

Metro

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



Metro

Agenda - Final

Wednesday, September 16, 2015

1:00 PM

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

Finance, Budget and Audit Committee

Paul Krekorian, Chair

James Butts, Vice Chair

Diane DuBois

Mark Ridley-Thomas

Hilda Solis

Carrie Bowen, non-voting member

Phillip A. Washington, Chief Executive Officer

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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.

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

CALL TO ORDER

ROLL CALL

5. APPROVE Consent Calendar Items: 6 and 7.

6. RECEIVE AND FILE status report on response to Board Motion No. 50: MTA Ridership (June 25, 2015) to implement the **Immediate Action Plan outlining initiatives for increasing ridership**. Attachment A provides a status report on these initiatives. [2015-1230](#)

Attachments: [Attachment A: FY16Q1 Status Update](#)
 [Attachment B: Ridership Initiatives - Immediate Action Plan](#)
 [Attachment C: Ridership Initiatives: Other Strategies to Increase Ridership](#)
 [Attachment D: Motion No. 50: MTA Ridership \(June 25, 2015\)](#)

7. RECEIVE AND FILE the year-end report of **Management Audit Services** for the period ending June 30, 2015. [2015-1240](#)

Attachments: [Attachment A - FY15 Q4 Year-End Report Final](#)

Non-Consent Items

8. AUTHORIZE the Chief Executive Officer to execute Contract Modification No. 4 to Contract No. PS05312717, with **Carl Warren & Company, for general liability claims administration services**, to exercise the first three-year option in the amount of \$7,721,051 increasing the total contract value from \$10,307,876 to \$18,028,927 and extending the contract term from October 31, 2015 to October 31, 2018. [2015-1104](#)

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

9. CONSIDER: [2015-1227](#)

A. adopting a resolution:

1. authorizing **the issuance of refunding bonds by negotiated sale to refund the 2004 General Revenue Refunding Bonds** (the "2004 GRRBs") in one or more transactions through June 30, 2016, consistent with the Debt Policy;
2. approving the forms of the supplemental trust agreement,

preliminary official statement and such other documents as required and all as subject to modification as set forth in the Resolution;

3. authorizing taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the 2015 General Revenue Refunding Bonds (the "2015 GRRBs"), and approves related documents on file with the Board Secretary; and
4. prohibiting the subsequent issuance of General Revenue Bonds or Parity Debt under the General Revenue Trust Agreement except for refunding bonds.

B. **appointing the underwriter team** selected for the 2015 GRRBs transaction(s) as shown in Attachment B.

C. **establishing an underwriter pool**, as shown in Attachment B, that will be used to select underwriters for all future negotiated debt issues through June 30, 2019.

(REQUIRES SEPARATE SIMPLE MAJORITY VOTE OF THE BOARD)

Attachments: [Attachment A - Authorizing Resolution](#)
 [Attachment B - Summary of Underwriter Selection](#)
 [Attachment C - Form of 7th Supplemental Trust Agreement\(draft\)](#)

10. AUTHORIZE the Chief Executive Officer to award a one year Firm Fixed Price Contract No. PS1544301142 to Ma and Associates to conduct the fiscal year **FY 2013-2015 independent performance review of all the Los Angeles County transit operators receiving state Transportation Development Act (TDA) Article 4**, and operators receiving Proposition A funds in lieu of TDA funds and Metro as the Regional Transportation Planning Entity (RTPE), for the fixed price of \$588,192.

[2015-1261](#)

Attachments: [Attachment A - Procurement Summary](#)
 [Attachment B - State requirement to conduct the TPR](#)
 [Attachment C - Listing of Operator and RTPE Compliance Requirements](#)
 [Attachment D - Summary of Progress Made by the operators and Metro](#)

11. **MOTION by DuBois, Knabe, Butts and Najarian** that the funds derived from advertising receipts be deposited into the Risk Allocation Matrix Internal Savings Account (RISA) along with the Parking Revenues pending further recommendations from the CEO later this year.

[2015-1221](#)

12. RECEIVE report from the Chief Executive Officer.

[2015-1347](#)

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.

Adjournment

**Board Report**

File #: 2015-1230, **File Type:** Informational Report

Agenda Number: 6.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 16, 2015**

SUBJECT: RIDERSHIP AND CUSTOMER SERVICE INITIATIVES

ACTION: RECEIVE AND FILE REPORT ON RESPONSE TO BOARD MOTION NO. 50: MTA RIDERSHIP

RECOMMENDATION

RECEIVE AND FILE status report on response to Board Motion No. 50: MTA Ridership (June 25, 2015) to implement the **Immediate Action Plan outlining initiatives for increasing ridership**. Attachment A provides a status report on these initiatives.

