



## Board Report

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**File #:** 2022-0320, **File Type:** Informational Report

**Agenda Number:** 16.

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### FINANCE, BUDGET, AND AUDIT COMMITTEE AUGUST 17, 2022

**SUBJECT: FISCAL YEAR 2019-2021 TRIENNIAL PERFORMANCE REVIEW REPORTS**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATIONS**

RECEIVE AND FILE:

- A. the fiscal year (FY) 2019-2021 Triennial Performance Review of Los Angeles County Transit Operators and Metro Operations; and
- B. the FY 2019-2021 Triennial Performance Review of the Los Angeles County Metropolitan Transportation Authority (Metro) as the Regional Transportation Planning Agency (RTPA).

#### **ISSUE**

The Transportation Development Act (TDA) requires Triennial Performance Reviews of Transit Operators and Regional Transportation Planning Agencies (RTPAs). The FY 2019-2021 Triennial Performance Review Report is complete and this report presents the results of the review.

#### **DISCUSSION**

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires Metro to conduct an independent performance review of all Los Angeles County Transit Operators receiving TDA Article 4 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The TDA also requires that RTPAs undergo an independent performance review, focusing particularly on the planning roles. The review is conducted every three years, and Metro must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that Metro may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

Under contract to Metro, the firm of BCA Watson Rice, LLP independently conducted the FY 2019-

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2021 Performance Review of the Transit Operators, Metro Operations and Metro as the RTPA for Los Angeles County. The following summarizes the scope of the review:

**A. Review of Los Angeles County Transit Operators and Metro Operations**

The following Los Angeles County transit operators were included in this review:

- Antelope Valley Transit Authority (AVTA)
- Arcadia Transit
- City of Redondo Beach - Beach Cities Transit
- Claremont Dial-A-Ride
- Commerce Transit
- Culver City Bus
- Foothill Transit
- GTrans
- L.A. County Metropolitan Transportation Authority Operations
- La Mirada Transit
- Long Beach Transit
- Los Angeles Department of Transportation (LADOT)
- Montebello Bus Lines
- Norwalk Transit System
- Santa Clarita Transit
- Santa Monica's Big Blue Bus (BBB)
- Torrance Transit
- City of Burbank
- City of Glendale
- City of Los Angeles - Community DASH Services
- Pasadena Transit

The FY 2019-2021 Performance Review included all areas that the State mandates. Areas reviewed were:

- Verification of TDA data collection and reporting requirements;
- Compliance with requirements;
- Progress in implementing prior review recommendations;
- Review of TDA performance indicator trend analysis; and
- High level functional area performance review.

In addition, operators' data submitted for Metro's Transit Performance Measurement Program (TPM) was reviewed. Metro uses the TPM data to allocate transit subsidy funds to Los Angeles County Transit Operators, including Metro Operations.

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Attachment A provides an Executive Summary of the FY2019-2021 Triennial Performance Review reports for transit operators and Metro operations.

## **B. Review of Metro as the Regional Transportation Planning Agency (RTPA)**

The review of Metro as the RTPA included:

- Progress on implementing prior review recommendations;
- Compliance with PUC requirements;
- Review of Metro Functions; and
- Findings and Recommendations.

### Progress on Implementing Prior Review Recommendations

The prior review of Metro as the RTPA included no recommendations.

### Compliance with Requirements

Metro is in full compliance with requirements as defined in the Public Utilities Code, the California Code of Regulations, and other relevant state and federal laws and compliance requirements reviewed as part of this Triennial Review.

