	583,026	41,046
SR-57/60 Confluence Choke Point			22,000,000	2,199,683	-	-	1,542,170	657,512
LCTOP - Metro Electric Bus Charging Infrastructure			39,098,039	2,046,740	-	-	2,046,740	-
FSP21-6065(243)			8,021,144	8,021,144	-	-	8,021,144	-
FSP21SB1-6065(245)			6,682,708	3,850,396	-	-	3,850,396	-
07A5025			3,000,000	148,273	-	-	148,273	-
Southern California Optimized Rail Expansion (Link US Phase A)			227,420,000	61,737,668	-	-	59,206,771	2,530,897
Airport Metro Connect 96th Street transit Station			151,000,000	27,340,801	-	-	27,340,801	-
So. Bay Green Line Ext.			9,000,000	6,578,480	-	-	2,573,822	4,004,658
Partnership for Housing Acceleration			1,600,000	23,245	-	-	23,245	-
FY2016 PROP1B 6861-0002			16,103,043	2,553,179	-	-	2,553,179	-
STIP PPM21-6065 (247)			4,002,000	1,475,771	-	-	1,475,771	-
Total State Grants			<u>\$ 744,986,792</u>	<u>\$ 360,212,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,786,952</u>	<u>\$ 143,425,543</u>

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2022

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**NOTE 1 – GENERAL**

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the grant activity of all expenditures of federal and state award programs of the Los Angeles County Metropolitan Transportation Authority (LACMTA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule. The Schedule also includes state grants that do not participate in the federal awards. LACMTA is the reporting entity as defined in Note 1 to the financial statements of LACMTA's basic financial statements.

**NOTE 2 – BASIS OF PRESENTATION**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LACMTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – STATE AND LOCAL FUNDS REIMBURSEMENT**

LACMTA utilizes state and local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, LACMTA reimburses state and local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred during the current fiscal year, but before a federal grant is executed are included as state or local on the Schedule in the year the expenditures are incurred and are reported as federal on the Schedule in the year the grant was executed.

**NOTE 4 – FEDERAL FINANCIAL ASSISTANCE**

Pursuant to the Single Audit Act and Uniform Guidance Compliance Supplement, the federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**NOTE 5 – MAJOR PROGRAMS**

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for LACMTA are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

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(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2022

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**NOTE 6 – PRIOR YEAR EXPENDITURES**

In accordance with Government Accounting Standards Board (GASB) guidance, expenditure-driven grant provisions are determined to be a stipulation that is considered to be an eligibility requirement and as such, revenue cannot be recognized until the agreement has been executed and eligible expenditures have been incurred. As a result, \$771,248,282 of expenditures reported on the Schedule were incurred in fiscal year 2021, as the related grant agreement was executed in fiscal year 2022.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal year ended June 30, 2022

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**SECTION I – SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

***Federal Awards:***

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

ALN 20.500 / 20.507 / 20.525 / 20.526

Federal Transit Cluster

ALN 20.933

National Infrastructure Investments

Dollar threshold used to distinguish type A and B programs:

  \$  7,313,825  

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal year ended June 30, 2022

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2022-001 – Internal Controls over Procurements (Significant Deficiency)**

Criteria: Proper internal controls are an integral component of an organization's ability to have effective operations, reliable financial reporting, and maintain compliance with applicable laws and regulations. Management should have internal controls over all key aspects of their business and for all significant financial areas, including procurement.

Condition: During our testing of sole source procurements, we noted the following exceptions:

- Three of the "Justification for Other Than Full and Open Competition" forms were not signed as reviewed by the Contracting Officer until we requested them, and a fourth was not signed by the Contracting Officer at all. In all four cases, however, there was a documented review performed by the Strategic Business Unit Chief.
- For four of the justifications, we were unable to determine whether they met the procurement policies guidelines.
- Two of the signed PO's could not be located and all that could be found was the unsigned PO and the purchase requisition from the system.
- One instance where the "Basis for Award" or "Ethics Declaration" documents could not be located and in another case the labor rate or price comparison document could not be located.

Additionally, one check request was for consulting services, which appeared allowable based on section 1.2 (a) of the Check Request policy, which indicates that "purchases greater than \$3,000" cannot use the check request unless accompanied by memo of justification approved by the Chief Officer of the department. (The check request was approved by the Chief Officer of that department) However, according to section 1.2 (b) of the Check Request policy, a check request cannot be used for "Professional Services", which seems contradictory to the prior section.

Cause: Staff did not follow their Acquisition Policy and Procedure Manual, or in some instances could not find the supporting documentation requested.

Effect: There was no financial statement impact as a result of these internal control exceptions, however, the lack of effective internal controls and adherence to internal policies could lead to errors or improperly approved contracts.

Context: We selected a sample of 23 procurements and identified the exceptions noted above.

Recommendation: We recommend that LACMTA adhere to their Acquisition Policy that requires that all "Justification for Other Than Full and Open Competition" forms be fully reviewed by both the Strategic Business Unit Chief and the Contracting Officer. We also recommend LACMTA adhere to their Records Management Policy that requires that all PO's and related procurement documents be retained for a minimum of 7 years.

We recommend that Metro clarifies the check request policy by removing section 1.2 (a) that allows for an exception to the other requirements of a check request, or recommend rewording or renumbering the policy so that it is clear that all expenditures follow the purchase order (PO) process, unless an extraordinary circumstance requires an exception to the general policy.

Lastly, we agree with the OIG's recommendation to have the Ethics and/or Legal department review the non-competitive procurements, and we further recommend that this review include the "Justification for Other Than Full and Open Competition" form specifically.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal year ended June 30, 2022

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Views of responsible officials and planned corrective actions: We concur with the recommendation to adhere to the Acquisition and Record Management policies and we have already taken step to address this moving forward.

We concur with the recommendation to clarify the check request policy regarding the unacceptable uses of check requests (section 1.2 of the policy) and the requirements for any exceptions. The revisions to the policy will be completed by March 31, 2023.

We concur with OIG's recommendation and have already accepted and implemented the recommendation as of December 14, 2022.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **Finding 2022-002 – Monitoring Controls Related to Compliance with Wage Rate Requirements (Significant Deficiency)**

Information on the Federal Program: ALN 20. 933 - National Infrastructure Investments – Special Tests and Provisions

Criteria: 2 CFR 200.303 states in part: "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . ."

Federal wage rate requirements included in subchapter IV of chapter 31 of title 40, U.S.C., apply to all projects receiving funds under this program, and apply to all parts of the project. Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements, a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). The non-Federal entity should also have internal controls in place to ensure that the contractor or subcontractor is submitting payrolls for any week that contract work is performed.

Condition: Staff was unable to provide evidence of controls in place to ensure contracts subject to wage rate requirements are appropriately monitored for compliance. There is no evidence of a review performed over certified payroll records and compliance documents performed in fiscal year 2022. Additionally, there is no evidence of communications with contractors available that demonstrate monitoring wage rate requirements.

Cause: Metro experienced staffing turnover and was not able to timely complete a review for all contracts subject to wage rate requirements. Additionally, evidence of a review performed and communications with contractors is not retained outside of email, resulting in lost documentation when there is staffing turnover.

Effect: The failure to establish an effective internal control system could have enabled noncompliance to go undetected.

Questioned Costs: None

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal year ended June 30, 2022

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Context: During our documentation and corroboration of internal controls over monitoring of wage rate requirements, there was no evidence of an effective monitoring control.

Identification as a repeat finding: No, this is not a repeat finding.

Recommendation: We recommend LACMTA assess the timing and frequency of reviews performed over compliance with wage rate requirements to ensure they are occurring at a frequency that establishes an effective internal control. Additionally, we recommend that documentation of monitoring related communications be retained in accordance with LACMTA's retention policy.

Views of responsible officials and planned corrective actions: We concur with the recommendation and add that the Labor Wage & Retention Programs (LWRP) currently has the required controls to ensure that the certified payrolls are reviewed in a timely manner and reviews are formally documented and evidence of the reviews are retained in accordance with LACMTA's retention policy. The staff turnover issue that LWRP experienced has been addressed.



**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**FEDERAL FUNDING ALLOCATION DATA**

**Transportation Operating Agency (ID# 90154)**

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures**

Fiscal year ended June 30, 2022

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Management and the Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

We have performed the attached procedures on the Federal Funding Allocation Statistics Form FFA-10 (FFA-10), related to the District's compliance with the Federal Transit Administration's (FTA) Declarations section of the 2022 Policy Manual and the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993, as of June 30, 2022. LACMTA management is responsible for compliance with those requirements.

LACMTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating assisting users in understanding compliance with the above specified requirements. Additionally, FTA has agreed to and acknowledged that the procedures are appropriate to meet their purposes. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures and reporting on findings based on the procedures performed.

The procedures and the associated findings are in Attachment A.

We were engaged by LACMTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors, the management of LACMTA, and the FTA and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Los Angeles, California  
January 30, 2023

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LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2022

The procedures below were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of LACMTA for the fiscal year ending June 30, 2022 for each of the following modes:

- Motor Bus – directly operated (MB-DO)
- Motor Bus – purchased transportation (MB-PT)
- Rapid Bus – directly operated (RB-DO)
- Heavy Rail – directly operated (HR-DO)
- Light Rail – directly operated (LR-DO)
- Vanpool – purchased transportation (VP-PT)
- Demand Response – directly operated (DR DO)

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2022 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

**Findings: Procedure performed without exception.**

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis, and
  - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2022 Policy Manual.

**Findings: Procedure performed without exception.**

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).

**Findings: Procedure performed without exception.**

- d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

**Findings: We selected a haphazard sample of 295 source documents from all modes and from several different months in fiscal years 2021, 2020, and 2019 to ensure they were retained for a minimum of three years. We observed that the source documents were maintained for each fiscal year as required.**

**Demand response program began in December 2020, therefore for DR DO only fiscal year 2021 documents available.**

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(Continued)

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2022

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

**Findings: Per inquiry with the management, the individuals reviewing source documents are independent of individuals preparing the information and the review is done on a periodic basis depending on the data being reviewed.**

- f. Select a haphazard sample of source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' review.

**Findings: We selected a haphazard sample of 85 source documents, noting the documents that required approval included approval on all source documents. Step performed without exception.**

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

**Findings: We obtained the worksheets and agreed the data on the worksheets to the summaries provided and verified the arithmetical accuracy of the summaries without exception.**

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2022 Policy Manual.

**Findings: For rail and van pool modes, LACMTA utilized a statistical sampling method as described in FTA Circulars 2710.1A. For bus and demand response modes, LACMTA utilized a 100% count verification for passenger trips and an estimate of passenger miles based on a statistical sampling method as described in FTA Circulars 2710.2A.**

- i. Discuss with transit agency staff, the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

- a. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
- b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
- c. Service purchased from a seller is included in the transit agency's NTD report.
- d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2020) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
- e. Determine how the transit agency estimated annual PMT for the current report year.

**Findings: Per inquiry with LACMTA management, LACMTA does not meet any of the three criteria that allows transit agencies to conduct statistical samples for accumulating passenger mile data every third year. Therefore, LACMTA conducts statistical sampling annually as described in procedure h.**

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(Continued)

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2022

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a haphazard selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was haphazard. Determine that the transit agency followed the stated sampling procedure.

**Findings: Step performed without exception.**

- k. Select a haphazard sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a haphazard sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

**Findings: We selected a haphazard sample of 66 source documents across all modes from all twelve months in fiscal year 2022, used for accumulating passenger miles traveled (PMT) data. We tested the average trip length and the total trips for each of the samples and recomputed the accumulations for each period. Step performed without exception.**

- l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and identify that stated procedures are followed. Select a haphazard sample of source documents used to record charter bus service and test the arithmetical accuracy of the computations.

**Findings: Step performed without exception.**

- m. For actual vehicle revenue miles (VRM) data, document the collection and recording methodology and identify that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a haphazard sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a haphazard sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
- If actual VRMs are calculated from vehicle logs, select haphazard samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

**Findings: Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, LACMTA uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles.**

**We selected a haphazard sample of 160 source documents across all modes and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception.**

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(Continued)



LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2022

- n. For rail modes, obtain and read the recording and accumulation sheets for actual VRM's and identify that locomotive miles are not included in the computation.

**Findings: Step performed without exception. There are no locomotives.**

- o. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or
  - Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and
    - Access is restricted
    - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
    - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation (see Fixed Guideway Segments form (P-40))
    - High Occupancy / Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

**Findings: Step performed without exception.**

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

**Findings: Per inquiry of management, no service changes resulted in a change in overall DRMs.**

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
  - If the improvements cause a service interruption on the FG-DRMs lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.

**Findings: Per inquiry of management, no temporary interruptions in transit service occurred in fiscal year 2022.**

- r. Measure FG/HIB DRM from maps or by retracing route.

**Findings: Step performed without exception.**

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(Continued)

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2022

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

**Findings: Per inquiry of management, LACMTA is the approved operator for all their FG and LACMTA is reporting their actual VRM, PMT, and OE for their services. Step performed without exception.**

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2020 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2020 report year, the Agency Revenue Service Date must occur within the transit agency's 2020 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

**Findings: We obtained the FG/HIB segments form. No new segments were added in fiscal year 2022.**

- u. Compare operating expenses with audited financial data after reconciling items are removed.

**Findings: Step performed without exception.**

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation-generated fare revenues. The purchased transportation fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

**Findings: For MB-PT we compared the PT fare revenues to the B-30 form without exception. This procedure is not applicable for the VP-PT.**

- w. If the transit agency's report contains data for purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

**Findings: We inquired to management and noted that the report does include purchased transportation from private operators, but that an Independent Auditor Statement is not required since LACMTA is a public transportation provider and the PT expenditures are included on the B-30 form.**

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(Continued)

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2022

- x. If the transit agency purchases transportation services, obtain a copy of the purchased transportation contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

**Findings: We obtained a copy of the PT contract for each provider and noted that the contract included a description of the services to be provided, the monetary consideration obligated by LACMTA for the service and the period covered by the contract and that this period is the same as, or a portion of, the period covered by LACMTA's NTD report; and is signed by representatives of both parties to the contract. Management stated that copies of the executed contracts are retained for the last three years, as applicable.**

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

**Findings: Per management, LACMTA provides most of their services in one UZA and therefore it is all allocated to that one UZA. Additionally, all the services provided are in urbanized areas and allocations to non-urbanized areas are not required, therefore the procedure is not applicable.**

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

**Findings: We compared and agreed the data reported on the FFA-10 form to comparable data for the prior report year and calculated the percentage change from the prior year to the current year.**

**The following changes outside the threshold were identified for each mode. For all changes identified, we inquired to LACMTA and documented the explanations for the variances.**

- MB-DO VRM and PMT increased greater than 10%
- MB-PT VRM and PMT increased greater than 10%
- RB-DO PMT increased greater than 10%; OE decreased greater than 10%
- HR-DO PMT and OE increased greater than 10%
- LR-DO PMT increased greater than 10%
- DR-DO VRM, PMT and OE increased greater than 10%

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

**Findings: Step performed without exception.**

LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION DEVELOPMENT ACT  
OPERATIONS AGENCY

50% EXPENDITURE LIMITATION SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION DEVELOPMENT ACT  
OPERATIONS AGENCY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA CODE OF REGULATIONS (SECTION 6667); REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON 50% EXPENDITURE LIMITATION SCHEDULE

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for the Transportation Development Act Program**

***Opinion on the Transportation Development Act Program***

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, including Public Utility Code Section 99245 as enacted and amended by statute, and the allocation instructions and resolutions of the Los Angeles County Metropolitan Transportation Authority (as Planning Agency) as required by Section 6667 of the California Code of Regulations adopted by the California Department of Transportation (collectively, Transportation Development Act [TDA]) that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2022.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2022.

***Basis for Opinion on the Transportation Development Act Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the Transportation Development Act. Our responsibilities under those standards and the Transportation Development Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Transportation Development Act program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Transportation Development Act program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Transportation Development Act program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Transportation Development Act program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Transportation Development Act program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

### **Report on 50% Expenditure Limitation Schedule**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated January 24, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 50% expenditure limitation schedule is presented for purposes of additional analysis as required by the Transportation Development Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 50% expenditure limitation schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
Crowe LLP

Los Angeles, California  
January 24, 2023



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION DEVELOPMENT ACT  
50% EXPENDITURE LIMITATION SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Amounts expressed in thousands)

1	Total operating cost	\$	1,778,537
2	Total capital requirements		1,726,060
3	Total debt service		771,093
<b>4</b>	<b>Total of lines 1, 2, and 3</b>		<b><u>4,275,690</u></b>
5	Less federal grant received		1,585,101
6	Less State Transit Assistance (STA) funds received		88,031
<b>7</b>	<b>Total of lines 5 and 6</b>		<b><u>1,673,132</u></b>
<b>8</b>	<b>Total of line 4 less line 7</b>		<b>2,602,558</b>
	50% of line 8		<u>1,301,279</u>
	<b>Total permissible Local Transportation Fund expenditures</b>	<b>\$</b>	<b><u>1,301,279</u></b>

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**TRANSPORTATION DEVELOPMENT ACT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**  
**TRANSPORTATION DEVELOPMENT ACT**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CALIFORNIA  
CODE OF REGULATIONS (SECTIONS 6640-6662); REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for the Transportation Development Act Program**

***Opinion on the Transportation Development Act Program***

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Transportation Development Act Guidebook, including California Code of Regulations (Sections 6640-6662) (Transportation Development Act [TDA]) and SB1 State of Good Repair that could have a direct and material effect on LACMTA's compliance with the Transportation Development Act for the fiscal year ended June 30, 2022.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TDA program for the fiscal year ended June 30, 2022.

***Basis for Opinion on the Transportation Development Act Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the Transportation Development Act. Our responsibilities under those standards and the Transportation Development Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Transportation Development Act program. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transportation Development Act program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Transportation Development Act program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Transportation Development Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Transportation Development Act, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Transportation Development Act program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Transportation Development Act program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Transportation Development Act program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated January 24, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balances is presented for purposes of additional analysis as required by the Transportation Development Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balances is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
Crowe LLP

Los Angeles, California  
January 24, 2023

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**TRANSPORTATION DEVELOPMENT ACT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022**

(Amounts expressed in thousands)

<b>Revenues:</b>	<b>Planning</b>	<b>Administration</b>	<b>Total</b>
Local grants and contracts	\$ 7,569	\$ 3,285	\$ 10,854
<b>Expenditures:</b>	7,569	3,285	10,854
Excess of revenues over expenditures	—	—	—
<b>Other financing uses;</b>			
Transfer out	—	—	—
Net change in fund balance	—	—	—
Fund balance – beginning of year	—	—	—
Fund balance – end of year	\$ —	\$ —	\$ —

See notes to of Revenues Expenditures, and Change in Fund Balances.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**  
**TRANSPORTATION DEVELOPMENT ACT**

**NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30,2022**

**(1) Transportation Planning Agency**

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is the regional transportation planning agency responsible for long-range transportation planning and is designated under the provisions of Section 65080 of the California Government Code (the Code) to prepare and adopt the Regional Transportation Plan (RTP) and the Regional Transportation Improvement Program (RTIP). Both the RTP and RTIP are directed to achieve a coordinated and balanced regional transportation system for the county in its jurisdiction. LACMTA is also the administrator of the Local Transportation Fund (LTF) under the provisions of Section 9532 of the Code.

The LTF was created by the Transportation Development Act (TDA) to fund transit projects in each county. The LTF retail sales taxes collected statewide by the California Department of Tax and Fee Administration and which are returned to individual counties according to the amount collected within that county. Los Angeles County sales tax receipts are deposited in the Los Angeles County Treasurer's Office. LACMTA, as administrator of the LTF, is authorized to distribute funds from the Treasurer's Office to claimants for transit projects that are in accordance with the Code.

**(2) Basis of Accounting**

The TDA Fund uses the modified accrual basis of accounting as required by generally accepted accounting principles. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

**(3) State of Good Repair**

Total State of Good Repair (SGR) funds received for the year totals \$33,952 consisting of \$14,815 for PUC Section 99313 and \$19,138 for PUC Section 99314. Total expenditures and transfers out are \$13,519 and \$10,630 for PUC Sections 99313 and 99314, respectively.





**LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE  
SPECIAL REVENUE FUND**

**Financial Statements**

**Fiscal Years Ended June 30, 2022 and 2021**

**LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE  
SPECIAL REVENUE FUND**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of the State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the STA Fund, of LACMTA, as of June 30, 2022 and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LACMTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2022 and 2021, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the STA Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, budgetary comparison information, schedule of allocations, and schedule of expenditures and transfers but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on our consideration of the STA Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the STA Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the STA Fund's internal control over financial reporting and compliance.

  
Crowe LLP

Los Angeles, California  
January 24, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the STA Fund's financial statements, and have issued our report thereon dated January 24, 2023. As discussed in Note 1, the financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of LACMTA, the changes in its financial position, or where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the STA Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the STA Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the STA Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the STA Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Crowe LLP

Los Angeles, California  
January 24, 2023

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2022 and 2021

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

Our discussion and analysis of STA Fund's financial performance presents an overview of the STA Fund's financial activities during the fiscal years ended June 30, 2022, and 2021. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 8). The financial statements, notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of the management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

**2022 Financial Highlights**

- Sales tax revenues for the fiscal year increased by \$48,726 or 30.48% compared with prior year. Despite an average decrease of 5.06% in the first quarter over the same period last year, sales tax revenues increased an average of 44% in the last three quarters compared to the same quarters of FY21. The sales tax during the last 3 quarters of FY22 significantly increased as the economy recovered from the Covid-19 pandemic.
- Actual sales tax revenues in FY22 totaled \$208,607 was higher by \$111,877 or 116% than the original and final budget of \$96,730 which was projected at 65.29% lower than FY21 actual revenues.
- Total transfers out decreased by \$52,372 or 37.30% compared to prior year mainly due to decrease in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also decreased by \$4,837 or 19.36% over FY21 due to lesser claims and lower city allocations in the current year.

**2021 Financial Highlights**

- Sales tax revenues for the fiscal year decreased by \$38,409 or 19.37% compared with prior year. Despite an average increase of 3.00% in the first quarter over the same period last year, sales tax revenues dropped an average of 25% in the last three quarters compared to the same quarters of FY20. The decrease in sales tax during the 2<sup>nd</sup> & 3<sup>rd</sup> quarters of FY21 may be attributed in part to decreased travelling, many businesses closed or operating at reduced hours as mandated due to the COVID 19 pandemic and unemployment.
- Actual sales tax revenues in FY21 totaled \$159,881 was higher by \$1,662 or 1.05% than the original and final budget of \$158,219 which was projected at 20% lower than FY20 actual revenues.
- Total transfers out decreased by \$71,306 or 33.68% compared to prior year mainly due to decrease in subsidies for Metro's rail operations and maintenance costs. Transportation subsidies to cities/other agencies also decreased by \$14,228 or 36.29% over FY20 in anticipation of decreased sales tax revenues over the prior year.



**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2022 and 2021

**Overview of Financial Statements**

This discussion and analysis serves as an introduction to the financial statements. The STA Fund's financial statements consisted of two components: (1) the fund financial statements, and (2) the notes to the financial statements. This report also contains other information in addition to the financial statements.

The condensed balance sheets show the STA Fund's assets and liabilities as of June 30, 2022, 2021, and 2020. The differences between the assets and liabilities are reported as fund balances. The fund balance may serve as a useful indicator of the STA Fund's financial health.

The comparative statements of revenues, expenditures and changes in fund balance for the fiscal years show the underlying events or activities of the fund that impacted the fund balances.

**Condensed Balance Sheets**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total assets	\$ 165,726	\$ 116,799	\$ 123,284
Total liabilities	41,230	93,198	94,573
Fund balances	124,496	23,601	28,711
Total liabilities and fund balances	\$ 165,726	\$ 116,799	\$ 123,284

Total assets increased by \$48,927 or 41.89% as of June 30, 2022 compared to June 30, 2021 primarily due to the increase in sales tax receipts and higher sales tax and interest receivables. Total liabilities decreased by \$51,968 or 55.76% as of June 30, 2022 compared to June 30, 2021 mainly due to the decrease in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

Total assets decreased by \$6,485 or 5.26% as of June 30, 2021 compared to June 30, 2020 primarily due to the decrease in sales tax receipts and lower sales tax and interest receivables. Total liabilities decreased by \$1,374 or 1.45% as of June 30, 2021 compared to June 30, 2020 mainly due to the decrease in accrual of subsidies allocated to LACMTA Enterprise Fund for bus and rail operations and maintenance.

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2022 and 2021

**Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues	\$ 209,072	\$ 160,276	\$ 199,760
Expenditures and other financing uses of funds	<u>(108,177)</u>	<u>(165,386)</u>	<u>(250,920)</u>
Net change in fund balances	100,895	(5,110)	(51,160)
Fund balances – beginning of year	<u>23,601</u>	<u>28,711</u>	<u>79,871</u>
Fund balances – end of year	<u>\$ 124,496</u>	<u>\$ 23,601</u>	<u>\$ 28,711</u>

Total revenues increased by \$48,796 or 30.44% during fiscal year 2022 compared to fiscal year 2021. Despite an average decrease of 5.06% in the first quarter over the same period last year, sales tax revenues increased an average of 44% in the last three quarters compared to the same quarters of FY21. Expenditures and other financing uses decreased by \$57,209 or 34.59% during fiscal 2022 compared to fiscal year 2021 mainly due to decrease in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and a decrease in local transportation subsidies claims by the cities/other local transportation agencies.

Total revenues decreased by \$39,484 or 19.77% during fiscal year 2021 compared to fiscal year 2020. Despite an average increase of 2.81% in the first quarter over the same period last year, sales tax revenues dropped an average of 25% in the last three quarters compared to the same quarters of FY20. Expenditures and other financing uses decreased by \$85,534 or 34.09% during fiscal 2021 compared to fiscal year 2020 mainly due to decrease in bus and rail operating subsidies transferred to the LACMTA Enterprise Fund and a decrease in local transportation subsidies claims by the cities/other local transportation agencies.

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Balance Sheets  
June 30, 2022 and 2021  
(Amounts expressed in thousands)

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 106,208	\$ 36,558
Interest receivable	259	95
Sales tax receivable	59,259	41,214
Due from other funds	-	38,932
Total assets	165,726	116,799
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,190	6,861
Due to other funds	37,040	86,337
Total liabilities	41,230	93,198
<b>Fund balances</b>		
Restricted	124,496	23,601
Total liabilities and fund balances	\$ 165,726	\$ 116,799

See accompanying notes to financial statements.

**Los Angeles County  
Metropolitan Transportation Authority  
State Transit Assistance  
Special Revenue Fund**

Statements of Revenues, Expenditures, and Changes in Fund Balances  
Fiscal years ended June 30, 2022 and 2021  
(Amounts expressed in thousands)

	2022	2021
Revenues:		
Sales tax	\$ 208,607	\$ 159,881
Investment income	465	395
Total revenues	209,072	160,276
Expenditures:		
Transportation subsidies	20,146	24,983
Excess of revenues over expenditures	188,926	135,293
Other financing uses:		
Transfers out	(88,031)	(140,403)
Net change in fund balances	100,895	(5,110)
Fund balances - beginning of year	23,601	28,711
Fund balances - end of year	\$ 124,496	\$ 23,601

See accompanying notes to financial statements.

**Los Angeles County  
Metropolitan Transportation Authority  
State Transit Assistance  
Special Revenue Fund**

Notes to Financial Statements  
June 30, 2022 and 2021

**1. Summary of Significant Accounting Policies**

***(a) General Description***

The Los Angeles County Metropolitan Transportation Authority's State Transit Assistance Special Revenue Fund (the STA Fund) was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Department of Transportation of the State of California (the State). Sales tax revenues of the STA Fund represent an allocation of retail sales tax on diesel and gas fuel collected by the California Department of Tax and Fee Administration. Expenditures from the STA Fund are made by Los Angeles County (the County) in accordance with written instructions issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) under the terms of the Act.

***(b) Basis of Accounting***

The STA Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request.

***(c) Fund Accounting***

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The STA Fund is considered a governmental fund. The measurement focus is the determination of changes in financial position, rather than net income determination. Additionally, the STA Fund is considered a special revenue governmental fund. Special revenue funds are used to account for proceeds of specific revenue sources including sales tax that are legally restricted to expenditures for specified purposes.

***(d) Financial Statement Presentation***

The accompanying financial statements present only the STA Fund and do not purport to, and do not, present fairly the financial position of the LACMTA as of June 30, 2022 and 2021, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

**Los Angeles County  
Metropolitan Transportation Authority  
State Transit Assistance  
Special Revenue Fund**

Notes to Financial Statements  
June 30, 2022 and 2021

***(e) Cash and Cash Equivalents***

The STA Fund's cash and cash equivalents include deposits with the Los Angeles County Investment Pool (LACIP). The STA Fund is an involuntary participant in the LACIP.

***(f) Sales Tax Receivable***

Sales tax receivables represent uncollected amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. As of June 30, 2022 and 2021, the STA Fund had receivables of \$59,259 and \$41,214 respectively.

**2. Cash and Investments**

Cash balances of the STA Fund are pooled with other County funds and invested by the Los Angeles County Treasurer (the Treasurer). These funds are subject to withdrawal from the Treasurer's pool upon demand.

STA Fund's pooled cash and investments with the LACIP amounted to \$106,208 at June 30, 2022 and \$36,558 at June 30, 2021. The County Board of Supervisors provides regulatory oversight for the LACIP. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2022 and 2021.

Detailed information concerning the County's pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County's ACFR can be obtained by writing to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

**3. Due to/from Other Funds**

Due to or from other funds represent payables owed to or receivable from a particular LACMTA fund for temporary loans, advances, goods delivered, or services rendered. As of June 30, 2022 and 2021, the STA Fund had a net payable mainly to LACMTA's Enterprise Fund for \$37,040 and \$86,337, respectively, for various unpaid operating and capital subsidies. Due mainly from Enterprise Fund is \$38,932 as of June 30, 2021 and none as of June 30, 2022.

**4. Interfund Transfers**

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies given out from one fund to another fund. For the fiscal years ended June 30, 2022 and 2021, the STA Fund transferred \$88,031 and \$140,403 to LACMTA Enterprise Fund, respectively.

**Los Angeles County  
Metropolitan Transportation Authority  
State Transit Assistance  
Special Revenue Fund**

Notes to Financial Statements  
June 30, 2022 and 2021

**5. Sales Tax Revenue**

Sales tax revenue represents amounts from the allocation of retail sales tax on diesel fuel and gas fuel collected by the California Department of Tax and Fee Administration. For the years ended June 30, 2022 and 2021, the STA Fund received an allocation of \$208,607 and \$159,881 respectively.

**6. Payable to Cities and Jurisdictions**

As of June 30, 2022 and 2021, the STA Fund had accrued liabilities to various cities and other jurisdictions of \$4,190 and \$6,861, respectively. These accrued liabilities represented claims for the current fiscal year allocation that were disbursed by the STA Fund in the following fiscal year.

**Los Angeles County  
Metropolitan Transportation Authority  
State Transit Assistance  
Special Revenue Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
(Unaudited)  
Fiscal year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final budget
Revenues:				
Sales tax	\$ 96,730	\$ 96,730	\$ 208,607	\$ 111,877
Investment income	—	—	465	465
Total revenues	96,730	96,730	209,072	112,342
Expenditures:				
Transportation subsidies	18,018	18,018	20,146	(2,128)
Excess of revenues over expenditures	78,713	78,713	188,926	110,213
Other financing sources (uses):				
Transfers out	(87,293)	(87,293)	(88,031)	(738)
Net change in fund balances	(8,580)	(8,580)	100,895	109,475
Fund balances – beginning of year	23,601	23,601	23,601	—
Fund balances – end of year	\$ 15,021	\$ 15,021	\$ 124,496	\$ 109,475



**Los Angeles County**  
**Metropolitan Transportation Authority**  
**State Transit Assistance**  
**Special Revenue Fund**  
Schedule of Allocations (Unaudited)  
Fiscal years ended June 30, 2022 and 2021  
(Amounts expressed in thousands)

CCR Code	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	2021 Total	2020 Total
Arcadia	\$ 57	\$ —	\$ —	\$ 57	\$ 89
Claremont	20	—	—	20	32
Commerce	65	—	—	65	109
Culver City	875	—	—	875	1,357
Foothill Transit	4,096	—	—	4,096	6,309
Gardena	875	—	—	875	1,372
La Mirada	16	—	—	16	26
Long Beach	3,815	—	—	3,815	5,984
LACMTA	45,152	—	48,774	93,926	146,380
Montebello	1,335	—	—	1,335	2,101
Norwalk	523	—	—	523	804
Redondo Beach	122	—	—	122	192
Santa Monica	3,268	—	—	3,268	5,090
Torrance	1,034	—	—	1,034	1,613
Antelope Valley	450	—	—	450	706
LADOT	884	—	—	884	1,372
Santa Clarita	395	—	—	395	622
Foothill –BSCP	189	—	—	189	296
Total STA fund allocations	<u>\$ 63,170</u>	<u>\$ —</u>	<u>\$ 48,774</u>	<u>\$ 111,944</u>	<u>\$ 174,454</u>

**Los Angeles County  
Metropolitan Transportation Authority  
State Transit Assistance  
Special Revenue Fund**

Schedule of Expenditures and Transfers (Unaudited)  
Fiscal years ended June 30, 2022 and 2021  
(Amounts expressed in thousands)

CCR Code	FY2022				FY2021			
	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total	Operating 6730(a)	Capital 6730(b)	Rail 6730(c)	Total
Antelope Valley	\$ 2,588	\$ —	\$ —	\$ 2,588	\$ —	\$ —	\$ —	\$ —
Arcadia	—	—	—	—	68	—	—	68
Claremont	—	—	—	—	27	—	—	27
Commerce	65	—	—	65	146	—	—	146
Culver City	875	184	—	1,059	1,173	—	—	1,173
Foothill Transit	4,285	—	—	4,285	6,605	—	—	6,605
Gardena	871	90	—	961	1,372	—	—	1,372
La Mirada	—	—	—	—	20	—	—	20
Long Beach	3,814	—	—	3,814	5,984	—	—	5,984
LACMTA	45,152	—	42,879	88,031	70,148	—	70,255	140,403
LADOT	—	—	—	—	—	—	—	—
Montebello	2,030	—	—	2,030	1,199	—	—	1,199
Norwalk	523	—	—	523	804	—	—	804
Redondo Beach	122	2	—	124	258	2	—	260
Santa Clarita	395	—	—	395	622	—	—	622
Santa Monica	3,268	—	—	3,268	5,090	—	—	5,090
Torrance	1,034	—	—	1,034	1,613	—	—	1,613
<b>Total expenditures &amp; transfers</b>	<b>\$ 65,022</b>	<b>\$ 276</b>	<b>\$ 42,879</b>	<b>\$ 108,177</b>	<b>\$ 95,129</b>	<b>\$ 2</b>	<b>\$ 70,255</b>	<b>\$ 165,386</b>

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (the STA Fund) of the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the balance sheet as of June 30, 2022 and 2021, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and have issued our report thereon dated January 24, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that LACMTA failed to comply with the terms, covenants, provisions, or conditions of Section 6751 of the California Code of Regulations, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding LACMTA's noncompliance with the above-referenced terms, covenants, provisions, or conditions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management, LACMTA's Board of Directors, others within LACMTA, and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe LLP

Los Angeles, California  
January 24, 2023

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Financial Statements and Supplementary Information  
June 30, 2022  
(With Independent Auditor's Report Thereon)

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Service Authority for Freeway Emergencies  
Los Angeles, California

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the financial statements of the governmental activities and the major fund of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of SAFE as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAFE, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAFE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAFE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SAFE's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on our consideration of SAFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SAFE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SAFE's internal control over financial reporting and compliance.

  
Crowe LLP

Los Angeles, California  
January 24, 2023



# SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

Statement of Net Position

June 30, 2022

(Amounts expressed in thousands)

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	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 10,288
Investments	25,100
Intergovernmental receivable	1,434
Interest receivable	51
Total assets	<u>36,873</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	<u>1,563</u>
Total liabilities	<u>1,563</u>
<b>Net position:</b>	
Restricted for motorist aid system projects	<u>35,310</u>
Total net position	<u>\$ 35,310</u>

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority)  
 Statement of Activities  
 For the year ended June 30, 2022  
 (Amounts expressed in thousands)

---

	<b>Governmental Activities</b>
Program expenses, net of revenues:	
Transit operations:	
Congestion relief operations	\$ 5,209
Total program expenses	5,209
General revenues:	
License fees	8,144
Investment loss	(390)
Total general revenues	7,754
Change in net position	2,545
Net position – beginning of year	32,765
Net position – end of year	\$ 35,310

See accompanying notes to the basic financial statements.

# SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

Balance Sheet

June 30, 2022

(Amounts expressed in thousands)

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	<u>Special Revenue Fund</u>
Assets:	
Cash and cash equivalents	\$ 10,288
Investments	25,100
Intergovernmental receivable	1,434
Interest receivable	51
Total assets	<u>\$ 36,873</u>
Liabilities:	
Accounts payable and accrued liabilities	<u>\$ 1,563</u>
Fund balance:	
Restricted for motorist aid system projects	35,310
Total liabilities and fund balance	<u><u>\$ 36,873</u></u>

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority)  
 Statement of Revenues, Expenditures and Change in Fund Balance  
 For the year ended June 30, 2022  
 (Amounts expressed in thousands)

---

	<b>Special Revenue Fund</b>
Revenues:	
License fees	\$ 8,144
Investment loss	(390)
Total revenues	7,754
Expenditures:	
Administration and other transportation projects	5,209
Total expenditures	5,209
Net change in fund balance	2,545
Fund balance – beginning of year	32,765
Fund balance – end of year	<b>\$ 35,310</b>

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2022

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The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise indicated, all dollar amounts are expressed in thousands.

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

The Service Authority for Freeway Emergencies (SAFE) was created in February 1988 pursuant to California Streets and Highway Code Section 2550 et seq., and is responsible for the operation, maintenance, and administration of the Los Angeles County Kenneth Hahn Call Box system. Under the authority of the above section, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated SAFE for Los Angeles County.

As LACMTA's board is SAFE's board, SAFE is a component unit of LACMTA and is included in LACMTA's financial statements as a blended component unit.

**(b) Operations**

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 625 (not in thousands) call boxes along 436 (not in thousands) miles of freeways, state highways, and selected county roads in Los Angeles County. SAFE also funds, operates, and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit and other related traveler information to the public via the phone, web and mobile application.

**(c) Government-wide Financial Statements**

SAFE's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the agency and are reported using the economic resources measurement focus and the accrual basis of accounting.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2022

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The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. License fees and investment earnings not considered program revenues are reported as general revenues.

**(d) Fund Accounting**

SAFE utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for SAFE's activities. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Additionally, the SAFE fund is considered a special revenue governmental fund. Special revenue funds are used to account for specific revenue sources that are legally restricted to specific purposes. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SAFE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented.

**(e) Fund Balance and Net Position**

Restricted fund balance and net position include amounts that can be spent only for specific purposes stipulated by enabling legislation, by grants, creditors, or by regulations of other governments. SAFE's fund balance and net position were classified as restricted as they can only be used in accordance with the provisions of the California Streets and Highway Code Section 2550 et seq by which the fund was created.

**(f) Budgetary Accounting**

Enabling legislation and adopted policies and procedures provide that the SAFE Board of Directors approve an annual budget. The Board of Directors conducts a public hearing for discussion of the proposed annual budget prior to adoption of the final budget. Unexpended appropriations lapse at year-end. The legal level of control is at the fund level, and expenses may not exceed total appropriations without board approval. By

# SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2022

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policy, the board has provided procedures for management to make revisions within operational or project budgets when there is no net dollar impact to total appropriations. The budget is prepared on a generally accepted accounting principles (GAAP) basis.

**(g) Cash and Investments**

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances in excess of \$50 are withdrawn and deposited into the LACMTA internal investment pool. Cash and investments are reported at fair market value which is the quoted market price.

**(h) Receivables**

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables include license fees due from the State Department of Motor Vehicles. As of June 30, 2022, SAFE has a receivable for license fees of \$1,434.

**(i) Vehicle Registration Fees**

Vehicle registration fees revenue is recognized when earned and is generated by a \$1 (amount not in thousands) per each car registered in Los Angeles County, which is collected by the State Department of Motor Vehicles.

**(j) Effects of New GASB Pronouncements**

There were no new GASB Pronouncements applicable to SAFE for the year ended June 30, 2022.

**(2) Cash and Investments**

The following is a breakdown of SAFE's cash and investments as of June 30, 2022.

LACMTA investment pool	\$	34,674
Los Angeles County investment pool		714
Total	\$	<u>35,388</u>

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2022

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SAFE's cash balances are pooled with other LACMTA funds participating in the investment pool by the LACMTA Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The LACMTA Board of Directors provides regulatory oversight for the LACMTA pool. Each fund maintains an equity interest in the pool and is presented as cash and investments in the Statement of Net Position. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2022. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Annual Comprehensive Financial Report (ACFR). A copy of the LACMTA's ACFR can be obtained by submitting a written request to the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

SAFE's cash balances are also pooled with other County funds and invested by the Los Angeles County Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The County Board of Supervisors provides regulatory oversight for the Los Angeles County Investment Pool (LACIP). The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2022. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Annual Comprehensive Financial Report (ACFR). A copy of the County's ACFR can be obtained by submitting a written request to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No. 3*, certain required disclosures regarding investment policies and practices with respect to the risk associated with their concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

*(a) Concentration of Credit Risk*

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels. As of June 30, 2022, SAFE does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.



# SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2022

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## *(b) Custodial Credit Risk*

SAFE has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling.

## *(c) Interest Rate Risk*

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. SAFE measures interest rate risk on its short-term investments using the effective duration method. SAFE maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years.

## *(d) Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2022, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

### **(3) Significant Commitments**

SAFE has entered into a Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable administrative support services to SAFE. The MOU will remain in effect until terminated by either party with a minimum of sixty (60) days written notice.

SAFE had \$2,746 of outstanding contractual commitments as of June 30, 2022 that had not been claimed or disbursed.

# SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the

Los Angeles County Metropolitan Transportation Authority)

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

For the Fiscal year ended June 30, 2022

(Amounts expressed in thousands)

	Original Budget*	Final Budget*	Actual	Variance with Final Budget
Revenues:				
License fees	\$ 7,750	\$ 7,750	\$ 8,144	\$ 394
Investment income	25	25	223	198
Net appreciation in fair value of investments	—	—	(613)	(613)
Total revenues	<b>7,775</b>	<b>7,775</b>	<b>7,754</b>	<b>(21)</b>
Expenditures:				
Administration and other transportation projects	8,389	8,379	5,209	3,170
Total expenditures	<b>8,389</b>	<b>8,379</b>	<b>5,209</b>	<b>3,170</b>
Net change in fund balance	(614)	(604)	2,545	3,149
Fund balances – beginning of year	32,765	32,765	32,765	—
Fund balances – end of year	<b>\$ 32,151</b>	<b>\$ 32,161</b>	<b>\$ 35,310</b>	<b>\$ 3,149</b>

\*Budget prepared in accordance with GAAP.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
Service Authority for Freeway Emergencies  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Service Authority for Freeway Emergencies (SAFE) a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated January 24, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SAFE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SAFE's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAFE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Crowe LLP

Los Angeles, California  
January 24, 2023

**LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
LOW CARBON TRANSIT OPERATIONS PROGRAM  
COMPLIANCE REPORT**

Fiscal year ended June 30, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH RULES AND  
REGULATIONS OF THE LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

**Report on Compliance for the Low Carbon Transit Operations Program Guidelines**

***Opinion on the Low Carbon Transit Operations Program Guidelines***

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the types of compliance requirements identified as subject to audit in the Low Carbon Transit Operations Program (LCTOP) Guidelines adopted by the California Department of Transportation that could have a direct and material effect on LACMTA's compliance with the LCTOP Guidelines for the fiscal year ended June 30, 2022.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the LCTOP program for the year ended June 30, 2022.

***Basis for Opinion on the Low Carbon Transit Operations Program Guidelines***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements specified in the LCTOP Guidelines. Our responsibilities under those standards and the LCTOP Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the LCTOP Guidelines. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the LCTOP program.