ISSUE

Bus, rail, and Orange Line ridership continues to decline by 4% since April 2014. In response, the Board passed Motion No. 8: MTA Ridership (March 2015) directing staff to develop an Action Plan to increase ridership. In June 2015, staff presented an Immediate Action Plan as well as other longer term strategies to reverse the downward trend in ridership (Attachment B and C). Subsequently, the Board passed Motion No. 50: MTA Ridership (June 2015) which directs staff to implement the Immediate Action Plan, and suggests other initiatives to evaluate (Attachment D). This report provides a status update in response to Board Motion No. 50.

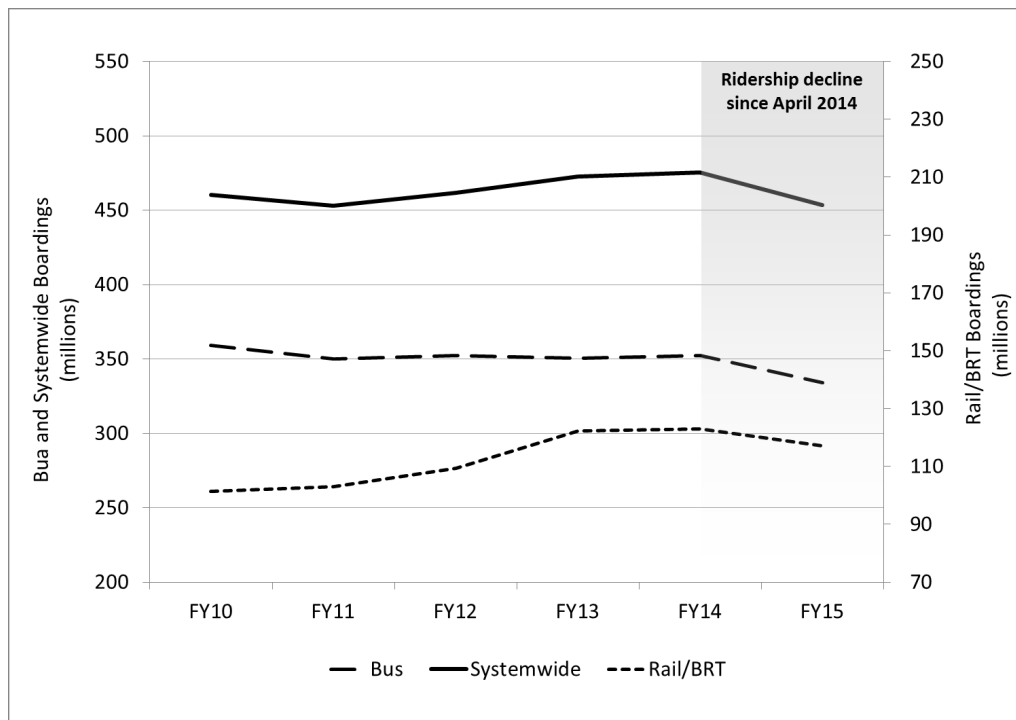
DISCUSSION

Ridership Trends and Analysis

As shown in Figure 1, Metro ridership continues to decline on a year-over-year basis since April, 2014 (FY14Q4). Through the fourth quarter of FY15, systemwide boardings have decreased on average by 4%. Bus has shown a consistent decrease of 5% every quarter, compared to the same quarter of the previous year. While rail ridership decreased about 3% from FY14 to FY15.

Figure 1

Annual Boardings
(FY11 - FY15)



Looking closer at the period of decline, there are several findings worth noting, as follows:

Ridership by day of week

- Bus and Orange Line ridership declined during all day types (weekday, Saturday, Sunday) during all quarters since FY14Q4.
- While overall rail ridership continues to decline, there appeared to be a slight increase in weekend boardings as 3 of the 5 rail lines (Red/Purple, Expo, and Gold Lines) saw increases on Saturday and/or Sunday during all quarters.
- The Gold Line showed an overall increase during this time period, however, further analysis indicates that weekday ridership actually declined in FY14Q4 and FY 15Q1, but has since recovered.
- Conversely, the Expo Line has experienced an overall increase in ridership since FY14Q4. However, the rate of increase has steadily declined since then, and FY15Q1 posted its first ridership decline during this period.

Ridership by time of day (weekdays)

- Overall, the AM Peak period showed the lowest ridership declines, while the Midday experienced the greatest.
- Local, Rapid, and Limited bus, as well as rail ridership have been consistently down from 6:00am - 7:00pm which were not related to changes in service levels (revenue hours) since FY14Q4.
- Shuttle and circulator bus ridership, however, show a direct relationship to changes in service levels. Ridership increases when service levels increase, and drops when service levels are reduced.
- Despite the general drop in ridership, Freeway Express and Silver Line bus services have seen an overall increase in ridership during all time periods.