### Review of Metro Functions

Key conclusions from the review of Metro functions include:

- Metro planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial period.
- Metro effectively and efficiently administered transportation funds for the region during the triennium, including clear identification of guidelines or requirements, appropriate tracking and certifying of the use of funds, reasonable flexibility, and coordination and assistance to municipal operators receiving funds.
- Metro continues to be effective in planning, designing, and constructing a rail transit system for Los Angeles County.
- Metro's Government Relations function provides a well-focused, well structured, comprehensive, and effective legislative proponent and analysis for Metro.
- Metro meets or exceeds its obligations to support and improve air quality in the Southern California region and the regional Air Quality Management Plan (AQMP).
- Metro has met legislatively mandated responsibilities related to planning for coordination and improvement of social service transportation services.
- Metro's administrative funds were adequately and effectively allocated to achieve Metro's stated goals through the budget process.
- Metro's budget development process had incorporated the processes and practices to provide an effective budget for the organization.
- Metro has multiple internal control approaches and systems in place to safeguard its assets from error, loss, theft, misuse, misappropriation, and fraud.
- Metro has adequate accounting procedures and properly accounts for and makes available monthly its fund balances.

- Metro has established an organization structure that provides an effective framework of functional areas within which individuals can achieve the organization's goals.

### Findings and Recommendations

Los Angeles Metro, functioning as the RTPA, is in compliance with the requirements of the Transportation Development Act. In addition, Metro generally functioned in an efficient, effective, and economical manner during the triennial period.

With the enactment of SB 508 the definition of local subsidy changed to include all countywide funds allocated to operators. This change has resulted in ambiguity and inconsistency in how this category is reported and requires further clarification.

The report includes a recommendation for Metro to work with members of the Bus Operations Subcommittee and other regional service coordination bodies to clarify the definition of "local subsidy" as it relates to TPM reporting and subsequent calculations of farebox recovery ratios. These discussions should include discussions on required Maintenance of Effort funding to ensure that system-generated local contribution requirements are met.

The Executive Summary of the FY 2019-2021 Metro as the RTPA Triennial Performance Review Report is provided as Attachment B.

### FINANCIAL IMPACT

There are no financial or budget impacts as a result of this review.

### EQUITY PLATFORM

There are no specific requirements to review equity impacts as part of the Triennial Review. However, the review ensures that Metro and the municipal transit operators are in compliance with the State requirements, which provides indirect benefits to our riders by ensuring continued funding and provision of the services countywide.

### IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goals 1 and 2. Per state requirement, the TDA funds are allotted to the five jurisdictions to support their transit or street and roads improvements. The jurisdictions have determined improvement projects that assist in achieving Metro's Strategic Plan Goals number 1 and 2 by improving mobility, ease of travel and safety.

**NEXT STEPS**

As required by PUC §99246, staff will transmit the FY 2019-2021 Triennial Performance Review reports to the State Department of Transportation. Copies of the reports are available upon request.

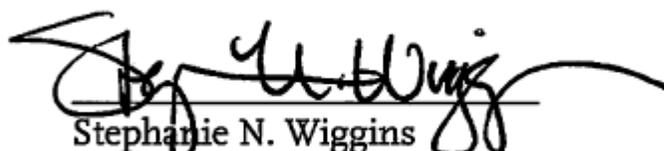
**ATTACHMENTS**

Attachment A - FY 2019-2021 Performance Review, Executive Summary of Transit Operators and Metro Operations

Attachment B - FY 2019-2021 Performance Review, Executive Summary of Metro as the RTPA

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## Attachment A

# Triennial Performance Review FY 2019 to 2021 Los Angeles County Transit Operators

## Executive Summary

### Legislative Mandate

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires Metro to conduct an independent performance review of all Los Angeles County Transit Operators receiving TDA Article 4 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The review is conducted every three years, and Metro must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that Metro may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

The three-year period reviewed is from July 1, 2019 through June 30, 2021 and included a review of the following:

- *Compliance* - ensuring compliance with applicable PUC and California Code of Regulations requirements.
- *Data Collection and Reporting* - verification of TDA data collection and reporting procedures.
- *Prior Review Recommendations* - reporting on implementation of the prior triennial performance review recommendations.
- *Performance Trends* - summaries of performance indicators for the review period.
- *Functional Review* - high-level review of key functional areas surveyed as part of the process of conducting the review, resulting in suggestions for operational and management improvements.