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(Continued)

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the LCTOP Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the LCTOP.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the LCTOP Guidelines, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the LCTOP Guidelines, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the LCTOP Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the LCTOP Guidelines will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the LCTOP Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the LCTOP Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Los Angeles, California  
January 24, 2023



**Board Report**

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**File #:** 2023-0196, **File Type:** Appointment**Agenda Number:** 13.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
APRIL 19, 2023****SUBJECT: MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE SELECTION****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

APPROVE Stephen Heaney, the recommended nominee for the Measure M Independent Taxpayer Oversight Committee for the area of expertise B, a professional from the field of municipal/public finance and/or budgeting.

**ISSUE**

The Measure M Committee consists of seven members representing various areas of expertise. In July 2020, the professional in the Area of expertise B - professional from the field of municipal/public finance and/or budgeting resigned due to a change in residence. This action seeks to fill the resulting vacancy.

**BACKGROUND**

The Measure M Ordinance (Ordinance), approved by voters in November 2016, requires the establishment of a Measure M Independent Taxpayer Oversight Committee of Metro ("Committee") to provide an enhanced level of accountability for expenditures of sales tax revenues made under the Expenditure Plan. The Committee carries out the responsibilities laid out in the Ordinance. It plays a valuable and constructive role in the ongoing improvement and enhancement of project delivery contemplated under the Measure M Ordinance. See Attachment A for Committee requirements.

The Committee is comprised of seven members representing the following areas of expertise:

- A. A retired Federal or State judge;
- B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience;
- C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices;
- D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews;

- E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects;
- F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience; and
- G. A regional association of business representative with at least ten (10) years of senior-level decision making experience in the private sector.

The Measure M Ordinance states that the Selection Panel consisting of Metro's Board Chair, Vice Chair, and Second Vice Chair or their designees shall select the Committee Members for approval. The Selection Panel developed guidelines to solicit, collect, and review applications of potential candidates for membership on the Committee.

The Metro Board shall approve the recommended candidates for Independent Taxpayer Oversight Committee Membership by a simple majority per the selection panel guidelines (Attachment B).

### **DISCUSSION**

As stipulated in the guidelines, in January 2023, staff presented the candidate to the Selection Panel for review and approval. The Selection Panel reviewed the candidate's qualifications and recommended that the candidate be approved for the Committee. The candidate is a public finance professional serving in various roles in banking as well as municipal securities. The candidate has focused on development-related financings, as well as directing issues for transportation, utilities, schools, and local government. See Attachment C for additional details on the candidate's qualifications and background.

Currently, there are two vacant positions on the Committee. Approval of the staff recommendation will result in only one vacancy. Staff will continue efforts to fill the remaining vacancy in specialty area A, retired federal or state judge.

### **DETERMINATION OF SAFETY IMPACT**

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

### **FINANCIAL IMPACT**

Approving the recommended action has no financial impact to the agency.

### **EQUITY PLATFORM**

Responsible and transparent stewardship of taxpayer dollars is an important component of equitable governance. This action will fill a vacant position on this oversight committee. There is no adverse equity impact anticipated with this action.

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

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Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization as the Committee was established to ensure that Metro and local sub-recipients comply with the terms of the Ordinance.

### **ALTERNATIVES CONSIDERED**

The Board could choose not to approve the recommended member for the Committee and re-solicit applications. This is not recommended as it would limit the number of members on the Committee and increase the likelihood of not obtaining the quorum necessary to review and discuss important Measure M matters. This may impact the ability to provide an enhanced level of accountability for expenditures of sales tax revenues made under the Expenditure Plan.

### **NEXT STEPS**

Upon approval, staff will schedule an orientation session for the selected member. In addition, staff will continue recruitment efforts to fill the remaining vacancy in the area of expertise A, a retired federal or state judge.

### **ATTACHMENTS**

Attachment A - Committee Membership Requirements

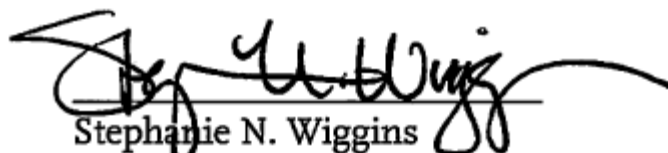
Attachment B - Selection Panel Guidelines

Attachment C - Candidate Bio

Prepared by: Lauren Choi, Deputy Executive Officer, Administration (Interim),  
(213) 922-3926

Monica Del Toro, Senior Manager, Audit, (213) 922-7494

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



Stephanie N. Wiggins  
Chief Executive Officer

Measure M Independent Taxpayer Oversight Committee  
Membership

**Requirements:**

Committee Members shall be comprised of seven (7) voting members representing the following professions or areas of expertise:

- A. A retired Federal or State judge
- B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience
- C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices
- D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews
- E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects
- F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience
- G. A regional association of businesses representative with at least ten (10) years of senior-level decision making experience in the private sector

The intent is to have one member representing each of the specified areas of expertise. If, however, after a good faith effort, qualified individuals have not been identified for one (1) or more of the areas of expertise, then no more than two (2) members from one (1) or more of the remaining areas of expertise may be selected.

The members of the Committee must reside in Los Angeles County and be subject to conflict of interest provisions. No person currently serving as an elected or appointed city, county, special district, state, or federal public officeholder shall be eligible to serve as a member of the Committee.

The Committee members shall be subject to Metro's conflict of interest policies. The members shall have no legal action pending against Metro and are prohibited from acting in any commercial activity directly or indirectly involving Metro, such as being a consultant to Metro or to any party with pending legal actions against Metro during their tenure on this Committee. Committee members shall not have direct commercial interest

## ATTACHMENT A

### Measure M Independent Taxpayer Oversight Committee Membership

or employment with any public or private entity, which receives sales tax funds authorized by this Ordinance.

Each member of the Committee shall serve for a term of five (5) years, and until a successor is appointed, except that initial appointments may be staggered with terms of three (3) years. A Committee member may be removed at any time by the appointing authority. Term limits for Committee members will be staggered to prevent significant turnover at any one time. There is no limit as to the number of terms that a Committee member may serve. Members will be compensated through a stipend and they may choose to waive.

Any member may, at any time, resign from the Committee upon written notice delivered to the Metro Board. Acceptance of any public office, the filing of intent to seek public office, including a filing under California Government Code Section 85200, or change of residence to outside the County shall constitute a Member's automatic resignation.

**Selection Panel Guideline  
Measure M Independent Taxpayer Oversight Committee**

**Independent Taxpayer Oversight Committee Selection**

**I. Solicitation/Outreach**

Metro's Communications Department will be responsible for developing an outreach plan to solicit applicants for the Measure M Independent Taxpayer Oversight Committee which requires the following seven (7) areas of expertise:

- A. A retired federal or state judge.
- B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience.
- C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices.
- D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews
- E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects.
- F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience.
- G. A regional association of businesses representative with at least ten (10) years of senior-level decision making experience in the private sector.

Management Audit Services will partner with Information Technology Services and Communications in the maintenance and update of the Independent Taxpayer Oversight Committee Webpage that links to the Measure M website. The Independent Taxpayer Oversight Committee Webpage will include the purpose, responsibilities, membership of the Committee including eligibility requirements as stipulated in the Ordinance, vacancies and recruitment information at a minimum. The website will also include links to the full Ordinance and online application; as well as a centralized email address for applicant inquiries. Inquiries on the application will be forwarded to the respective department or personnel and response time will be within three to five business days.

**II. Application Process**

Management Audit Services in partnership with various business units within Metro will develop the draft application questions for the Selection Panel's input and approval. Once approved, the questions will be converted to an online application. The online application and bulletin will be approved by the Selection Panel prior to posting on the Independent Taxpayer Oversight Committee Webpage which links to the Measure M website. The application will be open to the public for at least sixty (60) days to allow for adequate outreach.

**III. Collection of Applications**

Submitted application forms will be collected using the online application process approved by the Selection Panel. At the end of at least the 60 day period of online application process, a summary of applications received together with the completed

**Selection Panel Guideline  
Measure M Independent Taxpayer Oversight Committee**

applications and associated attachments will be turned in to the Selection Panel within seven business days after the online application closes. The summary will include but will not be limited to:

1. Total applicants received including areas of expertise that they applied for,
2. Total applicants that meet the eligibility requirements per area of expertise applied for, and
3. Total applicants that did not meet the eligibility requirements per area of expertise applied for.

**IV. Selection Panel's Review of Applications**

The Selection Panel, which will consist of Metro's Board Chair, Vice Chair, and second Vice Chair or designees, will be responsible for reviewing applications received from eligible applicants and for screening the applicants. The Panel shall recommend potential candidates for the Independent Taxpayer Oversight Committee membership to the Metro Board for approval. The successful candidates will receive notification from the Selection Panel at least three weeks prior to Metro Board Meeting.

**V. Board Approval**

Once the Selection Panel recommends the final candidates, it will be added as an agenda item for the Metro Board Meeting. The recommended candidates for Independent Taxpayer Oversight Committee Membership shall be approved by the Metro Board by a simple majority.

**VI. Term**

Each member of the Independent Taxpayer Oversight Committee shall serve for a term of five (5) years, and until a successor is appointed, except that initial appointments may be staggered with terms of three (3) years. A Committee member may be removed at any time by the appointing authority. Term limits for Committee members will be staggered to prevent significant turnover at any one time. There is no limit as to the number of terms that a Committee member may serve.

Six (6) months prior to expiration of term, the Selection Panel will convene to determine if there is any need to replace any of the Committee members. The Selection Panel will also confirm whether the incumbent Committee members still wish to serve for additional term(s).

**VII. Compensation**

Members will be compensated through a stipend, the amount of which is approved by the Metro Board. Members may choose to waive stipend.

**VIII. Resignation/Replacement of Committee Members**

Any member may, at any time, resign from the Committee upon written notice delivered to the Metro Board. Acceptance of any public office, the filing of intent to seek public office,

**Selection Panel Guideline  
Measure M Independent Taxpayer Oversight Committee**

including a filing under California Government Code Section 85200, or change of residence to outside Los Angeles County shall constitute a Member's automatic resignation.

The filling of membership vacancies, due to removals and reappointments will follow the above procedures in this Guideline.

**IX. Committee Orientation**

Management Audit Services will work with various departments to prepare an orientation handbook and presentation will conduct the orientation at least one month prior to the first scheduled Independent Taxpayer's Oversight Committee.

**X. Establishment of Committee Officers and Bylaws**

Subsequent to the orientation, the Independent Taxpayer's Oversight Committee may elect to develop their own bylaws including rules for the establishment of Committee Officers (e.g. Chair, Vice Chair, etc.) including a rotation schedule for these positions.



## Stephen E. Heaney

Stephen E. Heaney joined Stifel in 2011 through its acquisition of Stone & Youngberg, where he served as the Head of Public Finance, Chair of the Operating Committee and a member of the Board of Directors. Under his leadership the firm expanded its investment banking practice beyond California and was a leader in K-12 education financing as well as development-related infrastructure financing nationally. In 2013 he was appointed Director of Public Finance for Stifel assisting with the growth and operation of the public finance banking group, with particular attention to developing the firm's capabilities, systems and responses addressing regulatory changes in the municipal market following adoption of SEC and MSRB rule changes. In 2017, Mr. Heaney was appointed Co-Head Municipal Securities Group with management responsibilities for all municipal securities activities including institutional sales, institutional and retail trading, underwriting and investment banking. Over his career as an investment banker, Mr. Heaney has focused on development-related financings, as well as directing issues for transportation, utilities, schools, and local government. Mr. Heaney had lead responsibility for several billion dollars of municipal bond issues, primarily in California and Nevada, pioneering many financing techniques for use with large and small scale development and redevelopment projects. Mr. Heaney retired from Stifel in July, 2019.

From 2009 to 2013 Mr. Heaney served on the Municipal Securities Rulemaking Board and was the Vice Chair of the Board in the 2012-13 year. He is the past Chair of the California Public Securities Association and a past Trustee for the California City Management Foundation. Mr. Heaney earned a B.A. from Texas Tech University, an M.P.A. from the Maxwell School of Citizenship at Syracuse University.

**Board Report**

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**File #:** 2023-0002, **File Type:** Informational Report**Agenda Number:**

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
APRIL 19, 2023****SUBJECT: FARE CAPPING MARKETING UPDATE, CASH TO TAP CONVERSION UPDATE  
AND CAL-ITP OPEN PAYMENT EFFICACY****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE report on TAP updates about Fare Capping Marketing, Cash to TAP Conversion and the review of CAL-ITP open payment.

**ISSUE**

This report provides updates on the comprehensive fare capping marketing plan and the market research efforts underway that support the conversion of cash customers onto TAP.

This report also includes an update on discussions with Caltrans about the benefits of the California Integrated Travel Project (Cal-ITP).

**BACKGROUND**

In March 2021 ([File ID 2020-0704 <https://boardagendas.metro.net/board-report/2020-0704/>](https://boardagendas.metro.net/board-report/2020-0704/)) the Board of Directors approved moving forward with a fare capping pilot. In June 2022, staff provided an update on the fare capping timeline ([File ID 2022-0351 <https://boardagendas.metro.net/board-report/2022-0351/>](https://boardagendas.metro.net/board-report/2022-0351/)), and in September 2022, an oral report, Fare Capping Update ([File ID 2022-0664 <https://boardagendas.metro.net/board-report/2022-0664/>](https://boardagendas.metro.net/board-report/2022-0664/)), was presented to the Board. This prompted a discussion about the importance of a comprehensive marketing and outreach plan to launch fare capping, including a directive to do a deep analysis into understanding cash paying riders and to ensure that TAP is easily accessible to non-English speaking riders. In November 2022, ([File ID 2022-0813 <https://boardagendas.metro.net/board-report/2022-0813/>](https://boardagendas.metro.net/board-report/2022-0813/)) staff provided updates on the multi-phase regional marketing campaign to convert cash paying riders to TAP. The update also included plans to conduct market research to understand the cash paying rider. Efforts to grow the TAP vendor network in Spanish markets and non-English speaking communities and increase TAP card accessibility through the distribution of free TAP cards were also reported. In December 2022, the Board of Directors approved the simplified fare change proposal (see Attachment A - Metro Fare Change Summary) to be implemented Summer 2023, parallel to fare capping.

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## **DISCUSSION**

Fare capping is a new way to pay on Metro bus and rail that is equitable and offers all Metro riders, including low-income and disadvantaged riders, the opportunity to benefit from frequent ridership. With fare capping, passes are replaced with Stored Value and customers pay per ride while earning free unlimited rides for 1-Day and 7-Day time periods without the burden of upfront costs. This equitable way to pay fare ensures riders only pay for rides taken while always paying the lowest fares. Since fare capping requires a TAP card, customers who pay with cash will not be able to take advantage of fare capping benefits. The updates below outline the efforts that have been taken and are underway to better understand our cash paying customers to meet their needs more effectively in preparation for fare capping.

In response to the discussion at the December 2022 Board meeting, the following provides an update on:

1. **Cash and TAP use on Metro Bus & Rail and 2022/National Transit Agency Trends** - a review of baseline data to examine the decrease in cash use and increase in TAP use
2. **Market Research to Better Understand the Cash Customer** - results from cash and TAP fare payment survey, in depth interviews, focus groups, and Bus Operator training and surveys
3. **Cash to TAP Conversion Efforts** - a review of the Cash to TAP marketing campaign, and free TAP card giveaways
4. **Fare Capping and Fare Change Marketing Strategy** - update on A/B message testing and progress on creative concepts and strategies, Reduced Fare and LIFE program promotion, TAP User Experience/User Interface updates and Training and Outreach
5. **TAP Card Accessibility** - TAP vendor network update
6. **Cal-ITP Open Payment Solution** - exploration of implementation model for LA Metro and the TAP regional partner agencies

### 1. CASH AND TAP USE ON METRO BUS & RAIL IN 2022/NATIONAL TRANSIT AGENCY TRENDS

Key findings:

- Throughout 2022, TAP use increased by approximately 8% on Metro Bus and Rail
  - This increase may be attributed to fare resumption, increase in LIFE enrollment and adoption of GoPass
- 43% of Metro bus boardings are paid with cash compared to 21% of national bus boardings (Metro Transit Report, 2022; APTA, 2017)

For more details, refer to Attachment B - Cash and TAP Use on Metro in 2022.

### 2. UNDERSTANDING THE CASH CUSTOMER

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Staff developed and executed a research plan to understand cash and TAP-paying riders: who they are, their attitudes, barriers, and motivations.

Key findings include:

- The demographic composition of Metro’s rider base drives high cash usage.
  - Nationally, being unbanked or underbanked is a significant driver of cash usage (FDIC, 2017).
  - 64% of LA Metro bus riders are unbanked or underbanked (Metro Fare Payment Survey, 2022) compared to just 20% of Los Angeles residents and 19% of US residents, per FDIC (2021).
  - Relative to other U.S. transit agencies, Metro has more bus riders who earn less than \$35,000 household income (an estimated 80% vs 50% for U.S. public transit commuters) and have low English proficiency; traits associated with being unbanked and high cash usage (LA Metro CX Survey 2022; American Communities Survey, 2021)
- 33% of Metro bus riders are cash-dominant, meaning they use cash for most of their bus boardings
- Cash-dominant riders report they use cash because:
  - They already have cash and use cash for most of their purchases (80%)
  - They’d have to go out of their way to get a TAP card or load fare (66%)
  - They’d rather not put money on a TAP card because they might need it for something else (62%)
  - They are worried about losing money if they lose their TAP card (62%)
  - They don’t know enough about TAP or how to use it (52%)
  - They don’t think they ride Metro often enough to benefit from TAP (48%)
  - TAP instructions are not in their native language (mainly Spanish) (28%)
- TAP-dominant riders choose TAP to save time when boarding, to save money, and because it is required on rail
- About half of bus riders use a mix of cash and TAP, depending on the occasion

Key market research findings on riders’ fare payment habits are summarized in:

- Attachment C - Market Research Findings Summary and Sources
- Attachment D - Fare Payment Survey Analysis
- Attachment E - Bus Operator Questions and Survey Results.

### 3. CASH TO TAP CONVERSION EFFORTS

“Cash to TAP” Paid Media Marketing Campaign

- Campaign timeline: November 2022-Ongoing
- Goals for the campaign:
  - Increase TAP card usage & reduce cash use on Metro and Municipal operators throughout LA County
  - Increase in TAP card account creation

- 
- Increase in TAP app downloads
  - Campaign creative will be updated based on learnings from the Fare Payment Survey results. New messaging and creative were rolled out in March and includes Paid Bus Benches in 70 locations within South LA zip codes.

For details, please see Attachment F - Cash to TAP Campaign Update.

#### Free TAP Card Distribution

- TAP Blue Shirt Ambassadors have been instrumental in distributing up to 100,000 free TAP cards pre-loaded with \$5 of Stored Value, along with education on how to use TAP, to encourage TAP adoption

#### Future Considerations to Reach Cash Customers

Key findings from the research on cash customers have encouraged new and creative strategies to reach riders not on TAP. TAP must evolve to become a fare payment option that is better than cash, where it can offer just as much flexibility, but with little risk. For example, when customers load money onto a TAP card, but do not use it all, they are left with a TAP card balance that can only be used for transit. Staff is focused on innovative solutions that solve these unique barriers and exploring ways the TAP card can be used for other important consumer items like groceries.

An open payment, account-based TAP system dual launch would create a fare collection system that offers flexibility, security, and convenience. This combination of technologies would allow full fare customers the convenience to pay for transit with their debit card, while extending account-based benefits such as discounts and the opportunity for cash-centric and/or unbanked riders to use their TAP card as a payment card. Metro would sponsor this TAP debit card, with a card issuer, and work to ensure that there were little to no transaction fees. In this way, TAP would be able to reach more cash and low-income customers.

#### 4. FARE CAPPING AND FARE CHANGE MARKETING STRATEGY

The Fare Capping and Fare Change Launch Campaigns to educate riders on the new Metro Fare Policy Change is in development.

- Target Audiences: All Metro riders
- Metro pass holders (full/reduced fare)
- Metro Low Income Riders (LIFE)
- Metro cash-paying riders

Flighting strategy:

- Fare Changes and Fare Capping general messaging and Reduced Fares/LIFE messaging will run simultaneously

- The strategy is to focus on communication by audience, rather than by program, which will allow each audience to easily identify their personal benefit

For more details behind messaging approach, please refer to Attachment G - Fare Capping Customer Journey.

Campaign Phases:

- Pre-launch: June 1- June 30
- Launch: July 1- Sept 30
- Sustain: Oct 1 - Dec 31

For additional information on the strategy, please see Attachment H - Fare Changes and Fare Capping Campaign Strategy  
Internal Training & External Outreach

The TAP department will host several internal and external trainings with key Metro departments. Metro Customer Care, Community Relations, Customer Experience, and Arts & Community Enrichment will host external stakeholder outreach events with, but not limited to:

- Regional Service Councils
- Social Service Agencies
- Citizen's Advisory Council
- Aging Disability Transportation Network
- LIFE administrators
- On the Move Riders
- Local Transit Systems Subcommittee (LTSS)
- Community Based Organizations (CBOs)

## 5. TAP CARD ACCESSIBILITY

Since November 2022, TAP has added an additional 37 locations to the TAP vendors to network. This includes 16 traditional vendors, including 7 Ria Money Transfer Services Locations and 21 Northgate Market barcode locations. The total vendor count is 1882, with additional 26 locations to be onboarded by the end of Q2.

TAP Vendor Recruitment Goals for 2023:

- Recruit vendors within Limited English Proficiency (LEP) neighborhoods:
- Recruit vendors located in areas with a high percentage of fare paid in cash, primarily in the Gateway Cities

For more details, please see Attachment I - TAP Vendor Update.

## 6. CAL-ITP

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Cal-ITP and other vendors offer contactless, open payment solutions that accept Europay, MasterCard, Visa (EMV) bank cards, both plastic and mobile (ApplePay and GooglePay) as fare payment statewide. A close examination of the Cal-ITP initiative and other payment solutions is being conducted by examining the following proposed benefits:

- o **Reduced inequality:** financial inclusion is equity. Mobility is a ride out of poverty;
- o **Faster boarding:** dwell times are cut in half because they use a card versus cash;
- o **Higher ridership:** more attractive to new and occasional riders;
- o **Lower overhead:** spend less money buying and servicing fare media, TAP card vending machines and reduce the number of agents selling fare cards; and
  
- o **Additional considerations:** interoperability, standardized fare collection, statewide procurement agreement, rewards etc.

Metro will continue to review open payment solutions through the lens of Metro's equity focused groups, including low-income riders, seniors, persons with disabilities and students. Staff is currently in discussions with Caltrans about a potential market assessment.

## **EQUITY PLATFORM**

### Fare Capping

Fare capping is a new way to pay on Metro bus and rail and is found to be more equitable than Metro's current pass fare structure. See Attachment C - Title VI SAFE Analysis Fare Changes 2022 (File ID 2022-0740). With fare capping, passes are replaced with Stored Value and customers pay per ride while earning free unlimited rides for 1 day and 7-Day time periods without the burden of upfront costs. This section reviews the efforts underway to ensure these benefits are accessible for all Metro riders:

- Customer education and outreach efforts planned for fare capping are centered on converting cash riders onto TAP. These efforts included:
  - o Market research to understand the behaviors, needs, and traits of cash-dominant and TAP-dominant riders to identify opportunities to convert cash-dominant riders to TAP, such as more access to reloading options. During analysis, respondents were grouped as cash-dominant or TAP-dominant based on their most-used fare payment method. Research methodologies included:
    - Fare payment survey among a demographically representative group of Metro riders
    - Focus Groups
    - In-depth interviews
  - o Free TAP card distribution at high cash paying bus stops and a Cash to TAP awareness campaign highlighting TAP benefits and easy reloading options
- Starting in April 2023, outreach efforts will evolve to include stakeholder groups such as

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service councils, community-based organizations, senior riders, and riders with disabilities.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The plans and strategies outlined in this update support the following goals within Metro's Strategic Plan:

### **Goal 2 - Deliver outstanding trip experiences for all users of the transportation system 2.3 - Metro will improve customer satisfaction at all customer touchpoints**

#### Customer interfaces and touchpoints

- Fare related pages on metro.net and *taptogo.net* will present clear fare information for customers
- Customers will also be able to learn detailed information through video tutorials and frequently asked questions
- This information will be offered to both registered and unregistered TAP cardholders

#### Metro Customer Care and TAP Call Center

- Agents, Fare Enforcement Officers, TAP Blue Shirts, Metro Ambassadors and Bus and Rail Operations Control staff will be trained and given resource tools to assist customers with fare capping

#### Data analytics and measuring system performance

- Cash and TAP data and campaign metrics will be reviewed and analyzed regularly to inform future marketing
- System performance leading up to implementation will include thorough testing of all fare equipment and will be closely monitored post implementation

### **Goal 3 - Enhance communities and lives through mobility and access to opportunities 3.3 - Metro is committed to genuine public and community engagement to achieve better mobility options for the people of LA County**

#### Meaningful engagement with communities

- Customer surveys, interviews and focus groups have been conducted to better understand the cash customer's needs and habits and to help Staff to make informed decisions on how to convert cash customers to TAP and implement fare capping

#### Outreach efforts

- Outreach will be designed for students, senior and disabled riders, LIFE participants and a variety of council and stakeholder groups.

### **Goal 4 - Transform LA County through regional collaboration and national leadership 4.2 - Metro will help drive mobility agendas, discussions and policies at the state, regional and national levels**



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Regional fare equity

- TAP staff will continue designing and testing fare capping software that is scalable to include any of the 25 additional TAP agencies
- Staff will continue discussions related to the development of regional fares and policies that further simplify fare payment for regional customers.

**NEXT STEPS**

Staff plans to complete market research on cash customers and for fare capping messaging in spring 2023. This includes gathering the results of the A/B fare capping message test survey and hosting additional focus groups in 6 LEP languages (Armenian, Russian, Chinese, Japanese, Korean and Vietnamese.)

April 2023

- Conduct internal and external stakeholder training and outreach in preparation of Summer 2023 fare capping and fare change launch

June 2023

- Provide an update on Cash to TAP conversion efforts
- Metro Fare Change and Fare Capping Pre-Launch Campaign Starts

July 2023

- Metro Fare Capping Launch

Spring 2024

- Explore regional fare capping with partner agencies (requires regional consensus). Briefings and discussions are underway.

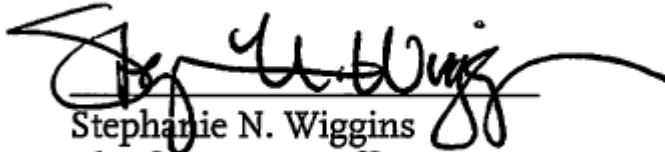
**ATTACHMENTS**

Attachment A - Fare Change Summary  
Attachment B - Cash and TAP Use on Metro in 2022  
Attachment C - Market Research Findings Summary and Sources  
Attachment D - Fare Payment Survey Analysis  
Attachment E - Bus Operator Questions and Survey Results  
Attachment F - Cash to TAP Campaign Update  
Attachment G - Fare Capping Customer Journey  
Attachment H - Fare Changes and Fare Capping Campaign Strategy  
Attachment I - TAP Vendor Update

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Chief Executive Officer

## **Metro Fare Change Summary**

### **Fare Capping**

- Metro will replace all passes including 1-Day, 7-Day and 30-Day passes and implement a 1-Day and 7-Day Fare Cap.
- Customers will no longer be required to pay upfront for passes. Instead, they load Stored Value on their TAP cards and pay per ride until they reach their 1-Day or 7-Day cap. After the cap has been met, all rides on Metro are free for either the day or the rest of the 7 day period
  - 1 Day Cap
    - Begins when a customer first taps their card
    - After \$5 (3 rides), customer rides free for the rest of the day
  - 7-Day Fare Cap
    - Begins when a customer first taps their card
      - Start of day can begins at any time of day
    - After 7 consecutive days, 7-day capping period ends
    - A new 7-day fare capping period begins with the next tap

### **Full Fare Riders**

- Base fare for Full Fare riders will remain \$1.75 including 2 hour free internal transfers
  - Daily Cap after \$5 (3 rides)/7-Day Cap after \$18 (11 rides)

### **Senior/Disabled Riders**

- Base fare for Sr/Dis riders will remain \$0.75 (peak) including 2 hour free internal transfers; \$0.35 (off peak) including 2 hour free internal transfers
  - Daily Cap after \$2.50 (4 rides)/7-Day Cap after \$5 (7 rides)

### **K-12/College Vocational Riders**

- Base fare for K-12 and College/Vocational riders will be reduced from \$1.00 to \$0.75
  - Daily Cap for College/Vocational & K-12 is \$2.50 (4 rides)/7-Day Cap after \$6 (8 rides)

### **LIFE Riders**

- LIFE riders will continue to get 20 free rides per month including 2 hours of free transfers. After 20 free rides, customers pay per ride until they reach their Daily or 7-Day Cap (based on their rider class), rather than purchase passes.

**Simplified Fares**

- One base fare for all reduced fare categories, which is \$0.75
- One base fare for all service levels. Additional charge for Silver (J) Line and Express Bus will be removed.

**TAP Card Expiration**

- TAP cards can be used up to 15 years instead of 10 years.

**Free TAP Cards**

- Digital TAP cards through the TAP mobile app or Apple Wallet will continue to be free of charge. Reduced Fare TAP cards will also remain free.

Rider Category & Fare Product	Current Pricing	ADOPTED 12/1/22
<b>Regular Fare</b>		
Base Fare	\$1.75	\$1.75
Day Pass / Daily Cap	\$7.00	\$5.00
7-Day Pass / Weekly Cap	\$25.00	\$18.00
30-Day Pass	\$100.00	Not Offered
30-Day Pass Zone Upcharge	\$22.00	\$0.00
<b>Senior/Disabled</b>		
Base Fare	\$0.75 / \$0.35	\$0.75/\$0.35
Day Pass / Daily Cap	\$2.50	\$2.50
7-Day Pass / Weekly Cap	Not Offered	\$5.00
30-Day Pass	\$20.00	Not Offered
<b>K-12 Student &amp; College/Vocational</b>		
K-12 Base Fare	\$1.00	\$0.75
College/Vocational Base Fare	\$1.75	\$0.75

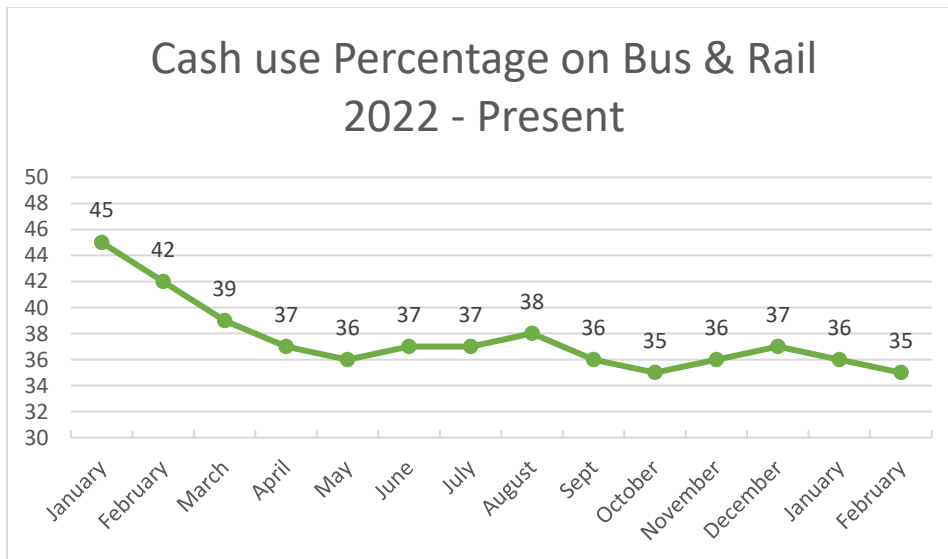
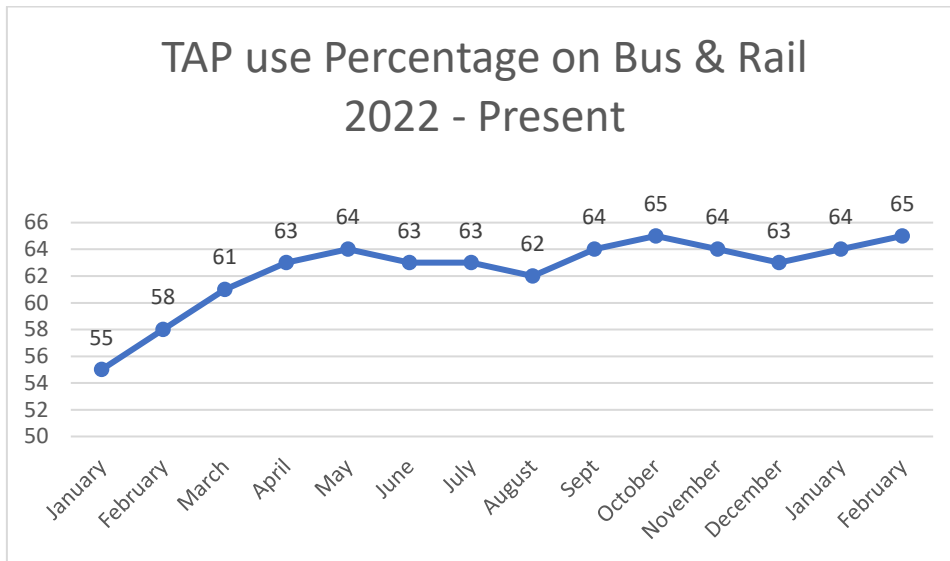
## Attachment A – Metro Fare Change Summary

Day Pass / Daily Cap	Not Offered	\$2.50
7-Day Pass / Weekly Cap	Not Offered	\$6.00
K-12 Student 30-Day Pass	\$24.00	Not Offered
College/Vocational 30-Day Pass	\$43.00	
<b>LIFE FREE Trips</b>	<b>20 FREE</b>	<b>20 FREE</b>

Cash & TAP use on Metro in 2022

To prepare for market research efforts on understanding the cash customer, a baseline review of cash and TAP use was collected. As shown in the images below, cash use spiked in January and February 2022, once Metro resumed fare collection. Over the next year, there was a steady decline in cash use and a corresponding increase in TAP use as riders became accustomed to paying fare again.

OBJ:



Source: [Metro Transit Report](#)

Over the course of 2022, cash use decreased and TAP use increased by 8% points respectively on Metro Bus and Rail. TAP use on the system continues to increase in 2023.

## MARKET RESEARCH FINDINGS SUMMARY

### **Methodology:**

Staff developed and executed a research plan to understand cash and TAP-paying riders: who they are, their attitudes, barriers, and motivations.

Research took place between November 2022 and February 2023 and included:

1. **Secondary research** review of who uses cash nationally and on public transit and why they use cash
2. **In-Depth Interviews** with cash-paying and TAP-paying Metro riders, including:
  - 9 cash-paying riders, 5 in English, 4 in Spanish
  - 15 TAP-paying riders, 7 in English, 8 in Spanish
2. **Survey** of n=1,900 adult Metro bus riders capturing demographics, attitudes, fare-payment behaviors, barriers to using TAP, motivations for using TAP, and awareness and usage of TAP channels. The survey was fielded via a pop-up on Metro.net riding information pages, consultant-fielded mall-intercepts of Spanish-dominant riders, and at high-cash Metro bus stops. Demographics mirror the 2022 Customer Experience Survey, see Attachment B – Fare Payment Survey Methodology.

### **KEY FINDINGS:**

Key market research findings are summarized below.

#### **Context:**

Nationally, being unbanked is a big driver of cash usage. Two thirds of unbanked Americans pay bills with cash versus 10% of those who are fully banked (FDIC, 2017). Traits associated with being unbanked include speaking only Spanish, earning less than \$30,000 household income, not finishing high school, being disabled, being Hispanic/Latino or Black, and having a varying income from month-to-month (FDIC, 2019 & 2021). Additionally, there is evidence that undocumented citizens are less likely to be banked (Martin, 2015).

Unbanked Americans often live in a cash-focused ecosystem. Many cash users get paid in cash or convert their check to cash via check-cashing (FDIC, 2017). Nearly all (92%) fully banked Americans are paid with direct deposit, while unbanked Americans are more likely to be paid in other ways like check/money order (45%), cash (27%), and pre-paid card (23%) (FDIC, 2017).

Nationally, according to a 2022 Federal Reserve study, 20% of transactions are paid with cash (Cubides and O'Brien). National bus boardings are in line with that at 21% (APTA, 2017). However, in the last six months of 2022, 43% of Metro bus boardings have been paid for in cash, which is the highest share the top 15 bus agencies in the United States. This is driven by the fact that LA Metro riders are much more likely to be unbanked, use cash in general, and to have incomes lower than \$35,000.



## Attachment C – Market Research Findings Summary and Sources

- 31% of LA Metro bus riders are unbanked, compared to 4.2% of Los Angeles residents and 4.5% of American citizens (FDIC, 2021).
- 60% of LA Metro bus riders use cash for at least half of their general purchases, compared to 26% of Americans, per Gallup (2022).
- 79% of LA Metro bus riders earn less than \$35K household income, per Metro's 2022 CX Survey, compared to 50% of national public transit commuters (American Community Survey, 2021).

Secondary research sources are available in Attachment D – Secondary Research Sources.

### **Who Pays with Cash on Metro Bus**

A third (33%) of adult Metro bus riders say cash is their most-used payment method when boarding Metro bus. The following groups are significantly more likely than the average rider to use cash on Metro: Low English proficiency (66%), those with high cash-usage in general (54%), those who ride Metro, particularly rail, infrequently (54%), live in Gateway Cities (46%), are unbanked (45%), do not have a smartphone (39%), are Hispanic/Latino (38%), or are Female (37%).

### **Why Metro Bus Riders Use Cash on Metro**

The main reason Metro riders use cash is because they use cash for most of their purchases in general, have cash on them already, and therefore it is easier for them to use than TAP. One rider in South LA says, "I can just push the cash in and keep going."

The second biggest reason for not using TAP, with 66% agreeing, is that they'd have to go out of their way to get a TAP card or add money to it. In order to use TAP, cash-dominant riders would have to add extra steps to their customer journey, e.g., walking to a rail station the night before to add fare; getting a pre-paid card to add fare online; walking out of way to a vendor; or interacting with the bus operator to add fare when boarding the bus. In addition, 54% cite a lack of a credit or debit card as challenge to using TAP.

Another top reason why Metro riders use cash is concern over losing or misallocating money. 62% of cash-dominant riders say they are worried about losing money if they lose their TAP card. 62% would rather not put money on a TAP because they might need it for something else. When cash-dominant bus riders do load money onto TAP, they tend to only load enough for that trip or day. Given financial constraints, if cash riders were to use TAP more often, it would likely entail daily TAP fare loading, which would be a challenge given access limitations.

About half of cash users cite not knowing where to purchase TAP or how to use it. It was also found that 90% of cash users site at least three barriers to using TAP.

About half of cash-dominant bus riders cite the TAP instructions not being in their native language as a barrier. Riders with low English proficiency list more barriers to using TAP.

Other barriers to TAP include:

- Being able to only pay partial fare with cash
- Experience with TAP equipment being out of order
- Safety concerns of going into rail stations to load fare
- Perceptions of a complicated process at TAP vendors

### **Why TAP-Dominant Riders Use TAP**

- Riders choose TAP to save time and hassle when boarding, to save money, and because it is required on rail.
- About half of bus riders use a mix of cash and TAP
  - TAP is more likely to be chosen on days where the rider knows in advance they will take multiple trips, will have to transfer between lines, i.e., days/trips in which it will financially benefit them to use TAP.

### **Opportunities to convert cash riders to TAP**

Converting cash riders will require a clear substantial financial benefit and a process that is as easy as paying with cash. Key opportunities include:

- **Increasing participation in the LIFE program.**
  - At least 75% of Metro riders may qualify for the LIFE program.
  - Only 60% of bus riders earning under \$35K household income are aware of the program, suggesting an opportunity to increase awareness.
  - Only 23% of bus riders earning under \$35K household income claim to use LIFE, suggesting an opportunity to increase appeal of the program and make it easier to sign-up and participate.
  - Recommendation: Perform user-experience (UX) research to understand how low-income riders perceive the program and identify opportunities to improve the program and its processes.
- **Increasing the number of TAP vendors and the presence of TAP at vendors.**
  - Only 7% of cash-dominant riders choose vendors as their most-used TAP channel.
  - However, 16% of cash-dominant riders say their ideal TAP channel would be vendors, suggesting an opportunity to boost usage of this channel.
  - In order for vendors to appeal they need to be within a short walk of home or the bus stop. 71% of bus riders said that they would walk only a few blocks or less to load money onto TAP.

## Attachment C – Market Research Findings Summary and Sources

- Analysis shows that 40% of bus stops are within a quarter mile walk of a TAP vendor.
- Some riders expressed that buying/loading TAP at vendors was complicated and that TAP was not prominently displayed.
- Next Steps: Perform mystery-shopping and UX testing of TAP vendors to understand and evaluate the TAP purchase process from a rider's perspective.
- **Converting banked smartphone users**
  - Many sub-groups of cash-dominant riders will have difficult barriers of not being close to a physical TAP vendor or not having a credit/debit card to add fare online.
  - Those who are, have access to credit cards and a smartphone, theoretically, should be easier to convert to TAP.
  - Based on the recent Cash/TAP Survey, an estimated 26% of cash-dominant riders have a credit/debit card and a smartphone. This is split between 16% English-speaking and 10% non-English speaking.
  - 19% of cash-dominant riders say that loading fare on the TAP App or Apple Wallet would be their preferred method.
- **Converting riders who use a mix of cash and TAP.**
  - 52% of bus riders use a mix of cash and TAP
  - They will likely be easier to convert than the approximately 22% who use all cash on Metro bus.
  - There is an opportunity to convert these riders by raising awareness of local TAP vendors, and converting them to LIFE and/or Reduced Fare rider
- **Making it easier for Spanish-dominant riders to navigate TAP.**
  - Riders who do not speak any English are the most likely to use cash. Riders who speak some English but have low proficiency are also more likely than others to use cash.
  - Cash riders with low English proficiency have more barriers than English speakers.
  - About 39% of cash-dominant riders are Spanish-dominant, meaning they speak Spanish at home and have low English proficiency.
- **Increasing awareness of TAP channels and how to use TAP.**
  - There is low awareness of TAP loading channels. For example, only 48% of cash-dominant riders know they can load fare at a TAP vending machine at a rail/bus station. Only 19% know they can load fare at a TAP vendor.
- **Ensuring TAP is easy to use.**
  - Recommendations:
    - User experience (UX) test all TAP touchpoints & processes.
    - UX test all discount program sign-up and usage processes.

## Attachment C – Market Research Findings Summary and Sources

- Ensure all TAP infrastructure is in working order and in compliance with response and repair times.

### **Secondary Research Sources Cited in Board Report**

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# Converting Cash Riders to TAP

## Fare Payment Method Survey

February 2023



# Contents

- Research Methodology
- Survey Sample Overview
- Prevalence of Cash Usage on Metro
- Findings:
  - Who Uses Cash on Metro
  - Why Cash
  - Why TAP
  - Awareness/Usage of TAP Channels
  - Discounts & Incentives to Use TAP
- Starter Thoughts: How to Convert Cash-Dominant Riders to TAP

# Research Process

1. Insight Grounding		2. Understanding Cash & TAP Riders		3. Fare-Capping Message Testing	
Secondary Research	Hypothesis Workshop	In-Depth Interviews (IDI)	Fare Payment Method Survey	Focus Groups	A/B Test Survey
Mine existing data & research on cash customers to inform initial hypotheses	Codify all the things we want to learn/prove in the research	Learn what we don't know we don't know about cash & TAP riders. Help inform survey design	Quantify size of barriers & segments of cash users	Gauge cash & TAP user reactions to fare-capping and potential early-draft fare-capping messages	Test effectiveness of refined fare-capping messages



In Progress

The survey is focus of this report, however, data points from other phases are incorporated.