Ridership Increase Strategy

To reverse the decline in ridership, it is important to understand the customer, their travel patterns, and what travel attributes are important to them (e.g. cost, speed, reliability, cleanliness, safety, etc.). This understanding should drive the development of products, services, and amenities that can attract and retain riders. Finally, efforts must be made to operate services as planned. If services are disrupted or systems are down, procedures and information must be in place to minimize confusion and frustration to riders. A comprehensive and targeted public information, marketing, and promotions program should be in place to support these efforts.

Based on research to date:

- Employment is considered the most significant external factor influencing ridership. This assumption is further supported by the fact that Freeway Express and Silver Line bus services have increased despite decreases in other services. To support this core ridership, Operations has completed a study of transit service and demand to 24 major employment centers in the region. This analysis will help to guide system restructure plans, which should include faster, more direct services to major employment and activity centers.
- The increasing use of rail services on the weekends is a promising finding, and should be pursued to expand ridership in other non-commute markets. Initiatives to attract non-commute ridership were included in the Immediate Action Plan, including social media market research and an analysis of Owl Network demand, evaluation of an off-peak downtown rail pass, and better understanding of tourist markets.
- A recent APTA Peer Review panel noted that frequent and more reliable service is critical to attracting ridership. Several efforts are underway based on the APTA recommendations, including developing a frequent peak hour bus network, identifying congestion bottlenecks and possible mitigation measures, and testing All Door Boarding as a strategy to improve speed and reliability of busy bus lines.
- Finally, if service cannot be delivered as planned, procedures and information must be in place

to minimize confusion and frustration to riders. With significant maintenance work being completed on various rail lines, most notably the Blue Line, ridership may have declined due to inconvenience. However, good customer service, timely and accurate information, and proper management of the service disruption will help to ensure that riders return to the system after the work is complete. Efforts are underway to improve the Bus Bridge procedures as well as the real time departure information and Transit Passenger Information System (TPIS).

Board Motion No. 50: MTA Ridership (June 2015)

In June 2015, staff presented the Immediate Action Plan as well as other longer term strategies to better understand travel needs in the region, design services to address those needs, improve bus and rail service quality and customer services, promote and outreach our products and services, and instill innovation and technology in the way business is done and the services that are provided. Since then, staff has presented the Action Plan for public comment at Ridership Forums hosted by each Service Council in September, and identified project leads who began initiating several efforts listed in the plan, including those identified in Motion No. 50, as follows:

- Strategic Bus Network Plan/Frequent Bus Network
 - Conan Cheung, EO, Finance
 - Gary Spivack, DEO, Operations
- Expo Phase II and Gold Line Foothill Extension (Phase 2A) Bus Service Integration Plan
 - Scott Page, Director, Service Performance and Analysis
- Identification of Bus Service Bottlenecks
 - Gary Spivack, DEO, Operations
 - Martha Butler, Director, Countywide Planning and Development
- Improvements to Real-Time Arrival Countdown Clocks
 - Bob Holland, Interim COO
 - Dave Edwards, Chief Information Officer
 - Duane Martin, DEO Project Management
- Revenue-Neutral Residential TAP Program
 - Marie Sullivan, Transportation Planner II
 - Sarah Zadok, Communications Manager
- Customer Loyalty Reward Program
 - Aurea Adao, Public Communications Officer

Detailed status of all efforts underway, including those identified in Motion No. 50, are provided in Attachment A. While individual initiatives requiring approval will be brought to the Board under separate cover by the designated project manager, OMB will continue to coordinate efforts of all departments, analyze ridership trends, and establish performance metrics to evaluate results from

implementing initiatives identified in the Immediate Action Plan. Further, the CEO has directed the initiation of a special security campaign that includes Metro Security Forces, Bus & Rail Operations, Communications, and Information Technology. Staff will present this multi-pronged initiative to the Board in the coming weeks.

FINANCIAL IMPACT

Initiatives identified in Attachment B, "Ridership Initiatives: Immediate Action Plan", can be implemented within budgeted resources for FY16. Additional efforts identified in Attachment C may require additional resources and will be presented to the Board under separate cover for approval prior to adoption.

ALTERNATIVES CONSIDERED

If no action is taken on ways to increase ridership, the recent downward trend in boardings could continue, negatively impacting fare revenues and the future growth of the transit system.

NEXT STEPS

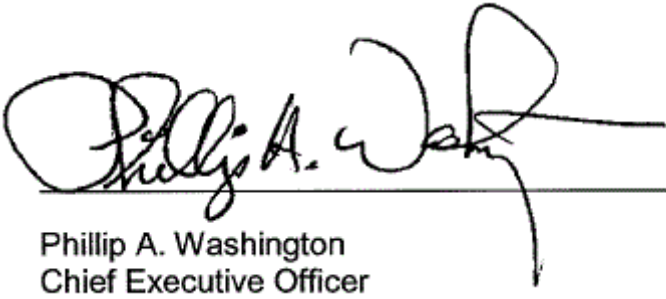
Staff will return to the Board on a quarterly basis with a status update on the Immediate Action Plan, including project millstones and schedules as identified by project leads, and other ridership and customer service initiatives.