### Municipal Operators

#### *Summary of Key Findings*

The municipal operators met all applicable compliance requirements. Municipal operators' data reporting was mostly consistent with inconsistencies primarily in reporting local and auxiliary revenues and employee full time equivalents (FTEs) on Transit Performance Measurements (TPM) reports. We recommended that the operators work with Metro through the Bus Operations Subcommittee to address these reporting issues,

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to enable more consistent reporting. The municipal operators implemented or made progress toward implementation all prior triennial review recommendations

### **Key Challenges**

The most common challenge faced by the municipal operators was associated to the COVID pandemic which began in March 2020. At the onset of this crisis, the Los Angeles County transit general managers convened a working group, representing seven transit agencies to review federal mask mandate requirements and develop common approaches for implementation throughout the region. The pandemic resulted in significant losses in transit ridership and fare revenue, as transit agencies instituted rear door boardings and suspended fare payment policies.

Municipal operators were also challenged by labor shortages, particularly within service operations employment categories.

### **Key Accomplishments**

Each operator had their own unique set of accomplishments during the review period. Listed below are examples of key accomplishments for municipal operators:

- *AVTA* – Converted its local transit fleet to electric buses and launched an on-demand microtransit service.
- *Arcadia* -- Accepted delivery on ten ADA-accessible replacement vehicles powered by Compressed Natural Gas.
- *Beach Cities Transit* – Installed a Real Time Information System on its fixed route fleet and began construction on the Redondo Beach Transit Center.
- *Burbank* – Realigned its Pink Line, based on recommendations from its 2017 Operational Assessment.
- *Claremont* -- Updated its branding to provide greater consistency in its marketing and informational materials and launched a new website that improves customer trip planning and guides riders to the most appropriate service for their needs.
- *Commerce* -- Implemented its CC Transit App to provide real-time bus information to customers, by text or mobile devices.
- *Culver City* – Completed its Short-Range Transit Plan which set forth its strategic vision for the agency.
- *Foothill Transit* – Completed construction of the Covina Transit Center and Park & Ride Project and installed and upgraded traffic signal priority equipment to improve on-time performance in several corridors.

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- *Gardena* – Received two APTA Bus Safety Awards reflecting successful programs that reduced total accidents by 55%, preventable accidents by 51% and a reduction in workers' compensation claims.
- *Glendale* – Moved into its new transit facility in FY 2021 and realigned its entire system in November 2020.
- *La Mirada* -- Purchased and installed fareboxes on its entire fleet and placed into service four replacement vehicles in FY 2020.
- *LADOT* – Opened its state-of-the-art, LEED Platinum-certified Downtown Bus Maintenance and Fueling Facility.
- *Long Beach Transit* -- Executed a contract to expand its Battery Electric Bus (BEB) charging station capacity from 10 to 24 chargers on its LBT1 facility and purchased its third order of 20 BEB replacement buses.
- *Montebello* -- Implemented on-board cameras on its buses and installed Computer-Aided Dispatch/Automated Vehicle Locator (CAD/AVL) system on its fleet.
- *Norwalk* -- Constructed a Transit Access Pass (TAP) vending machine at the Metrolink Station adjacent to the Norwalk Transit facility in June 2021.
- *Pasadena* – Implemented a new Pasadena Transit 30 – Day Pass and obtained approval of its Job Access Reverse Commute program grant.
- *Santa Clarita* -- Awarded a contract for the construction of the Vista Canyon Bus Transfer Center.
- *Santa Monica* – Installed real-time signs and LED lights in 176 bus stops within its service area and Installed Wi-Fi technology on 19 buses
- *Torrance* – Named Transit Agency of the Year by the California Transit Association's Small Operator Committee in FY 2020 and made significant progress on the construction of the Torrance Transit Park and Ride Regional Terminal which is planned to open in 2022.

### Metro Operations

#### *Summary of Key Findings*

Metro Operations met all applicable compliance requirements. Additionally, Metro's data reporting was largely consistent with minor inconsistencies likely due to timing differences in the submission of reports or noted inconsistencies in category definitions by the reporting agencies. Metro Operations implemented all prior triennial performance review recommendations.