# Fare Payment Survey Methodology

**Survey Fielding Dates:** Nov 7, 2022 – Jan 3, 2023

## Sample Definition

- Monthly Metro Bus Riders
- 18+ years
- LA County residents
- Demos weighted to match 2022 CX Survey

## 1,896 total completes via multiple channels:

- Metro.net riding pages pop-up: 1,596
- Spanish-dominant vendor mall intercepts: 186
- At bus stops: 167

	<b>CX 2022 Survey</b>	<b>2022 Fare Payment Survey (Weighted)</b>
Hispanic/Latino	63%	63%
Black/African American	16%	16%
White	11%	11%
Asian/Pacific Island	6%	6%
Native American	2%	2%
Other	3%	3%
Speak English Very Well or Well	73%	73%
Speak English Not well or Not at all	27%	27%
Under \$15,000	43%	43%
\$15,000-\$24,999	25%	25%
\$25,000-\$49,999	21%	21%
\$50,000-\$99,999	8%	8%
\$100,000+	3%	3%
Smartphone	79%	79%
No smartphone	21%	21%
Female	49%	49%
Male	49%	49%
Non-Binary or Other	2%	2%
18-24	19%	19%
25-44	38%	38%
45-64	33%	33%
65+	10%	10%
Car - regular access	22%	22%
No regular car access	78%	78%
Central Los Angeles*	40%	40%
West Side Cities	6%	6%
South Bay	4%	4%
Gateway Cities	16%	16%
San Gabriel Valley	16%	16%
San Fernando, Santa Clarita, and Antelope Valleys	18%	18%

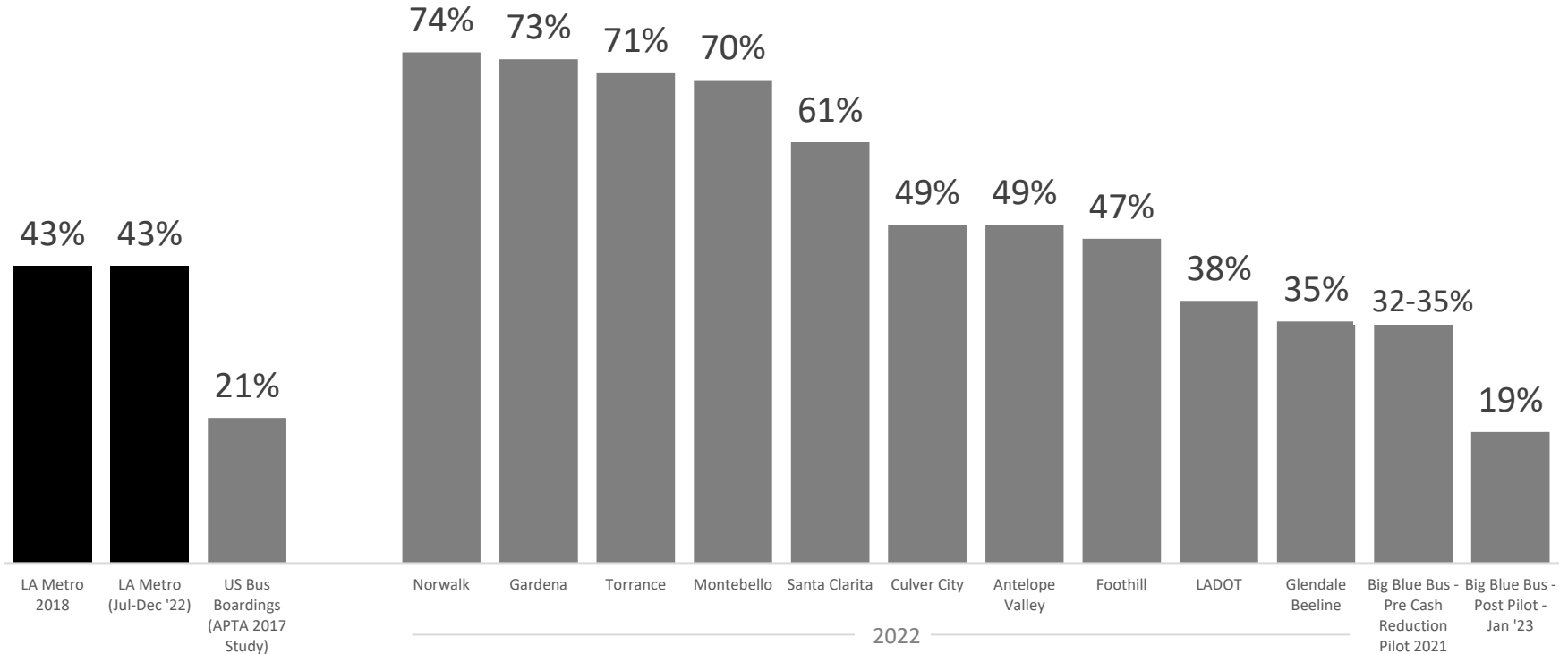


# Prevalence of Cash Usage on Metro

# 43% of LA Metro's bus boardings are paid with cash, which is substantially higher than the national average.

Other LA County transit agencies have a high percentage of cash bus boardings.

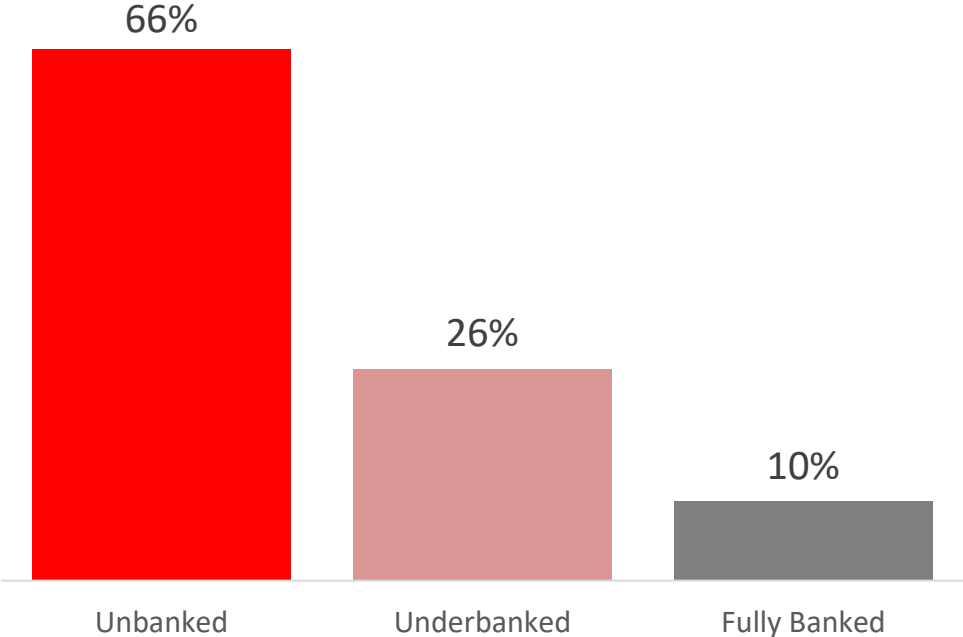
## % of Bus Boardings Paid in Cash



# Who Uses Cash

# Nationally, being unbanked is a big driver of cash usage

## % of Americans Who Use Cash to Pay Bills in a Typical Month



**Unbanked:**  
Household does not have a checking or savings account

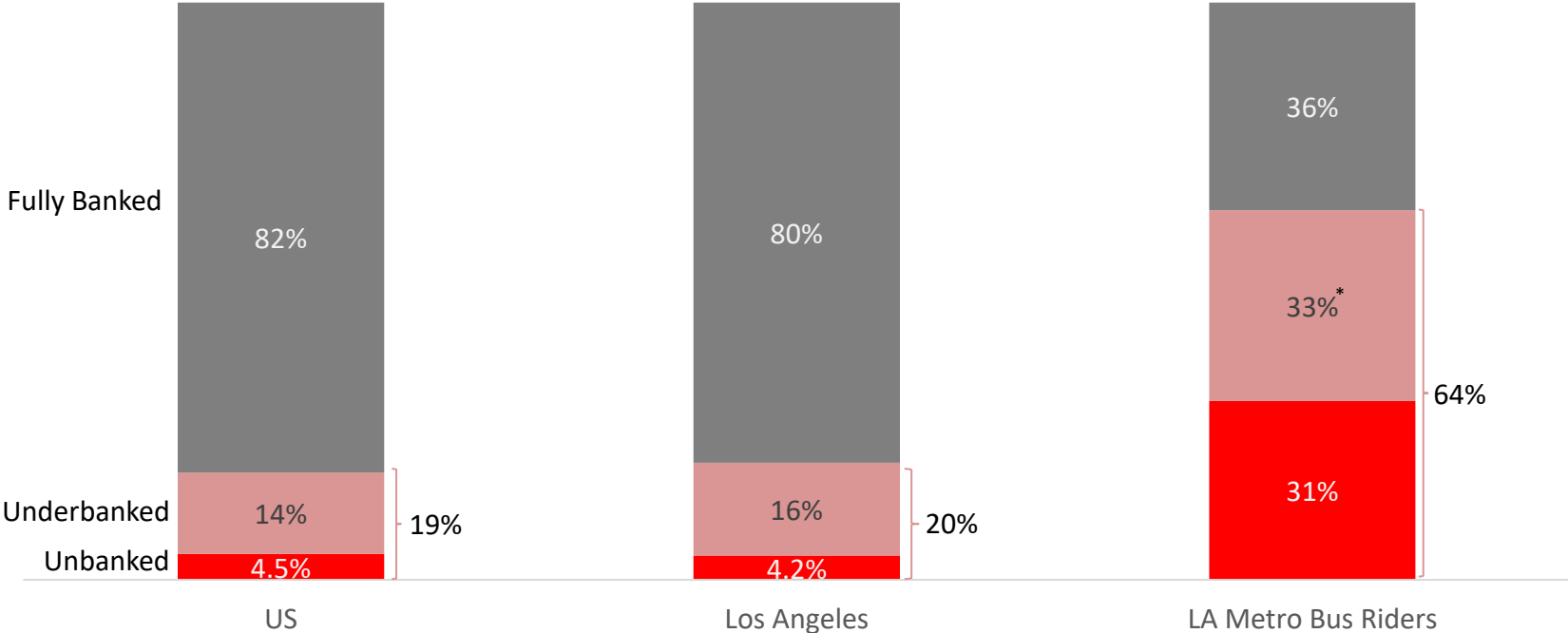
**Underbanked:**  
Household has a checking/savings account and used an Alternative Financial Services (AFS) in past 12 months

**Fully Banked:**  
Household has a checking/savings account and has NOT used an AFS in past 12 months

**Alternative Financial Services (AFS):**  
Money order, check-cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, and auto-title loans



# LA Metro bus riders are significantly more likely to be unbanked or underbanked



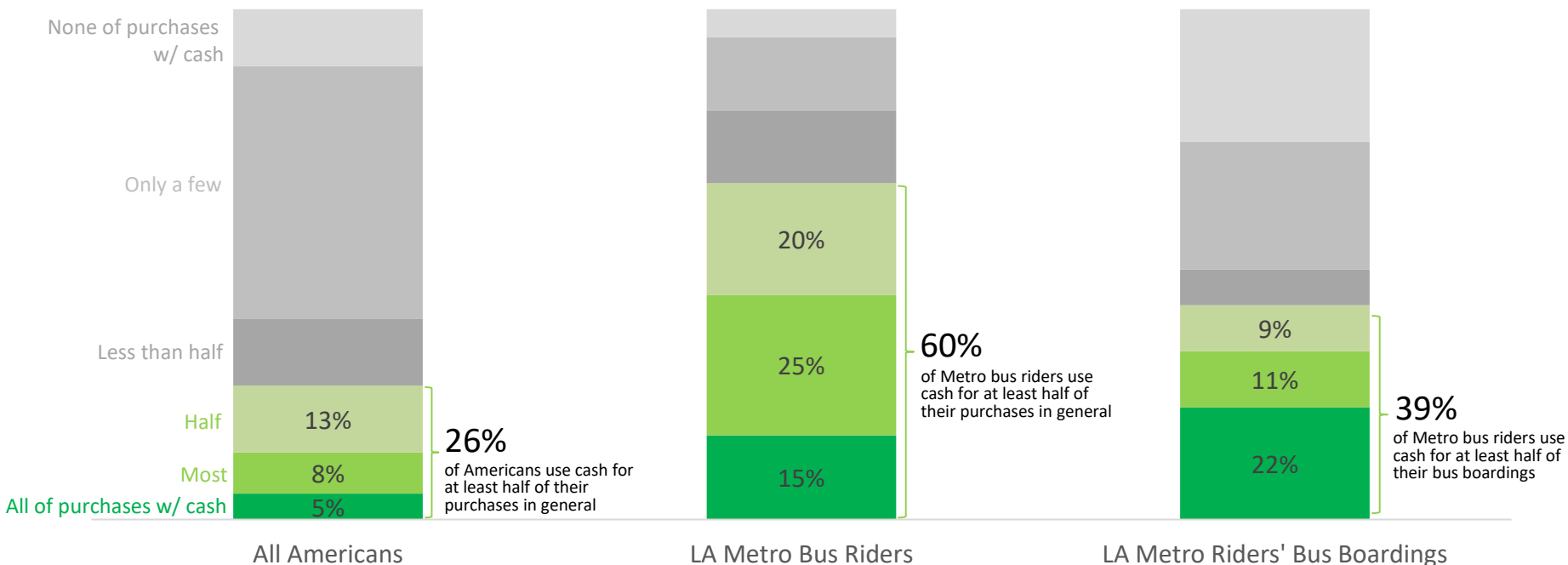
SOURCE OF US: FDIC (2021). FDIC national survey of unbanked and underbanked households. <https://www.fdic.gov/analysis/household-survey/2021report.pdf>  
SOURCE OF LA: FDIC (2021). FDIC national survey of unbanked and underbanked households. <https://www.fdic.gov/analysis/household-survey/2021appendix.pdf>

\*The official definition of Underbanked includes usage of one of nine AFS. To minimize questionnaire length, our survey included only three AFS, so the actual incidence of underbanked may be greater.



# LA Metro bus riders are more likely than the US population to use cash for at least half of their purchases

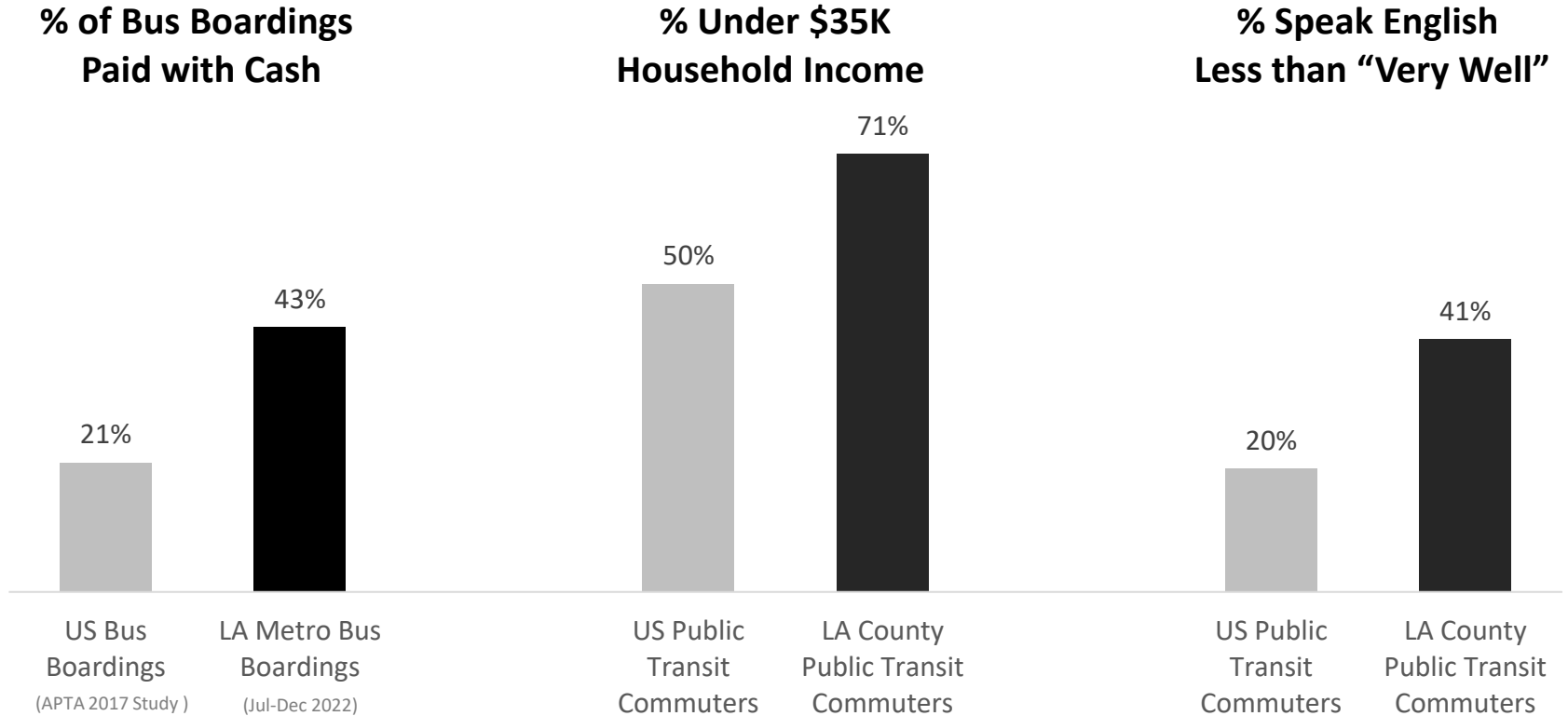
## % Who Pay with Cash for Their Purchases



SOURCE FOR USA TOTAL: Jones, J. (2022). Americans using cash less often; foresee cashless society. Gallup. <https://news.gallup.com/poll/397718/americans-using-cash-less-often-foresee-cashless-society.aspx>  
 LA METRO FARE PAYMENT SURVEY 2022-23: Now, please think about the purchases you make on a regular basis. About how many of your purchases do you make with cash? All / Most / Half / Less than half / Only a few / None  
 LA METRO FARE PAYMENT SURVEY 2022-23: When boarding Metro bus, about how many of your bus rides do you pay with cash? All / Most / Half / Less than half / Only a few / None



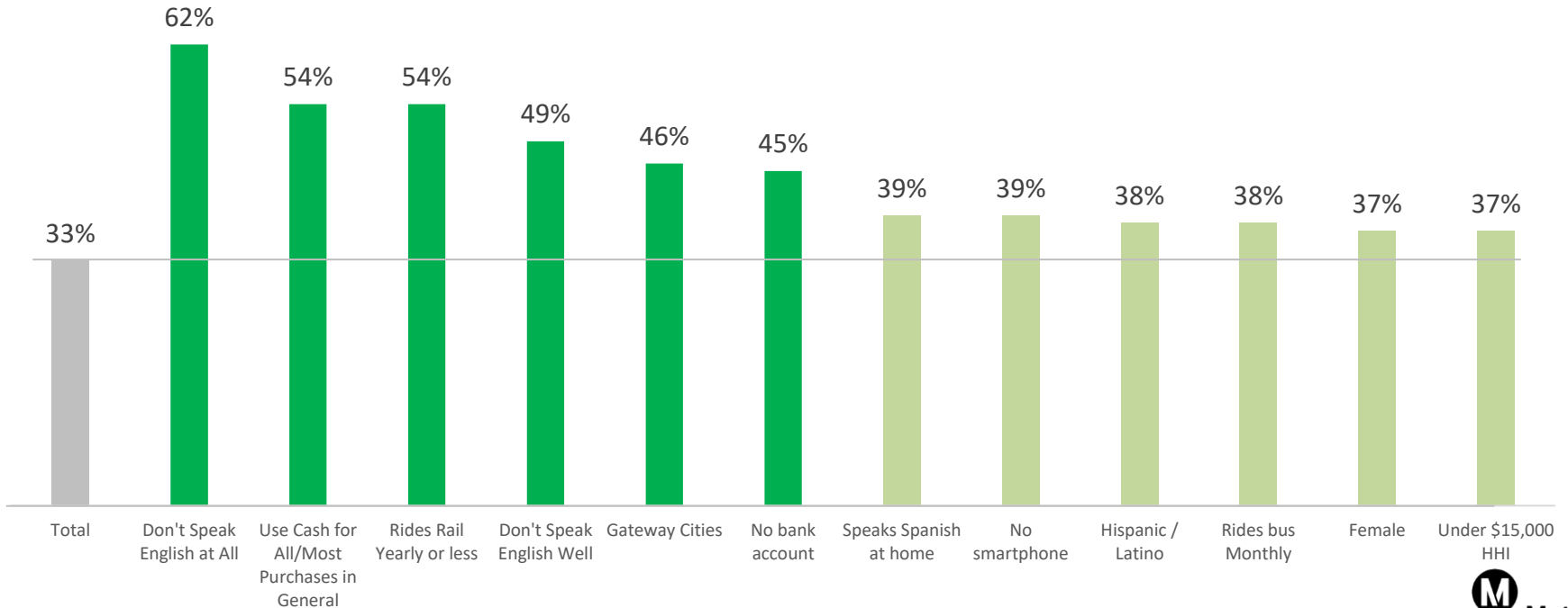
# LA Metro's greater cash prevalence is likely due, in part, to Metro's substantially lower income and less English-proficient rider base



# Cash is the most-used payment method for a third of Metro bus riders.

Non-English speakers, cash users in general, infrequent rail riders, Gateway Cities residents, and the unbanked are among those more likely to use cash.

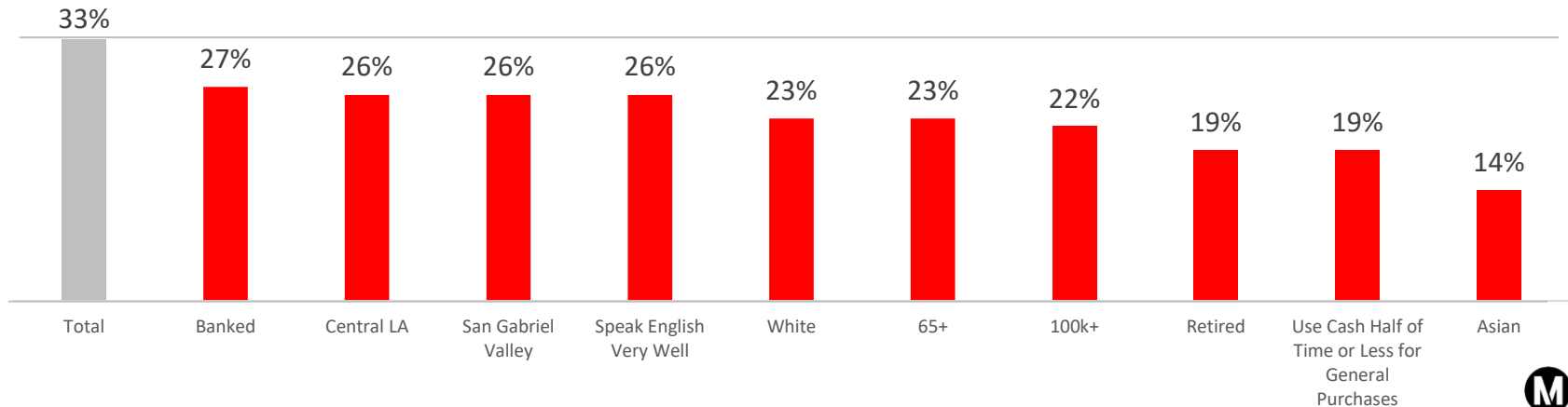
## % Who Pay w/ Cash Most Often on Metro Bus





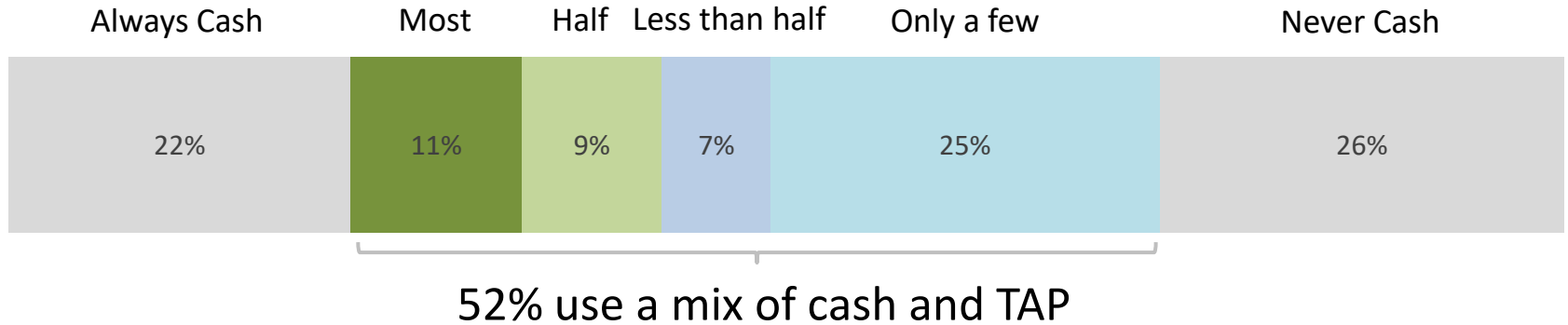
More affluent, older riders, and those who don't use cash in general are less likely to use cash on Metro bus

### % Who Pay w/ Cash Most Often on Metro Bus



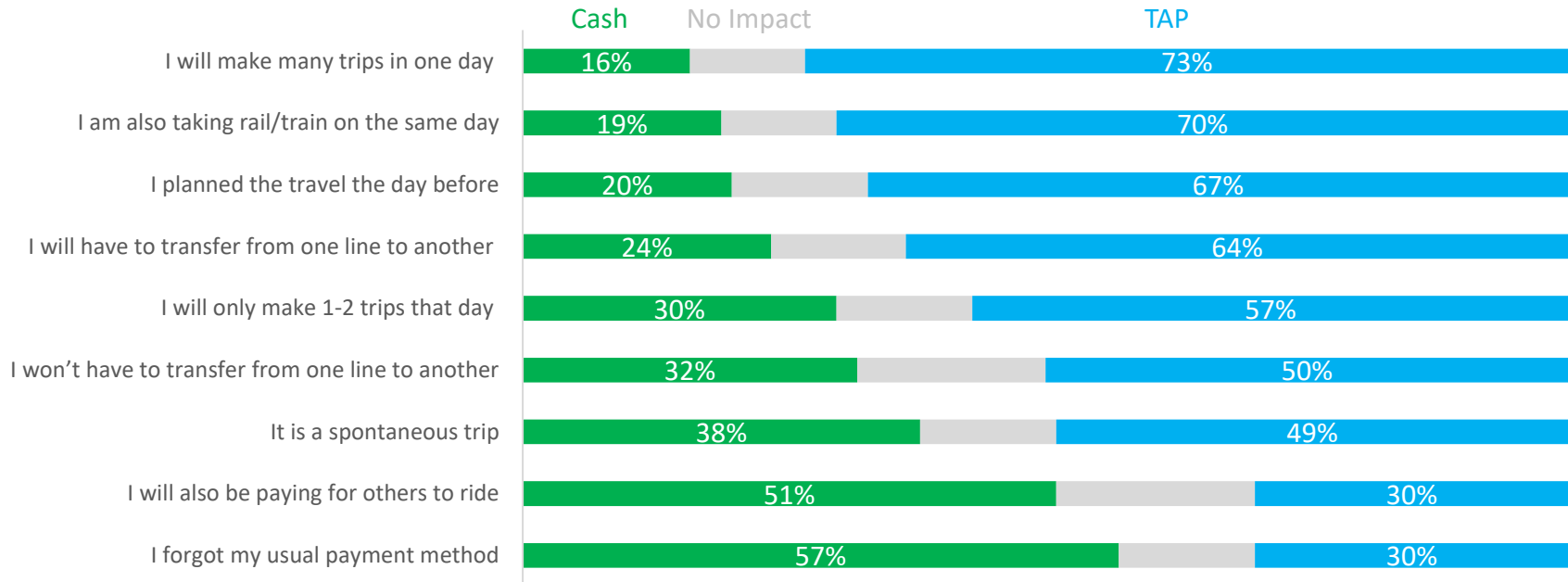
# About half of bus riders use a mix of cash and TAP

## % Who Pay with Cash When Boarding Metro Bus



# TAP usage skews towards planned days of travel with many trips and transfers

## Most Likely Fare Payment Method for Each Occasion



If I'm just gonna go on a quick ride, I'll just pay cash.

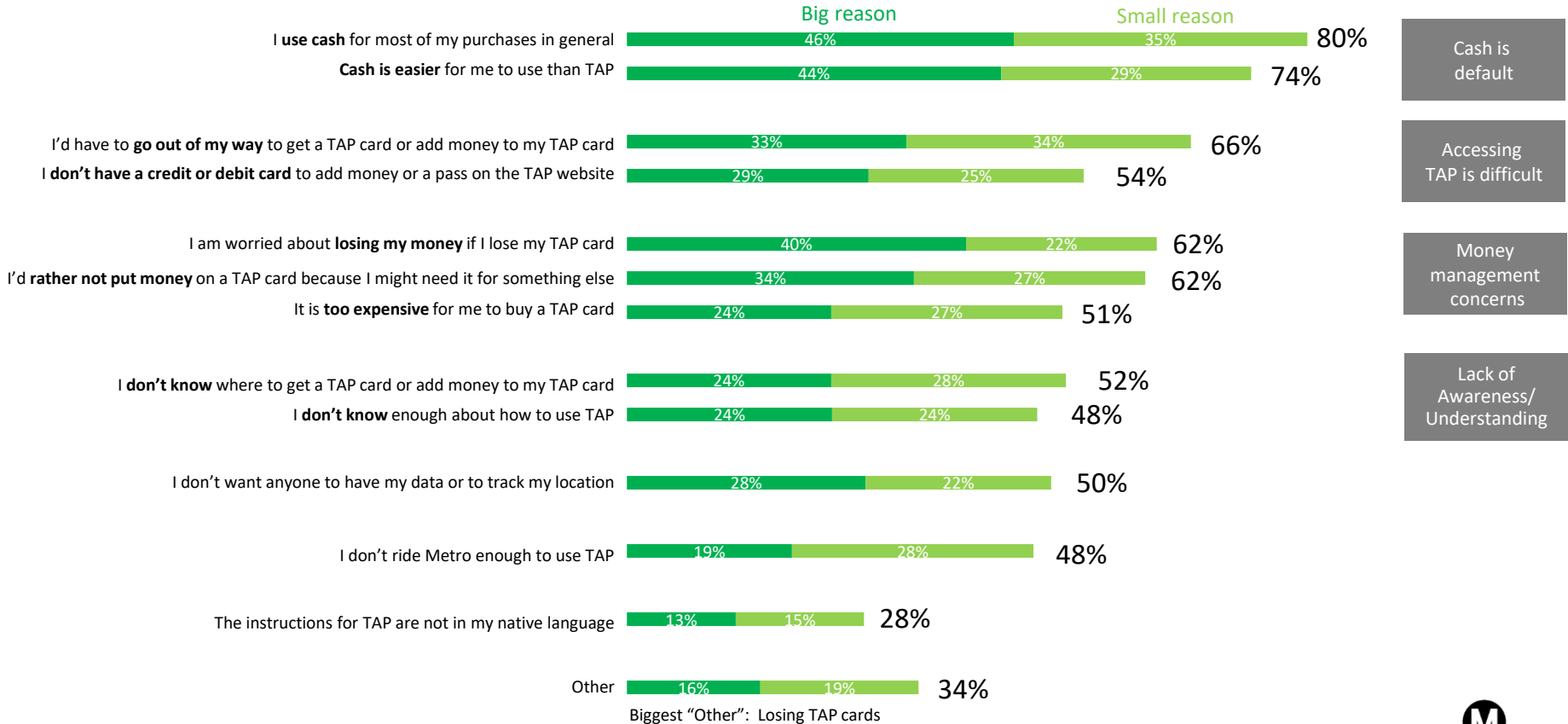
Lorena  
Rider of Line 115  
and A Line

If I'm gonna use it for the whole day. I'll load it up the night before so I could just have the day pass for the whole entire day.

# Why Cash?

# Cash is easier because they use it for most purchases in general

## Barriers to TAP



# Additional barriers to TAP

(from “other” in survey, in-depth interviews, and focus groups)

## Money concerns

- Only have enough money to load one fare at a time
- Not spending all money on the card and leftover balance just sitting there
- Bus operators let cash riders on with only partial fare (so less incentive to use TAP)
- Often lose the TAP card (and money on it)

## User Experience (UX) Issues

- 24-hour loading time for fares
- Perceptions that loaded money sometimes doesn't show up
- Perceptions that TAP machines are often out of order
  - TVMs sometimes aren't working
  - TAP reader on bus is often out of order
  - Phone payment reader on board difficult to get to work

## Access

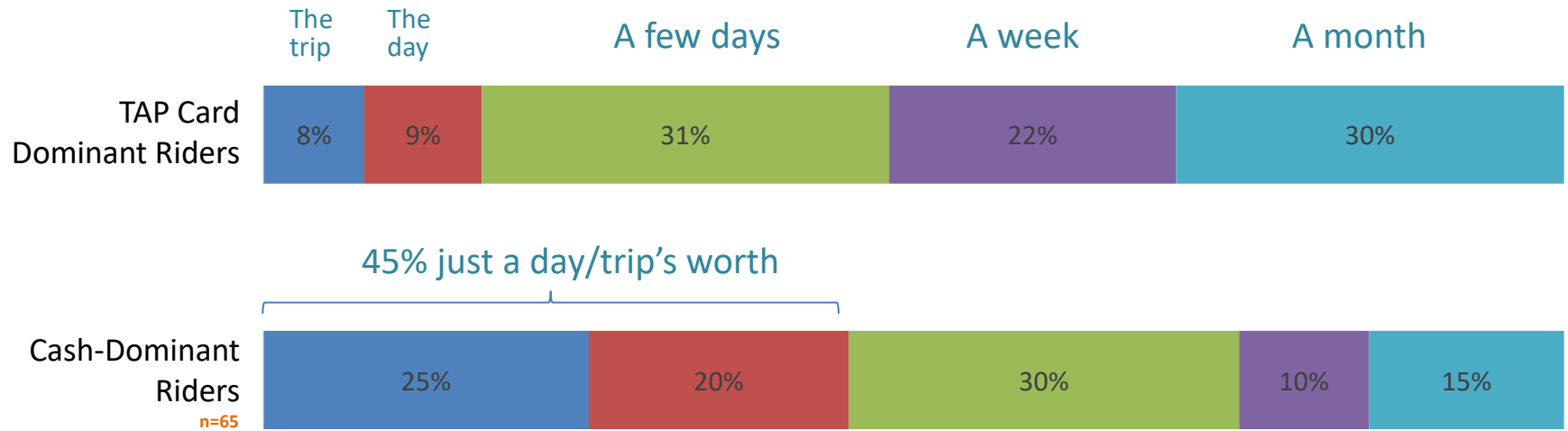
- Long lines / unhelpful staff at TAP vendors
- Safety concerns of loading money to TAP in rail stations

The machines are always broken. Bus drivers have make-shift out-of-order signs. I hope Metro doesn't disappear.

Camille, Rider of 232 & 205

# Cash-dominant TAP users tend to only load enough for the trip, the day, or a few days

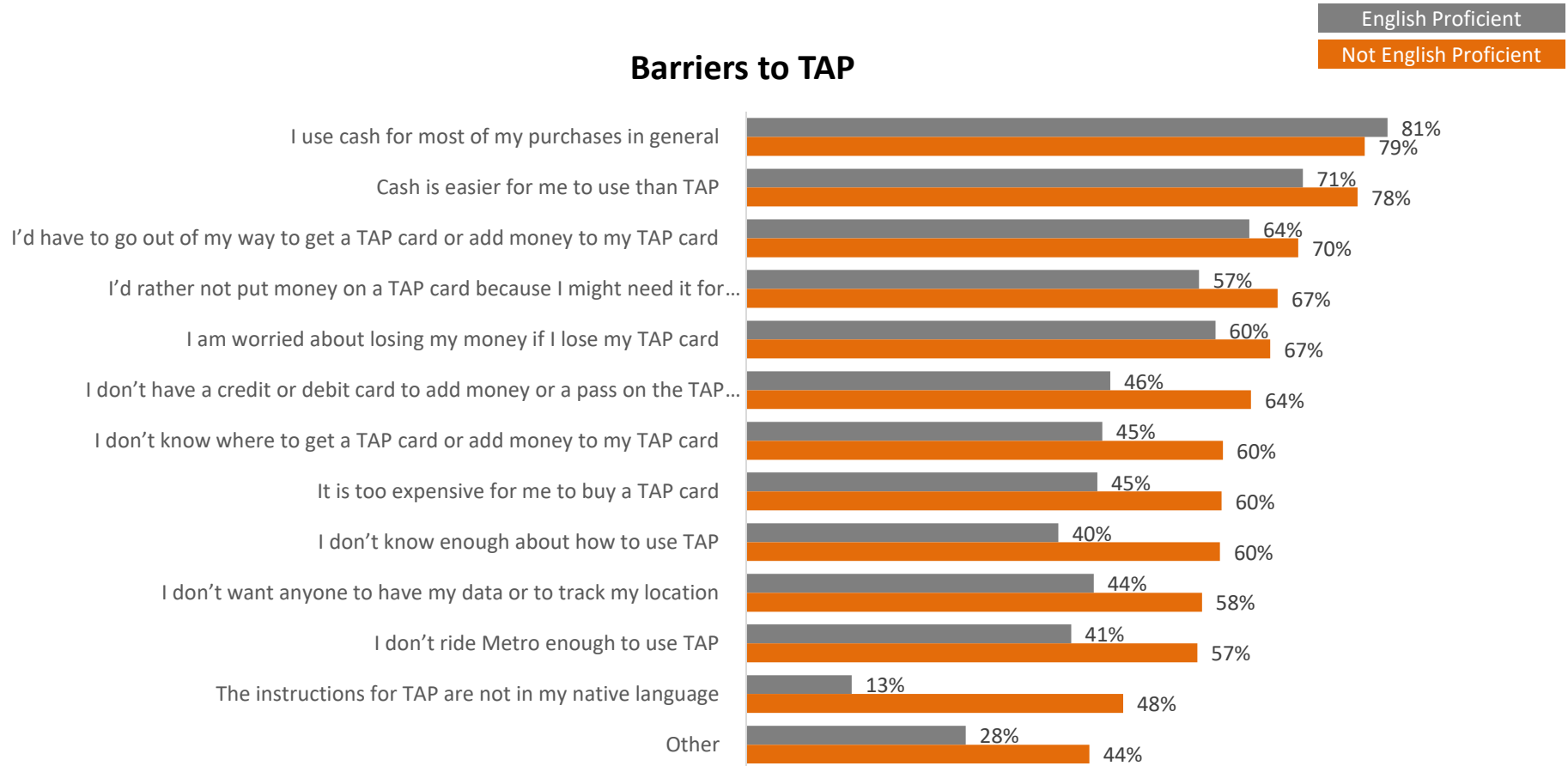
## How much load on TAP card...Enough for...



Driven by a need to keep money available for other potential needs

**Implication:**  
Riders who load just enough fare for a trip or a day may benefit from fare capping, however, it will require them to load fare daily onto their TAP card.