ATTACHMENTS

- Attachment A - FY16Q1 Update on Ridership and Customer Service Initiatives
- Attachment B - Ridership Initiatives - Immediate Action Plan
- Attachment C - Ridership Initiatives - Other Ridership Increase Strategies
- Attachment D - Motion No. 50: MTA Ridership (June 25, 2015)

Prepared by: Conan Cheung, EO, Finance, (213) 922-6949
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Reviewed by: Nalini Ahuja, CFO, Executive Director, Finance and Budget, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

ATTACHMENT A
FY16Q1 STATUS UPDATE ON RIDERSHIP AND CUSTOMER SERVICE
INITIATIVES

MARKET RESEARCH

Analysis of Service to Regional Employment Centers

Employment is the primary external factor influencing ridership, particularly on our rail and BRT system. Downtown LA can be considered the region's primary Central Business District (CBD), and as such, is already well served by transit. However, Operations has identified an additional 24 employment centers throughout the region with high densities of employment, regional destinations, and activities. Once identified, ridership in these areas was compared to journey to work data to evaluate current and potential ridership. This information will assist Operations in adjusting services to better meet these employment travel demands.

Social Media Research

The Communications team is embarking on several efforts to better understand existing and potential new riders through social and electronic media. To better understand existing riders, Communications is partnering with the TAP team to collect rider email addresses to be matched against social media accounts to gain a deeper understanding of rider demographics. Improvements to our Customer Relationship Manager (CRM) system should also provide an opportunity to connect rider information between their TAP usage, social media information, and customer service calls.

Communications is also procuring services of a social media advertising buyer tasked with identifying existing and potential riders for targeted advertisement. Using our existing email lists, social media follower information, look-a-like modeling, and third party marketing sources that create customized client lists based on a vast array of consumer information, we will be able to gain insight into the demographic and psychographic characteristics of various rider and non-rider market segments.

A more comprehensive understanding of our rider and non-rider demographics, their opinions, travel patterns, interests, likes and dislikes will help us to refine services to better meet their needs, develop targeted marketing campaigns for specific market segments, and invest in system enhancements that important to our riders.

Owl Network Analysis

In addition to geographic coverage, span of service (time of day and day of week that service operates) is an essential factor in ensuring transit services are accessible to those who want to use it. While the majority of travel demand, and service, occurs during the day, we provide lifeline service on 28 bus lines operating 24 hours per day. This "Owl Network" provides opportunities for shift workers who start or end their shifts

during the Owl period, as well as serving late night entertainment venues and other essential travel needs.

Given the relatively low productivity and high cost of operating the Owl Network, it is important that we maximize the use and benefit of this lifeline service. Operations has completed an initial analysis of each bus line within the Owl Network to identify the productive and unproductive segments of service. They have also identified the locations of 24 hour services and their proximity to the Owl Network. The next steps will be to conduct an on-board survey of Owl riders as well as 24 hour businesses to better understand existing and potential demand. Based on this market research, Operations will recommend adjustments to the Owl services to maintain lifeline services while attracting the most riders.

SERVICE DESIGN

Strategic Bus Network Plan/Frequent Bus Network

OMB has been working with Operations and Countywide Planning to develop a Strategic Bus Network Plan (SBNP) that provides a foundation for service adjustments, coordination with jurisdiction and community plans such as the City of LA's Mobility Plan 2035, and future service and system enhancements. The SBNP identifies corridors that have underlying population and employment densities, as well as existing ridership demand, that warrant frequent service (15 minutes or better) all day and every day. The plan includes 3 tiers of service levels, with frequency recommendations corresponding to demand. The greatest frequency lines also include recommendations for infrastructure improvements, such as transit priorities, customer amenities, and off street transfer facilities. The SBNP is expected to be presented to the Board for approval in October or November 2015.

Based on the analysis of the SBNP, Operations is developing service adjustment packages that recommend reductions in duplicative and unproductive services and reallocation of resources towards a frequent bus network. The initial priority would be to improve the existing peak hour network to 15 min frequencies or better. In addition, they are working with Countywide Planning to evaluate the Metro Rapid network through refining the performance criteria and service warrants, identifying traffic bottlenecks and recommended treatments, and exploring potential new Rapid lines. All major service adjustments will be presented through the public hearing process and Title IV/Environment Justice analysis prior to approval, starting June 2016.

Expo Phase II and Gold Line Foothill Extension (Phase 2A) Bus Service Integration Plan

Most of the bus lines serving the Expo Phase II and Gold Line Foothill Extension (Phase 2A) alignments are operated by municipal operators. Expo II operates predominantly through Santa Monica Big Blue Bus (BBB) and Culver CityBus (CC) service areas, and

the Gold Line Foothill Extension (Phase 2A) Foothill Transit (FT) as well as transit services in the Cities of Arcadia, Monrovia, Duarte, Irwindale, and Azusa.