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### ***Key Challenges***

Similar to the municipal operators, Metro Operations was forced to address numerous challenges associated with the COVID-19 pandemic which began in March of 2020. Some of the more notable challenges included:

- Significant drops in ridership during the initial stage of the pandemic which, while having improved over time, have not returned to pre-pandemic levels.
- Sharp reductions in fare revenue due to reduced ridership and fare-less policies designed to encourage first responders and essential workers to continue to use bus and rail service as needed.
- Operational challenges that included:
  - Scheduling and route adjustments to adapt to reduced ridership.
  - Logistical changes in operations including shifting from front to rear boarding.
  - Supplying operators and maintenance staff with Personal Protective Equipment including face shields and masks.
- Labor shortages in operations, professional staff, and construction laborers.

### ***Key Accomplishments***

Metro Operations had a series of significant accomplishments during the review period including:

- Continued Metro's core operational services during the pandemic.
- Formed the Recovery Task Force in response to the COVID-19 pandemic and produced "A Path Forward", a report that identifies and recommends actions to respond and recover from the pandemic.
- Developed and began implementation on the NextGen Bus Plan designed to innovate the current bus system to meet the needs of current and future riders and restore transit service to pre-pandemic levels. Phase 1 of the plan focused on service changes to a significant number of routes within the system. Phase 2 will include expansion of Metro's micro-transit service (Metro Micro) and additional bus trips to improve the frequency of service.

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- Developed the Bus Rapid Transit (BRT) Vision and Principles study to provide a definition of BRT performance that established new standards and eligibility for Measure M Countywide funding.
- Established a Customer Experience Office with the goal of improving the overall rider experience.
- Adopted a Low-Income Fare is Easy (LIFE) program to reduce ridership costs for low-income riders.
- Developed the Better Bus Program, a \$2.1 billion, five-year plan that aims to improve the bus system to address racial inequities and provide a quicker, more comfortable trip experience for riders.

### Countywide Performance

The following is a summary of system trends for Municipal Operators and Metro Operations combined. The importance of these trends is to show the general change in performance related to the overall Countywide system.<sup>1</sup> The key takeaway from these metrics is that ridership declines are impacting overall efficiency and productivity of the Countywide system.

#### Ridership

Overall, ridership for both the Municipal Operators and for Metro Operations declined over the review period. While some demand response systems and Metro’s light rail system showed ridership gains, virtually all of the fixed route systems had a decline in ridership which impacted the overall system numbers. The following charts show the aggregate ridership numbers and the percentage change since the FY 2018 base year:

Municipal Operators				
Total System -- Unlinked Passengers				
FY18	FY19	FY20	FY21	% Change
96,672,836	94,397,654	74,425,155	46,323,605	-52.08%

Metro Operations				
Total System -- Unlinked Passengers				
FY18	FY19	FY20	FY21	% Change
394,361,657	379,718,121	305,905,401	195,547,433	-50.41%

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### Vehicle Service Hours

Overall, Vehicle Service Hours showed a small rise for Municipal Operators while Metro Operations experienced relatively stable numbers. The following charts show the aggregate vehicle service hours and the percentage change since the FY 2018 base year:

<b>Municipal Operators</b>				
<b>Total System -- Vehicle Service Hours</b>				
FY18	FY19	FY20	FY21	% Change
4,550,981	4,593,705	4,306,482	3,782,992	-16.88%

<sup>1</sup> It is important to note that these numbers reflect the "total system" for the Municipal Operators which includes both fixed route and demand response services. Likewise, the numbers for Metro Operations include fixed route, heavy rail and light rail.

<b>Metro Operations</b>				
<b>Total System -- Vehicle Service Hours</b>				
FY18	FY19	FY20	FY21	% Change
8,030,689	8,054,992	7,299,834	6,072,876	-24.38%

### Cost Per Passenger

Cost per passenger rose sharply for both Municipal Operators and Metro Operations during the review period, a reflection of the decrease in ridership numbers experienced almost across the board by the agencies. The following charts show the aggregate cost per passenger and the percentage change since the FY 2018 base year:

<b>Municipal Operators</b>				
<b>Total System -- Cost Per Passenger</b>				
FY18	FY19	FY20	FY21	% Change
\$5.49	\$6.03	\$7.72	\$12.18	121.94%