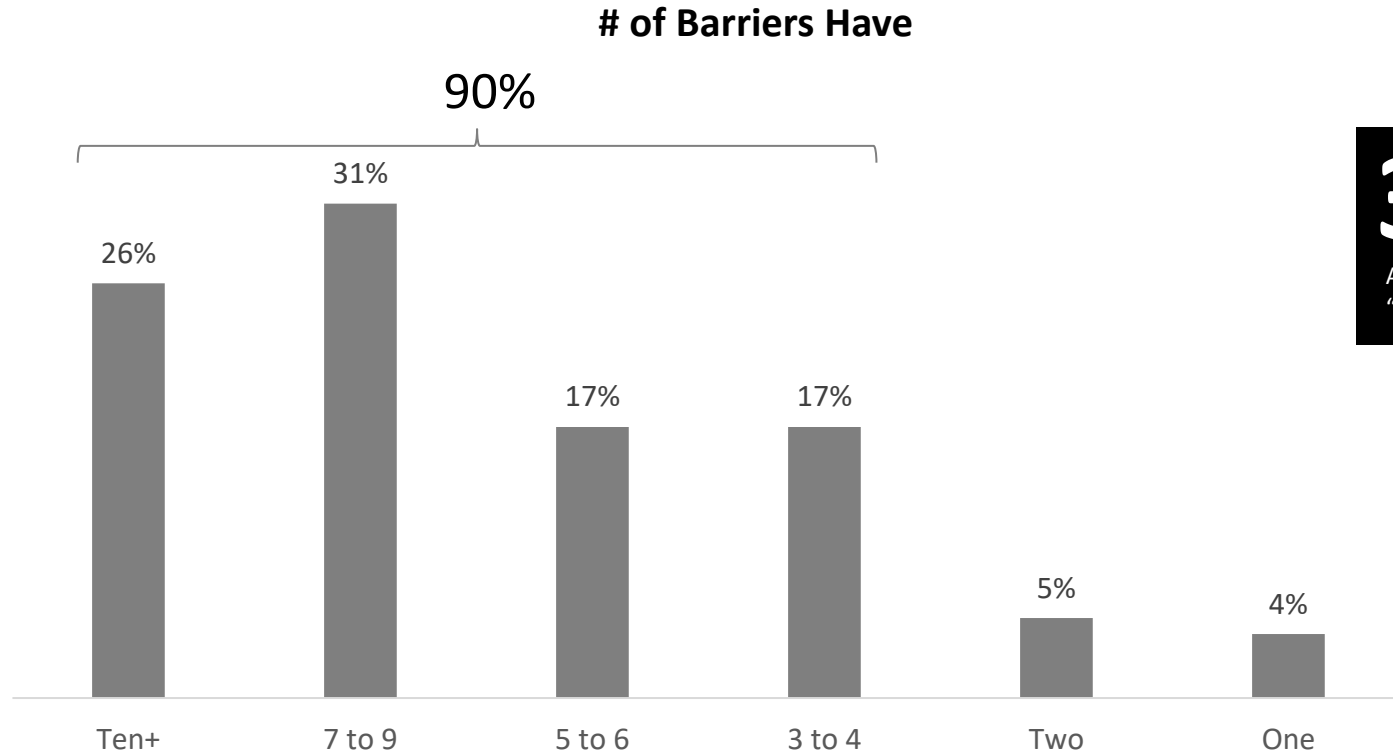
# Riders with low English proficiency have more barriers to TAP





# Overcoming barriers isn't as simple as doing one thing

## Nearly all cash-dominant riders have at least three barriers to TAP

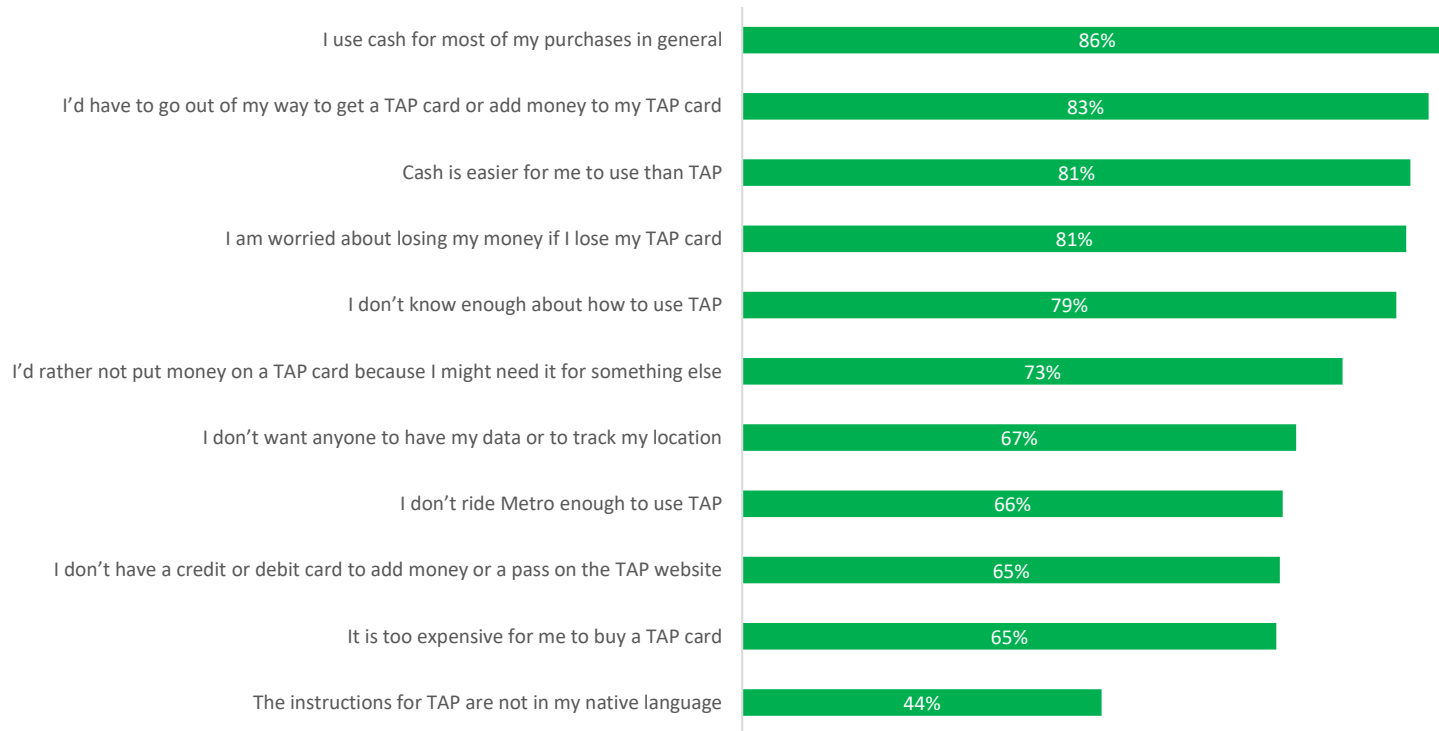


**3.6**  
Avg. # of  
"Big" Barriers

# Solving awareness of where to get TAP won't be a cure-all. Those with awareness barriers cite other barriers as well.

## % Who Have Barriers

(Among Those Who Cite Not Knowing Where to Buy TAP as Big Barrier)



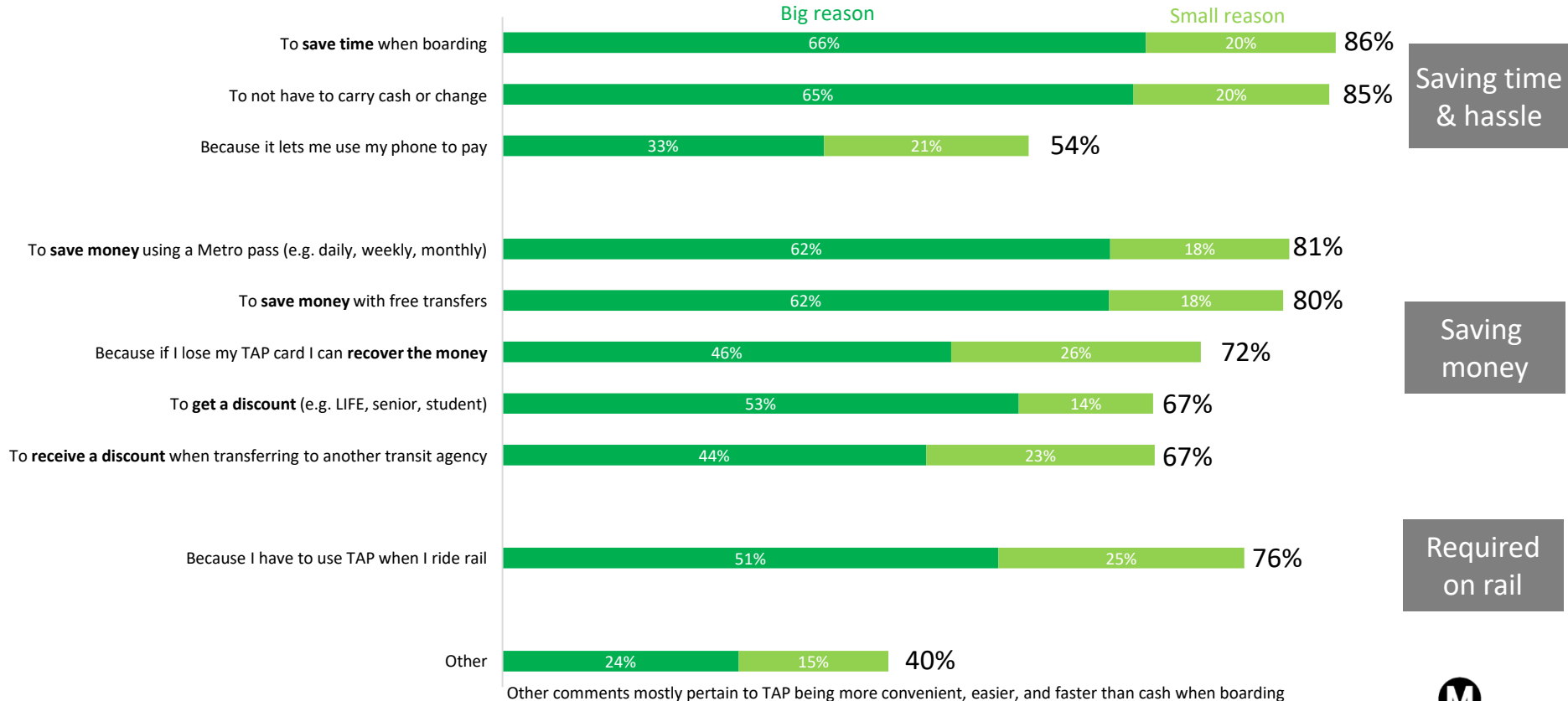
### THEORY:

They are not aware of TAP channels because they don't need to be aware. Cash is preferred and has no barriers.

**Why TAP?**

# Motivations for using TAP include saving time & hassle when boarding, saving money, and because it is required on rail

## Motivations for Using TAP



# Additional motivations to use TAP

(from “other” in survey, in-depth interviews, and focus groups)

## Avoiding Cash

- Not having to fumble with cash (convenience)
- Not having to handle cash (germs)
- Safer than carrying cash (worries of being spotted using cash)

## Have a Special Pass

- Employer provides them with TAP
- Have an ACCESS pass

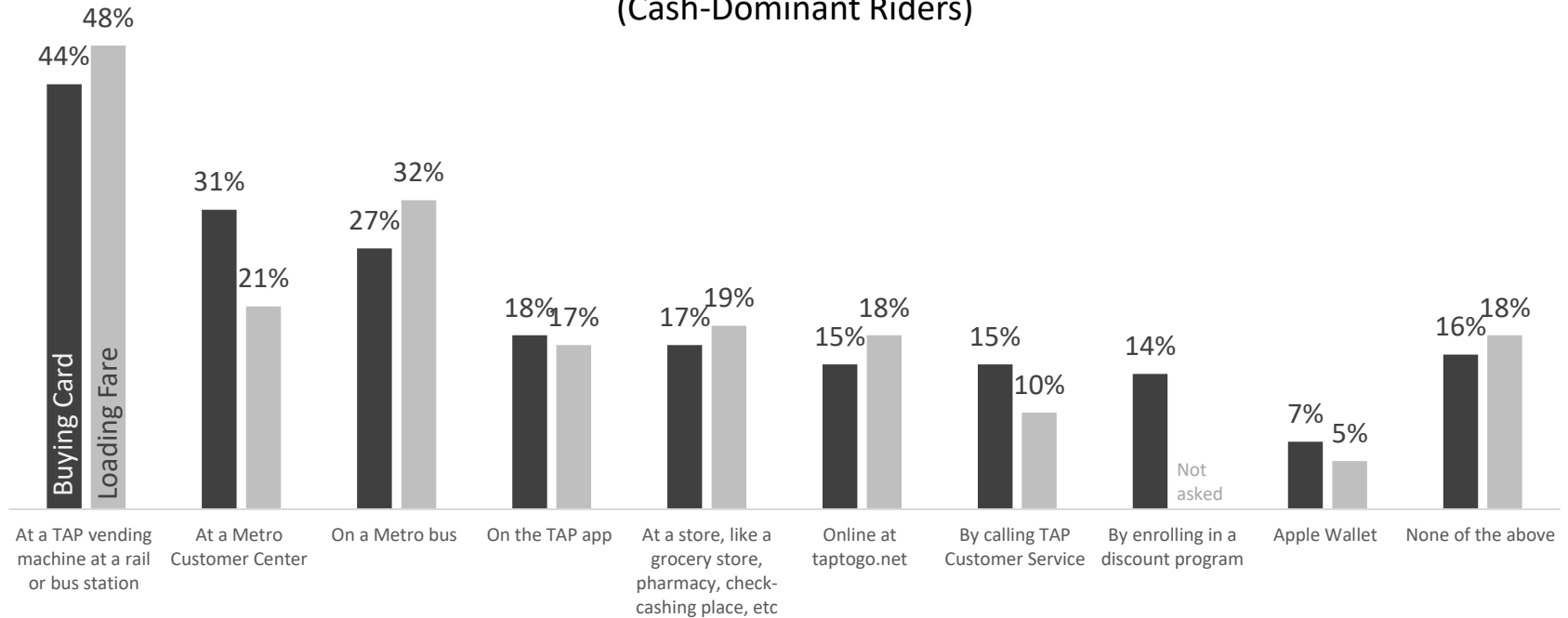
## Sharing

- Sharing cards with family

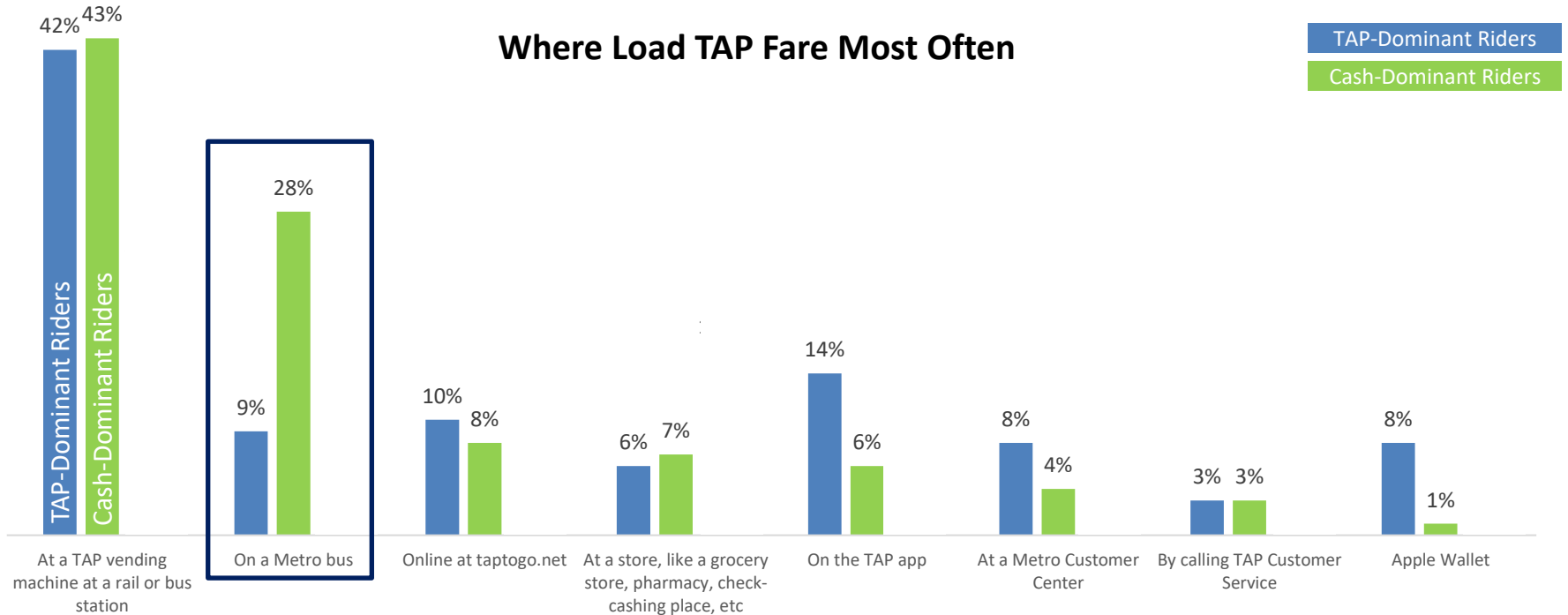
# Awareness & Usage of TAP Channels

# Among cash-dominant riders, there is room to improve awareness of TAP channels

**% Aware of TAP Channels  
(Cash-Dominant Riders)**

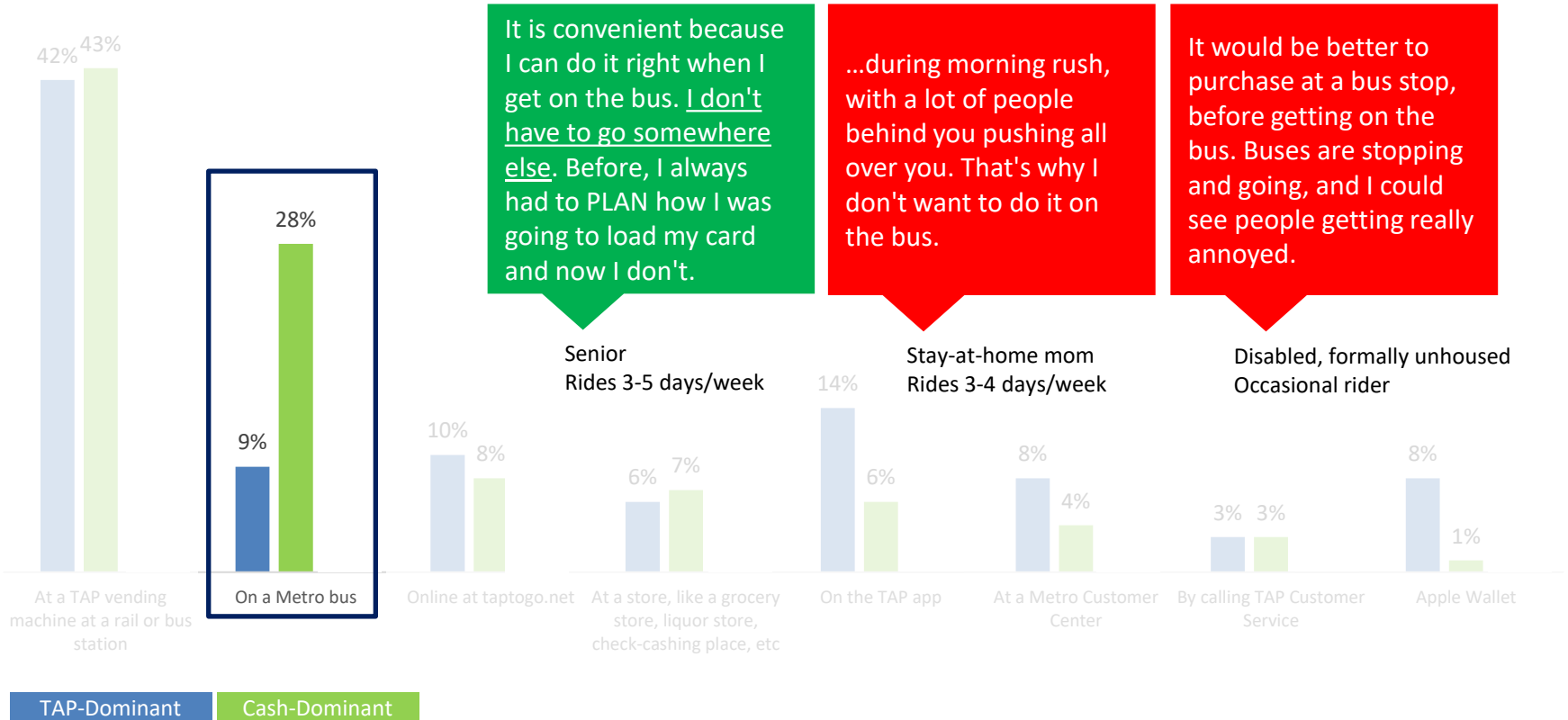


# When using TAP, cash-dominant riders are more likely than TAP-dominant riders to load TAP fare on a bus

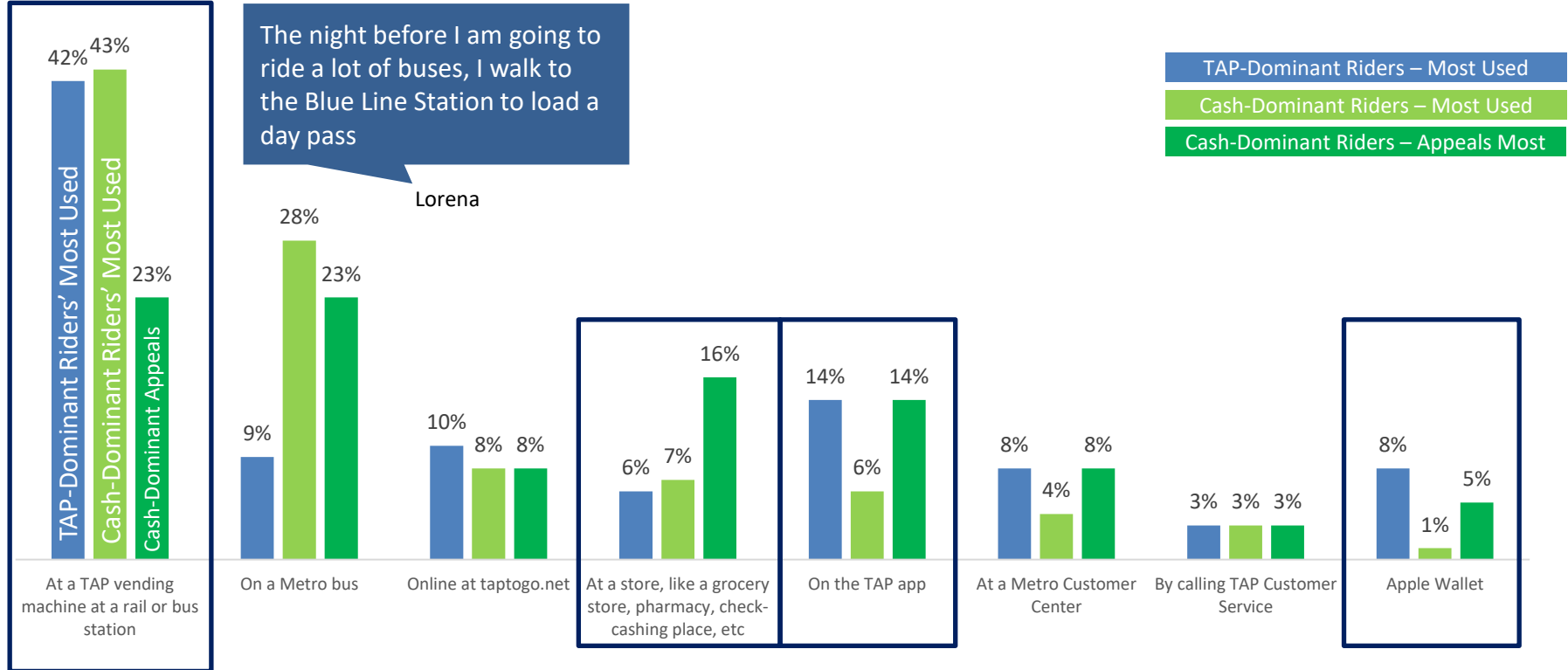




# Loading TAP fare on bus has its pros and cons



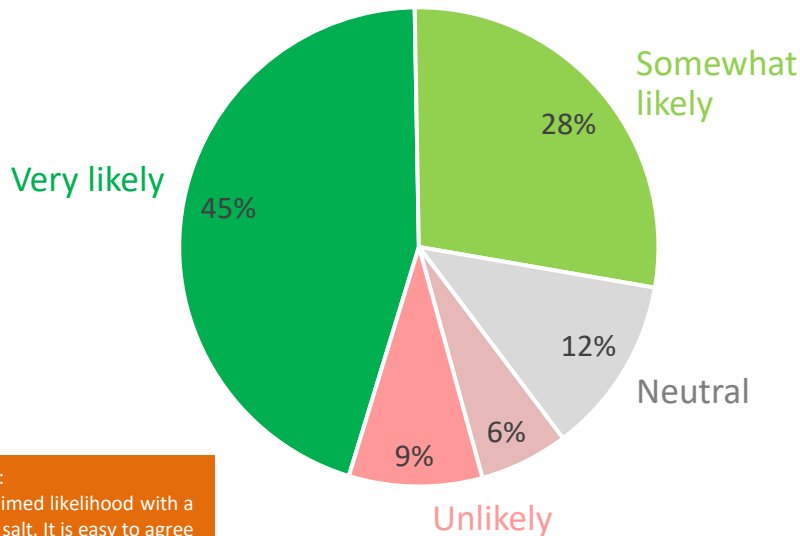
Many cash riders who currently load fare at a rail station would prefer other channels. There is an opportunity to increase loading at vendors and on mobile.



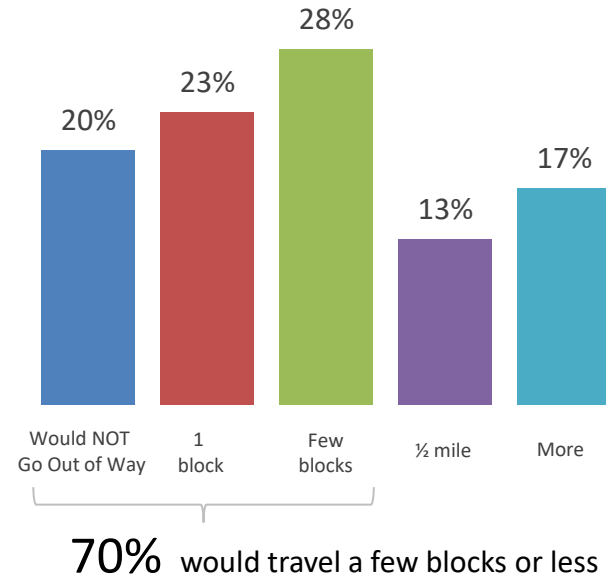
Many cash-dominant riders claim they would load TAP fare at their regular grocery/pharmacy if they could.

However, few would go out of their way to load TAP.

**% Likely to Load TAP at Vendor If Available at Their Regular Grocery, Convenience Store, or Pharmacy**



**Distance Willing to Walk/Bike/Roll to Load Money on a TAP Card**



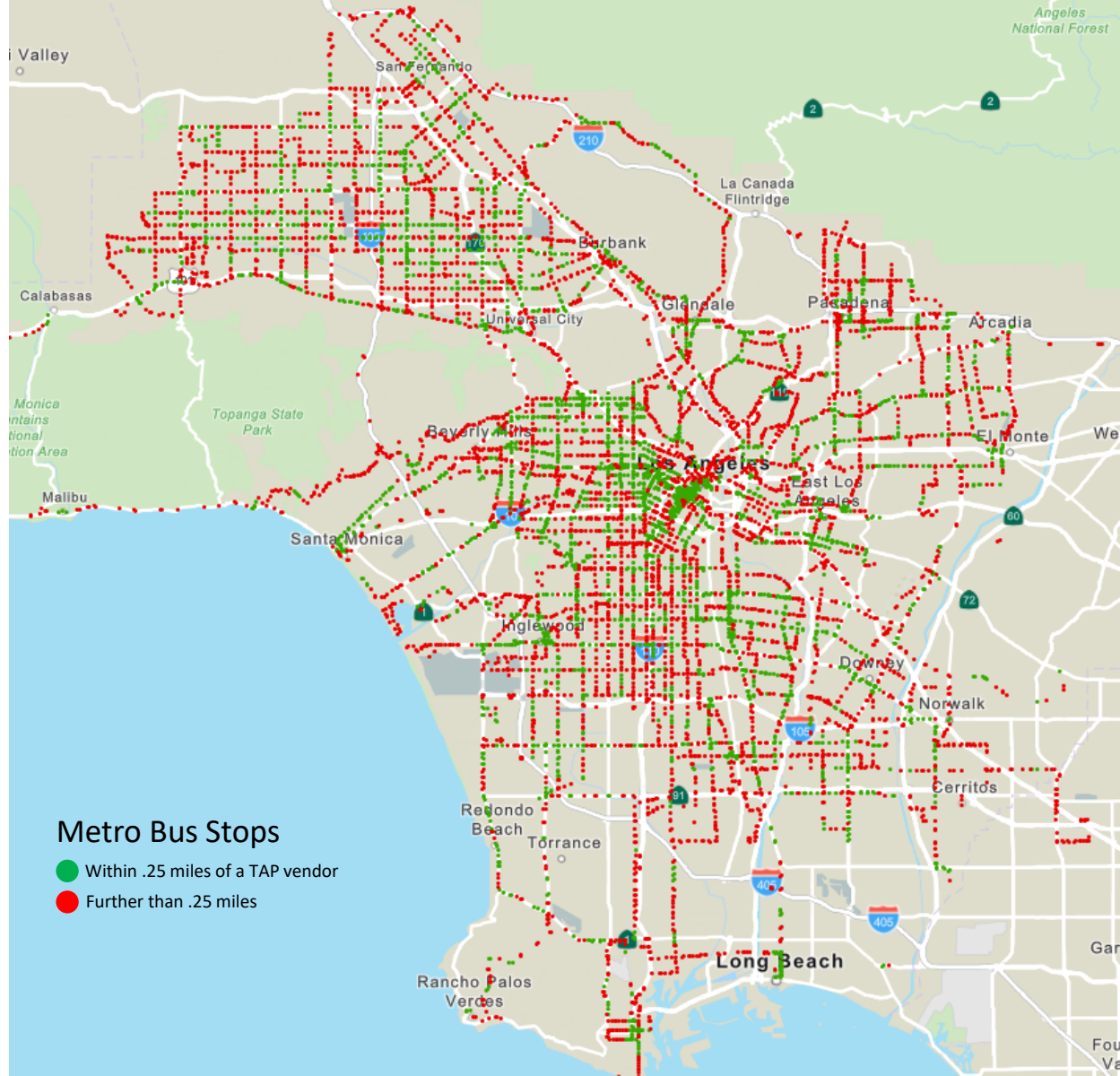
Caution: Take claimed likelihood with a grain of salt. It is easy to agree without fully considering all realities.

There is opportunity to increase TAP vendor presence.

Only 40% of bus stops are within .25 miles of a TAP vendor.

I've looked for TAP vendors online before, but here was never anything *right here*.

Amy,  
Rider of 217 and 14



## There is some evidence that loading fare at TAP vendors is complicated

In stores, there is a lot of other stuff going that people behind counters have to deal with. It gets **complicated**.

Larry

There isn't a machine out in public, you have to ask the librarian and it is **complicated** for them and they make it **complicated** for you.

Amy

It is probably more **complicated** than doing it other ways but I prefer to do it in person.

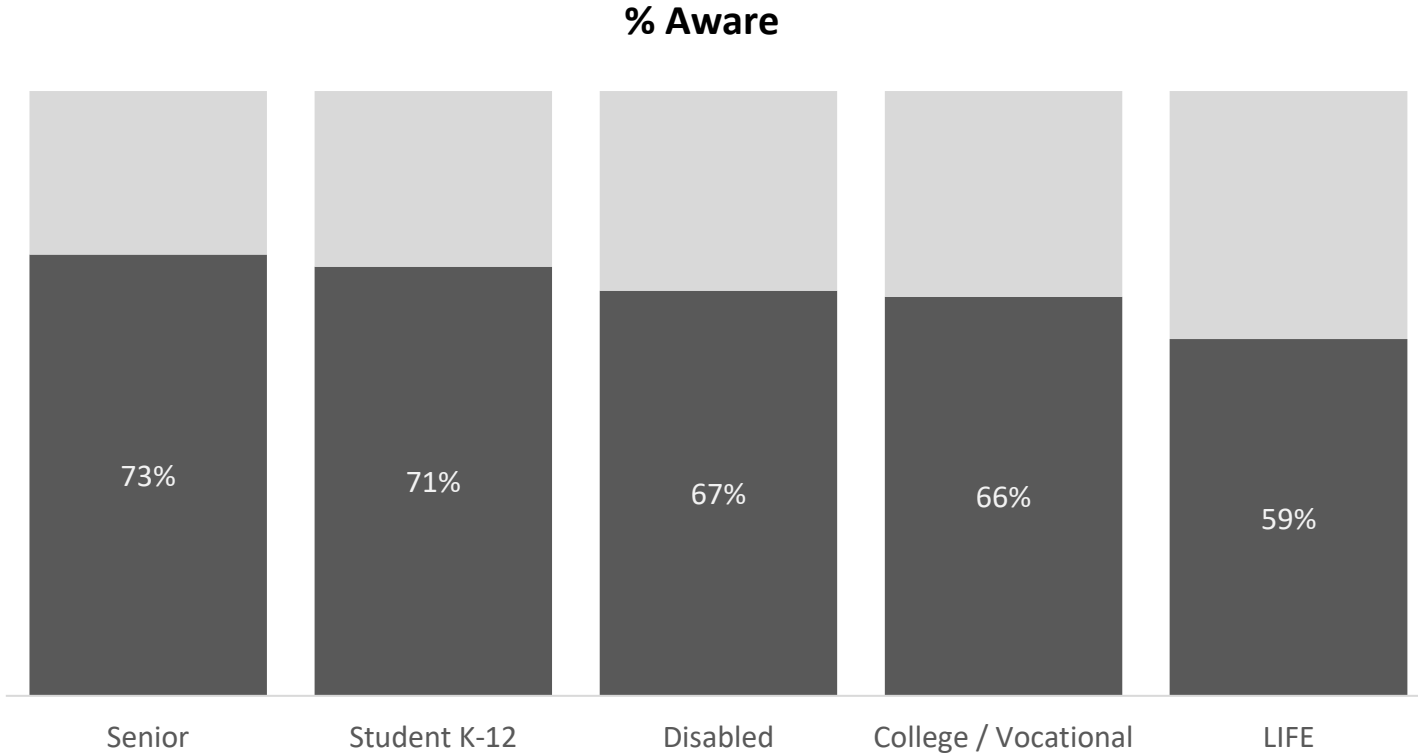
Camile

# TAP Fare Loading Channel Recap

Channel	Possible Motivations	Barriers
TVMs at Rail/Bus Stations	<ul style="list-style-type: none"> <li>• Great for regular rail riders</li> <li>• Allows cash</li> </ul>	<ul style="list-style-type: none"> <li>• May not ride rail often</li> <li>• Station not close by</li> <li>• Fear of going down into unsafe stations</li> </ul>
On Metro Bus	<ul style="list-style-type: none"> <li>• Don't have to go anywhere else</li> <li>• Allows cash</li> </ul>	<ul style="list-style-type: none"> <li>• More steps than just paying with cash</li> <li>• Slows boarding</li> <li>• Operators sometimes unexcited to help</li> </ul>
Taptogo.net	<ul style="list-style-type: none"> <li>• Can add fare from home</li> </ul>	<ul style="list-style-type: none"> <li>• Requires credit/debit card</li> <li>• 2 week wait for delivery of a TAP card</li> <li>• Fare not automatically loaded to card</li> </ul>
Vendors	<ul style="list-style-type: none"> <li>• Can pair with other purchases</li> <li>• May be near home/bus stop</li> <li>• Allows cash</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough nearby</li> <li>• May not realize TAP is sold there</li> <li>• Complicated process</li> </ul>
TAP app	<ul style="list-style-type: none"> <li>• Can add fare from home and on-the-go</li> </ul>	<ul style="list-style-type: none"> <li>• Requires credit/debit card</li> </ul>
Apple Wallet	<ul style="list-style-type: none"> <li>• Can add fare from home and on-the-go</li> </ul>	<ul style="list-style-type: none"> <li>• Requires credit/debit card</li> <li>• May have Android</li> </ul>
Customer Center	<ul style="list-style-type: none"> <li>• Can get help from a person</li> <li>• Allows cash</li> </ul>	<ul style="list-style-type: none"> <li>• Few and far between</li> </ul>
Calling Customer Service	<ul style="list-style-type: none"> <li>• Can get help from a person</li> </ul>	<ul style="list-style-type: none"> <li>• Not ideal channel for nearly all riders</li> </ul>

# Discounts & Incentives to Use TAP

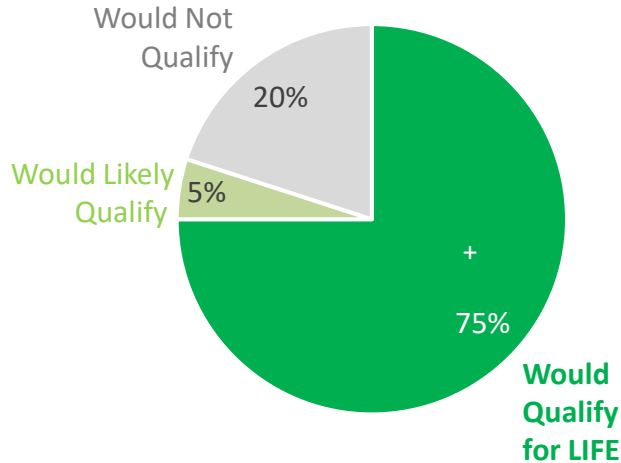
# Most riders are aware of Metro's discount programs



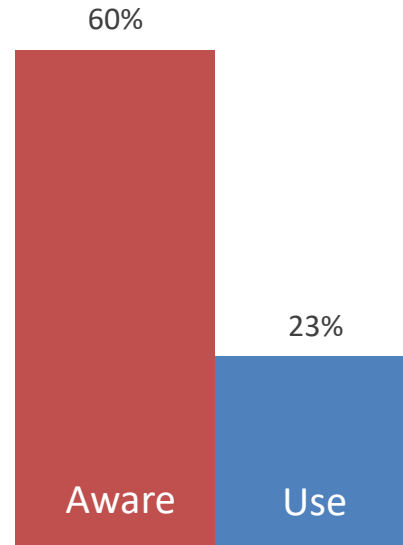


# LIFE could be a big cash-to-TAP conversion tool—opportunity to increase program awareness and usage among those aware

### % of Metro Riders Who Would Qualify for LIFE



### % Aware/Use LIFE



Among Under \$35K Household Income

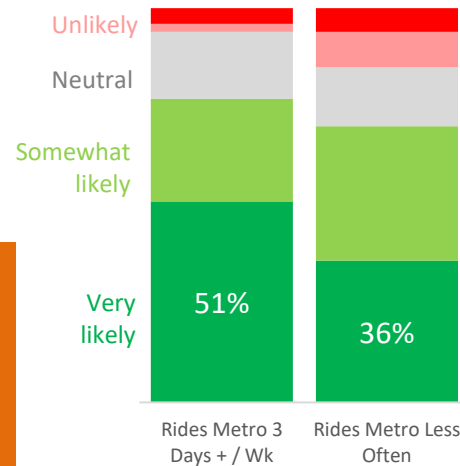
Wow. 20 free rides. That would be enough to get me to switch to TAP.

Semona  
Rider of Lines 21 & 23

In a quick survey evaluation, many cash-dominant riders claim to be likely to use TAP after fare-capping.

**% of Cash-Dominant Riders Who Claim They Would Use TAP for Most Rides If Fare-Capping is Implemented**

n=224\*



Caution: Take claimed likelihood with a grain of salt. It is easy to agree without fully considering all realities.

However, during in-depth focus group discussions, very few riders felt fare-capping would motivate them to use TAP more.

You have to ride too many times to get a discount. They're trying give you a deal and they make it hard on you.

What am I supposed to do, go out on my lunch break and ride? This is not a good carrot and hook.

They need to sweeten the deal somehow.

My day is going and coming. I don't have anywhere else to go.

I don't use Metro constantly so wouldn't work for me

This whole program will be full of technicalities.

It probably would make me want to get out and get that one more TAP to ride free on the weekend

It motivates me to think I'm going to go shopping and not pay extra

\*Fare-capping interest question had a bug and was only shown to about half of the cash-dominant riders. Two versions of the question were asked with minimal difference in responses.

Version 1: As you may have heard, Metro is considering launching a program called fare-capping, in which if you ride 10 times in a week, the rest of your rides that week would be free. In order to participate, you would need to use a TAP card. If Metro implemented fare-capping, how likely is it that you would use TAP for most of your Metro rides?

Version 2: In 2023, Metro plans to launch a new fare payment process. In this system, after your 3rd paid ride in a day (excluding free transfers), the rest of your rides that day will be free. After your 11th paid ride in 7 days (excluding free transfers), the rest of your rides in that 7-day period will be free. When this system is launched, how likely is it that you would use TAP for most of your Metro rides?

# Conclusions

# For many cash users, switching to TAP would require more steps (barriers)



## Converting cash-dominant riders to TAP will not be easy

We're asking...

- People who use cash for all/most of their purchases in life to use something different on Metro.
- Them to take more steps than just showing up and paying with cash.
- Them to either load fare every day or stretch themselves financially by putting more than they feel they can afford.

Converting cash riders to TAP will require...

**Clear substantial financial benefit**

**+**

**Steps as easy as cash**

(or painless enough that financial benefit outweighs trouble)

# How to convert cash-dominant riders to TAP

1. Make cash riders more aware of benefits of TAP and ways to get TAP
  - However, awareness alone won't convert too many people.
2. Target lowest hanging fruit—banked smartphone users to TAP App or Apple Wallet
3. Target lowest hanging fruit—cash-dominant riders who already use TAP some of the time
4. Increase # of TAP vendors:
  - Particularly near high-traffic, high-cash bus stops
5. Make TAP more prominent at vendors and easier to purchase
  - UX test how easy it is to load fare at a TAP vendor
6. Convert low-income riders to LIFE
  - Increase awareness of program
  - UX Test and Improve LIFE sign-up and usage process

## How to convert cash-dominant riders to TAP (continued)

7. Make it easier for Spanish-dominant speakers to feel comfortable navigating TAP
  - Include Spanish-first ads
  - Ensure all TAP touchpoints are in Spanish
8. Promote fare-capping to most-frequent cash riders
9. Find a work-around for low-income riders who don't want to put more than a ride/day's worth on their TAP card
10. Give less-than-6-day/week seniors, students, and disabled riders a reason to use TAP over cash
  - e.g. Require TAP to get senior, K-12, and disabled discounts
11. Make online fare loads automatically useable
12. Ensure TAP machines in good working order
13. Make TAP as easy to use as cash
  - UX test all TAP touchpoints & processes
  - UX test all discount program sign-up and usage processes

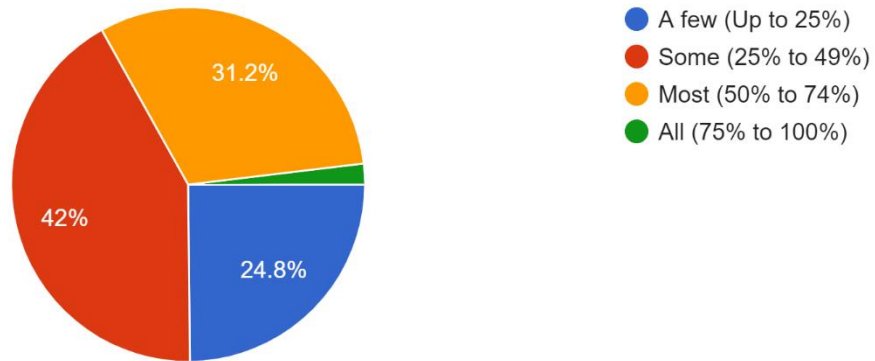


# Additional ideas to consider for converting cash-dominant riders to TAP

- Create a one-stop form for signing up for all fare products and discount programs
  - Unify all programs on the back-end
- Find a ways to get TAP closer to bus stops
- Lower cost per ride when using TAP
- Offer big promotional benefit of switching to TAP
- Make the TAP card a pre-paid card that can be used elsewhere
- Make train stations feel safer

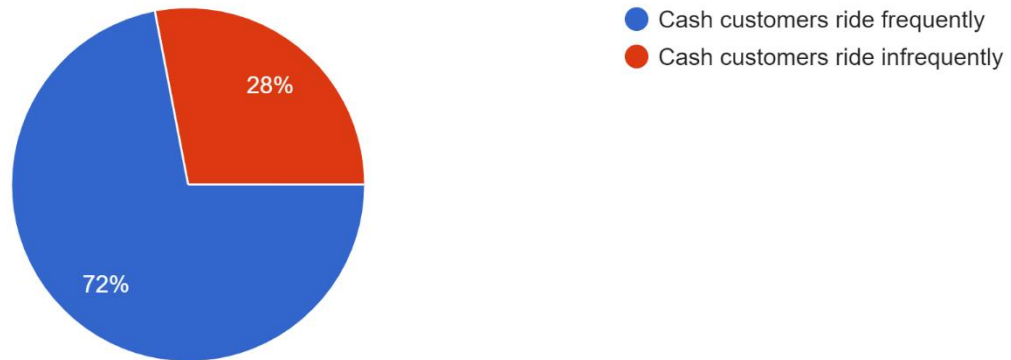
Based on your experience, how many customers typically pay with cash in a day?

157 responses



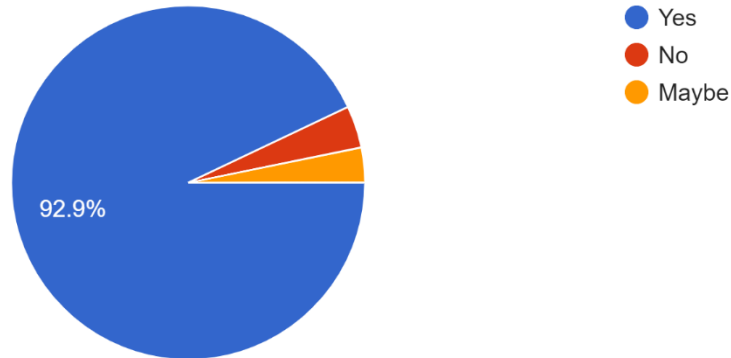
From what you recall, are these cash customers frequent or infrequent riders?

157 responses



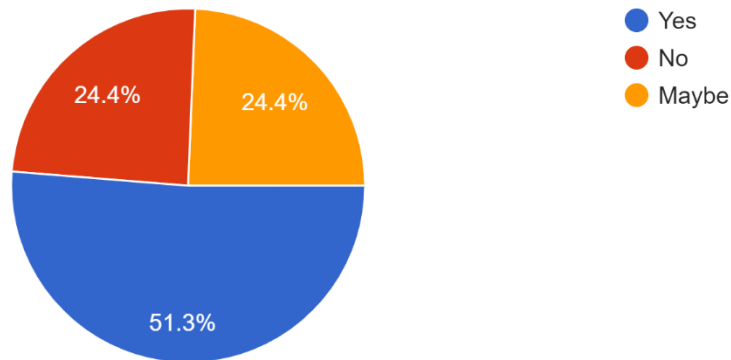
Are you aware that you can sell TAP cards and reload up to \$20 through the farebox when customers board?

156 responses



Do you think customers are aware they can buy TAP cards and reload their TAP cards on the bus at the farebox?