Metro has been working closely with all the transit providers to ensure successful bus/rail interface. Expo II bus/rail interface has involved being planning partners with both BBB and CC. Over the last two years, Metro has met with Santa Monica transit and city planning staffs to ensure the greatest number of bus lines intersect at the rail stations. This in turn led to extensive talks with City of LA planning staff, which in the end provided more layover and bus stop spacing at the stations. Metro also provided BBB with additional layover spaces (effective August 23) in Century City (Line 5) and at the Metro Wilshire/Western Purple Line Station (Rapid 7) as they anticipate a surge in ridership. Culver CityBus has now started with their bus/rail interface planning and has hired a consultant to assist in the work. Metro staff will be meeting with them regularly as the process proceeds. For the services CC has north of Venice Bl (Sepulveda/Westwood) today, buses already pass by a station heading to either Westwood or Century City.

The Gold Line Foothill Extension is almost entirely served by Foothill Transit. As part of the design phase of the extension, Metro staff worked with Foothill Transit and a Gold Line Construction Authority consultant to bring bus/rail interface to the stations and ensured there was adequate bus parking to serve the rail patrons. Metro today already serves the Santa Anita, Arcadia, Duarte and Monrovia Stations (Lines 79, 264, 270 and 487).

The following changes to Metro bus services are proposed to serve and reduce duplication with the rail extensions. Public hearings and Title VI/Environmental Justice analysis are not needed as public hearing has already been conducted for Line 534.

Gold Line Foothill Extension (Phase 2A)

- Re-route 270 into nearest station (Cost neutral); and
- Minor route modifications to Lines 79 and 264 from current terminal to nearest station (Cost neutral). Line 264 is currently at City of Hope Station.

Expo Phase II

- Eliminate segment of Line 534 between Washington/Fairfax Transit Hub and downtown Santa Monica which duplicates the rail extension (Some anticipated savings);
- Minor re-routes in downtown Santa Monica (Lines 4, 704, 20, 720, 534, 33, 733) to best serve station terminus (cost neutral); and
- Possible reductions in service levels on Lines 20/720 and 33/733; this is dependent on passenger use trends to be evaluated after opening of EXPO II.

SERVICE MANAGEMENT

Improve Bus Bridge Operations

The rail network is designed to serve customer travel needs along key corridors with consistent, frequent, and simple to use service. Unfortunately, the rail system cannot operate perfectly all the time due to planned maintenance and enhancement work, and unplanned accidents or other incidents that disrupt service between stations. During these interruptions, it is critical to continue providing consistent, frequent, and simple to use service to our customers through well planned bus bridges and alternative services,

Bus bridges are a service mitigation tool employed to minimize the effects of rail service interruptions. Operations is currently revising its Bus Bridge procedures to ensure consistency and improve our support of riders during these confusing and inconvenient disruptions. Bus Vehicle Operations Supervisors are expected to plan and coordinate the bus bridges, including citing temporary boarding locations and path of travel from the train to these locations, posting informational signage, track boardings and control bus departures, and instructing operators on the bus bridge operations. In addition, they are expected to provide customer support and assistance, which often can become second priority to supporting the bus bridge operations. As a result, passengers can become disoriented, confused and frustrated, making them less likely to continue to use transit if they have other options.

To enhance customer support during bus bridges, Operations is coordinating with TAP to formally include “Blue Shirts” in the staffing plan. TAP Blue Shirts have been well received by customers as friendly and knowledgeable ambassadors of the TAP program, and can greatly improve customer support during bus bridges by “hand holding” passengers through the bus bridge operations. This addition would also allow Operations staff to focus solely on bus bridge operations which should ensure a smoother transition between rail and bus service.

TRANSIT PRIORITIES

Identification of Bus Service Bottlenecks

Most of Metro’s bus service operates in mixed flow conditions, sharing the road with other vehicles such as cars, trucks, and bikes. As a result, bus service becomes slow and unreliable when moving through congestion bottlenecks, degrading service quality and decreasing ridership.

The first step in mitigating this issue is identifying the location of congestion hotspots. Operations’ Service Planning and Scheduling Staff have identified a list of congestion hotspots as well as lines impacted. They have also requested that other municipal operators provide their congestion bottleneck locations. To date, we received input from the following operators: Antelope Valley Transit Authority (AVTA), Culver CityBus (CC), LADOT, Long Beach Transit (LBT), and Santa Monica Big Blue Bus (BBB).

To address this congestion issue, Countywide Planning completed the Los Angeles County Bus Speed and Street Design Improvement Plan in November 2010. This study established a bus speed improvement toolbox in addition to identifying several arterial corridors that would benefit the most from speed improvement strategies. These corridors were further refined through the Countywide BRT Study which identified 9 corridors for further analysis and environmental review. The analysis on the top two corridors (Vermont and No. Hollywood to Pasadena) will begin in the next month or so.