<b>Metro Operations</b>				
<b>Total System -- Cost Per Passenger</b>				
FY18	FY19	FY20	FY21	% Change
\$4.51	\$5.05	\$6.00	\$8.52	89.01%

<b>Metro Operations</b>				
<b>Bus Operations -- Cost Per Passenger</b>				
FY18	FY19	FY20	FY21	% Change
\$4.32	\$4.71	\$5.46	\$7.21	66.78%

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<b>Rail Operations -- Cost Per Passenger</b>				
<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>% Change</b>
\$4.99	\$5.98	\$7.62	\$13.35	167.75%

### Cost Per Vehicle Service Hour

Cost per vehicle service hour rose for both Municipal Operators and Metro Operations during the review period. The following charts show the aggregate cost per vehicle service hour and the percentage change since the FY 2018 base year:

<b>Municipal Operators</b>				
<b>Total System -- Cost Per Vehicle Service Hour</b>				
<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>% Change</b>
\$116.56	\$123.87	\$133.34	\$149.12	27.94%

<b>Metro Operations</b>				
<b>Total System -- Cost Per Vehicle Service Hour</b>				
<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>% Change</b>
\$221.31	\$238.19	\$251.36	\$274.30	23.94%
<b>Metro Operations</b>				
<b>Bus Operations -- Cost Per Vehicle Service Hour</b>				
<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>% Change</b>
\$161.03	\$170.13	\$181.09	\$192.49	19.53%
<b>Metro Operations</b>				
<b>Rail Operations -- Cost Per Vehicle Service Hour</b>				
<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>% Change</b>
\$1360.65	\$1570.56	\$1616.52	\$1770.27	30.10%

# FY 2019-2021 TDA Triennial Performance Review of Metro as the Regional Transportation Planning Agency

## Executive Summary

### Background, Scope and Methodology

The California Public Utilities Code requires all Regional Transportation Planning Entities (RTPE) to conduct an independent Triennial Performance Review in order to be eligible for Transportation Development Act (TDA) funding. In July 2021, Metro selected BCA Watson Rice, LLP to conduct a Triennial Performance Review of itself as the RTPE and operator, as well as the twenty-one municipal operators to which Metro allocates funding. This Triennial Performance Review covers a three-year period ending June 30, 2021.

This Triennial Performance Review was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The review methodology for this Triennial Performance Review of Metro as the RTPE included four tasks:

1. Project Initiation
2. Initial Review
3. Detailed Review
4. Documentation of Performance Audit Results

This Triennial Performance Review included the following elements:

1. Compliance Requirements
2. Follow-up of Prior Recommendations
3. Review of Metro Functions
4. Findings and Recommendations

### Key Challenges and Accomplishments

In March of 2020, Los Angeles County went into quarantine in response to the COVID-19 pandemic. As stated in Metro's Long Range Transportation Plan released later in

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2020, the pandemic reshaped all aspects of how we work and travel with the long-term impacts still unknown. With that backdrop, some of the key challenges faced by the agency during the triennium include:

- Significant drops in ridership during the initial stage of the pandemic which, while having improved over time, have not returned to pre-pandemic levels.
- Sharp reductions in fare revenue due to reduced ridership and fare-less policies designed to encourage first responders and essential workers to continue to use bus and rail service as needed.
- Operational challenges that included:
  - Scheduling and route adjustments to adapt to reduced ridership.
  - Logistical changes in operations including shifting from front to rear boarding.
  - Supplying operators and maintenance staff with Personal Protective Equipment including face shields and masks.
- An initial reduction in sales tax revenues.
- Labor shortages in operations, professional staff, and construction laborers.
- Leadership and staff changes related to management staff opting for early retirement through the Voluntary Separation Incentive Program in August of 2020.
- Homelessness in and around Metro facilities and operations.
- Increases in non-property crimes within the system including a 43% increase in aggravated assault on passengers and a 185% increase in assaults on operators (from 2019 to 2021).