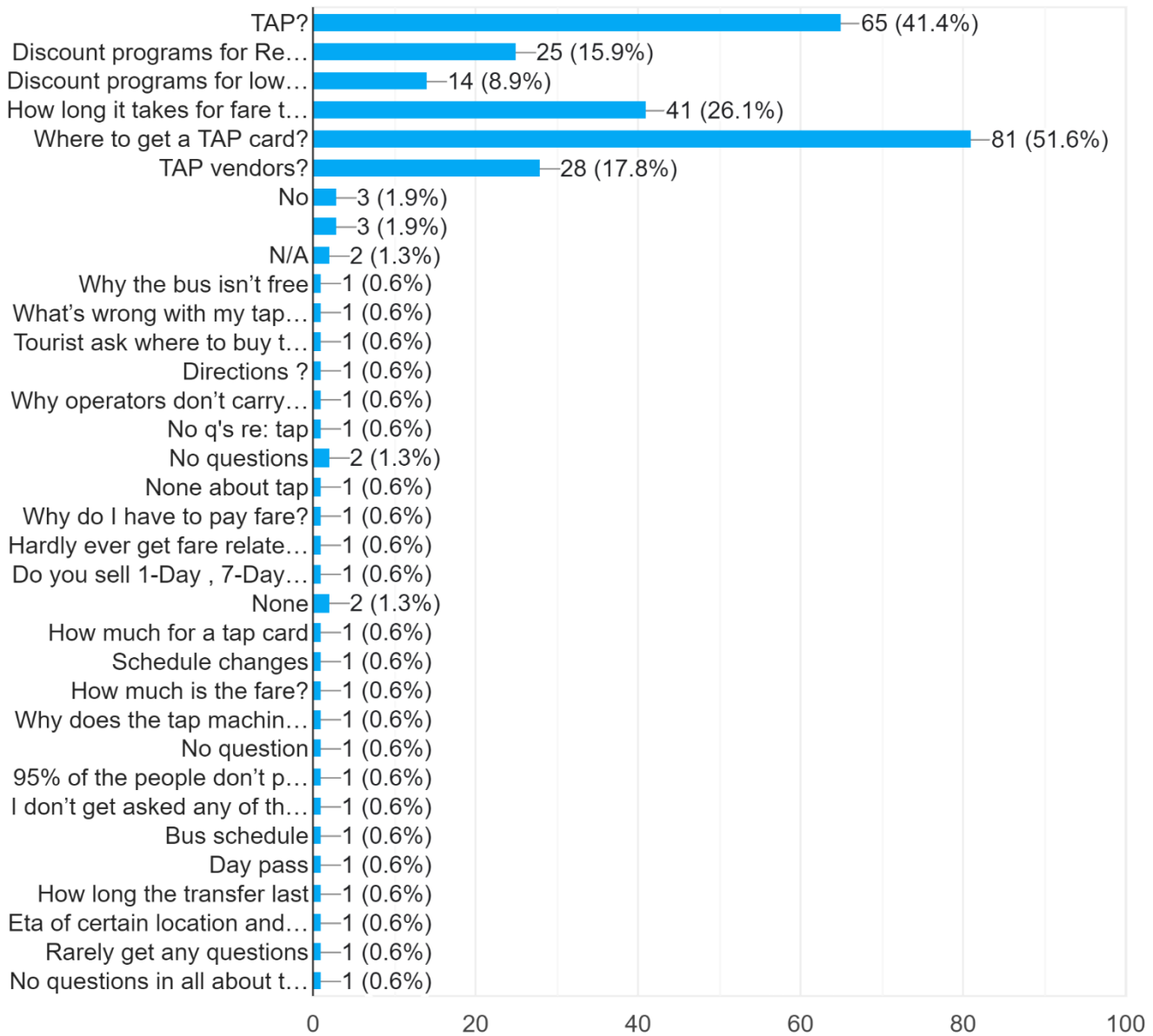
156 responses



Attachment E – Bus Operator Survey Questions and Results

Do you get a lot of questions about...

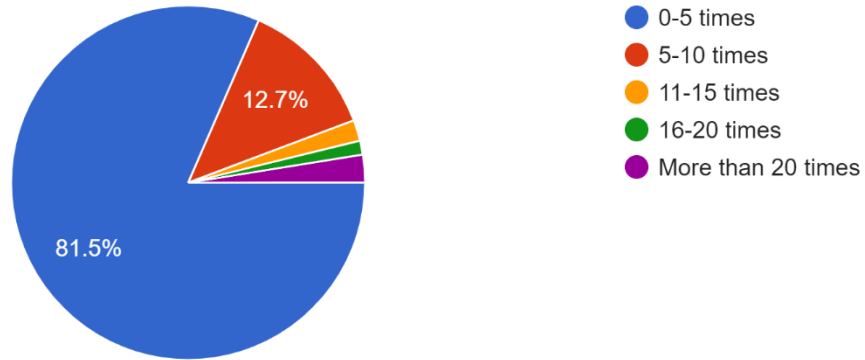
157 responses



Attachment E – Bus Operator Survey Questions and Results

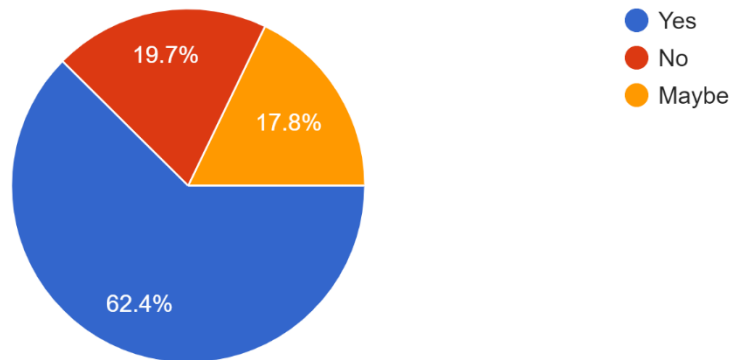
In one month, how often do you get asked questions on Metro's discount programs (i.e., Reduced Fare, Student GoPass, low-income fares, etc.?)

157 responses



Are you comfortable with giving answers and/or information to customers asking about Metro's discount programs (i.e., Reduced Fare, Student GoPass, low-income fares, etc.?)

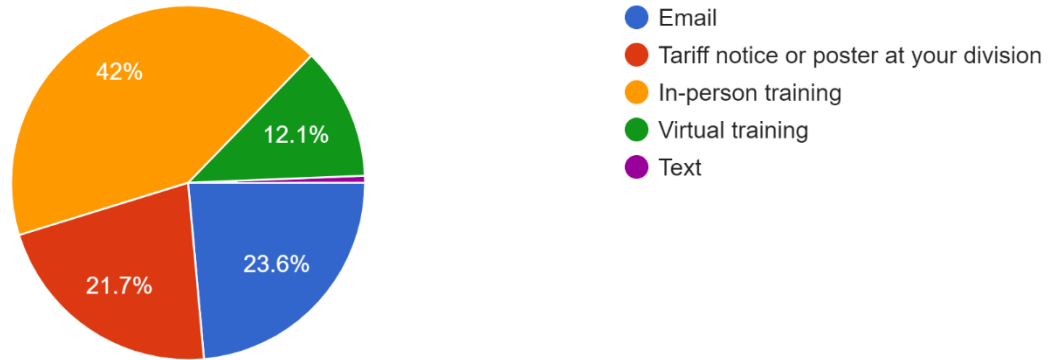
157 responses



Attachment E – Bus Operator Survey Questions and Results

How would you prefer to receive informational materials on upcoming changes or future Metro/TAP programs?

157 responses



Would you like to receive more training on the TAP card sale and ADD SV (reload) process? Or are there other areas you'd like to receive more training?

156 responses



## Cash to TAP Campaign Update

The “Cash to TAP” regional marketing campaign was launched to support the conversion of cash customers to TAP. In the first 12 weeks, the campaign generated over 600k impressions. Metro Marketing is continuing to run awareness ads across the various media channels which includes paid ads on Facebook and Instagram, Paid Search, Google search ads and programmatic digital ads with direct one-to-one access to target cash-paying riders, current Metro riders and residents in LA County who ride among the 26 TAP partner agencies. The primary goals of the media campaign are as follows:

- a. Increase TAP card usage & reduce cash throughout LA County
- b. Increase in TAP card account creation
- c. Increase in TAP app downloads

This targeted paid campaign utilizes an evergreen/always-on messaging and communications strategy. The current campaign will remain live in market through June 30, 2023. Staff utilizing TAP Blue Shirt ambassadors to help riders get a TAP card or download the TAP app and to distribute free cards at high cash-paying bus stops. Customer Care was provided information regarding the campaign in advance to address possible inbound calls.

This evergreen strategy recommendation reinforces the benefits of paying with TAP over cash and also prepares Metro riders for the upcoming fare changes and rollout of Fare Capping. The “Cash to TAP” campaign is seeing the most engagement in Paid Search. This allows Metro to gauge volume interest in hyper-targeted areas (key zip codes). Marketing and TAP are actively monitoring cash payments (currently 38%, post-pandemic) to determine the campaign’s effectiveness and inform adjustments in future messaging, creative and media channels.

### **Insights/Next Steps:**

Marketing and TAP will continue to evaluate the performance of the current media ads to gauge potential data performance increases within certain zip codes. To complement this effort, staff will also add another outdoor communication touchpoint using bus bench ads at high-paying cash bus stop locations.

Given the nominal decrease in cash paying thus far, Marketing’s addition of the OOH tactic (out-of-home bus benches) to the media mix during the upcoming Creative Rotation 2 (timing is April 2023) can impact campaign metrics/results. OOH and Search have a symbiotic relationship when applied together and the role of this strategy would be to help decrease cash payments on the bus system. Last, Metro Communications looks to test and learn with our next creative refresh. Below are examples of the current creative direction (rotation 1) and an overview of the upcoming creative direction (rotation 2).

### **Creative Rotation 1 (November 2022-Ongoing):**

- Still paying with cash? Switch to TAP for big savings

- Ride more, for less, with a TAP card
- Ride more transit for less with TAP
- Unlock discounts with TAP

*On Board Posting Example (English & Spanish versions):*



DISPLAYED AT 55%



DISPLAYED AT 55%

### **Creative Rotation 2 (Upcoming: March-June 2023)**

Learnings from market research efforts continue to inform the creative look & feel for the remainder of the campaign through June 2023. The creative for this rotation is currently in development with Metro Design Studio. Marketing and TAP staff have recommended general messaging and a Call to Action (CTA) with the goal of reminding riders that paying with TAP is accessible and easy.

Sample messaging below:

- Find TAP cards and load cash at hundreds of locations in LA County
- Ride more, pay less, with TAP
- Use TAP to ride on bus and rail



*Creation Rotation 2: On Board Posting Example (English & Spanish versions):*



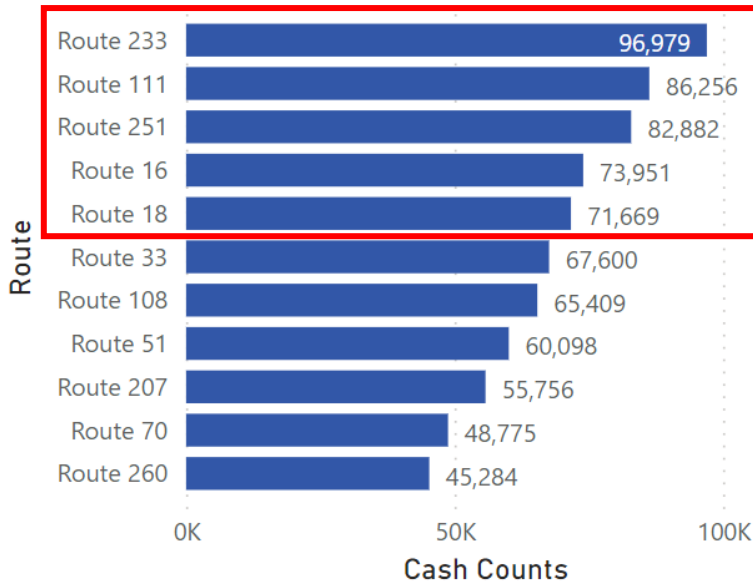
**Fiscal Year 2024 Approach:**

Based on FY23 performance analytics, Marketing will re-evaluate the paid media channel mix based on interest and engagement seen through Paid Search marketing. Paid Search volume in key zip codes will help inform the building or lacking awareness in key areas. Data will be available in late summer 2023 for review and assessment which will inform paid tactics for FY24. Based on this knowledge, Marketing will develop an integrated, multilingual marketing communications campaign that includes Paid Search, paid and organic social media and targeted earned media outreach about the program. This plan can go live in the market in 2nd quarter of FY24.

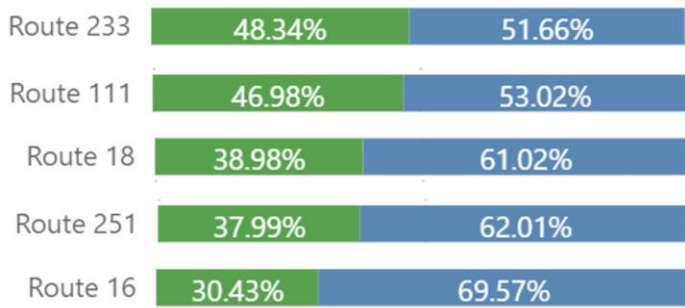
**Campaign effectiveness**

While the campaign is regional, staff is monitoring cash and TAP use on 5 specific high transaction and high cash use bus lines to help track effectiveness. All marketing tactics and paid media are being targeted towards riders in zip codes along these lines. Ideally, these tactics will result in a slow and steady decrease in cash use which will be apparent along these lines. The following bus lines were identified as bus lines with the highest ridership and a high number of cash transactions:

### Cash Counts by Route

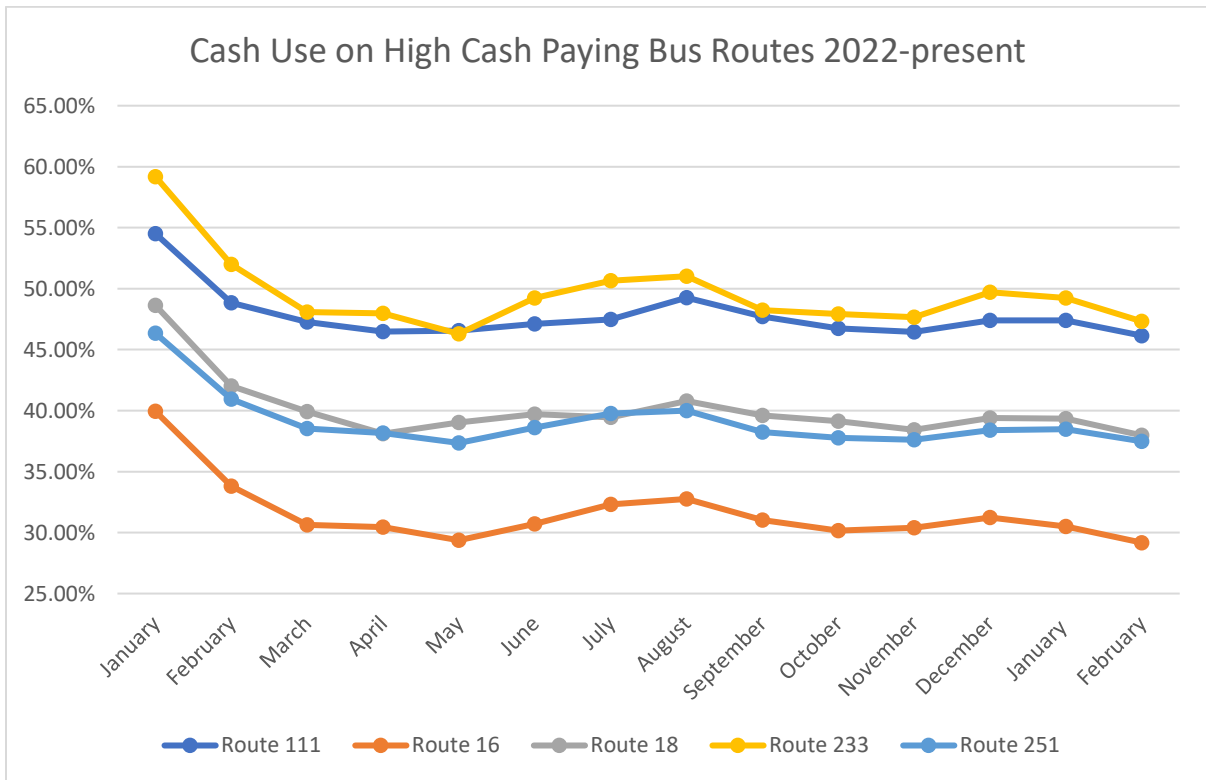
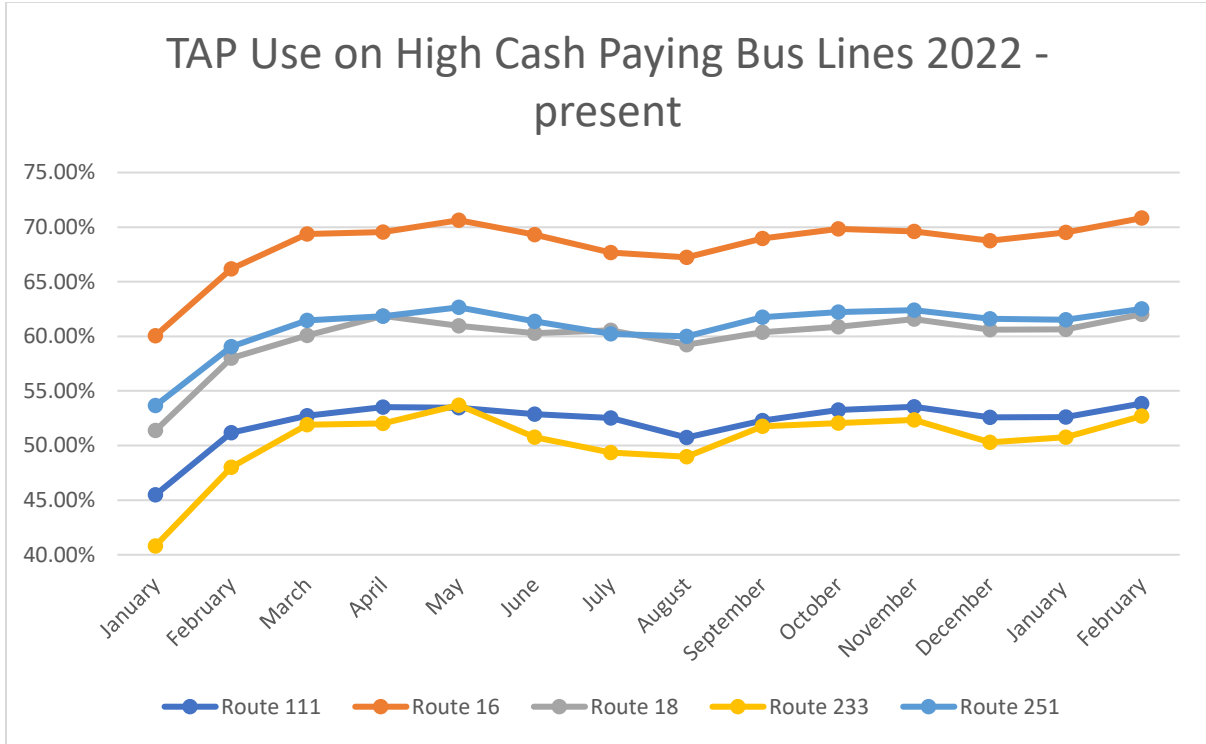


Source: [Metro Bus Transactions](#) Dates 9/1/22 -3/1/23



Source: [Metro Bus Transactions](#) Dates 9/1/22 -3/1/23

Like the rest of the system, cash and TAP use on these bus lines have leveled off:



Source: [Metro Bus Transactions](#)

Staff will continue to monitor cash and TAP use along these routes and adjust the strategy by leveraging the insights learned from the market research. Overall,

converting cash riders to TAP is a long-term goal and will require an ongoing effort, including multiple campaigns and promotions, to change riders' behavior.



# METRO FARE CAPPING CUSTOMER JOURNEYS

January 20, 2023

# BACKGROUND

Metro is preparing to launch a new program which is a major change to the current fare system, known universally as “fare capping.” Under this new program, riders utilizing a TAP card to pay for fares will ride for free after they have hit their maximum number of fares paid during a given timeframe. This change needs to be communicated to LA County communities of frequent, occasional, and potential transit riders. Tactics to drive interest in learning more and drive traffic to a landing page are needed, as the details of the program are too complicated to communicate effectively in short-form advertisement.

# GOALS

- Determine barriers at each stage of the customer journey
- Assess general messaging points to overcome barriers
- Consider owned media ad space and paid media tactics to implement with the general messaging at each journey stage

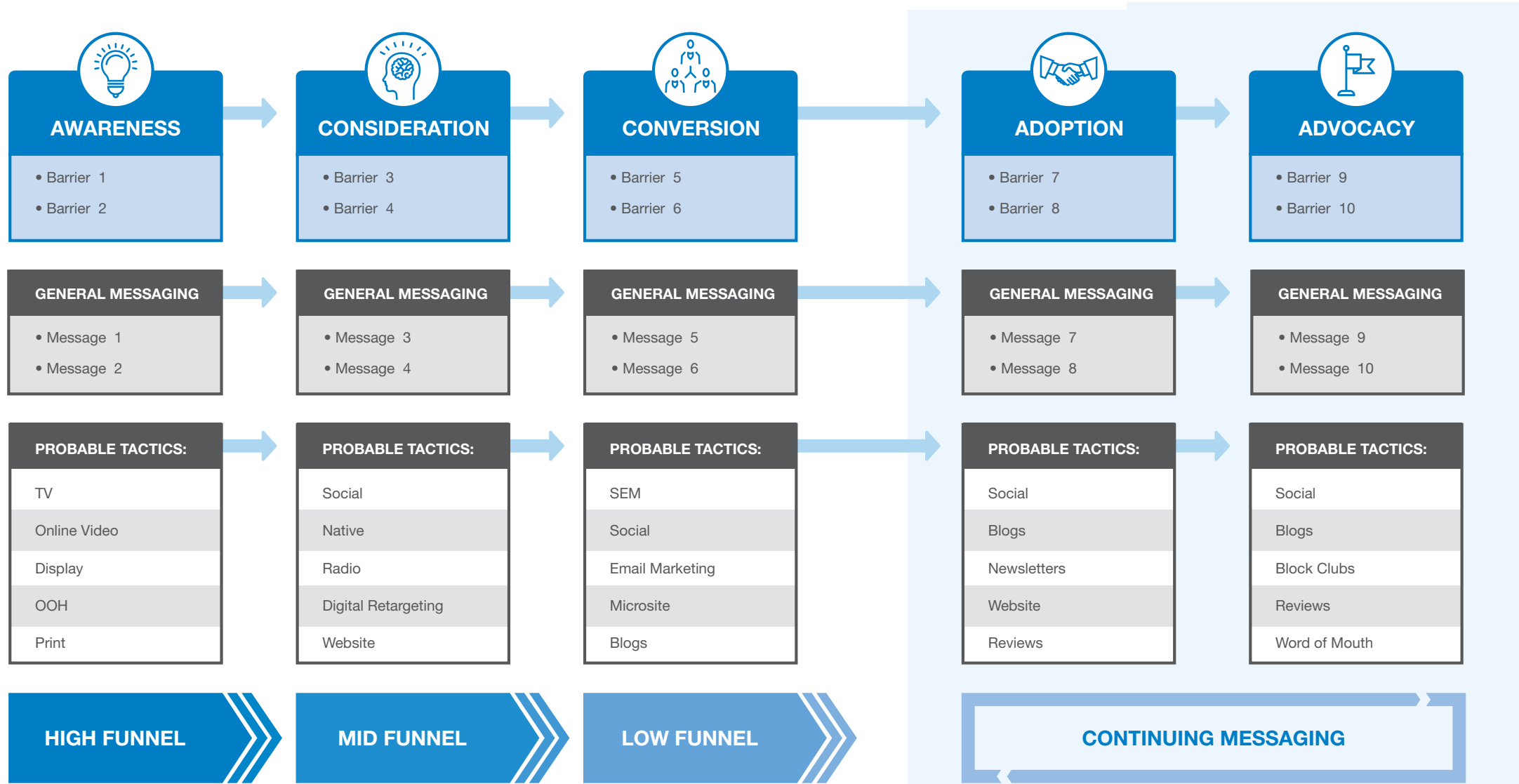


# WHAT IS A CUSTOMER JOURNEY?

A customer journey is a proven marketing exercise guiding a business through all the steps a potential customer will take along the desired conversion process. A journey should also consider how to manage customers after the conversion, so they continue the desired action and encourage their social circles to do the same.



# CUSTOMER JOURNEY TEMPLATE



# WHY ARE CUSTOMER JOURNEYS IMPORTANT?

Customer journeys are important because they compel the business to think strategically about the customer along each possible touchpoint.

Separating and analyzing each journey step allows campaigns to be strategic in what they're messaging and where it's being messaged. If properly strategized and executed, the customer will proceed to the next journey stage and, ideally, the final conversion point.

PRE-LAUNCH





Awareness

Consideration

Conversion

## Barriers

- Doesn't know Metro fares are changing
- Doesn't ride Metro regularly
- Is unfamiliar with the concept of "fare capping"
- Doesn't have consistent access to the internet
- Doesn't understand why Metro fares are changing
- Doesn't think fare changes are applicable to them (half-price fare remnant)



Awareness

Consideration

Conversion

## General Messaging

- Metro is changing how you pay for rides
- Learn more about how ride fare changes affect you
  - Digital and analog options
- Find out how you can benefit from fare capping (with a TAP card)



Awareness

Consideration

Conversion

### Possible Tactics

- Out-of-home (Billboards, bus benches, bus shelters, etc.)
- Terrestrial radio
- Broadcast television
- Public relations/press releases
- Digital display banners
- Email campaign to current riders
- Street teams
- Owned Metro signage at stations/buses/rail cars
- Alerts on Metro.net homepage
- Community outreach



Awareness

Consideration

Conversion

## Barriers

- Doesn't know where to learn more about pending fare changes/capping
- Can't easily access fare change/capping information
- Is unfamiliar with TAP card
- New fare system is confusing and don't know how to proceed
- Doesn't ride Metro frequently enough to benefit
- Only perceives the fare changes as a price increase
- Prefers current fare routine/habit



Awareness

Consideration

Conversion

## General Messaging

- Metro fares will increase to \$1.75, but will have fare capping
  - Pay for 3 rides, the rest of the day is free
  - Pay for 11 rides, the rest of the week is free
- Having a TAP card unlocks all the free fare capping benefits
- Metro offers discount fare programs for those who need it





Awareness

Consideration

Conversion

### **Possible Tactics**

- Community based organizations outreach
- Flyers/brochures/collateral
- Social media (paid and organic)
- Online video/connected television/streaming video platforms
- Digital radio
- Native ads
- Community meetings
- Blogs
- Media pitching (PR)
- Microsite (with clear explanations and custom rider scenario interface)



Awareness

Consideration

Conversion

## Barriers

- Is unbanked/no credit card/prefers cash
- Can't afford to load TAP card/can only afford per-ride payments
- No TAP kiosk or retail location close to them/inconvenient
- Doesn't have/can't use TAP app
- Have encountered problems using/loading TAP card in the past



Awareness

Consideration

Conversion

## General Messaging

- Here's where and how to register for a TAP card
- Download the TAP app
- Register for LIFE/GoPass/other applicable programs
- Tips to pre-load a TAP card on a budget



Awareness

Consideration

Conversion

## Possible Tactics

- Search Engine Marketing (SEM)
- App store ads (Android and Apple)
- Digital ad retargeting
- Pop-up TAP registration tables
- TAP registration ride-alongs
- Metro hotline or contact us page

# PRE-LAUNCH JOURNEY TAKEAWAYS

- Pre-launch communications should prioritize **high-awareness** tactics informing current and potential riders Metro fare changes are coming and where can they find the details.
- The pre-launch phase must have a resource (microsite, collateral, or something else) that is accessible and informative that all riders understand. Primary objective should be driving riders there.
- No need to consider “post-conversion” customer journey steps during the pre-launch phase. Adoption and advocacy cannot occur until fare changes initiate.

# POST-LAUNCH





## Barriers

- Did not know Metro fares changed
- Doesn't ride Metro regularly
- Is unfamiliar with the concept of "fare capping"
- Doesn't realize fare capping only applies to those with a TAP card
- Doesn't have consistent access to the internet
- Confused about the change and why they're paying more



## General Messaging

- Metro's fare system has changed
- Learn more about how the new ride fare system affects you
  - Digital and analog options
- Find out how you can benefit from fare capping (with a TAP card)





## Possible Tactics

- Out-of-home (Billboards, bus benches, bus shelters, etc.)
- Terrestrial radio
- Public relations/press releases
- Digital display banners
- Email campaign to current riders
- Owned Metro signage at stations/buses/rail cars
- Alerts on Metro.net homepage
- Community outreach



## Barriers

- Doesn't know where to learn more about new fare structure/capping
- Can't easily access fare change/capping information
- Is unfamiliar with TAP card
- New fare system is confusing and don't know how to proceed
- Doesn't ride Metro frequently enough to benefit
- Only perceives the fare change as a price increase
- Prefers current fare routine/habit



## General Messaging

- Metro fares have increased to \$1.75, but will have fare capping
  - Pay for 3 rides, the rest of the day is free
  - Pay for 11 rides, the rest of the week is free
- Having a TAP card unlocks all the free fare capping benefits
- Metro offers discount fare programs for those who need it (e.g., LIFE)



## Possible Tactics

- Community based organizations outreach
- Flyers/brochures/collateral
- Social media (paid and organic)
- Online video/connected television/streaming video platforms
- Digital radio
- Native ads
- Community meetings
- Blogs
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## Barriers

- Is unbanked/no credit card/prefers cash
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- Have encountered problems using/loading TAP card in the past



## General Messaging

- Here's where and how to register for a TAP card
- Download the TAP app
- Register for LIFE/GoPass/other applicable programs
- Tips to pre-load a TAP card on a budget



## Possible Tactics

- Search Engine Marketing (SEM)
- App store ads (Android and Apple)
- Digital ad retargeting
- Pop-up TAP registration tables
- TAP registration ride-alongs
- Metro hotline or contact us page



## Barriers

- Can't afford to regularly add funds
- Doesn't benefit from fare capping due to insufficient ride totals
- Rides Metro less than before
- Finds using TAP too complicated or problematic





## General Messaging

- Surpass your daily/weekly ride limits to receive benefits
- Learn where Metro can take you around LA
- Tips to maximize your Metro travel budget



## Possible Tactics

- Rider digital media retargeting
- Email marketing (rider emails)
- Social media (all channels)
- SEM
- Native ads
- Long-term relationship building with CBOs and community leaders
- Trip inspiration pages or campaign creative



## Barriers

- Doesn't have a forum to share their Metro advocacy
- Doesn't know who to spread their Metro advocacy to
- Doesn't see a benefit to spreading Metro advocacy



## General Messaging

- Tell your fellow riders how they can avoid overpaying Metro fares
- Tell us how you've benefitted from fare capping
- Let us show our appreciation for being a Metro advocate



## Possible Tactics

- Message boards/public forums/community leaders
- Social media (Facebook, Nextdoor, TikTok)
- Influencers
- Rider testimonials
- Rider benefit case studies
- Rider rewards or referral program

# POST-LAUNCH JOURNEY TAKEAWAYS

- Post-launch communications should prioritize **consideration** tactics educating current and potential riders about the fare changes and why a TAP card is required to not overpay.
- The post-launch phase's primary objective should be TAP registrations. After being informed of the new fare structure, riders should be encouraged to register for TAP (or reload their current card, autopay)
- A secondary objective could be to increase TAP usage. Once riders transition to a TAP card, we want them to use it more to receive the benefits of fare capping.



**Metro<sup>®</sup>**

## FARE CHANGES AND FARE CAPPING MARKETING STRATEGY

### **Fare Change and Fare Capping Launch Campaign to Educate Riders on the new Metro Fare Policy Change**

The Metro Board of Directors approved a package of several fare changes, including fare capping, which together will make Metro fares simpler and more equitable. Metro's new fare policy, known universally as fare capping, is a major change to the current fare system. Under this new fare policy, riders paying with a TAP card will ride for free after they have reached their maximum number of fares paid in a 1-Day and 7-Day time period. This change needs to be communicated to LA County communities of frequent, occasional, and potential Metro riders. Tactics to drive interest in learning more and drive traffic to a landing page are needed to effectively communicate program details outside of short-form advertisements such as digital ads. A comprehensive marketing plan for Metro's fare changes and fare capping policy will include Metro-owned assets on the bus and rail system, along with paid media. This plan is in development and will intersect with the customer journey and mitigate any potential rider confusion.

### **Fare Changes and Fare Capping Marketing Strategy:**

The Marketing approach is focused on utilizing an evergreen/'always on' messaging strategy with Metro as the parent brand and TAP as the brand. Marketing is developing messaging that will extend to all the programs that are powered by TAP: Fare Changes and Fare Capping, LIFE, Reduced Fares and Students K-12/College Vocational riders. Focusing on communication by audience, rather than by program, will allow each audience to easily identify which benefit is best for them.

### **Target Audiences:**

#### **Primary**

- All Metro riders
- Metro pass holders (full/reduced fare)
- Metro Low Income Riders (LIFE)

#### **Secondary**

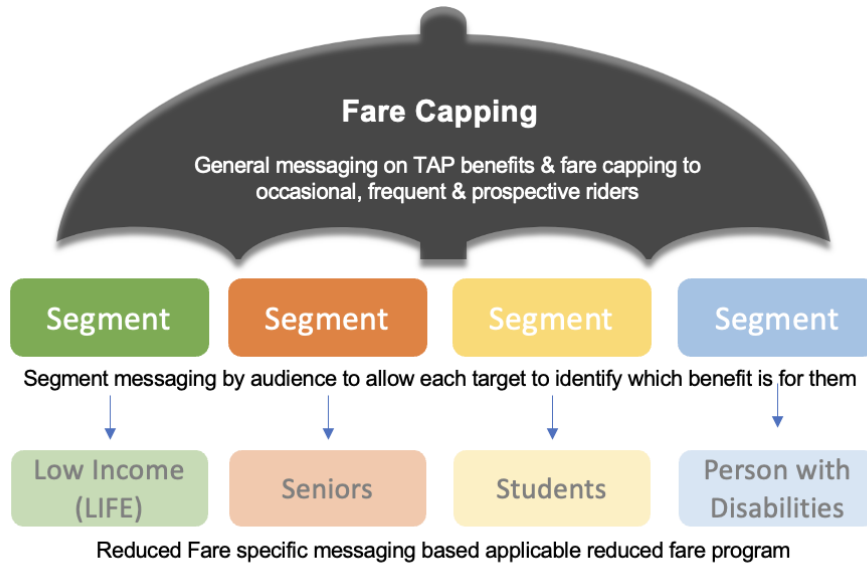
- Metro cash paying riders
- Casual riders/tourists unfamiliar with transit

### **Flighting strategy:**

To best prepare customers for these changes and to ensure they understand how they will be affected, Marketing's campaign flighting approach will have both Fare Changes



and Fare Capping general messaging and Reduced Fares/LIFE messaging running simultaneously. This allows us to reach our audience but also refine and recommend the fare product that suits their needs.



## Fare Changes and Fare Capping Campaign Phases

### Campaign Approach by Phase:

#### **PRE-LAUNCH:** June 1- June 30

During the pre-launch phase, Staff will leverage a mixture of high-awareness media channels to pique the interest of current riders and public customers. The campaign will highlight the benefits of the Fare Changes and will be featured on Metro owned outlets. (i.e., metro.net, tap app, bus and rail interior posters). For the general public, the message will be Fare Capping “Coming soon” and will be on public-facing marketing materials (ie, digital banner ads, Bus and Rail vehicle wraps) to let riders know that they have a lot to gain by staying tuned.

#### **LAUNCH:** July 1- Sept 30

During the launch phase, staff will leverage a similar media mix to the pre-launch stage, and will increase the weight on high awareness media channels such as Out of home (OoH), Paid Digital and Search Engine Marketing to amplify awareness and engagement. A blend of high-impact scalable media tactics will complement owned and earned media. The messaging approach will be similar to pre-launch but Fare Capping

messages will now target segmented audiences: LIFE, Reduced Fares Seniors & Persons with Disabilities and Students K-12 and College/Vocational.

**SUSTAIN:** Oct 1 – Dec 31

During the sustain phase, staff will maintain awareness through fundamental digital channels that are cost efficient and can educate riders about the benefits and effects of Fare Capping.

A targeted media mix for each audience segment is being developed. Recommended channels per target audience will dictate creative images and segmented messages. Please note, messages are still in draft at this stage and are not final. Staff has a clear strategy in place to develop future fare-capping messages which are outlined below:

### **Developing Fare-Capping Messages**

A two-phase message testing research approach is being utilized to develop and refine fare-capping messages.

#### **1. Phase 1: Fare Capping Messaging Focus Groups**

- **Approach:** Eight early draft fare capping message concepts were shared with participants and evaluated for their clarity and appeal.
- **Methodology:** Twelve focus groups were held with cash and TAP users, six in English and six with Spanish-dominant speakers. Participants included:
  - Riders who ride at least once a week (most ride 3+ days/week)
  - Mix of ages (20 to 72), genders, ethnicities, incomes below \$50,000, and geographic residences within LA County.
- **Findings** include:
  - The best-performing concepts contained:
    - “Free rides” in the headline or prominently placed.
    - “Unlimited rides”
    - “Never pay for more than...”
    - “For the rest of the day” or “for the rest of the 7-day period”
  - Confusing or troubling terms and phrases included:
    - “Just add Stored Value.” The term Stored Value was not understood. Participants called for plain language like “Just add money to your TAP card.”
  - Key points to clarify in messaging:
    - Free transfers do not contribute toward fare caps.
    - Passes are going away and being replaced by fare capping.
  - Interest in fare capping was mixed:
    - Very few felt they rode Metro enough to benefit from fare-capping, including those riding 3-5+ days per week.

- Nearly all felt the caps were too high and the benefit was too low.
- Many were suspicious that Metro was doing this for their own good.
- Riders have bigger concerns and desires than this fare change, i.e. buses arriving on time and it being safe to ride.

## 2. Phase 2: A/B Message Test Survey

- **Approach:** Revised messages, incorporating learnings from the focus groups are currently being tested for clarity and appeal in an A/B test survey.
- **Methodology:** Survey of n=900 adult monthly Metro bus riders with demographics weighted to mirror the 2022 CX Survey.
- **Timings:** Survey is currently in field and results are expected by March 24<sup>th</sup>.

**TAP vendor growth in Spanish Markets and Non-English-Speaking Neighborhoods:**

TAP recently onboarded 21 Northgate Market TAP barcode locations and RIA Money Transfer Services, serving the Latinx community. Plus, 26 additional RIA locations will be onboarded by the end of the second quarter. The addition of Northgate Market and new RIA Money Transfer Services make it convenient for Spanish speaking customers to take advantage of TAP benefits at local and familiar locations in their community.

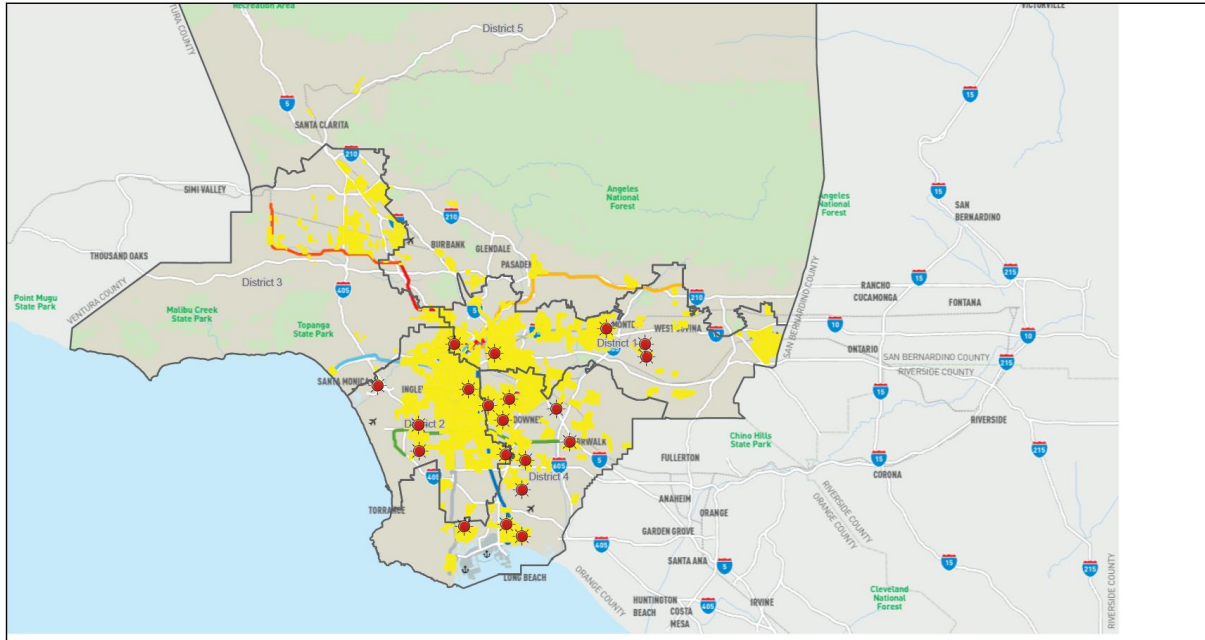
The following is a list of the 21 Northgate Market locations added to the TAP Vendor Network within the supervisorial districts:

Northgate Barcode Locations

Northgate Markets-Supervisorial District		
Account Name	City	Supervisorial District
Northgate Market #2	La Habra	--
Northgate Market #4	Pico Rivera	District 4
Northgate Market #6	La Puente	District 1
Northgate Market #10	Bell	District 4
Northgate Market #12	Long Beach	District 4
Northgate Market #17	Paramount	District 4
Northgate Market #19	South Gate	District 4
Northgate Market #20	El Monte	District 1
Northgate Market #22	West Covina	District 1
Northgate Market #23	Wilmington	District 4
Northgate Market #24	Norwalk	District 4
Northgate Market #25	Hawthorne	District 2
Northgate Market #32	Compton	District 2
Northgate Market #33	Los Angeles	District 1
Northgate Market #35	Inglewood	District 2
Northgate Market #37	Boyle Heights	District 1
Northgate Market #38	Los Angeles	District 2
Northgate Market #39	Long Beach	District 4
Northgate Market #41	Culver City	District 2
Northgate Market #42	Long Beach	District 4
Northgate Market #45	South Gate	District 4

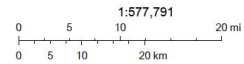
Map of Northgate Vendors by Supervisorial Districts

Northgate Markets - Metro EFC Map



2/27/2023, 12:04:09 PM

-  Northgate Market
-  County Supervisorial Districts
-  EFCs (Updated 2022)



ArcGIS Web AppBuilder  
Systems Analysis & Research, Countywide Planning & Development, LA Metro | County of Los Angeles

The following is a list of new RIA locations that have been recently onboarded, followed by the list of the remaining 26 locations.

New RIA Locations	
Ria Branch (El Super-Covina)	Covina
Ria Branch (El Super-Baldwin Park)	Baldwin Park
Ria Branch (El Super- La Puente)	La Puente
Ria Branch (El Super-Pico Rivera)	Pico Rivera
Ria Branch (El Super-Pomona)	Pomona
Ria Branch (Cesar Chavez Ave-LA)	East Los Angeles
Ria Branch (Broadway-LA)	Los Angeles

RIA Locations to be onboarded by the end of Q2	
Ria Branch (Superior 1)	Los Angeles
Ria Branch (Superior 2)	Los Angeles
Ria Branch (Superior 3)	Lynwood
Ria Branch (Superior 4)	South El Monte
Ria Branch (Superior 5)	Cudahy

Ria Branch (Superior 6)	Montebello
Ria Branch (Superior 7)	Huntington Park
Ria Branch (Superior 8)	Los Angeles
Ria Branch (Superior 9)	Pacoima
Ria Branch (Superior 10)	Compton
Ria Branch (Superior 11)	East Los Angeles
Ria Branch (Superior 12)	City of Industry
Ria Branch (Superior 13)	Covina
Ria Branch (Superior 14)	Long Beach
Ria Branch (Superior 15)	North Hollywood
Ria Branch (Superior 16)	Long Beach
Ria Branch (Superior 17)	Inglewood
Ria Branch (Superior 18)	Baldwin Park
Ria Branch (Superior 19)	Los Angeles
Ria Branch (Superior 20)	Pico Rivera
Ria Branch (Superior 21)	Los Angeles
Ria Branch (Superior 22)	Los Angeles
Ria Branch (Superior 23)	Gardena
Ria Branch (Superior 24)	Maywood
Ria Branch (Superior 25)	Pomona
Ria Branch (Superior 26)	El Monte

### TAP Vendor Overview:

The TAP Vendor Network currently consists of 1,526 traditional and barcode locations around LA County where riders can purchase TAP cards and load fare. Since November 2022, there has been continued vendor growth, especially multi-lingual businesses in local, familiar locations, which have increased TAP presence in underserved communities such as South Los Angeles, East Los Angeles, and Maywood.