All Door Boarding and Off Board Fare Payment

OMB, TAP, and Operations recently completed a pilot test of All Door Boarding on the Wilshire BRT (Line 720). The objectives of this test were to evaluate the improvements in dwell time by allowing passengers to enter through all doors of the bus at the expense of increased fare evasion. Information was collected from Automatic Passenger Counters, mobile TAP validators, fareboxes, customer surveys, and debriefings with TAP Blue Shirts, Operators, and Vehicle Operations Supervisors.

While a comprehensive evaluation report is expected to be presented to the Board in October or November 2015, initial observations indicate that there are definite service quality benefits from All Door Boarding, including:

- Reduced and more reliable dwell times, resulting in faster and more on time service;
- A more even distribution of passengers throughout the bus;
- Customer and operator satisfaction.

However, some of the drawbacks observed from this pilot program are:

- Potential increase in fare evasion;
- Safety concerns with operators not being able to see passengers entering the rear of the bus when closing the doors.

The evaluation report will study the pros and cons of All Door Boarding and recommend a path forward. In addition, a study will be underway to evaluate the merits of Off Board Fare Payment along the Wilshire BRT and Silver Line.

SAFETY/SECURITY

Transit Watch LA improvements

Transit Watch LA has been enhanced with the addition of a two-way chat feature within the app that also allows the user to remain anonymous if they so choose. This feature allows for law enforcement to communicate with the user in real time to ask further questions or receive clarification on an incident. Additionally, a short Transit Watch Tips video will be integrated in the app for user reference.

CUSTOMER AMMENITIES

Improvements to Real-Time Arrival Countdown Clocks

In September, staff will be going to the Board to increase funding to reprogram Homeland Security Grant funding to purchase additional Transit Passenger Information System (TPIS) equipment for our existing light rail and heavy rail stations. TPIS provides both passengers and internal staff with up-to-date information, regarding anything from scheduled or real-time arrival and departure information to service alerts. The approval of this board item will allow replacement of inoperative and unreliable equipment at Red/Purple Line stations, and installing new monitors at Blue and Green Line stations.

There are also other on-going initiatives that staff has been working on to ensure that correct information/data is being displayed on these monitors. We are forming a taskforce with SCADA/NextBus (Headed by operations and IT) to ensure that the data is more accurate. Second, parallel efforts are also being initiated to ensure voice and visual displays are consistent. Third, we will make it a priority for field staff to monitor and report inoperative equipment and to make repairs as soon as possible.

FARE STRUCTURE

Residential TAP

In response to Board Motion No. 51.1: Affordable Housing (March 2015), a new pricing model for a “revenue neutral” pass program for affordable housing developments will be presented to the Board in September. This model aims to achieve revenue neutrality by maintaining systemwide fare per boarding for program participants based on actual pass usage. If the methodology is acceptable to the Board, a similar pricing structure could be used as a basis for future residential passes for consistency across all bulk sales pass programs. In developing this pricing plan, OMB conducted research on other bulk pass programs, including Denver RTD’s EcoPass that was referenced in the Board’s Motion No. 50 (Ridership and Customer Service Initiatives), and found that:

- To participate in the EcoPass program, all residents in a specified neighborhood must (a) participate in a survey to determine current transit usage and (b) purchase a transit pass.
- Pricing ranges from \$150 to \$750 per resident per year depending on size and service area, which represents a significant discount since the regular monthly pass price costs \$79 to \$176 depending on the service type.
- RTD states that the pricing has not been reconciled to actual usage of the passes since automatic usage counts, similar to Metro’s TAP data, was not available prior to 2015. However, as more data becomes available, RTD intends to do so to adjust EcoPass pricing and methodology to actual usage, similar to

our proposed pricing methodology suggested for the affordable housing transit pass program.

OMB has also initiated a further study of bulk sales pass programs through our fare policy consultant, who is including such programs in the fare model currently under development. The consultant will also provide results of a “peer agency review” within the next few months, which will include comparisons between bulk sales pass programs at other agencies and recommendations for our path forward.

Institutional Transit Access Pass (ITAP) Restructuring

The ITAP program began in 2003 to offer colleges, universities and trade schools the opportunity to purchase Metro passes at group rates for all full-time students. The objectives of the program are to increase ridership without impacting average fare per boarding. In addition, the program is designed to be “revenue neutral” to Metro, meaning the program should recover the same revenue with and without the program.

There are two pricing schemes offered to institutions, Retail and Group rate pricing. Retail pricing essentially prorates the college/vocational monthly pass as a quarter or semester pass for students who wish to purchase the pass, while Group pricing calculates a lump sum monthly amount to be paid by the college for all enrolled students to use Metro services. The Group rate is calculated based on the number of students using transit prior to the ITAP program multiplied by the college/vocational monthly pass price. There are currently four colleges (USC, UCLA, Pasadena, and Rio Hondo) enrolled in the ITAP program.