While it is unknown what the long-term impacts will be on work and travel patterns in the region, Metro has used this as an opportunity to rethink its approach to planning and operations and ensure long-term financial sustainability.

It is also important to consider the accomplishments achieved by Metro during the same three-year period. These accomplishments include:

- Continued Metro's core operational services and capital construction during the pandemic.

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- Formed the Recovery Task Force in response to the COVID-19 pandemic and produced “A Path Forward”, a report that identifies and recommends actions to respond and recover from the pandemic.
- Developed and began implementation on the NextGen Bus Plan designed to innovate the current bus system to meet the needs of current and future riders and restore transit service to pre-pandemic levels. Phase 1 of the plan focused on service changes to a significant number of routes within the system. Phase 2 will include expansion of Metro’s micro-transit service (Metro Micro) and additional bus trips to improve the frequency of service.
- Developed and completed Metro’s Long-Range Transportation Plan in 2020 providing a roadmap for how Metro will plan, build, operate and maintain mobility over the next 30 years.
- Developed the Bus Rapid Transit (BRT) Vision and Principles study to provide a definition of BRT performance that established new standards and eligibility for Measure M Countywide funding.
- Established a Customer Experience Office with the goal of improving the overall rider experience.
- Adopted a Low-Income Fare is Easy (LIFE) program to reduce ridership costs for low-income riders.
- Developed the Better Bus Program, a \$2.1 billion five-year plan that aims to improve the bus system to address racial inequities and provide a quicker, more comfortable trip experience for riders.
- Developed PATH teams consisting of mental health clinicians, formerly homeless individuals, and other key staff to help the unhoused find temporary or permanent housing services and link them to other programs.
- Adopted a revised **Joint Development Policy** with the goal of building affordable housing on Metro-owned properties near transit facilities.
- Approved the Transit Oriented Communities (TOC) Implementation Plan to implement Metro’s commitment to partner with 88 cities and unincorporated areas to support TOC activities.
- Adopted First/Last Mile Guidelines to further integrate first/last mile planning into Metro’s overall transit project delivery.

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- Developed an Adopt-a-Bike program to give in need residents the opportunity to obtain free bikes that have been unclaimed with over 1,000 bikes being distributed.
- Worked with Metro’s labor partners to establish protocols for vaccinations and PPE guidelines, and extended labor agreements with four unions.
- Implemented telework practices and policies after the initial County-wide quarantines that ensured that professional and administrative functions continued.
- Continued progress on major capital projects including:
  - Crenshaw/LAX Transit Project (Project commenced in 2014 and the forecasted opening in 2022)
  - Regional Connector Project (Currently under construction since 2014 with a forecasted opening in 2022)
  - Purple D Line Extension (Project construction began in 2019, with a phased opening from 2024 through 2027)
  - Olive Street Bus Priority Lanes Project including Traffic Analysis (Fall 2020), Final Design Plan (Summery 2021) and Implementation (Fall 2021)

### Compliance Requirements

To determine Metro’s compliance with requirements the review team identified key compliance requirements, discussed compliance requirements with Metro representatives, and gathered and reviewed evidence of compliance. Metro was found to be in compliance with all applicable requirements evaluated as part of this Triennial Performance Review.

### Follow-Up of Prior Recommendations

The prior Triennial Performance Review completed in 2019 included no recommendations.

### Review of Metro Functions

The following sections discuss the results of the review of Metro functions.

#### ***Planning and Programming of Transportation Funds***

The planning and programming of transportation funds in Los Angeles County has challenges unlikely to be found elsewhere including programming authority for 50 distinct

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local, state, and federal sources of funds; responsibility for allocating over \$6 billion annually in funds; a need to assess, refine, and program funding requests in a way that is fair, transparent, and consistent with multiple needs; political and public expectations to move quickly and boldly to increase capacity on a badly strained transportation system.

Within this context, successfully planning and programming transportation funds requires several key elements including accurately forecasting available funds, developing criteria for evaluating funding choices, evaluating capital funding requests, and balancing revenue and expenditures. Metro accomplishes these tasks through a combination of advisory committees and Service Councils system which assist in both planning and implementation, developing a core set of planning documents designed to consider and address both short- and long-term transit and transportation needs, and employing staff for the budgeting and implementation of its plans. The review team concluded Metro has planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial period.