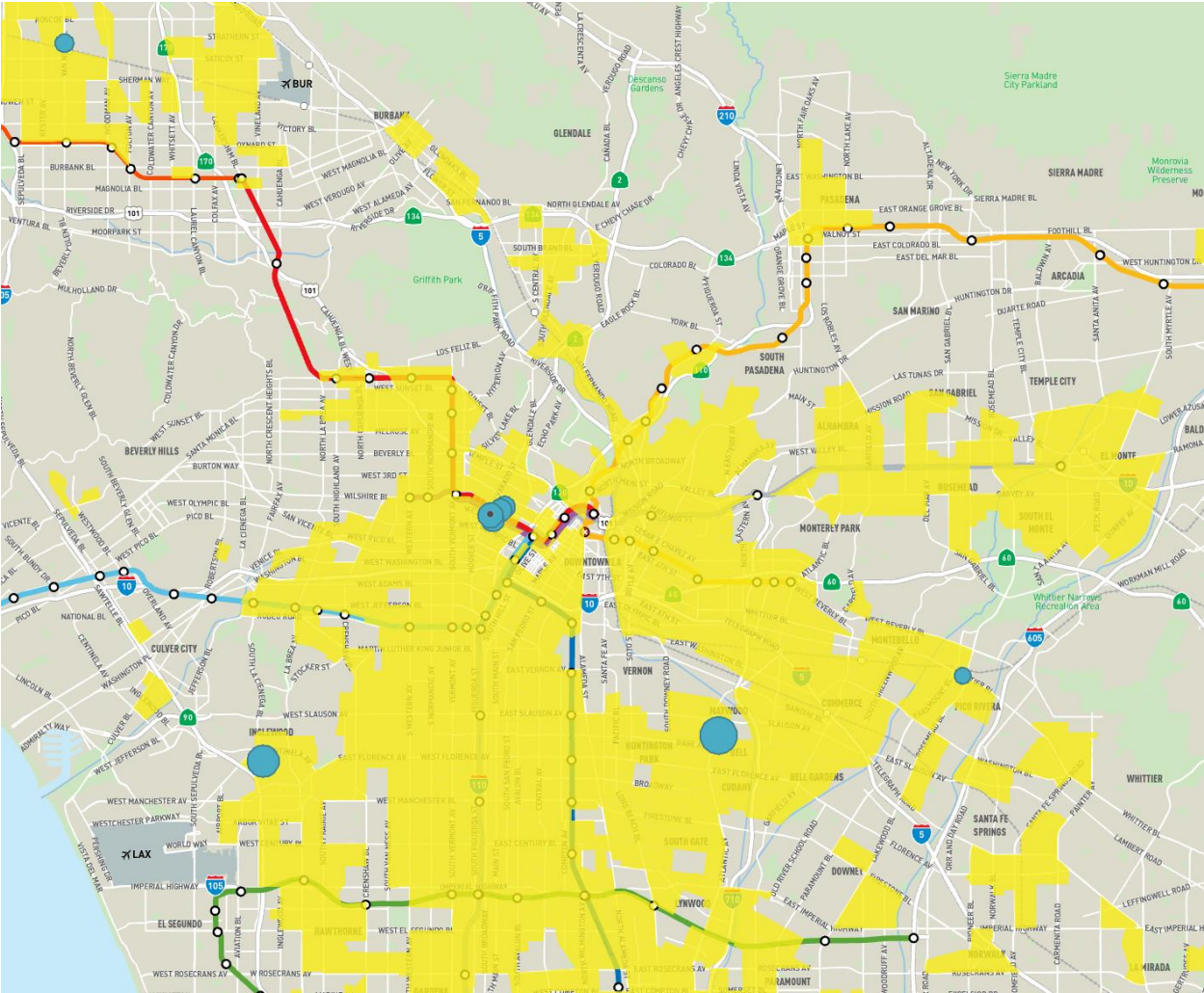
The following is a list of 9 traditional vendors added to the TAP Vendor Network since November 2022:

### Traditional Vendor Locations

Traditional Vendor Locations	
Chavez Cellular*	Los Angeles
Chavez Cellular #3*	Los Angeles
Chavez Cellular #4*	Los Angeles
Los 3 Amigos Market*	Los Angeles
PLS Check Cashers- Panorama City *	Panorama City
PLS Check Cashers- Van Nuys *	Van Nuys
Maywood Quick Check #2*	Maywood
Pico Check Cashing *	Pico Rivera

Postal Plus Business Center	Inglewood
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\*Spanish spoken at these locations



● 8 new vendors locations are located in Equity Focused Communities

### TAP Vendor Recruitment Efforts for 2023

There are ongoing efforts to recruit vendors within Limited English Proficiency (LEP) neighborhoods, such as Little Armenia, Korea Town, and Boyle Heights to increase the number of vendors who speak Armenian, Korean, and Spanish and serve these communities. There will also be a focus on vendor recruitment in areas with a high

percentage of fare paid in cash, such as Pico Rivera, City of Commerce, Norwalk, and La Mirada.

**TAP Vendor Locator – Language Enhancement**

To support Limited English Proficiency (LEP) customers, the TAP vendor team is working to identify the languages spoken by current TAP vendors through a questionnaire distributed via an eblast in Spring 2023. The data received will be stored on the TAP vendor’s Salesforce accounts and displayed on the TAP Vendor Locator on taptogo.net.

This enhancement will allow customers to search not only for a vendor within their area but also find a vendor that speaks their preferred language. This effort will further TAP’s goal of accessibility and equity throughout the system.

See Figure 1 and 2 for where LEP language information will be displayed.

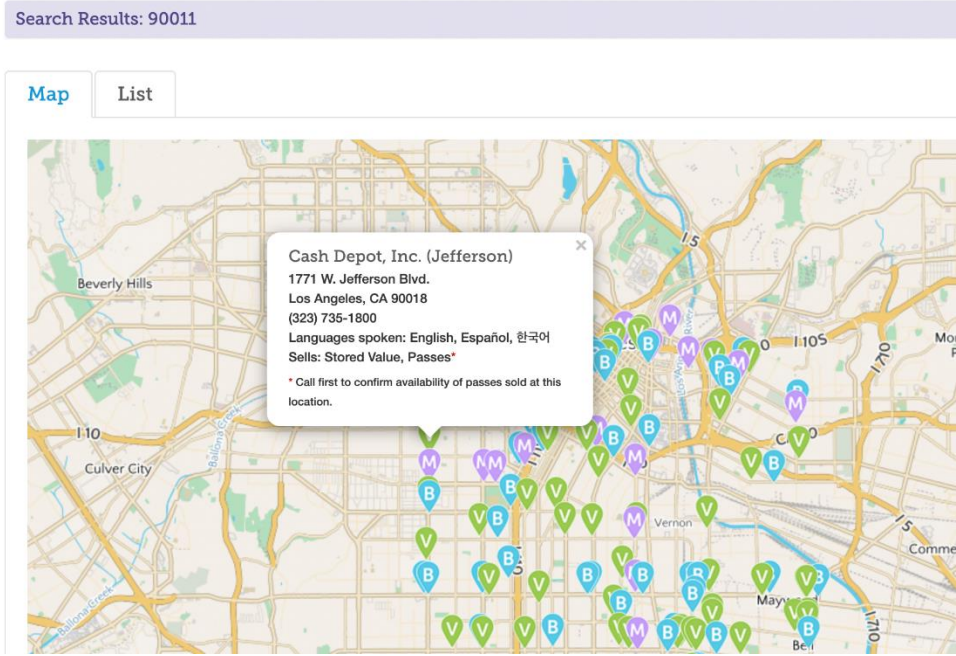


Fig. 1: Map View



Fig. 2: List View



Item #2023-0002

**FARE CAPPING MARKETING UPDATE, CASH TO TAP  
CONVERSION UPDATE AND CAL-ITP OPEN PAYMENT  
EFFICACY**

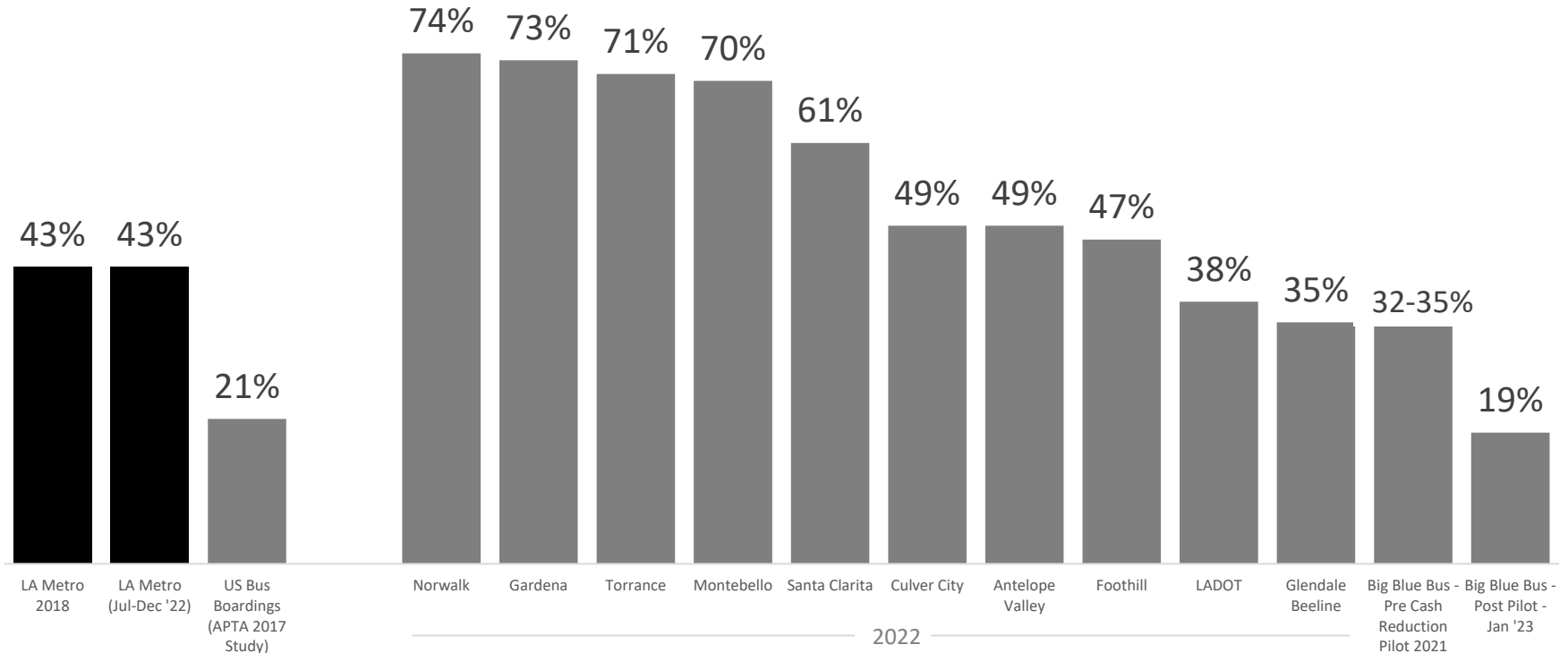
April 2023 Finance Committee



# 43% of LA Metro's bus boardings are paid with cash, which is substantially higher than the national average.

Other LA County transit agencies have a high percentage of cash bus boardings.

## % of Bus Boardings Paid in Cash



2022

# Why Cash-Dominant Bus Riders Use Cash

**33%** of adult Metro bus riders are cash-dominant (use mostly cash) and account for most of the cash boardings

**67%**  
use mostly TAP

## Cash-dominant riders use cash for most purchases in general

- 87% of cash-dominant bus riders use cash for at least half of their purchases in general.
- 70% of cash dominant riders are unbanked or underbanked vs. 20% of Angelenos.
- According to the FDIC, being unbanked or underbanked drives cash usage in general. (2017)
- Unbanked are more likely to get paid in cash or pre-paid card. (FDIC, 2017)

## Loading more than a day's fare can be a financial burden for cash-dominant riders

- 62% of cash-dominant riders would rather not load fare on TAP because they might need it for something else.
- When loading TAP fare, 45% of cash-dominant riders only load one trip or one day's worth.

## Accessing TAP can be difficult for cash-dominant riders

- "I'm a person who will take the easier way...its easier for me just to grab cash." - Rider, Long Beach
- 66% of cash-dominant riders say they'd have to go out of their way to load TAP
- 67% of cash-dominant riders would only walk a few blocks or less to load TAP fare
- Only 40% of bus stops are within a quarter-mile of a TAP vendor
- 54% of cash-dominant riders say they don't have a credit card or debit card to load fare

## In addition to access challenges, cash-dominant riders have other barriers to TAP

- 62% are worried about losing money if they lose their TAP card.
- About half of cash-dominant riders
  - Don't know enough about TAP
  - Have concerns of being tracked
  - Don't think they ride Metro enough to bother with TAP
- 28% cite TAP instructions not being in their native language
- Anecdotally, some mentioned:
  - Being able to board with only partial fare using cash
  - Long lines and unhelpful staff at TAP vendors

## The financial benefits of TAP don't outweigh the difficulty of loading fare

- Some cash-dominant riders use TAP on days when it would financially benefit them.
- However, it often requires them to take special trips to rail stations the night before travel or getting a prepaid card to load fare online.
- When asked what it would take for them to use TAP more often, cash dominant riders said "free rides" and "big savings"
- Fare capping would "get me to do the whole TAP card process." Rider, Long Beach

# Opportunities to Convert Cash-Dominant Bus Riders

Promote LIFE Program to under \$35K HHI cash-dominant riders	Promote fare-capping to most-frequent riders	Increase the number of TAP vendors and the presence of TAP at vendors	Ensure all TAP and discount program processes are easy as possible	Target banked, smartphone users	Make it easier for Spanish-dominant riders to navigate TAP	Increase awareness of TAP channels and benefits of TAP
<ul style="list-style-type: none"> <li>79% of cash-dominant riders earn less than \$35K household income—which would qualify them for LIFE</li> <li>Only 40% of cash-dominant riders are aware of the LIFE program—an opportunity to boost awareness and enrollment.</li> </ul>	<ul style="list-style-type: none"> <li>~60% of cash-dominant riders ride the minimum needed to benefit from the 7-day cap (5 days/week Regular Fare; 3 days/week discounted fare)</li> </ul>	<ul style="list-style-type: none"> <li>16% of cash-dominant riders say it would be their ideal TAP loading channel</li> <li>Only 40% of metro bus stops are within a quarter mile walk of a TAP vendor.</li> <li>Some riders expressed that buying/loading TAP at vendors was complicated and that TAP was not prominently displayed.</li> </ul>	<ul style="list-style-type: none"> <li>74% of cash-dominant riders use cash because they think it is easier to use than TAP</li> </ul>	<ul style="list-style-type: none"> <li>About 26% of cash-dominant riders have a credit/debit card and a smartphone, which would allow them to use the TAP app or Apple Wallet.</li> <li>19% of cash-dominant riders say that loading fare on the TAP app or Apple Wallet would be their preferred method.</li> </ul>	<ul style="list-style-type: none"> <li>39% of cash-dominant riders are Spanish-dominant, meaning they speak Spanish at home and have low English proficiency.</li> <li>Cash-dominant riders with limited English proficiency cite more barriers to TAP than English speakers.</li> </ul>	<ul style="list-style-type: none"> <li>Only 48% of cash-dominant riders know they can load fare at a TAP vending machine at a rail/bus station.</li> <li>Only 19% know they can load fare at a TAP vendor.</li> <li>However, increasing awareness will not be a cure-all, as the average cash-dominant rider has 3.6 “big” barriers to TAP.</li> </ul>

# Estimated Potential Cash Boardings Conversion

## % of Metro Bus Boardings



Including groups that will be more difficult to convert, e.g.:

- Don't ride enough to perceive benefit from fare-capping or LIFE
- Don't have a credit/debit card and don't want to load more than a day's worth of fare, so would have to load fare daily
- Very concerned about being tracked (i.e. may not want to give information to join LIFE)

Including groups that will be easier to convert, e.g.:

- Open to benefits of TAP but are not aware of where/how to get it
- Ride enough to perceive benefit from fare capping or LIFE
- Can load TAP fare via digital/mobile
- Able to load more than day's worth of fare at a time
- Not concerned about being tracked

# TAP Vendor location awareness

## Regional “Cash to TAP” Awareness Campaign

- Timeline: November 2022-Ongoing
- Strategy-highlight convenient and familiar vendors locations
- Channels-Metro & Muni Operator owned outlets, print , digital and paid media (Facebook and Instagram ads, paid search and digital displays)



Bus Bench Ad

# Spanish Supermarkets Join TAP

- Increasing number of TAP Vendors with a focus on Spanish Markets
  - 30 additional vendors since November 2022; total 1,882 locations
    - 21 Northgate Markets (Spanish markets)
    - 9 Traditional RPOS vendors
  - 33 RIA Money Transfer Services to be added by end of Q2
    - Stand alone storefronts and located inside El Super & Superior (Spanish markets)
- TAP Blue Shirt Team
  - Free TAP card giveaways
    - Targeting high cash use bus lines (Bus lines: 16, 18, 111, 233, 251)
    - TAP cards loaded with \$5 Stored Value to increase adoption
    - Distribution includes TAP information (TAP benefits, how to reload, vendor locations, etc.)
- TAP vendor locator language enhancements on taptogo.net
  - Web enhancement complete
  - Update for each vendor location/account in progress



## Additional Efforts- Promoting TAP sales on Metro Bus

- 23 % of cash dominant riders prefer to load fare on Metro bus. Second only to loading at a rail station
- Over 80,000 TAP reloads on Metro bus every month
- “TAP sold here” signage in progress with Communications
- TAP provides ongoing training to Metro bus operators to ensure they are familiar with how to conduct TAP reloads on the farebox

Stored Value Reloads on Bus Farebox

	Sales Count	Cash Collected
4/1/2022	87,322	\$ 318,586
5/1/2022	89,973	\$ 331,829
6/1/2022	91,817	\$ 337,271
7/1/2022	103,483	\$ 377,274
8/1/2022	113,104	\$ 416,023
9/1/2022	101,904	\$ 377,234
10/1/2022	88,771	\$ 333,118
11/1/2022	87,603	\$ 327,261
12/1/2022	88,661	\$ 329,344
1/1/2023	84,303	\$ 319,116
2/1/2023	77,161	\$ 294,998
3/1/2023	86,877	\$ 328,238
<b>Grand Total</b>	<b>1,338,763</b>	<b>\$ 4,957,361</b>



# Next Steps

April

- Conduct internal trainings on Fare Capping and Fare Changes (Customer Service, Fare Enforcement, Bus/Rail Ops, etc.)
- Prepare for external outreach (CBOs, Service Councils, CAC, Older Adults, etc.)
- Finalize Fare Capping & Fare Change marketing strategy

May

- Continue Fare Capping and Fare Changes internal trainings
- Go to print on all Fare Capping & Fare Change marketing
- Provide final assessment of CAL-ITP proposal

June

- June 1-30- Fare Capping and Fare Change Pre launch marketing
- Continue free TAP card distribution
- Continue internal trainings
- Begin external outreach

July

- July 1-Launch Fare Capping & Fare Changes
- Monitor customer behavior and feedback



## Board Report

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File #: 2023-0107, File Type: Informational Report

Agenda Number: 15.

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### FINANCE, BUDGET, AND AUDIT COMMITTEE APRIL 19, 2023

**SUBJECT: FISCAL YEAR 2024 BUDGET DEVELOPMENT STATUS UPDATE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year (FY24) Budget Development Status Update.

**ISSUE**

This is the fourth in a series of monthly updates to the Board on the FY24 Budget development process, culminating in a planned May 2023 Board Adoption.

This report focuses on key areas of the Metro Transit Program (Discussing both Operations and Maintenance as well as Capital Improvement projects). Other programs discussed include Congestion Management, General Planning and Programs, as well as Oversight and Administration.

This report also discusses the mitigation options for managing near-term financial challenges for Metro Transit and shares the latest update regarding Metro's comprehensive budget outreach efforts.

**BACKGROUND**

California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the Agency's projects and programs. The budget is the legal authority to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board at the fund level except for capital expenditures, which are authorized on a life of project basis.

**DISCUSSION**

**Metro Transit: Near-Term Financial Challenges**

Metro strives to redefine daily travel habits and create legacy investments that improve the ease, accessibility, and travel experience across the most important journeys for Metro's current and future customers. As indicated in last month's report, the overall operating deficit, also referred to as the 'fiscal cliff,' and the challenges of major infrastructure capital projects are two distinct concerns impacting Metro. Below is a summary of the challenges regarding the overall operating deficit.

#### *Federal Stimulus funding exhausted.*

The one-time federal funding assistance through the American Rescue Plan Act (ARPA) helped to backfill some shortages but will be exhausted in FY23. With no additional federal stimulus funding assumed in FY24, Metro's resources will experience a 14.6 percent, or \$1.02 billion decline in overall revenues, excluding other grants and bond proceeds. Sales tax related revenues, which are about 70 percent of Metro's total resources, are already committed by ordinance and, in the case of Metro's Measure R and Measure M sales taxes, restrict how the funding is used. These sales tax measures were focused more on transit capital expansion and with limited funding for operating and maintaining service.

#### *Ridership & Fare Revenues Remain Below Pre-Pandemic Levels*

Although ridership numbers have increased significantly since the initial steep decline early during the pandemic, Metro's full ridership has not yet returned, and fare revenues are not expected to reach pre-pandemic levels in FY24. Farebox revenues continue to be low with the various discounted and free fare programs Metro now has in place to attract and retain ridership (i.e., pilot GoPass for K-12 and Community College Students and Low-Income Fair is Easy (LIFE) Programs, 50 percent discounts, reduced fares, and fare capping). Therefore, farebox revenues remain below pre-pandemic levels, which further strains the availability of operations eligible funding (sales tax fund allocations specifically dedicated to transit operations).

#### *Increasing Operating Costs and Fleet Electrification*

Growing operating transit, costs are also expected in the next three years, driven by the cost of zero-emission buses to meet the State of California's mandate for eliminating the use of hydrocarbon-fueled buses as well as the rail system expansion. At the same time, pandemic-induced challenges require Metro to invest in new initiatives to make the system clean, safe, and reliable, which began as part of the pandemic response but is now being conducted without any additional federal assistance. Moreover, as operating costs increase amid the perfect storm of high inflation and labor shortages, the expansion of the systemwide network will continue to demand more funding. Metro is not immune to these financial pressures and will continue to face challenges in the near future, making it imperative that every dollar is budgeted and spent wisely.

### Metro Transit: Near-Term Mitigation Strategies for Consideration

Below are some other mitigation strategies to help address the challenges described above.

Metro Transit:

- Performance Management: Evaluate pilots and set up KPIs that can help measure the achievement of performance goals that illustrate the effectiveness of the pilot.
- Dedicated Funding: Advocate for dedicated transit operations funding from federal and state sources.
- Use of Operating Eligible Funding: Evaluate resources, cost impacts and prioritize projects and initiatives that support agency priorities within available funding.

### Metro Transit, EZBB Cost Control

The Equitable Zero-Based Budget (EZBB) process continues to be the driving force in this year's annual budget development process and serves as a cost control tool that integrates an equity lens to develop a fiscally responsible budget. In FY22, Metro enacted cost controls through the Equitable Zero-Based Budgeting (EZBB) process by establishing a Metro Transit Taskforce centered on delivering a more optimal and efficient service design, as discussed in the service plan below. Through EZBB, cost savings of \$7.9 million from proposed projects that did not align with the strategic priorities were reallocated to cyber security and NextGen projects.

Additionally, in FY23, Metro launched a study on insourcing vs. outsourcing of functions and services. This study reviewed Metro's contracting decisions to determine whether insourcing some activities would benefit Metro. The study provided recommendations and tools to assess insourcing opportunities. As a result, Metro has identified maintenance contracts to be evaluated for potential insourcing opportunities and subsequent cost savings. As contracts are identified for renewal, insourcing evaluation will be conducted, and if appropriate, implementation plans will result in cost savings in FY25.

FY24 budget development focused on a service plan to include expansion integration, customer safety, and cleanliness, maintaining assets in a state of good repair, employee safety, retention, and engagement. In developing this year's budget, the top priority was to support revenue service, and all budget requests were evaluated to determine whether programs supported the agency's priorities.

### Metro Transit Program FY24 Preliminary Budget

#### Service Plan and Optimization

Each year Metro updates the transit service plan to improve customer experience through revised transit routes and schedules and to fulfill this essential element of the rider experience. The FY24 proposed service plan includes 8.6 million Revenue Service Hours (RSH) of bus and rail service (excluding Metro Micro RSH), a 3.2% increase from pre-pandemic levels and a 2.3% increase over the FY23 budget.

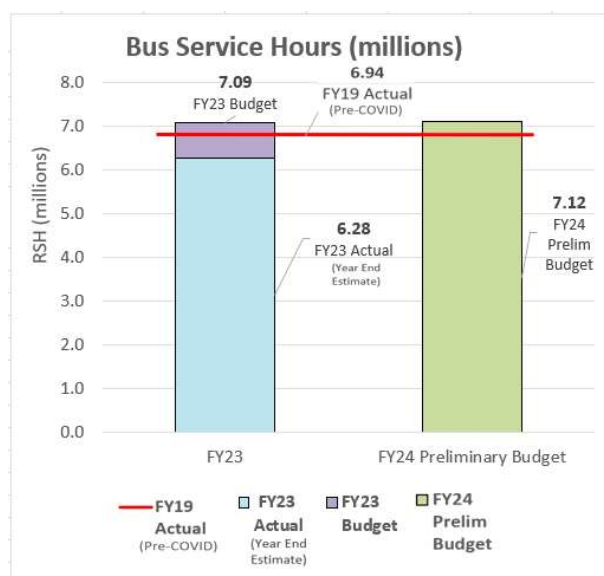
In FY23, savings compared to budget were achieved through reduced bus and rail scheduled service levels, reflecting actual ridership while providing more reliable daily service delivery while having a significant shortage of operators.

Unlike FY23, in FY24, it is expected that the 7.12 million bus RSH will be fully delivered based on the NextGen Bus Plan. Rail service is budgeted with increases in service frequencies (service restoration) from the beginning of FY24, to be phased in subject to ridership growth, operator availability, and the successful launch and ongoing operation of Regional Connector rail service.

**Bus**

As shown in Figure 1, in the FY23 budget, bus service was restored to the pre-COVID-19 level of 7.09 million RSH. FY24 service plan includes 7.12 million bus RSH. Metro plans to be fully staffed with bus operators throughout FY24 to allow for reliable delivery of the planned bus service. Service enhancements will be implemented with the NextGen speed and reliability initiatives to support improved frequency, load standards, and on-time performance.

Fig 1:



**Rail**

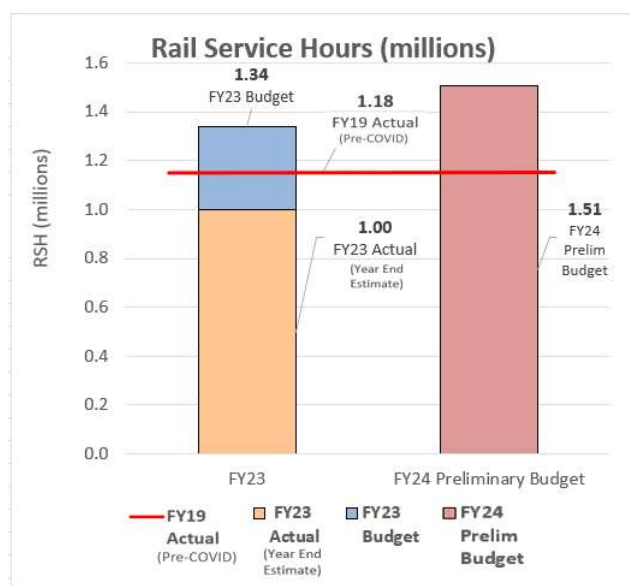
Rail service levels are planned to continue meeting current demand. The service is right sized upon constant evaluation by staff. The initial operating segment of the K Line (Crenshaw/LAX Line) opened in October 2022. The new Regional Connector light rail corridor through downtown LA, with associated changes creating the new A (Long Beach - Azusa) and E (Santa Monica - East LA) Light Rail lines, is expected to open by the end of FY23. The Regional Connector and K Line (Crenshaw/LAX Line) will operate for a full year of service in FY24.

Rail service will improve frequency by increasing headways from a 10-minute peak and 12-minute off

-peak service to an 8-minute peak and 10-minute off-peak service on all Light Rail lines. The plan will also increase daytime all week service frequency to 10-minute from the current 15-minute on the Subway (B Line and D Line) in line with the NextGen Bus Plan Tier 1 minimum headway frequency.

As shown in Figure 2 below, the total rail service plan includes 1.505 million RSH, a 27.5% increase from pre-pandemic levels and a 12.3% increase over the FY23 budget. Further details are included in the separate Operations, Safety, and Customer Experience Committee’s April 20<sup>th</sup> Board report.

Fig 2:



Metro Transit Program - Operations & Maintenance Budget

As shown in Figure 3 below, the FY24 preliminary budget for the Metro Transit Program is \$2.36 billion, an increase of 5.0% or \$112.7 million over the FY23 budget. It includes funds to support the delivery of 8.9 million RSHs to operate Bus and Rail services as well as the Metro Micro pilot program.

Bus expenses in the coming fiscal year are anticipated to increase by \$54.5 million or 3.7% from the FY23 budget. This increase will support enhanced quality, safety, and service reliability.

Preliminary budget for Light and Heavy rail services includes additional funding for increases in service frequencies, full year operations of the K Line (Crenshaw/LAX Line), and Regional Connector with three new stations, as well as additional staffing for cleanliness and safety. Rail expenses are anticipated to increase by \$57.2 million or 7.8% from FY23 budget.

Metro Micro pilot program’s preliminary budget increases by 2.4% to \$40.1 million and includes staffing and contract expenses to operate 272.2 thousand RSHs.

See further details on Bus, Rail, and Metro Micro budget in Attachment A.

Fig 3:

Operations & Maintenance (\$ in Millions)	FY23 Budget	FY24 Prelim	\$ Change	% Change	% of Total
1 Bus Total	\$ 1,473.9	\$ 1,528.4	\$ 54.5	3.7%	64.7%
2 Rail Total	737.8	795.1	57.2	7.8%	33.6%
3 Metro Micro	39.2	40.1	0.9	2.4%	1.7%
4 <b>Operations &amp; Maintenance Total</b>	<b>\$ 2,251.0</b>	<b>\$ 2,363.7</b>	<b>\$ 112.7</b>	<b>5.0%</b>	<b>100.0%</b>

### Cleaning

The FY24 Preliminary Budget includes \$201 million for all cleaning efforts, an increase of 13% or \$23.6 million over the FY23 budget. This also includes 10 roving cleaning teams, 24 new custodial staff, and up to 50 temporary part-time custodial Room to Work participants. Metro is also increasing the frequency of cleaning, expanding “in-line” and mid-day bus interior cleaning, “end of line” cleaning on rail, station hot spots, and expanded activities at Metro’s most traveled stations and terminals.

- Daily Bus cleaning at 4 terminals 7 days a week: Terminal 17 (Maple Lot), Terminal 19 (El Monte), Terminal 26 (Washington/Fairfax), and Terminal 28 (18<sup>th</sup> St)
- Rail custodial staff deployment at 13 Hot Spots (all 3 shifts providing round the clock service at these stations: Union Station, Pershing Square, 7<sup>th</sup>/Metro, Civic, Westlake, Wilshire/Vermont, Hollywood/Vine, Hollywood/Highland, Universal, North Hollywood, Willowbrook/Rosa Parks, Aviation/LAX, and Pico).

Fig 4:

(\$ in millions)

Area	FY23 FTE	FY24 FTE	Change	% Change	FY23 Budget	FY24 Preliminary	\$ Change	% Change
1 Buses	388	388	-	0%	\$ 1.1	\$ 1.0	\$ (0.1)	-7.2%
2 Trains	164	164	-	0%	0.3	0.4	0.0	7.0%
3 Facilities	108	108	-	0%	55.8	55.6	(0.3)	-0.5%
4 Stations	213	237	24	11%	2.3	4.8	2.5	105.8%
5 Stops	23	23	-	0%	0.1	0.1	-	0.0%
6 Station Evaluation	2	2	-	0%	0.0	0.0	0.0	1.9%
7 <b>Totals</b>	<b>898</b>	<b>922</b>	<b>24</b>	<b>3%</b>	<b>\$ 59.7</b>	<b>\$ 61.9</b>	<b>\$ 2.1</b>	<b>3.6%</b>
8 <b>Labor Costs</b>					<b>\$ 117.6</b>	<b>\$ 139.1</b>	<b>\$ 21.5</b>	<b>18.3%</b>
9 <b>Cleaning Budget Total</b>					<b>\$ 177.4</b>	<b>\$ 201.0</b>	<b>\$ 23.6</b>	<b>13.3%</b>

### Vinyl Seat Replacements

Last year, a recurring request heard from customers was to remove all fabric seats for vinyl seats throughout the system. Metro remains committed to completing this campaign. Vinyl seat replacements on the bus fleet and all in service rail vehicles are on track to be completed by June

2023.

### *Room To Work Program*

The Room to Work Program was developed last year to support unhoused riders and individuals with career opportunities in transportation. In March 2023, 24 temporary, part-time custodians were hired for deployment on B Line stations. In FY24, \$1.5 million is being added to ramp up the program, hiring up to 50 Room to Work participants to provide part-time custodial cleaning at B and D passenger stations.

### *Westlake MacArthur Park Program*

Westlake/MacArthur Park Station, served by Metro B and D Lines (Red/Purple) and nearby NextGen Tier 1 bus lines, has been impacted by societal challenges impacting public safety. This program will pilot interventions to deter non-transit loitering and restore safe and reliable transit. These interventions include upgrades to faregates, station lighting, CCTV cameras, alarms, bench seating, signage, and a new station kiosk to improve customer experience and public safety.

### *Bus Layover - Mobile Restrooms Pilot*

Metro's Leadership Academy identified this pilot as an important investment in frontline employees. The team researched bus layover restroom and break area facilities for Bus Operators, making the case for Metro to invest in long-term, sustainable improvements to these facilities, with the health of our Operators as the primary driver.

### *Public Safety*

Metro's competitive game plan for transformational change to public safety is known as the Reimagining Public Safety Framework, which aligns operations to the needs of the public through deliberate and equity-driven public safety initiatives. Metro is implementing a comprehensive, multi-layered strategy that is essential for enhancing public safety on our system.

The law enforcement presence will be supplemented with various interventions, such as additional transit security officers, dedicated bus-riding teams, pilot transit ambassadors, and homeless/mental health outreach. This will ensure that appropriate personnel are deployed to address specific issues. The proposed plan is a proactive, data-driven, and flexible response that offers strategic enforcement and equitable rule compliance in order to maintain public safety.

The FY24 Preliminary Budget for resource deployment includes \$290.5 million, a 3.7% increase from the FY23 Budget, to ensure Metro has a system designed to enhance security.



Fig 5:

	Public Safety Resource Deployment (\$ in millions)	FY23 Budget	FY24 Preliminary	\$ Change	% Change
1	Transit Ambassadors - FY22 Carryover Funding <sup>(1)</sup>	\$ 20.0	\$ -	\$ (20.0)	-100.0%
2	Transit Ambassadors - Annual Funding	20.0	20.0	-	0.0%
3	Homeless/Mental Health Outreach	15.3	25.3	10.0	65.6%
4	Metro Transit Security	30.7	43.7	13.0	42.5%
5	Private Security	24.8	25.7	0.9	3.7%
6	Law Enforcement	169.5	175.8	6.3	3.7%
7	<b>Public Safety Resource Deployment Total</b>	<b>\$ 280.2</b>	<b>\$ 290.5</b>	<b>\$ 10.2</b>	<b>3.7%</b>

Note: Totals may not add up due to rounding.

<sup>(1)</sup> The FY23 Budget includes an additional \$20 million of rollover budget from FY22 since the Transit Ambassador pilot program was approved by the Metro Board in late FY22. The annual funding for the Transit Ambassador pilot program is \$20 million per Motion 26.2.

### Homeless/Mental Health Outreach Services

Metro allocated \$25.3 million towards the growing need for homeless outreach and mental health resources. \$13.5 million is dedicated to homeless outreach by partnering with LA County Department of Health Services (DHS)' multi-disciplinary teams, including PATH, to provide resources on the system. \$10 million is set aside to partner with LA County Department of Mental Health Services (DMH), which will provide training support to identify mental health concerns and proper responses, strategies to address critical crisis response needs, and Community Mental Health Ambassadors. Another \$1.8 million is for short-term shelters, workforce partnerships, a strategic plan, and a homeless app to track engagement and outreach.

### Fare Programs

Metro continues to improve and enhance the customer experience by making it easy for riders. Various fare programs are being piloted and launched in FY24 to make it easy and equitable for all riders, such as the GoPass Student pilot program, LIFE program, Mobility Wallet pilot, and the launch of fare capping.

### GoPass Pilot

GoPass is paving the path towards a better quality of life and future job opportunities for the most disadvantaged students in LA County. Free access to public transportation increases students' mobility, school attendance, graduation rates, and access to social activities, promoting a better quality of life and better job opportunities.

Currently, 234,378 (11.5%) of LA County students are enrolled in the program. These students make 1.5 million boardings a month. The net cost of the program is \$20 - \$25 million. This is minimally offset by the cost sharing agreements with the schools generating \$3.5 million annually. School agreement rates will be evaluated during this pilot period. Metro continues to advocate for funding at the federal and state level to identify a dedicated and permanent funding stream.

### *LIFE Program (Low Income Fares is Easy)*

Metro Transit has reduced the cost of transit for more eligible low-income riders with the LIFE Program. The program offers fare discounts that can be applied toward purchasing weekly and monthly transit passes on Metro and any LIFE participating transit agencies, or 20 free rides on any one of the participating transit agencies.

Over the last year, Metro has made many improvements to the program to streamline the process for enrollment, including self-certification, online enrollment, and partnering with the Department of Public Social Services (DPSS). With all these improvements and the extensive outreach to enroll riders, Metro has exceeded the Board's goal to double enrollment in the program by December 2022, ending the calendar year with over 104,587 new LIFE participants.

There are currently over 217,475 people enrolled in the LIFE program. The FY24 Preliminary Budget includes \$32.5 million for the LIFE Program, an 8.9% increase over the FY23 Budget.

With Metro's recent fare change, Metro LIFE riders will also be participating in fare capping, allowing them access to an unlimited use pass without upfront payment pay as you go rather than paying upfront for a pass.

### *Mobility Wallet Pilot*

Metro is developing a Mobility Wallet pilot program in partnership with the California Air and Resources Board (CARB) and the City of Los Angeles. The program will provide transit subsidies to 5,000 participants, focusing on up to 2,500 low-income residents in South LA. Patrons can use their Mobility Wallet subsidy funds via a pre-paid debit card or through the Pay with TAP account solution.

The Mobility Wallet is an all-in-one payment solution that will enable users to pay for various transportation options, including public transit (bus and rail, Metro Micro), as well as on-demand mobility services (such as carshare, ride-hail, taxi, shared scooters, and bikes). The FY24 preliminary budget allocates \$1 million for this pilot, which LADOT will reimburse through the CARB grant.

### *Fare Capping*

In December 2022, Metro Board approved fare policy changes to align with fare capping. The overall goal for these changes is to expand mobility and increase access through a simple, equitable, and forward-looking fare structure that supports a sustainable transit system. The suite of changes simplifies fares and allows all riders the opportunity to unlimited use passes without upfront payment for a pass. Every rider will get the Best Fare. Fare capping and the suite of changes are anticipated to launch in FY24.

### Metro Transit Program - Capital Improvement Program (CIP) Budget

The FY24 Metro Capital Improvement Program (CIP) includes a Preliminary Budget of \$541.4M. The CIP budget focuses on maintaining, upgrading, and modernizing assets and infrastructure to ensure the transit system has state of the art equipment and peripheral systems to provide high quality

transit service. Capital asset improvements within this budget include the implementation of new technologies, rolling stock purchases, rolling stock modernization, station improvements, and more. The goal of the CIP is to enhance the customer experience while improving safety and reliability. Metro’s goal is to methodically renew and improve the system while maximizing scarce capital resources.

The FY24 preliminary budget is allocated to maintain Metro’s Bus, Rail, regional, and critical information systems needed to manage and monitor system-wide performance. It also reflects the maintenance of peripheral transit Infrastructure. The \$541.4 million estimate is based on current and future project activities and reflects the necessary cash flow to complete FY24 milestones and deliverables. A profile of the CIP program is shown in Figure 6 below.

Fig 6:

Metro Transit - Capital Improvement Program (CIP)					
Capital Category (\$ in millions)	FY23		FY24		%
	Budget	Preliminary	\$	Change	
1 Fleet Procurement	\$ 82.1	\$ 70.1	\$	(12.0)	-14.7%
2 Fleet Maintenance	41.4	44.1		2.7	6.6%
3 Facilities Improvements	28.6	22.0		(6.6)	-23.2%
<b>4 Bus Subtotal</b>	<b>\$ 152.1</b>	<b>\$ 136.2</b>	<b>\$</b>	<b>(15.9)</b>	<b>-10.5%</b>
5 Fleet Procurement	68.9	32.8		(36.2)	-52.5%
6 Fleet Maintenance	99.5	136.2		36.7	36.9%
7 Facilities Improvements	6.3	8.7		2.5	39.4%
8 Wayside Systems	47.7	52.3		4.5	9.5%
<b>9 Rail Subtotal</b>	<b>\$ 222.4</b>	<b>\$ 229.9</b>	<b>\$</b>	<b>7.6</b>	<b>3.4%</b>
10 Regional and Hubs	35.3	33.6		(2.9)	-7.8%
11 TAM Project Management Support	0.0	0.0		(0.0)	-10.2%
12 Technology	45.1	64.4		19.3	42.8%
13 Non-MR/MM Major Construction	43.0	64.7		21.7	50.5%
14 Non-Revenue Vehicles	5.7	12.7		6.9	121.3%
<b>15 Other Asset Improvements Subtotal</b>	<b>\$ 130.2</b>	<b>\$ 175.3</b>	<b>\$</b>	<b>45.1</b>	<b>34.6%</b>
<b>16 Total Proposed CIP Budget</b>	<b>\$ 504.7</b>	<b>\$ 541.4</b>	<b>\$</b>	<b>36.7</b>	<b>7.3%</b>

Metro will continue working toward the Board’s goal of achieving a zero-emission fleet in the coming year. This effort will require a \$3.5 billion to \$4.0 billion investment in buses and charging infrastructure over the next 10 years, approximately \$350 million to \$400 million in annual expenses. This represents a significant increase above the \$140 million average for bus and facilities in the past 10 years. Although there is a slight decrease in bus acquisition expenses this year, new zero emission bus acquisitions are in the pipeline and will increase as available technology and funding permit.

A detailed discussion of the CIP program cashflow request for the FY24 preliminary budget is included in Attachment B.

### Total Bus Investment

Metro is committed to investments in the bus system. Figure 7 summarizes the total bus investments across all Metro programs.