While the ultimate goal of the ITAP program is to increase transit use among students, it is equally important to ensure that appropriate amount of fare revenue is collected given the transit usage. Therefore, much like RTD’s EcoPass, the ITAP program is under evaluation to determine if the program is still revenue neutral to Metro. If not, pricing will be adjusted to ensure that increased transit ridership does not negatively impact Metro’s average fare per boarding.

Downtown Off-Peak Rail Pass

Downtown LA continues to be the primary Central Business District (CBD) for the County, drawing employees in from all parts of the region. With the revitalization of downtown LA, there has also been a significant growth in residential development as well as retail and entertainment activity. While the Red/Purple Line has long been used as a distributor and circulator within downtown LA for peak hour commuters, it continues to have excess capacity during the off peak hours. Given the decline in Red/Purple Line ridership, it is important to tap into other markets in addition to commuters.

OMB will be testing the ridership and revenue impacts of implementing a monthly Off Peak Downtown LA Rail Pass. This pass would allow customers to use the Red/Purple Line and possibly the Gold, Blue/Expo Lines within the downtown LA core outside of the

weekday peak hours (from 6:00a-9:00a and 3:00p-7:00p). The pass would be priced at a deep discount as the intention would be to “sell” excess capacity by gaining customers who would not normally purchase a full price monthly pass. Specific market segments to target with this pass are:

- Downtown LA employees who do not take transit to commute to work but would use transit during the day to run errands, attend meetings or lunch; and
- Downtown LA residents who do not commute by transit, but would use transit at night or on the weekends.

Marketing/Outreach/Promotions

Customer Loyalty Reward Programs

Metro currently supports the following rewards programs:

- Metro Rewards: Metro Rewards is an incentive program for commuters who share the ride and who work for employers in Los Angeles County. Participants receive a Metro Rewards coupon book with over \$1,000 in immediate savings if their Employee Transportation Coordinator verifies that they’ve shared the ride at least eight times a month for three consecutive months and meet other program requirements.
- Transit Rewards Program: As frequent transit riders, customers can earn toll credits on the Metro ExpressLanes corridors. Using their registered TAP card, transit riders can earn a \$5 toll credit by taking 32 one-way trips during peak hours along the I-110 Harbor Transitway or I-10 El Monte Busway. Metro ExpressLanes Rewards credits are non-transferable and expire after 90 days. The toll credits must be used on Metro ExpressLanes and are not valid on other toll roads. The Rewards Program is the first of its kind in the transit and toll industry.
- Carpool Loyalty Program: The Carpool Loyalty Program automatically enters the Metro ExpressLanes FasTrak account holder into a monthly drawing for a chance to win gift cards when they use the ExpressLanes as a carpooler.
- Destination Discounts Program: Customers receive discounts and other offers when they show their TAP card at various destinations including museums, concerts, and dining locations. Through this media partnership program, Metro partners with businesses and organizations by promoting them as key destinations along the system when they meet the requirements of the program; they must promote taking public transportation and provide discounts or other incentives to anyone who shows a TAP card, Metro employee ID, or LA County employee ID to each partner’s respective destination.

Metro has investigated other reward programs such as the Montreal *Merci*, Singapore *Travel Smart Rewards*, or Minneapolis-St. Paul *Ride to Rewards* programs. These programs reward customers who regularly use transit services through discounts and offers from other businesses and organizations, discounts on other complementary transit modes, and cash value on their travel cards or debit cards. While Metro's current rewards programs incorporate some of the incentives from these programs, such as destination discounts and cash value for toll payments, there are other features of these programs that are unique and would benefit Metro and its riders if incorporated. For example, the *Travel Smart Rewards* program incentivizes customers to travel off of the peak hour which helps to reduce demand during the most costly and congested peak periods. The *Ride to Rewards* program allows riders to earn cash value on their stored value pass by shopping with a debit card registered to the program. Communications will work with TAP and other programs to develop new (and/or upgrade existing) rewards programs that include innovations similar to these and more.

Partnerships

Collaboration with Transportation Network Companies

Planning has met with Procurement to discuss the potential terms for a Memorandum of Understanding (MOU) with partner transportation network companies (TNCs). The objective would be to flesh out some terms of agreement, along with potential locations and specific events, to have pilot efforts underway by mid to late Fall 2016. In addition, our Guaranteed Ride Home Program (GRH), managed through the Shared Mobility team has expanded to incorporate carsharing and TNCs into the modes eligible for reimbursement.

OCTA Ridership Peer Review

OMB staff participated in an APTA Peer Review of the declining ridership trends at Orange County Transportation Authority (OCTA) to share findings and ideas regarding the region's ridership trends. While the final report has not been released, we are committed to continuing our partnership with all Southern California transit agencies address the overall ridership declines. Lessons learned will be applied towards our strategies to increase ridership.