### ***Transportation Funds Administration***

Metro administers several funds. Successful administration of these funds requires several elements including clear identification of guidelines or requirements, appropriate tracking and certifying of the use of funds, reasonable flexibility, and coordination and assistance to municipal operators receiving funds.

The review team concluded that Metro has developed approaches to each of these elements, and effectively and efficiently administered transportation funds for the region during the triennium.

### ***Rail Construction Program***

Metro is responsible for planning and building a rail transit system. This undertaking includes alternative analysis, design, construction, and pre-start-up operations of the project. The rail transit system serves the San Fernando Valley, West Los Angeles; South-Central Los Angeles/Long Beach; South Bay/Harbor; Century Freeway Corridor; and the San Gabriel Valley. Metro is currently constructing the Purple Line extension, the Regional Connector and the Crenshaw/LAX (K Line) Projects. The Regional Connector Project will provide a seamless journey from Azusa to Long Beach and from East Los Angeles to Santa Monica, through the downtown LA core. The K Line will extend from the E Line (Expo) and merge with the C Line (Green) at the Aviation/LAX Station, connecting the Crenshaw Corridor, Inglewood, and El Segundo. The forecasted opening for the Regional Connector and Crenshaw Projects are in 2022.

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Metro has implemented several practices to accelerate rail construction including life cycle costing, project labor agreements, programs to work with communities affected by rail construction, involving operations in the early stages of project design, consolidating construction contracts, revised authority for certain change orders, implementation of strict ethics requirements for employees and contractors, and development of a detailed Project Management Plan. The review team concluded Metro continues to be effective in planning, designing, and constructing a rail transit system for Los Angeles County.

### ***Legislative Proponent and Analysis (Government Relations)***

Metro's ability to plan, program and deliver transportation services is greatly impacted by federal, state and local legislation. Having an effective legislative proponent and analysis program is essential to Metro's ongoing ability and success in delivering transportation services to Los Angeles County.

Metro has an effective government relations function that includes a clear scope and direction, active monitoring of legislative initiatives and activities and active pursuit and advocacy of legislative priorities and positions in coordination with others. The review team concluded Metro's Government Relations function provides a well-focused, well structured, comprehensive and effective legislative proponent and analysis for Metro.

### ***Air Quality Management Plan (AQMP)***

The Air Quality Management Plan is a regional blueprint for achieving the federal air quality standards and healthful air. The South Coast Air Quality Management District (SCAQMD) is responsible for clean air in the South Coast Air Basin, an area that includes Orange County and the non-desert portions of Los Angeles, Riverside and San Bernardino counties. The SCAQMD develops the AQMP every five years, with the most recent plan developed in 2016. SCAQMD is in the process of developing an updated AQMP for 2022. The 2022 AQMP will represent a comprehensive analysis of emissions, meteorology, regional air quality modeling, regional growth projections, and the impact of existing and proposed control measures.

Metro's role in the AQMP is to develop and implement transportation strategies that reduce vehicle miles traveled and related emissions. These strategies are submitted to SCAG and included in the Regional Transportation Plan (RTP) developed by SCAG. The review team concluded Metro meets or exceeds its obligations to support and improve air quality in the Southern California region and the regional Air Quality Management Plan (AQMP).

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### ***Consolidated Transportation Services Agency (CTSA)***

Consolidated Transportation Services Agencies were originally created by the Social Services Transportation Improvement Act in 1979 to coordinate and improve social service transportation services.

Metro has taken or directed several key actions to fulfill its CTSA responsibilities including designating Access as the CTSA for Los Angeles County in 1994, developing the *Public Transit-Human Services Transportation Action Plan for Los Angeles County* in 2008, and released the updated Coordinated Public Transit – Human Services Transportation Plan in March 2021.