- **Bus Service:** Bus costs in Operations & Maintenance represent \$1.5 billion in investments in operating and delivering bus service in FY24.
- **NextGen:** A significant investment of \$52.9 million will also be made in NextGen related projects this coming year.
- **Capital improvements:** A substantial portion of the capital improvements of the FY24 Preliminary Budget is devoted to the upkeep of the existing Metro bus system, approximately \$138.2 million in capital projects.
- **Construction & Planning:** Transit Construction and Planning investments of \$149.1 million includes all BRT improvement projects. These BRT improvement projects include construction efforts to improve G Line as well as studies for a Broadway BRT, a BRT connecting B Line/ G Line to L Line, Vermont Transit Corridor project, and San Gabriel Valley Transit Feasibility project.
- **Bus Studies and CX initiatives:** A \$28.0 million investment in Bus Studies and other CX initiatives for FY24 includes the Adopt-a-Bus Stop program, Bus Stop Lighting Project as well as other bus studies. Also another key program included in this section is the LIFE program, which aims to help make our bus services more accessible for low-income riders.

Overall, Figure 7 below captures the total bus investments in the FY24 preliminary budget of \$1.89B, which is an increase of 6.6% from the FY23 budget. Refer to Attachment C for further details.

Fig 7:

Bus Investments (\$ in Millions)	FY23 Budget	FY24 Prelim	\$ Change	% Change	% of Total
1 Bus Operations & Maintenance	\$ 1,473.9	\$ 1,528.4	54.5	3.7%	80.6%
2 Bus NextGen	28.9	52.9	24.0	83.0%	2.8%
3 Bus Capital Improvements	131.8	138.2	6.3	4.8%	7.3%
4 Bus Transit Construction & Planning	119.5	149.1	29.6	24.7%	7.9%
5 Bus Studies & CX Initiatives	25.1	28.0	3.0	11.8%	1.5%
6 <b>Total of Bus Investments</b>	<b>\$ 1,779.3</b>	<b>\$ 1,896.7</b>	<b>\$117.4</b>	<b>6.6%</b>	<b>100.0%</b>

**FY24 Preliminary Budget for Congestion Management, General Planning & Programs and Oversight & Admin**

As shown in Figure 8 below, the FY24 Preliminary Budget for Metro Transit - Operations & Maintenance (O&M) as well as CIP, General Planning & Programs, Congestion Management and Oversight & Admin programs totals \$3.3 billion. As the FY24 EZBB process progresses, more detailed budget proposals by program are developed.

The following summarizes the changes between FY24 and FY23:

- General Planning & Programs totals \$233.7 million, an increase of \$13.1 million or 5.9%.
- Congestion Management totals \$131.9 million, a decrease of \$5.1 million or 3.7%.
- \$84.3 million for Oversight & Admin, a \$2.6 million or 3.1% increase from FY23.

See further details on the budget for these three programs in Attachment D.

Fig 8:

Expenditures by Program Type (\$ in Millions)		FY23 Budget	FY24 Prelim	\$ Change	% Change	% of Total
1	Metro Transit - Operations	\$ 2,251.0	\$ 2,363.7	112.7	5.0%	27.7%
2	Metro Transit - Capital Improvement Program	504.7	541.4	36.7	7.3%	6.3%
3	General Planning & Programs	220.6	233.7	13.1	5.9%	2.7%
4	Congestion Management	137.0	131.9	(5.1)	-3.7%	1.5%
5	Oversight & Admin	81.7	84.3	2.6	3.1%	1.0%
6	<b>Total of Programs covered in April Report</b>	<b>\$ 3,195.0</b>	<b>\$ 3,354.9</b>	<b>\$160.0</b>	<b>5.0%</b>	<b>39.3%</b>
7	<b>Total of Programs covered in March Report</b>	<b>\$ 5,101.4</b>	<b>\$ 5,173.2</b>	<b>\$ 71.8</b>	<b>1.4%</b>	<b>60.7%</b>
8	<b>Total of April and March Report</b>	<b>\$ 8,296.3</b>	<b>\$ 8,528.2</b>	<b>\$231.8</b>	<b>2.8%</b>	<b>100.0%</b>

In May, staff will provide the consolidated Agency-wide expenses, FTEs, budget by departments, and an update on debt borrowing plans to help deliver essential capital projects.

### Early & Expanded Public Engagement Update

Metro works to incorporate the voices of the diverse community it serves into the annual budget. As such, involving the public and key Metro stakeholders in the budget development process is important. To achieve this, public engagement began early, and an effort was made to engage often. Metro held three Telephone Town Hall Meetings and released a new My Metro Budget tool. One of the goals of the budget tool and telephone townhalls was to not only provide a way to educate the public on budget trade-offs but also to provide information about the budget process. In addition, there was an effort to collect comments and feedback, which were distributed to the departments for consideration when developing the FY24 Budget. While these are a few of many efforts Metro engages the community with, there are many others agency wide.

At the most recent Telephone Town Hall on March 28, 2023, Metro leadership was in attendance to share the FY24 initiatives of the agency. The top public concerns were centered around safety and cleanliness of the system. Metro's senior leadership team addressed these concerns directly.

Staff will continue reaching out to the public with expanded stakeholder outreach meetings throughout April and May. The FY24 budget season will end with a budget public hearing scheduled on May 17 and will allow the public an opportunity to comment on the proposed budget. This will be followed by a review and possible adoption of the proposed FY24 budget by the Metro Board on May 25. See Attachment E for details on the FY24 outreach and engagement efforts.

### DETERMINATION OF SAFETY IMPACT

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

## **EQUITY PLATFORM**

This month's report focuses on Metro's Transit Program and highlights operating and maintenance of bus and rail services, general planning and programs, congestion management, as well as several customer experience initiatives and public safety enhancements. The engagement efforts to gather feedback for the Metro Transit Program budget were inclusive, with marketing to reach residents in Equity Focus Communities (EFCs). This portion of the budget considers the comments received from riders in EFCs about safety, cleanliness, frequency, and reliability. The FY24 Transit Operations Plan emphasizes putting people first- riders, stakeholders, and employees while providing equitable, sustainable, economically productive, safe, and accessible service.

Metro not only works to expand the system by increasing station stops and improving system signage for riders but also provides ADA accessible services and Metro Micro to better serve all communities' unique needs. Additionally, Metro's Reimagining Public Safety campaign is increasing the budget for homeless and mental health outreach, as well as safety and security with Transit Ambassadors and Metro Transit Security.

Metro engaged riders, stakeholders, and the broader public early in the budget process, starting with public meetings, Telephone Town Halls, and the new My Metro Budget engagement tool. The Telephone Town Hall meetings dialed out to 100% of EFCs. My Metro Budget is available in Spanish and English to engage and educate the public, specifically EFCs, and yielded a 44% response rate from EFC residents. This information is used to develop strategies for continued and expanded outreach and for improving Metro Transit programs and initiatives.

Additionally, the Metro Budget Equity Assessment Tool (MBEAT) is incorporated in the FY24 Budget development to assess budgetary requests for equity benefits, impacts, and considerations.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports the following Metro Strategic Plan Goal:

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

## **NEXT STEPS**

Staff will review and finalize the FY23 Budget proposal for Board consideration of adoption and in time for the public hearing on May 17<sup>th</sup>.

## **ATTACHMENTS**

Attachment A - Metro Transit O&M - (Budget and Service Plan)

Attachment B - Metro Transit Capital Improvement Projects Details

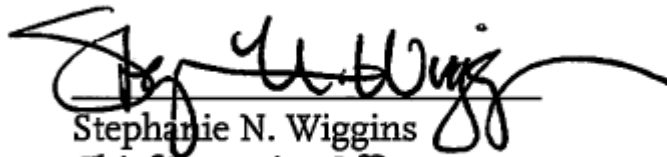
Attachment C - Overall Bus Investments

Attachment D - Congestion Management, General Planning & Programs, and

Oversight & Admin Programs  
Attachment E - Early, Improved & Expanded Public Engagement Update

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**Attachment A : Metro Transit O&M - (Budget and Service Plan)****Metro Transit : Operations & Maintenance Program Budget**

The FY24 preliminary budget for Metro Transit program for bus, rail and Metro Micro is \$2.36 billion, an increase of 5% or \$112.7 million over FY23 budget. The budget includes funds to support delivery of 8.9 million RSHs to operate bus, rail, and Metro Micro services.

<b>Operations &amp; Maintenance (\$ in Millions)</b>		<b>FY23 Budget</b>	<b>FY24 Prelim</b>	<b>\$ Change</b>	<b>% Change</b>	<b>% of Total</b>
1	Bus Total	\$ 1,473.9	\$ 1,528.4	\$ 54.5	3.7%	64.7%
2	Rail Total	737.8	795.1	57.2	7.8%	33.6%
3	Metro Micro	39.2	40.1	0.9	2.4%	1.7%
4	<b>Operations &amp; Maintenance Total</b>	<b>\$ 2,251.0</b>	<b>\$ 2,363.7</b>	<b>\$ 112.7</b>	<b>5.0%</b>	<b>100.0%</b>
5	<b>Cost per RSH</b>					
6	<b>Bus</b>	<b>\$ 207.9</b>	<b>\$ 214.7</b>	<b>\$ 6.8</b>	<b>3.3%</b>	
7	<b>Rail</b>	<b>\$ 550.3</b>	<b>\$ 528.0</b>	<b>\$ (22.2)</b>	<b>-4.0%</b>	
8	<b>Metro Micro</b>	<b>\$ 144.4</b>	<b>\$ 147.4</b>	<b>\$ 3.0</b>	<b>2.1%</b>	

Expenditures are based on operating-eligible funding for Metro Transit program to provide equitable, accessible, clean, safe, and reliable service for all customers. Expenditures include allowances for additional staffing and other support to ensure delivery of increased service and addressing Customer Experience initiatives including enhanced bus and rail cleaning, Room to Work program, public safety, transit ambassador program, various pilots to enhance customer experience and safety such as Westlake MacArthur Park program and Mobile Restrooms, homeless outreach, supporting Fare Subsidy Programs including LIFE and GoPass, Fare Capping, Mobility Wallet Pilot Program and improving real-time information as part of Metro's equity focus.

**Metro Transit Bus Budget**

<b>Bus Operations &amp; Maintenance (\$ in Millions)</b>		<b>FY23 Budget</b>	<b>FY24 Prelim</b>	<b>\$ Change</b>	<b>% Change</b>	<b>% of Total</b>
1	Labor	958.7	1,007.1	48.3	5.0%	65.9%
2	Parts & Supplies	83.6	76.7	(7.0)	-8.3%	5.0%
3	CNG	42.2	45.2	3.0	7.0%	3.0%
4	Service Contracts	183.5	186.1	2.7	1.5%	12.2%
5	Other Operating Expenses	205.9	213.5	7.5	3.7%	14.0%
6	<b>Grand Total</b>	<b>1,473.9</b>	<b>1,528.4</b>	<b>54.5</b>	<b>3.7%</b>	<b>100.0%</b>
7	<b>Bus Cost per RSH</b>	<b>\$ 207.9</b>	<b>\$ 214.7</b>	<b>\$ 6.8</b>	<b>3.3%</b>	



Metro Bus program consists of several enhancements in FY24 including increasing service, NextGen service improvements, staffing and resources to support daily bus cleaning at 4 terminals 7 days a week as well and enhanced public safety.

### Labor Expenses

Included in the budget is additional staffing to support bus operator hiring activities as well as staffing for cleaning buses, bus stops, and bus layover zones for an increase of \$48.3 million (5%) in total labor expenses in budget over FY23.

### Non-Labor Expenses

Preliminary budget includes \$186.1 million for Service Contracts to support delivery of 7.1 million RSH as well as funding for security, Transit Ambassador program and Homeless Outreach efforts which is an increase of \$2.7 million over FY23 budget. CNG fuel expense increase of 7% is primarily due to the CNG fuel market cost per therm increase caused by inventory availability, transportation cost and increased service. Other Operating Expenses are \$213.5 million, a 3.7% or \$7.5 million over FY23 budget and include funds for Purchased Transportation (contracted bus) service, maintenance expenses of rail divisions and facilities, utilities, insurance, and workers compensation expenses.

In addition, NextGen bus improvement projects included in Capital Improvement Plan (CIP), such as Bus Mobile Validators for All Door Boarding, Transit Signal Priority, and Camera Bus Lane Enforcement, improve system speed allowing more trips for the planned service hours, increasing service efficiency.

### Metro Transit Rail Budget

	<b>Rail Operations &amp; Maintenance</b>	<b>FY23</b>	<b>FY24</b>	<b>\$</b>	<b>%</b>	<b>% of</b>
	<b>(\$ in Millions)</b>	<b>Budget</b>	<b>Prelim</b>	<b>Change</b>	<b>Change</b>	<b>Total</b>
1	Labor	355.8	392.7	36.9	10.4%	49.4%
2	Parts & Supplies	26.1	30.9	4.7	18.0%	3.9%
3	Propulsion Power	40.4	47.2	6.9	17.0%	5.9%
4	Service Contracts	239.8	233.6	(6.2)	-2.6%	29.4%
5	Other Operating Expenses	75.7	90.7	15.0	19.8%	11.4%
6	<b>Grand Total</b>	<b>737.8</b>	<b>795.1</b>	<b>57.2</b>	<b>7.8%</b>	<b>100.0%</b>
7	<b>Rail Cost per RSH</b>	<b>\$ 550.3</b>	<b>\$ 528.0</b>	<b>\$ (22.2)</b>	<b>-4.0%</b>	

Metro Rail program consists of several enhancements in FY24 including service increases for full operation of K Line (Crenshaw/LAX Line) and Regional Connector, increased service frequency (service restoration) and enhanced cleaning and safety improvements as part of our Customer Experience initiatives. To deliver this service, the estimated budget is \$795.1 million which is \$57.2 million (7.8%) increase over FY23.

Labor Expenses

Included in the budget is additional custodial staffing deployment for daily division cleaning, “end of line” cleaning, and 7 day a week cleaning surge. Funds are included to support additional staffing for security and temporary part-time Room to Work participants. The preliminary budget also includes funds to support a full year of K line and Regional Connector service. The labor cost increase to support these services is \$36.9 million (10.4%) over FY23.

Non-Labor Expenses

To keep our new and existing fleets in excellent working condition, funds are added in Parts and Supplies for \$4.7 million (18%) for cleaning and corrective and preventative maintenance. Propulsion power expenses are increasing by \$6.9 million due to service and rate increases. Service Contracts preliminary budget is \$233.6 million and includes enhanced cleaning and safety improvements, enhanced security, Transit Ambassador program, and homeless outreach program. Other operating costs are \$90.7 million which include utilities, insurance, workers compensation, maintenance and upkeep expenses for rail divisions and facilities and rent which are increasing by \$15 million over FY23 budget.

Metro Micro

Metro Micro is a multi-year pilot program designed to augment ridership by giving a ride-hail option for customers when traveling in the lower density areas of the region as intended by NextGen. The pilot program is extended until September 2023, however, the preliminary budget includes \$40.1 million to support full year extension of the pilot to support delivery of 272.2 thousand revenue service hours.

	<b>Metro Micro</b>	<b>FY23</b>	<b>FY24</b>	<b>\$</b>	<b>%</b>	<b>% of</b>
	<b>(\$ in Millions)</b>	<b>Budget</b>	<b>Prelim</b>	<b>Change</b>	<b>Change</b>	<b>Total</b>
1	Metro Labor	19.3	20.2	0.9	4.6%	50.4%
2	RideCo Contract and Vehicle Lease	14.8	15.1	0.3	2.0%	37.5%
3	Other Metro Operating Expenses	5.1	4.9	(0.1)	-2.6%	12.1%
4	<b>Micro Total</b>	<b>39.2</b>	<b>40.1</b>	<b>0.9</b>	<b>2.4%</b>	<b>100.0%</b>
5	<b>Micro Cost per RSH</b>	<b>\$ 144.4</b>	<b>\$ 147.4</b>	<b>\$ 3.0</b>	<b>2.1%</b>	

**Service Levels (Service Hours)**

The table below illustrates service hour breakdown by mode and line:

**Revenue Service Hours**

	<b>Mode</b>	<b>FY23 Budget</b>	<b>FY24 Prelim</b>	<b>Change</b>
1	<b>Bus</b>			
2	Local & Rapid	6,360,171	6,380,701	20,530
3	J Line (Silver)	125,287	121,890	(3,397)
4	G Line (Orange)	104,921	100,760	(4,161)
5	Purchased Transportation	498,656	515,864	17,208
6	Metro Micro	271,440	272,239	799
7	<b>Subtotal Bus</b>	<b>7,360,475</b>	<b>7,391,454</b>	<b>30,979</b>
8	<b>Rail</b>			
9	A Line (Blue)	447,224	516,741	69,517
10	C Line (Green)	109,706	129,129	19,423
11	K Line (Crenshaw/LAX)	47,509	87,210	39,701
12	L Line (Gold)	61,641	-	(61,641)
13	E Line (Expo)	318,474	351,729	33,255
14	B Line (Red) / D Line (Purple)	356,353	420,968	64,615
15	<b>Subtotal Rail</b>	<b>1,340,907</b>	<b>1,505,777</b>	<b>164,870</b>
16	<b>Total</b>	<b>8,701,382</b>	<b>8,897,231</b>	<b>195,849</b>

**Pre - Revenue Service Hours**

	<b>Mode</b>	<b>FY23 Budget</b>	<b>FY24 Prelim</b>	<b>Change</b>
17	Crenshaw Line	10,513	1,925	(8,588)
18	Regional Connector	22,798	-	(22,798)
19	Purple Line Extension (Phase 1)	-	7,665	7,665
20	<b>Total Pre-Revenue Service Hours</b>	<b>33,311</b>	<b>9,590</b>	<b>(23,721)</b>
21	<b>Total Service Hours</b>	<b>8,734,693</b>	<b>8,906,821</b>	<b>172,128</b>

## Attachment B : Metro Transit Capital Improvement Projects Details

### Metro Transit : Capital Improvement Program (CIP)

Projects within the CIP focus on keeping the system assets safe and reliable to ensure Board approved service levels are delivered. Safe and reliable service delivery is achieved primarily by replacing or maintaining assets that have met or exceeded their useful life. However, it also includes some vital projects for service expansion and enhancement. The CIP projects are generally recurring in nature but include some one-time items.

<b>Metro Transit - Capital Improvement Program (CIP)</b>						
<b>Capital Category</b>	<b>FY23</b>	<b>FY24</b>	<b>\$</b>	<b>%</b>	<b>%</b>	
<b>(\$ in millions)</b>	<b>Budget</b>	<b>Preliminary</b>	<b>Change</b>	<b>Change</b>	<b>of Total</b>	
1 Fleet Procurement	\$ 82.1	\$ 70.1	\$ (12.0)	-14.7%	12.9%	
2 Fleet Maintenance	41.4	44.1	2.7	6.6%	8.2%	
3 Facilities Improvements	28.6	22.0	(6.6)	-23.2%	4.1%	
<b>4 Bus Subtotal</b>	<b>\$ 152.1</b>	<b>\$ 136.2</b>	<b>\$ (15.9)</b>	<b>-10.5%</b>	<b>25.2%</b>	
5 Fleet Procurement	68.9	32.8	(36.2)	-52.5%	6.1%	
6 Fleet Maintenance	99.5	136.2	36.7	36.9%	25.2%	
7 Facilities Improvements	6.3	8.7	2.5	39.4%	1.6%	
8 Wayside Systems	47.7	52.3	4.5	9.5%	9.7%	
<b>9 Rail Subtotal</b>	<b>\$ 222.4</b>	<b>\$ 229.9</b>	<b>\$ 7.6</b>	<b>3.4%</b>	<b>42.5%</b>	
10 Regional and Hubs	36.3	33.5	(2.9)	-7.8%	6.2%	
11 TAM Project Management Support	0.0	0.0	(0.0)	-10.2%	0.0%	
12 Technology	45.1	64.4	19.3	42.8%	11.9%	
13 Non MR/MM Major Construction	43.0	64.7	21.7	50.5%	12.0%	
14 Non-Revenue Vehicles	5.7	12.7	6.9	121.3%	2.3%	
<b>15 Other Asset Improvements Subtotal</b>	<b>\$ 130.2</b>	<b>\$ 175.3</b>	<b>\$ 45.1</b>	<b>34.6%</b>	<b>32.4%</b>	
<b>16 Total Proposed CIP Budget</b>	<b>\$ 504.7</b>	<b>\$ 541.4</b>	<b>\$ 36.7</b>	<b>7.3%</b>	<b>100.0%</b>	

### Bus Program

Fleet Procurement, Fleet Maintenance, and Facilities Improvements make up \$136.2 million, 25.2% of the total CIP budget.

### **Bus – Fleet Procurement**

Metro is continuing its pursuit of a truly sustainable bus fleet. The Board has adopted a goal of converting Metro's entire fleet of buses from Compressed Natural Gas (CNG) to Zero Emission electric vehicles. This is an ambitious goal considering Metro has the second largest bus fleet in the United States, and places high mileage and vehicle performance demand on its 2,300 buses.

Electric and Zero Emission bus technology is still in the development stage. Metro will partner with electric bus manufacturers to test, develop, and improve electric bus technology to the point of full technological maturity. FY24 Bus acquisition and delivery represents a step towards realizing this goal. Bus acquisition consists of procurement and delivery of buses to replace buses scheduled for retirement, supporting ever-

evolving service improvements, and for initiating Electric/Zero Emission Buses (ZEB) bus deployment on various bus transit corridors. Approximately \$70.1 million, 12.9% of the CIP budget is allocated for these efforts.

Metro anticipates commencing delivery of approximately 93 forty-foot ZEB buses and finalizing payment for prior procurements of 40' and 60' ZEB and CNG buses. Metro is also investing approximately \$19.2M in charging infrastructure. Placement of electric charging equipment and infrastructure will occur at stations on the J Line (Silver) alignment, as well as operating divisions.

### **Bus - Fleet Maintenance**

Bus fleet maintenance projects represent \$44.1 million, 8.2% of the CIP budget. Although this is a decrease from the FY23 budget, the budget request reflects the specific resource needs to perform scheduled maintenance. Bus maintenance projects include bus midlife refurbishment and integrated engine replacement. Midlife refurbishment ensures that our buses are operational for their designated useful life, which includes structural integrity checks and change-out of critical system components. The refurbishment program also consists of installation of live view security monitors, fare box upgrades, and upgraded ADA wheelchair securement equipment. All buses scheduled for midlife refurbishment are based on bus age, miles accumulated thus far in revenue service, and reliability measurements of the bus series.

### **Bus - Facilities Improvements**

Bus facilities improvements make up \$22.0 million, 4.1% of the CIP budget. These projects include development of master plans for facility upgrades, site refurbishment, and site reconfigurations to upgrade and maintain facilities. Upgrades include regulatory compliance mandates, such as replacement of underground fuel storage tanks, roofs, building ventilation, upgrade of fire alarm systems, and bus division pavement replacement.

### Rail Program

Rail Fleet Procurement, Vehicle Maintenance, Facilities Improvements, and Wayside Systems repair and replacement total \$229.9 million, 42.5% of the CIP budget.

### **Rail - Fleet Procurement**

Light and Heavy Rail Vehicle procurement is allocated \$32.8 million, 6.1% of the CIP budget. It is dedicated to vehicle deliveries for both rail expansion and existing vehicle replacement. Light rail vehicle deliveries are in the final stage of production and delivery. Staff will focus on closing out production and assembly installations. When these activities are complete, the vehicles will be accepted, final progress payments paid, and deployed for existing service and expansion pre-revenue activities.

A new Heavy Rail Vehicle (HRV) procurement will be initiated this year. The procurement will include the purchase of 64 vehicles, 30 for replacement of A650 vehicles and 34 for the Purple Line Extension, Section 1. Of the 64 vehicles, 6 are

anticipated to be delivered om FY24. This is a major milestone in the process of replacing the original B (Red) Line cars that began service in 1992. These new vehicles will replace the existing vehicles and will have many amenities that will enhance the transit customer experience.

**Rail - Fleet Maintenance**

Rail Vehicle Maintenance projects are allocated \$136.2 million, 25.2% of the CIP budget. Two major vehicle component overhaul programs will continue to augment the quality of the rail fleet. Additional customer amenities will be installed. Vehicle subsystem overhaul will include refurbishment of gearboxes, Heating, Ventilation, and Air Conditioning (HVAC) systems, and other major equipment that require specialized technical skills to rebuild.

The Heavy Rail vehicle midlife modernization consists of the change out of critical system components to extend the vehicle useful life on B (Red) Line vehicles. Vehicles scheduled for midlife will be sent offsite and be brought back for testing, inspection, and final acceptance. Midlife refurbishment includes inspection and overhaul of critical assemblies that include propulsion power systems, friction brake control, Automatic Train Control (ATP), and numerous subsystems required to improve operational reliability. Refurbishment also includes the installation of a fire mist suppression system, which will provide an economical fire life safety solution on the Red and Purple Lines.

Light Rail overhauled vehicles will also continue to be delivered. A significant portion of the budget increase is due to an increase in the number of overhauls for P2550 cars. New Automatic Train Protection (ATP) equipment will enable the trains to stop automatically if necessary. The critical operational systems for overhaul include friction brakes, air compressor motors, and gearboxes.

**Rail - Facilities Improvements**

Rail facilities improvements projects make up \$8.7 million, 1.6% of the CIP budget. Projects are slated to maintain existing rail facilities with mandated regulatory upgrades such as station/facility fire control panel installation, platform gate replacement, various lighting retrofits, roof replacements, ventilation, HVAC system repairs, pavement replacement, and art projects.

**Rail - Wayside Systems**

Wayside system improvements make up \$52.3 million, 9.7% of the CIP budget. Projects include the on-going replacement of the Supervisory Control and Data Acquisition (SCADA) system, as well as track system replacement, Overhead Catenary System (OCS) inspection/refurbishment, train control track circuits, train-to-wayside (TWC) communication system, tunnel corrosion mitigation, replace old wood ties with composite ties, replace mainline fasteners and many other maintenance projects.

Other Asset Improvements

Other Asset Improvements total \$175.3 million, 32.4% of the CIP budget. These projects are slated for regional construction improvements, replacement of maintenance vehicles/equipment, and technology upgrades. Metro will be making significant investments in track and tunnel intrusion technology, enhanced CCTV systems, and improvements to signage and wayside throughout the system. System technology purchases and upgrades for agency infrastructure and customer support systems. A significant technology project is continuing efforts with development and integration of the Enterprise Asset Management System (EAMS). The EAMS project will integrate maintenance activities and track agency-wide capital assets. Significant investments will also be made in Transit Signal Priority (TSP) and Bus Mobile Validators (BMV) for all door boarding, as a part of NextGen.

**Attachment C : Overall Bus Investments**

**Overall Bus Investment in FY24 Preliminary Budget**

LA Metro prioritizes its investments in bus services, which includes the cost of the operations, maintenance, NextGen initiatives, capital improvements, planning and construction efforts, as well as other customer experience initiatives and studies. Understanding the complexities of managing these expenses is essential for the agency to continue providing clean, safe, and reliable transportation to the community. In this context, analyzing and optimizing bus expenses is a critical priority for LA Metro. The FY24 Budget includes almost \$1.9 billion in bus investments.

	<b>Bus Investments</b> (\$ in thousands)	<b>FY23</b> <b>Budget</b>	<b>FY24</b> <b>Preliminary</b>	<b>\$</b> <b>Change</b>	<b>%</b> <b>Change</b>	<b>Life Of</b> <b>Project</b>
1	<b>Operations &amp; Maintenance</b>					
2	Directly Operated Service Delivery - Labor	\$ 728,858.6	\$ 750,195.3	\$ 21,336.7	2.9%	
3	Directly Operated Service Delivery - Parts, Supplies, CNG, Other	369,787.7	357,338.6	(12,449.2)	-3.4%	
4	Cleanliness	84,012.2	96,509.7	12,497.5	14.9%	
5	<b>Public Safety</b>					
6	Security (LE/Private/Metro)	\$ 65,673.7	\$ 82,544.9	\$ 16,871.2	25.7%	
7	Transit Ambassador Program <sup>(1)</sup>	12,000.0	6,000.0	(6,000.0)	-50.0%	
8	Homeless Outreach	4,982.8	7,859.9	2,877.1	57.7%	
9	<b>Public Safety Subtotal</b>	<b>\$ 82,656.5</b>	<b>\$ 96,404.8</b>	<b>\$ 13,748.3</b>	<b>16.6%</b>	
10	<b>Other Operating and Support</b>					
11	Workers Compensation	\$ 50,643.3	\$ 53,313.2	\$ 2,669.9	5.3%	
12	PLPD	32,941.4	33,145.6	204.2	0.6%	
13	Customer Care Call Center	24,656.9	27,546.9	2,890.0	11.7%	
14	Supply Chain, Warehouse & Inventory Management	35,278.6	42,028.3	6,749.7	19.1%	
16	Purchased Transportation	65,096.9	71,966.7	6,869.8	10.6%	
15	<b>Other Operating and Support Subtotal</b>	<b>\$ 208,617.1</b>	<b>\$ 228,000.7</b>	<b>\$ 19,383.6</b>	<b>9.3%</b>	
17	<b>Operations &amp; Maintenance Subtotal</b>	<b>\$ 1,473,932.2</b>	<b>\$ 1,528,449.2</b>	<b>\$ 54,517.0</b>	<b>3.7%</b>	
18	<b>NextGen</b>					
19	Bus Mobile Validators (BMV) (All Door Boarding)	\$ 7,000.9	\$ 8,030.0	\$ 1,029.1	14.7%	\$ 18,100.0
20	Camera Bus Lane Enforcement	-	2,085.0	2,085.0	100.0%	
21	Transit Signal Priority	6,014.2	9,742.1	3,727.8	62.0%	25,000.0
22	NextGen Bus Lanes	10,490.8	12,233.4	1,742.5	16.6%	
23	NSFV BRT Network Improvements <sup>(2)</sup>	5,429.8	20,857.2	15,427.4	284.1%	
24	<b>NextGen Subtotal</b>	<b>\$ 28,935.8</b>	<b>\$ 52,947.7</b>	<b>\$ 24,011.9</b>	<b>83.0%</b>	<b>\$ 43,100.0</b>

<sup>(1)</sup> The FY23 Budget for bus includes a one time \$6 million of rollover budget from FY22 (The FY24 budget includes the \$20M for Transit Ambassadors for both bus and rail as directed by Board motion 26.2).

<sup>(2)</sup> Includes Bus stop shelters and shades as well as curb modifications.

**Table Continues on next page.**



**ATTACHMENT C**

<b>Bus Investments (Continued)</b> (\$ in thousands)		<b>FY23</b>	<b>FY24</b>	<b>\$</b>	<b>%</b>	<b>Life Of</b>
		<b>Budget</b>	<b>Preliminary</b>	<b>Change</b>	<b>Change</b>	<b>Project</b>
25	<b>Bus Fleet Procurement</b>					
26	40' Battery Electric Zero Emission Buses	\$ 70,749.7	\$ 56,486.5	\$ (14,263.2)	-20.2%	\$ 163,534.0
27	40' Compressed Natural Gas Buses	5,599.8	4,752.2	(847.6)	-15.1%	420,913.3
28	60' Battery Electric Zero Emission Buses	4,816.2	4,624.7	(191.5)	-4.0%	80,003.3
29	60' Battery Electric Zero Emission Buses - Grant Funded	487.7	2,683.2	2,195.5	450.2%	5,109.5
30	60' Compressed Natural Gas Buses	452.9	1,519.3	1,066.4	235.5%	149,311.4
31	<b>Bus Fleet Procurement Subtotal</b>	<b>\$ 82,106.3</b>	<b>\$ 70,065.9</b>	<b>\$ (12,040.4)</b>	<b>-14.7%</b>	<b>\$ 818,871.6</b>
32	<b>Bus Facilities Improvements</b>					
33	Bus Division Improvements IV	\$ 3,342.0	\$ 4,127.6	\$ 785.6	23.5%	\$ 28,000.0
34	Division 1 Street Closure	1,000.0	4,620.8	3,620.8	362.1%	9,500.0
35	Electric Bus Charging Infrastructure J (Silver) Line	10,803.0	8,473.9	(2,329.1)	-21.6%	50,000.0
36	Environmental Compliance Capital Project (FY23-FY27)	4,810.2	2,991.4	(1,818.8)	-37.8%	35,000.0
37	Fire Alarm Panel Replacement Throughout Metro Facilities	1,295.2	734.6	(560.6)	-43.3%	3,474.0
38	Metro G (Orange) Line In-Road Warning Lights	35.1	31.5	(3.6)	-10.2%	198.4
39	<b>Bus Facilities Improvements Subtotal</b>	<b>\$ 21,285.5</b>	<b>\$ 20,979.8</b>	<b>\$ (305.6)</b>	<b>-1.4%</b>	<b>\$ 126,172.4</b>
40	<b>Bus Fleet Maintenance</b>					
41	Bus Engine Replacements	\$ 3,060.9	\$ 2,660.2	\$ (400.8)	-13.1%	\$ 13,518.0
42	New Flyer/EI Dorado Bus Midlife	17,235.4	40,470.6	23,235.2	134.8%	205,000.0
43	<b>Bus Fleet Maintenance Subtotal</b>	<b>\$ 20,296.4</b>	<b>\$ 43,130.8</b>	<b>\$ 22,834.4</b>	<b>112.5%</b>	<b>\$ 218,518.0</b>
44	<b>Regional &amp; Hubs</b>					
45	Passenger Screen-Facility Hardening	\$ 600.0	\$ 1,400.0	\$ 800.0	133.3%	\$ 3,448.8
46	Bus Mobile Validators (BMV) For Muni Buses	-	500.0	500.0	100.0%	4,703.9
47	Patsaouras Bus Plaza Station Improvements	450.3	38.5	(411.7)	-91.4%	50,913.0
48	<b>Regional &amp; Hubs Subtotal</b>	<b>\$ 1,050.3</b>	<b>\$ 1,938.5</b>	<b>\$ 888.3</b>	<b>84.6%</b>	<b>\$ 59,065.7</b>
49	<b>Technology</b>					
50	Advanced Transportation Management System II (ATMS) Replacement	2,425.0	\$ 797.3	\$ (1,627.6)	-67.1%	\$ 117,000.0
51	<b>Technology Subtotal</b>	<b>\$ 2,425.0</b>	<b>\$ 797.3</b>	<b>\$ (1,627.6)</b>	<b>-67.1%</b>	<b>\$ 117,000.0</b>
52	<b>Non MR/MM Major Construction</b>					
53	Rosa Parks/Willowbrook Station	\$ 4,671.4	\$ 1,259.4	\$ (3,412.0)	-73.0%	\$ 128,348.4
54	<b>Non MR/MM Major Construction Subtotal</b>	<b>\$ 4,671.4</b>	<b>\$ 1,259.4</b>	<b>\$ (3,412.0)</b>	<b>-73.0%</b>	<b>\$ 128,348.4</b>
55	<b>Bus Capital Improvements Subtotal</b>	<b>\$ 131,834.8</b>	<b>\$ 138,171.8</b>	<b>\$ 6,337.0</b>	<b>4.8%</b>	<b>\$ 1,467,976.1</b>
56	<b>Transit Construction</b>					
57	G Line (Orange) BRT Improvements: Construction	\$ 85,566.8	\$ 74,466.1	\$ (11,100.6)	-13.0%	\$ 149,683.0
58	G Line (Orange) BRT Improvements: Planning	4,251.5	71.2	(4,180.2)	-98.3%	
59	<b>Transit Construction Subtotal</b>	<b>\$ 89,818.2</b>	<b>\$ 74,537.3</b>	<b>\$ (15,280.9)</b>	<b>-17.0%</b>	<b>\$ 149,683.0</b>
60	<b>Transit Planning</b>					
61	Broadway BRT	\$ -	\$ 3,987.1	\$ 3,987.1	100.0%	
62	BRT Connector B Line (Red)/G Line (Orange) to L Line (Gold)	20,158.9	60,275.8	40,116.9	199.0%	
63	San Gabriel Valley Transit Feasibility Study	2,801.1	2,216.4	(584.8)	-20.9%	
64	Vermont Transit Corridor	6,730.2	8,059.6	1,329.4	19.8%	
65	<b>Transit Planning Subtotal</b>	<b>\$ 29,690.2</b>	<b>\$ 74,538.9</b>	<b>\$ 44,848.6</b>	<b>151.1%</b>	
66	<b>Bus Transit Construction &amp; Planning Subtotal</b>	<b>\$ 119,508.4</b>	<b>\$ 149,076.2</b>	<b>\$ 29,567.7</b>	<b>24.7%</b>	<b>\$ 149,683.0</b>
67	<b>Bus Studies &amp; CX Initiatives</b>					
68	LIFE Program	23,237.6	25,316.5	2,078.9	8.9%	
69	Other Bus Planning & Studies	1,846.4	1,572.7	(273.7)	-14.8%	
70	Bus Stop Lighting	-	1,000.0	1,000.0	100.0%	
71	Adopt - a - Stop	-	150.0	150.0	100.0%	
72	<b>Bus Studies &amp; CX Initiatives Subtotal</b>	<b>\$ 25,084.0</b>	<b>\$ 28,039.2</b>	<b>\$ 2,955.3</b>	<b>11.8%</b>	
73	<b>Bus Investments Total</b>	<b>\$ 1,779,295.2</b>	<b>\$ 1,896,684.0</b>	<b>\$ 117,388.9</b>	<b>6.6%</b>	<b>\$ 1,660,759.1</b>

Note: Totals may not add up because of rounding.

## Attachment D : Congestion Management, General Planning & Programs, and Oversight & Admin Programs

### Congestion Management

Congestion Management Program (\$ in millions)	FY23 Budget	FY24 Prelim	\$ Change	% Change
1 Express Lanes	\$ 70.5	\$ 61.9	\$ (8.6)	-12.2%
2 Freeway Service Patrol	39.9	41.4	1.5	3.8%
3 Motorist Services	15.1	14.7	(0.3)	-2.3%
4 Rideshare Services	11.6	13.9	2.3	19.9%
5 <b>Grand Total</b>	<b>\$ 137.0</b>	<b>\$ 131.9</b>	<b>\$ (5.1)</b>	<b>-3.7%</b>

The program consists of four major groups: ExpressLanes, Freeway Service Patrol (FSP), Motorist Services and Rideshare Services. The overall FY24 Congestion Management Program Budget of \$131.9 million represents a \$5.1 million or 3.7% decrease from the FY23 Budget.

#### *ExpressLanes*

Over 340 million trips have been taken on the Metro ExpressLanes providing drivers and transit riders with a fast, reliable, and high-quality alternative to freeway congestion since opening in November 2012 on I-110 and February 2013 on I-10. The FY24 ExpressLanes Congestion Management program budget supports:

- on-going operation and management of the I-10 and I-110 ExpressLanes;
- operation of a dedicated ExpressLanes Freeway Service Patrol service on both corridors;
- work in support of planning related activities associated with the I-10 ExpressLanes extension;
- subsidies to support transit operations along both ExpressLanes corridors;

The \$8.6 million decrease to this subprogram is primarily attributed to the mandatory replacement of electronic transponders for all registered account holders as required by the recently adopted 6(c) protocol, which required substantial acquisitions costs in FY23 with delivery and fulfillment of the new transponders to continue into FY24.

#### *Freeway Service Patrol (FSP)*

Freeway Service Patrol (FSP) mitigates congestion caused by incidents and assists motorists with disabled vehicles on Los Angeles County freeways. The program provides roving tow and service trucks on most freeways within Los Angeles County and provides Big Rig service along portions of the 710 and 91 freeways. FSP also operates a separate dedicated ExpressLanes service which is funded under the ExpressLanes budget. The program expects to continue as the highest performing and most cost effective FSP program in the state.

The \$1.5 million increase to this subprogram is due to new contracts that are expected

to begin service in FY24, as well as cost increases to fuel, labor, insurance, and the purchase price of Tow service vehicles.

*Motorist Services*

*Los Angeles County Service Authority for Freeway Emergency (LA SAFE)*

Motorist Services includes the Los Angeles County Service Authority for Freeway Emergency (LA SAFE) and the Regional Integration of Intelligent Transportation Systems (RIITS). LA SAFE is a separate legal authority created pursuant to California Streets and Highways code and receives dedicated funds from an annual \$1.00 vehicle registration surcharge. LA SAFE operates the Kenneth Hahn Call Box Program and the Southern California 511 Traveler Information system and will continue these operations in FY24.

*Regional Integration of Intelligent Transportation Systems (RIITS)*

RIITS is a regional program administered by Metro that promotes operational collaboration through the collection, compilation and sharing of intelligent transportation systems data and resources. RIITS will continue to collaborate with various stakeholders, such as OEI, Metro Operations, Metro Highway Programs, Caltrans, CHP and others, to provide regional services, data and applications; to continue the collaboration and support of the implementation and operation of Integrated Corridor Management projects.

The \$0.3 million decrease is primarily associated with operational cost efficiencies for RIITS program. Specifically, during FY23, RIITS accelerated data and license purchases in support of NextGen, resulting in cost efficiencies for FY24.

*Rideshare Services*

Rideshare Services includes Regional Shared Mobility, Transportation Demand Management, and Vanpool Incentives. Due to COVID, vanpool experienced a decrease in the number of registered vanpools. With the implementation of the vanpool recovery plan, the program is working to restore vanpool utilization to pre-COVID levels. The Vanpool program generates \$20M, annually, of federal funds in Section 5307 for the agency. Transportation Demand Management (TDM) Policy and Programming provides information, resources, encouragement, and incentives. Metro's Regional Shared Mobility Program, a partnership with VCTC, OCTA, SBCTA and RCTC, provides support and assistance to nearly 900 Employer Transportation Coordinators (ETCs).

The \$2.3 million increase to this subprogram is driven by the Board approved vanpool subsidy increase and an increase to the rideshare program operations inclusive of number of vans and participants. The rideshare program will expand beyond the 400,000 carpoolers for ride matching and guaranteed ride home services to new audiences, increasing usage, and creating efficiencies in congestion reduction programs through mobility mode changes.

New TDM initiatives will include non-daily commuting and work-related commuting, such as essential casual, recreational trips, tourism, emergency, and alternative trips, inclusive of the recent Metro Board approved TDM Master Plan and Program contract award to consolidate transit products, programs, and messaging into one Mobility as a Service (MaaS) system with access to the multi-modal mobility options provided by Metro and other mobility service providers.

**General Planning & Programs**

The Planning and Programs Budget encompasses a wide range of activities that support the agency's goal of delivering improved mobility, sustainability, as well as financial and technical support to Metro’s partners throughout LA County. Activities under this program include long-range and systemwide financial planning and grants management, new and enhanced transit infrastructure, various aspects of Metro’s bike program, unsolicited proposals and public private partnerships (P3), sustainability, joint development efforts and Union Station upgrades.

This year’s budget development process primarily considers operational needs and resources, grant availability, developer funded nature of projects, activities required under federal or state regulatory bodies, and Board approved system connectivity studies or other mobility initiatives.

For FY24, the Preliminary Budget of \$233.7 million represents a \$13.1 million or 5.9% increase over the FY23 Budget of \$220.6 million. Some project highlights this fiscal year include the following: (*\$’s in millions unless otherwise stated*)

<i>Active Transportation Bike</i>	Bike Share Program Operating/Maintenance (\$17.4) Bike Hub/Lockers (\$1.6) LA River Waterway System Bike Phase 2 Env. (\$12.8) LA River Bike Path (\$11)
<i>First Last Mile</i>	FLM Planning Regional Connector & Aviation (\$1.5) Street Safety Program (\$682 thousand) Transit to Parks (\$199 thousand)
<i>Sustainability</i>	Sustainability Planning (\$2.1) Sustainable Project Implementation (\$11.4)
<i>System Connectivity</i>	Centinela Grade Separation (\$1.8) Multi-Modal Corridor Planning (\$2.3) Systemwide Station Design Updates (\$5)
<i>Admin &amp; Planning</i>	General Planning & Programming (\$14.7) Long Range Planning (\$12)
<i>Financial Planning</i>	Regional Grants Management (\$18.1)
<i>Art &amp; Design</i>	Signage Brand Guidelines & Standards (\$840 thousand)
<i>Joint Development</i>	Housing Lab Program/transit-oriented housing (\$1.2)
<i>Parking</i>	Universal Station mobility hub (\$6.6) Parking facility refurbishments (\$2.1)
<i>Property Maintenance</i>	Union Station Management Services & Maintenance (\$29.6)
<i>Transit Oriented Communities</i>	Metro Training and Innovation Center (\$4.2)

## ATTACHMENT D

*Union Station Improve*      Ticket Concourse Restroom, Plumbing, Safety (\$9.4)  
*Unsolicited Proposals/P3*    ZEB Business Study, Mobility Wallet, Travel Rewards (\$4.9)

The figure below is a budget summary of the Program.