During FY 2020, Access implemented many new initiatives and services aimed at promoting the health and safety of riders, staff, and contractors in addition to supporting the emergency response to communities impacted by COVID-19. Access implemented new same-day service and curbside pickup pilot programs to help rider's access essential services during the pandemic. Access implemented six emergency delivery programs to ensure seniors and people with disabilities continued to receive meals, groceries, and paper goods during the pandemic.

Access also developed and released an updated strategic plan during 2021 as the "Access Short-Range Strategic Plan 2022-26." The Strategic Plan identified challenges and developed responses to ensure continued customer satisfaction with Access' services. The review team concluded Metro has met legislatively mandated responsibilities related to planning for coordination and improvement of social service transportation services.

### ***Management Performance***

The review of Metro's management performance included a review of Metro's goal setting and monitoring including related policy decisions, Metro's governance structure and the role of the Board in providing leadership, and allocation of administrative funds.

Metro's goal setting and monitoring processes through the Metro Vision 2028 Strategic Plan and the Equity Platform Framework provide well-founded, well-structured and strong direction for the Metro Board and agency. These efforts and policy statements will serve Metro and those served by Metro over the next decade.

Metro's Board of Directors guides the agency's priorities, projects and activities, and includes 13 members who represent areas throughout Los Angeles County. The Metro

## **Attachment B**

Board's governance approach and structure, including the use of committees and advisory bodies, provides Metro with an effective leadership and decision-making system. The review team concluded Metro's administrative funds were adequately and effectively allocated to achieve Metro's stated goals through the budget process.

### ***Internal Administration***

This review of Metro's internal administration included determining if the budget is being used as an effective management tool, if internal controls are adequate and provide appropriate information to management, if accounting procedures are adequate to make fund balances available, and if the organization and reporting structure could be improved.

A good budget process is a broadly defined process that has political, managerial, planning, communication, and financial dimensions. A good budget process incorporates a long-term perspective, establishes linkages to broad organizational goals, focuses budget decisions on results and outcomes, and involves and promotes effective communication with stakeholders. During the COVID-19 pandemic, these tasks became increasingly difficult. However, using virtual communications, responding quickly to changing operational needs and utilizing State and federal funding, Metro has been able to continue to maintain strong budgetary practices. The review team concluded Metro's budget development process had incorporated the processes and practices to provide an effective budget for the organization.

Internal controls are designed to safeguard organization's assets from error, loss, theft, misuse, misappropriation, and fraud. Effective programs of internal controls provide reasonable assurance that these objectives are met consistently. These internal controls include the Office of Inspector General, the Civil Rights Office and its Audit and Administration functions. The review team concluded Metro has multiple internal controls approaches and systems in place to safeguard its assets from error, loss, theft, misuse, misappropriation, and fraud.

Formal documentation of accounting policies and procedures is an essential component in providing effective controls over accounting and financial reporting, as well as providing a comprehensive framework of internal controls. The review team concluded Metro has adequate accounting procedures and properly accounts for and makes available monthly its fund balances.

## **Attachment B**

An organization's structure should provide a framework of functional areas within which individuals can achieve the organization's goals. An effective organization structure clearly reflects the priorities of the organization, facilitates effective service delivery and problem solving, ensures consistency of direction and management control, minimizes obstacles and barriers to performance, and stimulates a culture of shared accomplishment and teamwork. The review team concluded Metro has established an organization structure that provides an effective framework of functional areas within which individuals can achieve the organization's goals.

### **Findings and Recommendation**

We find the Los Angeles Metro, functioning as the RTPE, to be in compliance with the requirements of the Transportation Development Act. In addition, Metro generally functioned in an efficient, effective, and economical manner during the triennial period.

With the enactment of SB 508 the definition of local subsidy changed to include all countywide funds allocated to operators. This change has resulted in ambiguity and inconsistency in how this category is reported and requires further clarification.

We recommend Metro should work with members of the Bus Operations Subcommittee and other regional service coordination bodies to clarify the definition of "local subsidy" as it relates to TPM reporting and subsequent calculations of farebox recovery ratios. These discussions should include discussions on required Maintenance of Effort funding to ensure that system-generated local contribution requirements are met.