General Planning and Programs (\$'s in millions)		FY2023 Budget	FY2024 Preliminary	\$ Change	% Change
1	<b>Active Transportation, Bike and Other</b>	\$ 80.1	\$ 83.4	\$ 3.3	4.1%
2	Active Transportation incl Bike	43.0	45.8	2.86	6.6%
3	First Last Mile	2.5	2.7	0.17	6.5%
4	Sustainability	16.2	19.1	2.96	18.3%
5	System Connectivity Program and Studies	18.5	15.8	(2.72)	-14.7%
6	<b>Financial, Grants Mgmt, and Administration</b>	50.0	60.4	10.41	20.8%
7	Financial Planning and Grants Management	29.0	34.0	5.03	17.3%
8	Administrative and Planning Support	20.9	26.3	5.39	25.7%
9	<b>Property Management</b>	82.9	85.0	2.02	2.4%
10	Art and Design	1.6	1.8	0.21	12.9%
11	Joint Development	17.7	17.1	(0.61)	-3.5%
12	Parking	10.3	9.1	(1.18)	-11.5%
13	Property Maintenance and Contract Mgmt	28.7	29.6	0.85	3.0%
14	TOC	9.5	13.0	3.56	37.6%
15	Union Station	15.2	14.4	(0.81)	-5.3%
16	<b>Unsolicited Proposals, P3 and other</b>	7.5	4.9	(2.60)	-34.6%
17	Unsolicited Proposals, P3 and other	7.5	4.9	(2.60)	-34.6%
18	<b>Grand Total</b>	\$ 220.6	\$ 233.7	\$ 13.1	5.9%

### Oversight & Administration

Oversight and Administration (\$ in Millions)	FY23 Budget	FY24 Prelim	\$ Change	% Change
Oversight and Administration	\$81.7	\$84.3	\$2.6	3.1%

The FY24 Oversight and Administration budget is \$84.3 million, 0.9% of the total Annual budget. Along with EZBB process, this program reflects continuous cost controls and comprises of ongoing activities such as: legal services, ethics compliance, internal investigations, regulatory environmental assessments, alongside legally mandated financial and compliance audits. Agencywide support functions continues to invest in areas of customer experience to deliver desirable transportation services for LA's key journeys, value the workforce by attracting and retaining the best employee base, in addition to diversity, equity and inclusion.

Although most of the customer experience initiatives are mainly located in the Metro Transit program for the FY24 Budget, there is \$3.9 million in the Oversight and Administration program to enhance customer experience through public safety values such as the mystery rider program to support fair and equitable fare compliance. Further, Metro continues to explore ways to deliver desirable transportation services through the traffic reduction study and the development of a mobility concept plan for the 2028 Olympics.

Continued investments of \$16.3 million are planned to value our workforce including the Knowledge Management Proof of Concept, a strategic document for Metro to manage and implement a program to better utilize, store, access, and manage its knowledge.

## ATTACHMENT D

Further, Metro continues to advance programs such as Transportation School (SEED LA) and Workforce Initiative Now (WIN-LA) to create future employment opportunities in our communities. Improvements are being made to the Metro Child Care Center to attract and retain Metro's workforce. There are \$6.4 million of resources being allocated to software license and maintenance renewals as well as cyber security systems and insurance for improved operational efficiency and performance.

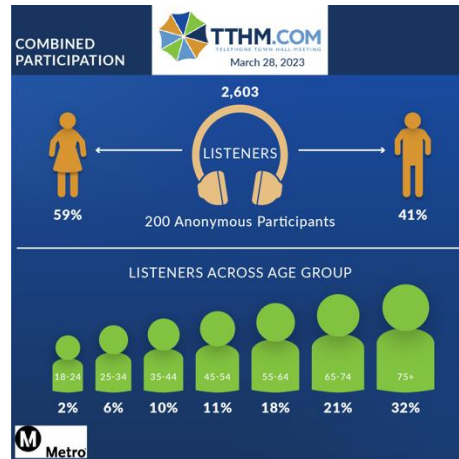
The Oversight and Administration program has \$1.2 million allocated towards the areas of diversity, equity and inclusion including new initiatives such as the Equity Advisory Board to provide Metro equity-focused guidance and feedback on programs and projects. Reinvestments to enhance current projects include Disparity Study to implement race and gender-conscious remedies in public contracting, Equity Focused Community Toolkit and Equity Information Hub. Moreover, the Office of Civil Rights, Equity & Inclusion will implement the Community Based Organization (CBO) Partnering Strategy and launching the CBO database to seek ways to create strong partnerships between CBOs and Metro.

**Attachment E : Early, Improved & Expanded Public Engagement Update**

**Telephone Town Hall**

Metro held its third and final Telephone Town Hall meeting on March 28. This concluded Metro’s Telephone Town Hall series for the FY24 budget season.

The following are the demographics from the March 28, 2023, meeting:



The comments and questions mentioned during the Telephone Town Hall are related to public concern about service frequency and reliability, station and vehicle cleanliness, and safety and security across Metro’s system. Metro senior leaders from across the organization listened to these concerns at the Telephone Town Hall and addressed them directly. An emphasis was placed on public participation by structuring the event to allow more time to receive feedback from the public.

**My Metro Budget - UPDATE**

We continue to see engagement with My Metro Budget, which has received over 1,250 submissions and more than 2,200 written comments. OMB staff created an interactive dashboard that can filter comments by cabinet, region, and demographics. The dashboard can generate word clouds that allow staff to identify top concerns. It has been distributed to the departments and is helping guide decision making for the FY24 budget.

Continued

The top concerns for Transit Operations are frequency, reliability, and cleanliness of service. In response, the Metro Operations team has increased the cleaning budget significantly and plans to hire more custodians for hot spots. Vinyl seat replacement has been accelerated. Also, the team continues to improve the bus service with NextGen initiatives and have increased bus and rail revenue service hours.



Transit Operations

Chief Safety Office mostly received concerns about safety on the system due to drug use, mental health, and unhoused prevalence, code of conduct enforcement, and lack of camera infrastructure. In response, the CSO has proposed an increase in Metro Transit Security Officers, and funding in the Public Safety Analytics program. CSO is conducting a feasibility study on implementing a Metro owned police force. The team continues to work on receiving additional funding for camera infrastructure.



Chief Safety Office

For the General Planning & Programs, the top concerns are to increase public transit options in both bus and rail, increase dedicated bus lanes, and more protected bike lanes. In response, Planning & Programs have increased the Bike Connectivity Improvements budget and is ramping up the 4 pillar projects that are on schedule: Green Line, Sepulveda Transit Corridor, West Santa Ana Branch, and Eastside Extension Phase 2. Projects such as the Broadway BRT and Crenshaw Northern Extension are in progress.



General Planning & Programs

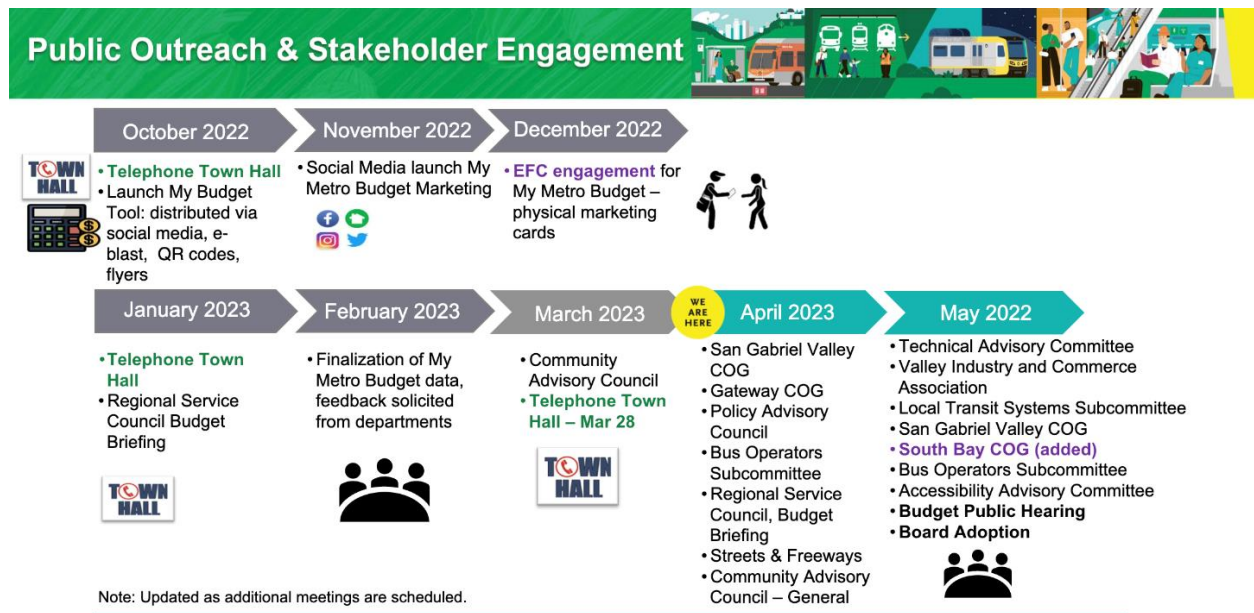


Continued

**Stakeholder Meetings and Outreach Efforts**

The annual budget is developed through a comprehensive process and supports pillars two (Listen and Learn) and three (Focus and Deliver) of the agency’s Equity Platform framework. Metro will continue engagement with key stakeholders and community groups during the months of April and May.

Schedules and information for public meetings and updated budget information will be provided in advance on the Finance and Budget portal at <https://budget.metro.net>.



ONGOING PUBLIC PARTICIPATION

# FY24 Budget Development Status Update



**Metro**

Finance, Budget and Audit Committee

April 19<sup>th</sup> , 2023

# Near-Term Financial Challenges for Metro Transit Program

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- The term “fiscal cliff” is being discussed at transportation agencies across the country with federal relief funds now exhausted
- Ridership and fare revenues remain below pre-pandemic levels
- Increasing operating costs and fleet electrification
  - Continuation of costs with expanding rail system; operating new rail lines; more costly than bus
  - Additional pressure to accelerate electrification; increased cost of zero-emission buses in advance of the state’s mandate in eliminating the use of hydrocarbon-fueled buses
  - New pilots and initiatives to address cleaning and safety with no new or dedicated funding take away from what’s available for transit
- The Equitable Zero-Based Budget (EZBB) process continues to be the driving force in this year’s annual budget development process and serves as a cost control tool



# FY24 Preliminary Expenditures by Program

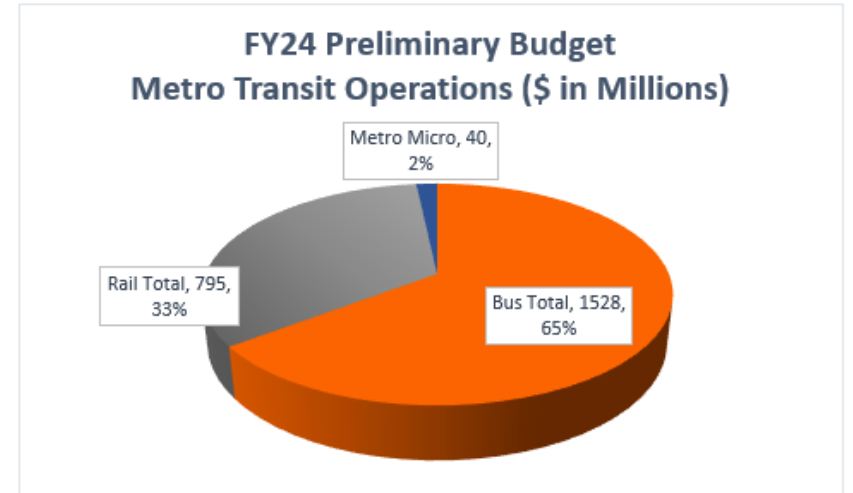
Expenditures by Program Type (\$ in Millions)	FY23 Budget	FY24 Prelim	\$ Change	% Change	% of Total
1 Metro Transit - Operations	\$ 2,251.0	\$ 2,363.7	112.7	5.0%	27.7%
2 Metro Transit - Capital Improvement Program	504.7	541.4	36.7	7.3%	6.3%
3 General Planning & Programs	220.6	233.7	13.1	5.9%	2.7%
4 Congestion Management	137.0	131.9	(5.1)	-3.7%	1.5%
5 Oversight & Admin	81.7	84.3	2.6	3.1%	1.0%
<b>6 Total of Programs covered in April</b>	<b>\$ 3,195.0</b>	<b>\$ 3,354.9</b>	<b>\$160.0</b>	<b>5.0%</b>	<b>39.3%</b>
<b>7 Total of Programs covered in March</b>	<b>\$ 5,101.4</b>	<b>\$ 5,173.2</b>	<b>\$ 71.8</b>	<b>1.4%</b>	<b>60.7%</b>
<b>8 Total Programs covered in April and March</b>	<b>\$ 8,296.3</b>	<b>\$ 8,528.2</b>	<b>\$231.8</b>	<b>2.8%</b>	<b>100.0%</b>

- The FY24 Preliminary Budget for Metro Transit – Operations & Maintenance (O&M) as well as CIP, General Planning & Programming, Congestion Management and Oversight & Admin programs totals \$3.3 billion.
- In May, staff will provide the consolidated Agency-wide expenses, FTEs, budget by departments and an update on debt borrowing plans to help deliver essential capital projects.



# Metro Transit Operations FY24 Preliminary Request

Operations & Maintenance (\$ in Millions)	FY23 Budget	FY24 Prelim	\$ Change	% Change	% of Total
1 Bus Total	1,473.9	1,528.4	54.5	3.7%	64.7%
2 Rail Total	737.8	795.1	57.2	7.8%	33.6%
3 Microtransit	39.2	40.1	0.9	2.4%	1.7%
4 <b>Operations &amp; Maintenance Total</b>	<b>\$ 2,251.0</b>	<b>\$ 2,363.7</b>	<b>\$ 112.7</b>	<b>5.0%</b>	<b>100.0%</b>
<b>5 Cost per RSH</b>					
6 <b>Bus</b>	<b>\$ 207.9</b>	<b>\$ 214.7</b>	<b>\$ 6.8</b>	<b>3.3%</b>	
7 <b>Rail</b>	<b>\$ 550.3</b>	<b>\$ 528.0</b>	<b>\$ (22.2)</b>	<b>-4.0%</b>	
8 <b>Microtransit</b>	<b>\$ 144.4</b>	<b>\$ 147.4</b>	<b>\$ 3.0</b>	<b>2.1%</b>	



- Total Metro Transit Operation Budget request for **\$2.36 billion**, an increase of \$112.7 million or 5% over FY23 budget.
  - Bus expenses represent 64.7%, rail expenses account for 33.6% and Metro Micro accounts for 1.7% of total Metro Transit Operations preliminary budget.
  - Assumes bus service of 7M hours and full operation of K Line (Crenshaw/LAX Line) and Regional Connector and service restoration by improved headways
  - Increased expenses are primarily driven by labor costs for service and enhanced cleaning; cleaning budget increase of 13% year over year
  - Budget also includes continuous investments in the multi-layered strategy of public safety for Transit Ambassador program, homeless outreach and mental health crisis teams

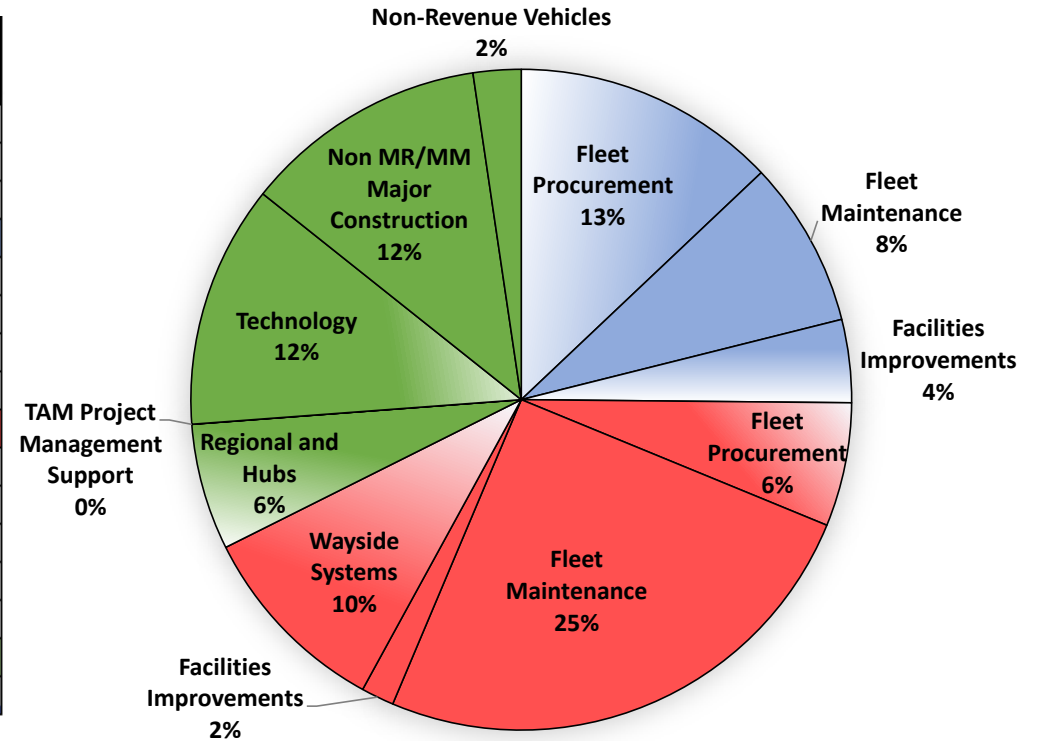


**Metro**

# Metro Transit Capital Improvement Program (CIP)

Capital Category (\$ in millions)	FY23 Budget	FY24 Preliminary	\$ Change	% Change	% of Total
1 Fleet Procurement	\$ 82.1	\$ 70.1	\$ (12.0)	-14.7%	12.9%
2 Fleet Maintenance	41.4	44.1	2.7	6.6%	8.2%
3 Facilities Improvements	28.6	22.0	(6.6)	-23.2%	4.1%
<b>4 Bus Subtotal</b>	<b>\$ 152.1</b>	<b>\$ 136.2</b>	<b>\$ (15.9)</b>	<b>-10.5%</b>	<b>25.2%</b>
5 Fleet Procurement	68.9	32.8	(36.2)	-52.5%	6.1%
6 Fleet Maintenance	99.5	136.2	36.7	36.9%	25.2%
7 Facilities Improvements	6.3	8.7	2.5	39.4%	1.6%
8 Wayside Systems	47.7	52.3	4.5	9.5%	9.7%
<b>9 Rail Subtotal</b>	<b>\$ 222.4</b>	<b>\$ 229.9</b>	<b>\$ 7.6</b>	<b>3.4%</b>	<b>42.5%</b>
10 Regional and Hubs	36.3	33.5	(2.9)	-7.8%	6.2%
11 TAM Project Management Support	0.0	0.0	(0.0)	-10.2%	0.0%
12 Technology	45.1	64.4	19.3	42.8%	11.9%
13 Non MR/MM Major Construction	43.0	64.7	21.7	50.5%	12.0%
14 Non-Revenue Vehicles	5.7	12.7	6.9	121.3%	2.3%
<b>15 Other Asset Improvements Subtotal</b>	<b>\$ 130.2</b>	<b>\$ 175.3</b>	<b>\$ 45.1</b>	<b>34.6%</b>	<b>32.4%</b>
<b>16 Total Proposed CIP Budget</b>	<b>\$ 504.7</b>	<b>\$ 541.4</b>	<b>\$ 36.7</b>	<b>7.3%</b>	<b>100.0%</b>

\*Totals may not add due to rounding.



- The CIP focuses on maintaining, upgrading, and modernizing assets to ensure equipment and peripheral systems provide high quality service
  - \$541.4M is allocated for maintaining the system in a state of good repair, for improvements, and modernization
- Program highlights include:
  - Bus Fleet Procurement: \$61.1M primarily for procurement of approximately 93 Zero Emission Electric buses
  - Rail Cars: A major investment of \$169.0M in new vehicles and refurbishment of existing vehicles
  - Safety: \$29M Enhancements for Fire & Life Safety, communication, and monitoring systems
  - NextGen: \$19.9M Bus Mobile Validators for all door boarding and Transit Signal Priority technologies within CIP
    - Across all programs (CIP, TID, etc.), \$52.9M for NextGen, which also includes Bus Lanes and NSFV BRT
  - Customer Experience: \$15.9M For tech enhancements to improve the customer experience, fare capping, and EV charging stations



**Metro**

# Total Bus Investments

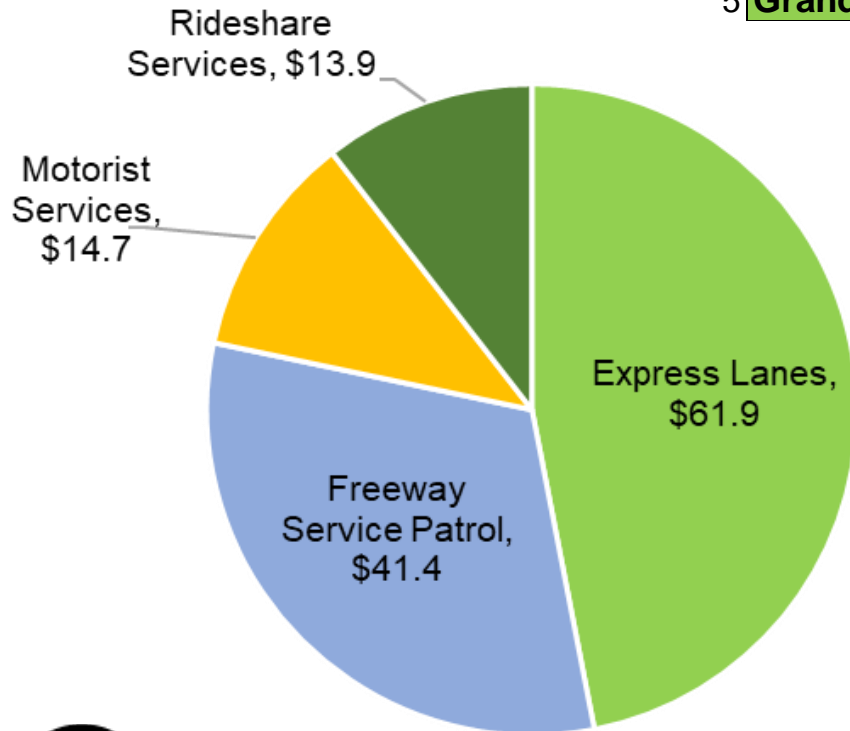
Bus Investments (\$ in Millions)	FY23 Budget	FY24 Prelim	\$ Change	% Change	% of Total
1 Bus Operations & Maintenance	\$ 1,473.9	\$ 1,528.4	54.5	3.7%	80.6%
2 Bus NextGen	28.9	52.9	24.0	83.0%	2.8%
3 Bus Capital Improvements	131.8	138.2	6.3	4.8%	7.3%
4 Bus Rapid Transit Construction & Planning	119.5	149.1	29.6	24.7%	7.9%
5 Bus Studies & CX Initiatives	25.1	28.0	3.0	11.8%	1.5%
<b>6 Total of Bus Investments</b>	<b>\$ 1,779.3</b>	<b>\$ 1,896.7</b>	<b>\$117.4</b>	<b>6.6%</b>	<b>100.0%</b>

- Total bus investments in FY24 preliminary budget of \$1.89B, 6.6% increase over FY23 budget
- Bus Operations & Maintenance includes Cleanliness, Public Safety resources and Other Operating and Support
- Nextgen includes Bus Lanes, Transit Signal Priority, Bus Mobile Validators and Bus Stop Shelters and Shade

# Congestion Management

FY24 Preliminary Congestion Management Program budget of \$131.9 million represents decrease of \$5.1 million or 3.7%

Congestion Management Program (\$ in millions)		FY23 Budget	FY24 Preliminary	\$ Change	% Change
1	Express Lanes	\$ 70.5	\$ 61.9	\$ (8.6)	-12.2%
2	Freeway Service Patrol	39.9	41.4	1.5	3.8%
3	Motorist Services	15.1	14.7	(0.3)	-2.3%
4	Rideshare Services	11.6	13.9	2.3	19.9%
5	<b>Grand Total</b>	<b>\$ 137.0</b>	<b>\$ 131.9</b>	<b>\$ (5.1)</b>	<b>-3.7%</b>



## Major changes in budget:

- **Express Lanes:** Acquisition of mandatory replacement of electronic transponders for account holders which occurred in FY23 will continue into FY24
- **Freeway Service Patrol:** New Tow service contracts with cost increases to fuel, labor, insurance, and the purchase price of Tow service vehicles
- **Motorist Services:** Operational cost efficiencies for Regional Integration of Intelligent Transportation Systems (RIITS) as a result of the acceleration of new data and license purchases made in FY23 in support of NextGen
- **Rideshare Services:** Increase in Board-approved vanpool subsidy, general rideshare program operations, & new Transportation Demand Management (TDM) initiatives for non-daily and work-related commuting (recreational trips, tourism, emergency, etc.)

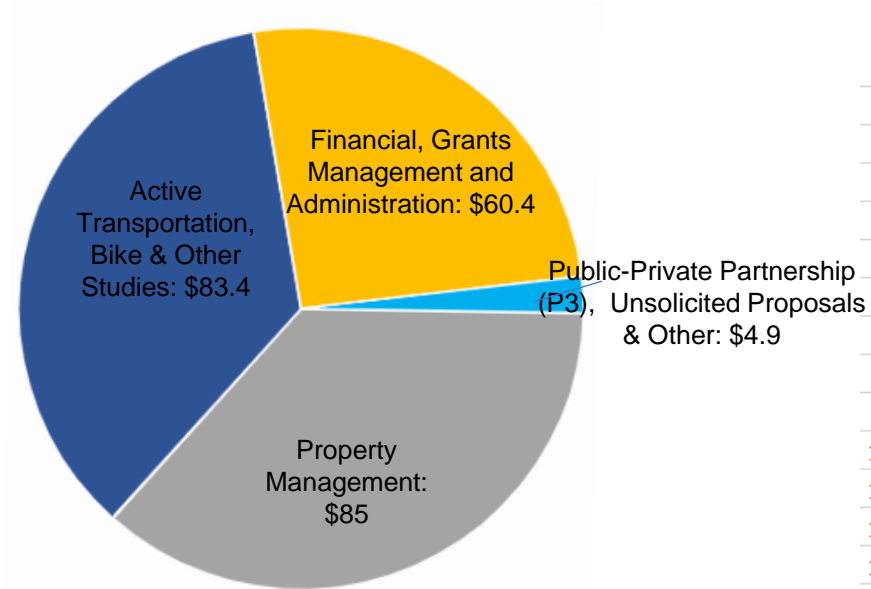


**Metro**



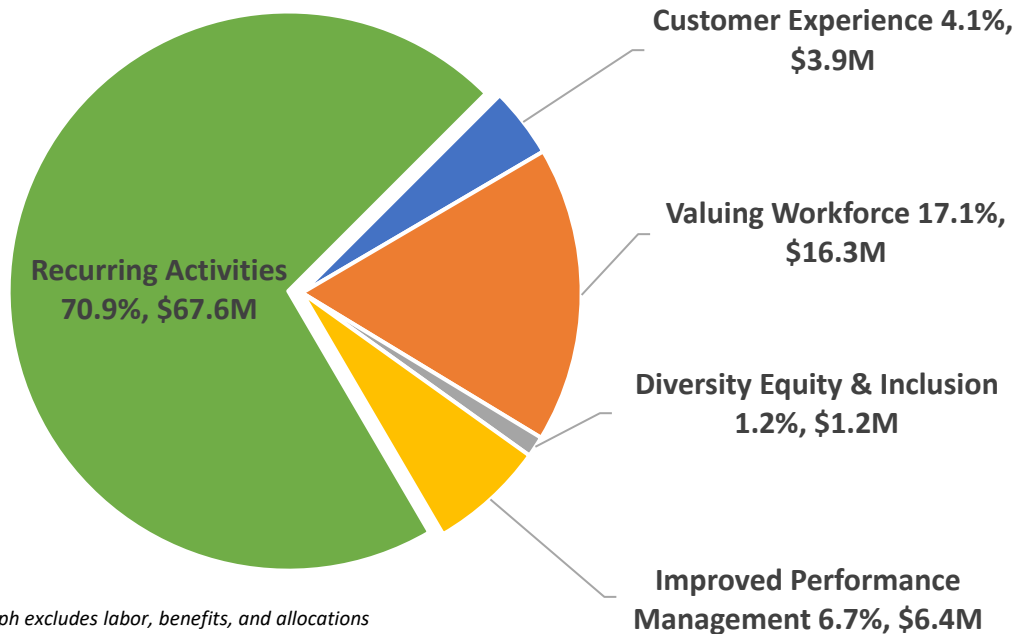
# General Planning and Programs

- Budget development is primarily based on operational, grant or developer funded nature of projects, federal or state regulatory required activities, board approved system connectivity studies and other mobility initiatives.
- FY24 Preliminary Budget of \$233.7M represents a \$13.1M or 5.9% increase from the FY23 Budget of \$220.6M.



General Planning and Programs (\$'s in millions)		FY2023 Budget	FY2024 Preliminary	\$ Change	% Change
1	<b>Active Transportation, Bike and Other</b>	\$ 80.1	\$ 83.4	\$ 3.3	4.1%
2	Active Transportation incl Bike	43.0	45.8	2.86	6.6%
3	First Last Mile	2.5	2.7	0.17	6.5%
4	Sustainability	16.2	19.1	2.96	18.3%
5	System Connectivity Program and Studies	18.5	15.8	(2.72)	-14.7%
6	<b>Financial, Grants Mgmt, and Administration</b>	50.0	60.4	10.41	20.8%
7	Financial Planning and Grants Management	29.0	34.0	5.03	17.3%
8	Administrative and Planning Support	20.9	26.3	5.39	25.7%
9	<b>Property Management</b>	82.9	85.0	2.02	2.4%
10	Art and Design	1.6	1.8	0.21	12.9%
11	Joint Development	17.7	17.1	(0.61)	-3.5%
12	Parking	10.3	9.1	(1.18)	-11.5%
13	Property Maintenance and Contract Mgmt	28.7	29.6	0.85	3.0%
14	TOC	9.5	13.0	3.56	37.6%
15	Union Station	15.2	14.4	(0.81)	-5.3%
16	<b>Unsolicited Proposals, P3 and other</b>	7.5	4.9	(2.60)	-34.6%
17	Unsolicited Proposals, P3 and other	7.5	4.9	(2.60)	-34.6%
18	<b>Grand Total</b>	\$ 220.6	\$ 233.7	\$ 13.1	5.9%

# Oversight and Administration



\*Graph excludes labor, benefits, and allocations



Highlighted Areas	Initiatives/Projects	FY24 Prelim (\$ in Millions)
1 <b>Customer Experience-</b> (Majority of the 2 CX initiatives are located in Metro Transit 3 Program)	Mobility Concept Plan	\$2.3
	Traffic Reduction Study	1.4
	Mystery Rider Program	0.2
4 <b>Valuing Workforce</b> 5 6 7 8	Business Licenses & Support (Telework)	9.8
	Transportation School (SEED LA)	3.6
	Room 2 Work	2.5
	Knowledge Proof of Concept	0.2
	WIN-LA	0.1
	Metro Childcare Center	0.1
9 <b>Diversity, Equity and Inclusion</b> 10	Disparity Study	0.8
	Equity Info Hub, Community ToolKit, CBO	0.4
11 <b>Improved Performance</b> 12 <b>Management</b> 13	Infrastructure and Security Systems	6.1
	Gen., Property & Cyber Security Insurance	0.3
14 <b>Grand Total</b>		<b>\$27.7</b>

- Oversight and Administration budget is \$84.3 million, <1 % of the total FY24 Budget.
- EZBB and Cost Controls reflected in recurring activities (legal services, ethics compliance, internal investigations, regulatory environmental assessments, alongside legally mandated financial and compliance audits), which make up 70.9% of the Oversight Administration Budget.
- Highlighted areas account for the remaining 29.1% of the Oversight Administration Budget.

# My Metro Budget Tool – Frequent Comments



## Metro Transit Operations

Frequent Comments:

- Frequency & reliability
- Cleanliness

Response:

- Increasing cleaning budget
- Room to Work
- Vinyl seat replacement
- NextGen, increasing bus & rail RSH



## Public Safety

Frequent Comments:

- Safety
- Camera infrastructure

Response:

- Increase TSOs/Ambassadors
- Homeless/Mental Health outreach
- Public Safety Analytics Program
- Feasibility of Metro police force



## General Planning & Programming

Frequent Comments:

- Bus & rail service
- Bus lanes
- Bike lanes

Response:

- Ramped up 4 pillar projects
- Increase Bike Connectivity
- Improvements Budget
- Expanding service – BRT & New Projects



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# Public Outreach & Stakeholder Engagement



Note: Updated as additional meetings are scheduled.



**ONGOING PUBLIC PARTICIPATION**

DRAFT FOR INTERNAL METRO DISCUSSION PURPOSES ONLY- AS OF 3/1/2023

# Schedule & Next Steps



- Near-Term Update
- FY24 EZBB
- Prelim. Sales Tax & CPI Forecast
- Public Outreach & Engagement



- Sales Tax Forecast, Resources Assumptions
- Cost Inflation Estimates
- Other Expense Assumptions



- Transit Infrastructure
- Multimodal Hwy Investments
- Regional Rail
- Regional Allocations & Pass-Throughs



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



- Consolidated Agency-wide Expenses & FTEs
- Proposed Budget Book
- Public Hearing
- Board Adoption



# Appendix

- Total Bus Investments detail, pp. 14-15

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# Total Bus Investments

	<b>Bus Investments</b> (\$ in thousands)	<b>FY23</b> <b>Budget</b>	<b>FY24</b> <b>Preliminary</b>	<b>\$</b> <b>Change</b>	<b>%</b> <b>Change</b>	<b>Life Of</b> <b>Project</b>
1	<b>Operations &amp; Maintenance</b>					
2	Directly Operated Service Delivery - Labor	\$ 728,858.6	\$ 750,195.3	\$ 21,336.7	2.9%	
3	Directly Operated Service Delivery - Parts, Supplies, CNG, Other	369,787.7	357,338.6	(12,449.2)	-3.4%	
4	Cleanliness	84,012.2	96,509.7	12,497.5	14.9%	
5	<b>Public Safety</b>					
6	Security (LE/Private/Metro)	\$ 65,673.7	\$ 82,544.9	\$ 16,871.2	25.7%	
7	Transit Ambassador Program <sup>(1)</sup>	12,000.0	6,000.0	(6,000.0)	-50.0%	
8	Homeless Outreach	4,982.8	7,859.9	2,877.1	57.7%	
9	<b>Public Safety Subtotal</b>	<b>\$ 82,656.5</b>	<b>\$ 96,404.8</b>	<b>\$ 13,748.3</b>	<b>16.6%</b>	
10	<b>Other Operating and Support</b>					
11	Workers Compensation	\$ 50,643.3	\$ 53,313.2	\$ 2,669.9	5.3%	
12	PLPD	32,941.4	33,145.6	204.2	0.6%	
13	Customer Care Call Center	24,656.9	27,546.9	2,890.0	11.7%	
14	Supply Chain, Warehouse & Inventory Management	35,278.6	42,028.3	6,749.7	19.1%	
16	Purchased Transportation	65,096.9	71,966.7	6,869.8	10.6%	
15	<b>Other Operating and Support Subtotal</b>	<b>\$ 208,617.1</b>	<b>\$ 228,000.7</b>	<b>\$ 19,383.6</b>	<b>9.3%</b>	
17	<b>Operations &amp; Maintenance Subtotal</b>	<b>\$ 1,473,932.2</b>	<b>\$ 1,528,449.2</b>	<b>\$ 54,517.0</b>	<b>3.7%</b>	
18	<b>NextGen</b>					
19	Bus Mobile Validators (BMV) (All Door Boarding)	\$ 7,000.9	\$ 8,030.0	\$ 1,029.1	14.7%	\$ 18,100.0
20	Camera Bus Lane Enforcement	-	2,085.0	2,085.0	100.0%	
21	Transit Signal Priority	6,014.2	9,742.1	3,727.8	62.0%	25,000.0
22	NextGen Bus Lanes	10,490.8	12,233.4	1,742.5	16.6%	
23	NSFV BRT Network Improvements <sup>(2)</sup>	5,429.8	20,857.2	15,427.4	284.1%	
24	<b>NextGen Subtotal</b>	<b>\$ 28,935.8</b>	<b>\$ 52,947.7</b>	<b>\$ 24,011.9</b>	<b>83.0%</b>	<b>\$ 43,100.0</b>

<sup>(1)</sup> The FY23 Budget for bus includes a one time \$6 million of rollover budget from FY22 (The FY24 budget includes the \$20M for Transit Ambassadors for both bus and rail as directed by Board motion 26.2).

<sup>(2)</sup> Includes Bus stop shelters and shades as well as curb modifications.



# Total Bus Investments

	Bus Investments (Continued)		FY23	FY24	\$	%	Life Of
	(\$ in thousands)		Budget	Preliminary	Change	Change	Project
25	<b>Bus Fleet Procurement</b>						
26	40' Battery Electric Zero Emission Buses		\$ 70,749.7	\$ 56,486.5	\$ (14,263.2)	-20.2%	\$ 163,534.0
27	40' Compressed Natural Gas Buses		5,599.8	4,752.2	(847.6)	-15.1%	420,913.3
28	60' Battery Electric Zero Emission Buses		4,816.2	4,624.7	(191.5)	-4.0%	80,003.3
29	60' Battery Electric Zero Emission Buses - Grant Funded		487.7	2,683.2	2,195.5	450.2%	5,109.5
30	60' Compressed Natural Gas Buses		452.9	1,519.3	1,066.4	235.5%	149,311.4
31	<b>Bus Fleet Procurement Subtotal</b>		<b>\$ 82,106.3</b>	<b>\$ 70,065.9</b>	<b>\$ (12,040.4)</b>	<b>-14.7%</b>	<b>\$ 818,871.6</b>
32	<b>Bus Facilities Improvements</b>						
33	Bus Division Improvements IV		\$ 3,342.0	\$ 4,127.6	\$ 785.6	23.5%	\$ 28,000.0
34	Division 1 Street Closure		1,000.0	4,620.8	3,620.8	362.1%	9,500.0
35	Electric Bus Charging Infrastructure J (Silver) Line		10,803.0	8,473.9	(2,329.1)	-21.6%	50,000.0
36	Environmental Compliance Capital Project (FY23-FY27)		4,810.2	2,991.4	(1,818.8)	-37.8%	35,000.0
37	Fire Alarm Panel Replacement Throughout Metro Facilities		1,295.2	734.6	(560.6)	-43.3%	3,474.0
38	Metro G (Orange) Line In-Road Warning Lights		35.1	31.5	(3.6)	-10.2%	198.4
39	<b>Bus Facilities Improvements Subtotal</b>		<b>\$ 21,285.5</b>	<b>\$ 20,979.8</b>	<b>\$ (305.6)</b>	<b>-1.4%</b>	<b>\$ 126,172.4</b>
40	<b>Bus Fleet Maintenance</b>						
41	Bus Engine Replacements		\$ 3,060.9	\$ 2,660.2	\$ (400.8)	-13.1%	\$ 13,518.0
42	New Flyer/EI Dorado Bus Midlife		17,235.4	40,470.6	23,235.2	134.8%	205,000.0
43	<b>Bus Fleet Maintenance Subtotal</b>		<b>\$ 20,296.4</b>	<b>\$ 43,130.8</b>	<b>\$ 22,834.4</b>	<b>112.5%</b>	<b>\$ 218,518.0</b>
44	<b>Regional &amp; Hubs</b>						
45	Passenger Screen-Facility Hardening		\$ 600.0	\$ 1,400.0	\$ 800.0	133.3%	\$ 3,448.8
46	Bus Mobile Validators (BMV) For Muni Buses		-	500.0	500.0	100.0%	4,703.9
47	Patsaouras Bus Plaza Station Improvements		450.3	38.5	(411.7)	-91.4%	50,913.0
48	<b>Regional &amp; Hubs Subtotal</b>		<b>\$ 1,050.3</b>	<b>\$ 1,938.5</b>	<b>\$ 888.3</b>	<b>84.6%</b>	<b>\$ 59,065.7</b>
49	<b>Technology</b>						
50	Advanced Transportation Management System II (ATMS) Replacement		2,425.0	\$ 797.3	\$ (1,627.6)	-67.1%	\$ 117,000.0
51	<b>Technology Subtotal</b>		<b>\$ 2,425.0</b>	<b>\$ 797.3</b>	<b>\$ (1,627.6)</b>	<b>-67.1%</b>	<b>\$ 117,000.0</b>
52	<b>Non MR/MM Major Construction</b>						
53	Rosa Parks/Willowbrook Station		\$ 4,671.4	\$ 1,259.4	\$ (3,412.0)	-73.0%	\$ 128,348.4
54	<b>Non MR/MM Major Construction Subtotal</b>		<b>\$ 4,671.4</b>	<b>\$ 1,259.4</b>	<b>\$ (3,412.0)</b>	<b>-73.0%</b>	<b>\$ 128,348.4</b>
55	<b>Bus Capital Improvements Subtotal</b>		<b>\$ 131,834.8</b>	<b>\$ 138,171.8</b>	<b>\$ 6,337.0</b>	<b>4.8%</b>	<b>\$ 1,467,976.1</b>
56	<b>Transit Construction</b>						
57	G Line (Orange) BRT Improvements: Construction		\$ 85,566.8	\$ 74,466.1	\$ (11,100.6)	-13.0%	\$ 149,683.0
58	G Line (Orange) BRT Improvements: Planning		4,251.5	71.2	(4,180.2)	-98.3%	
59	<b>Transit Construction Subtotal</b>		<b>\$ 89,818.2</b>	<b>\$ 74,537.3</b>	<b>\$ (15,280.9)</b>	<b>-17.0%</b>	<b>\$ 149,683.0</b>
60	<b>Transit Planning</b>						
61	Broadway BRT		\$ -	\$ 3,987.1	\$ 3,987.1	100.0%	
62	BRT Connector B Line (Red)/G Line (Orange) to L Line (Gold)		20,158.9	60,275.8	40,116.9	199.0%	
63	San Gabriel Valley Transit Feasibility Study		2,801.1	2,216.4	(584.8)	-20.9%	
64	Vermont Transit Corridor		6,730.2	8,059.6	1,329.4	19.8%	
65	<b>Transit Planning Subtotal</b>		<b>\$ 29,690.2</b>	<b>\$ 74,538.9</b>	<b>\$ 44,848.6</b>	<b>151.1%</b>	
66	<b>Bus Transit Construction &amp; Planning Subtotal</b>		<b>\$ 119,508.4</b>	<b>\$ 149,076.2</b>	<b>\$ 29,567.7</b>	<b>24.7%</b>	<b>\$ 149,683.0</b>
67	<b>Bus Studies &amp; CX Initiatives</b>						
68	LIFE Program		23,237.6	25,316.5	2,078.9	8.9%	
69	Other Bus Planning & Studies		1,846.4	1,572.7	(273.7)	-14.8%	
70	Bus Stop Lighting		-	1,000.0	1,000.0	100.0%	
71	Adopt - a - Stop		-	150.0	150.0	100.0%	
72	<b>Bus Studies &amp; CX Initiatives Subtotal</b>		<b>\$ 25,084.0</b>	<b>\$ 28,039.2</b>	<b>\$ 2,955.3</b>	<b>11.8%</b>	
73	<b>Bus Investments Total</b>		<b>\$ 1,779,295.2</b>	<b>\$ 1,896,684.0</b>	<b>\$ 117,388.9</b>	<b>6.6%</b>	<b>\$ 1,660,759.1</b>

Note: Totals may not add up because of rounding.



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