**ATTACHMENT B
RIDERSHIP INITIATIVES - IMMEDIATE ACTION PLAN**

Bold: Status Update in Attachment A

Updated: Aug 18, 2015

Action Item	Goals				
	Attract New Markets	Customer Focused Service	Remove Barriers to Transit Use	Get the Word Out	Partnerships
Market Research					
Conduct a survey of Non-riders to determine travel patterns and transportation attributes that are critical to their mode choice	X	X			
Analyze travel patterns of major employment centers, including origins and time of travel	X	X			
Analyze potential tourist ridership opportunities by working with the tourism and convention bureau, major attractions, and hotels	X				
Use social media to better understand the young discretionary rider market and transportation attributes important to them	X				
Prior to implementation of new rail and BRT services, identify potential markets around new stations to assist in marketing/ promotion, first/last mile planning, and bus feeder planning	X			X	
Analyze Owl network ridership and their travel needs		X			
Analyze Senior ridership and their travel needs		X			
Other market research efforts as needed to support other ridership initiatives	X	X			
Service Design					
Analyze successful services and identify best practices to be implemented as applicable throughout the system		X			
Begin implementation of a 15 minute network based on the Strategic Bus Network Plan currently being developed	X	X			
Develop list of experimental services to address gaps in service identified through market research efforts, including new employment shuttles and point to point commuter express services	X	X			

RIDERSHIP INITIATIVES - IMMEDIATE ACTION PLAN

Bold: Status Update in Attachment A

Updated: Aug 18, 2015

Action Item	Goals				
	Attract New Markets	Customer Focused Service	Remove Barriers to Transit Use	Get the Word Out	Partnerships
Evaluate Metro Rapid services and develop recommendations to optimize service		X			
Coordination between Operations and Communications units to minimize impacts on ridership due to system maintenance		X		X	
Develop a bus service integration plan that takes advantage of Expo Phase 2 and Gold Line Foothill Phase 2A rail lines	X	X			
Review and make recommended changes to the Owl service network based on market research		X			
Service Management					
Update SOP's for VO and BOC to ensure consistency, effectiveness		X			
Partner with Rail to develop training module for bus bridge management		X			
Headway based operations on high frequency lines (pilot on Silver Line, Orange Line, Wilshire BRT)		X			
Transit Priorities/Technology					
Pilot All-Door Boarding/Off-Board Fare Payment on Rapid and Silver Lines		X			
Study BRT options for Vermont and North Hollywood to Pasadena service		X			
Establish a list of bus service bottlenecks that would benefit from strategically-placed bus-only facilities		X			
Safety/Security					
Increase law enforcement and Metro security presence throughout the system, including a new Community Policing Plan and a new Policing contract			X		
Increase public awareness of Customer Code of Conduct and additional public messaging on safety/security			X	X	

RIDERSHIP INITIATIVES - IMMEDIATE ACTION PLAN

Bold: Status Update in Attachment A

Updated: Aug 18, 2015

Action Item	Goals				
	Attract New Markets	Customer Focused Service	Remove Barriers to Transit Use	Get the Word Out	Partnerships
Use Transit Watch information to develop targeted campaigns to specific market segments		X			
Customer Amenities					
Implement Wifi on buses and trains for customer amenity, security data feed, and faster TAP autoloads		X			
Improve the accuracy and reliability and expand placement of real-time arrival countdown clocks at rail stations and high-volume bus stops		X		X	
Investigate onboard train amenities such as strap hangers, bike racks/holders, seating configuration options, static vs digital location indicators/maps		X			
Implement a strategic parking management plan that optimizes use for transit riders		X			
Improve customer content and sound quality on Transit Passenger Information Systems (TPIS) and Public Address (PA) Announcements		X		X	
Fare Subsidies					
Explore the option of developing an Off-Peak Downtown LA Rail Pass that offers excess off-peak capacity at a reduced rate	X		X		
Outreach to employers, large education institutions and government agencies to increase sales of Annual Transit Access Pass (ATAP), Business Transit Access Pass (BTAP), and Institutional Transit Access Pass (ITAP)	X		X		X
Partner with Metro Joint Development and other high density residential, mixed-use and affordable housing units to include a transit pass as part of Home Owner Association (HOA) fees	X		X		X
Marketing/Outreach/Promotions					
Encourage late night/recreation ridership	X			X	
Develop an interactive frequent network map that shows different service levels depending on the trip and time a rider is planning		X		X	

RIDERSHIP INITIATIVES - IMMEDIATE ACTION PLAN

Bold: Status Update in Attachment A

Updated: Aug 18, 2015

Action Item	Goals				
	Attract New Markets	Customer Focused Service	Remove Barriers to Transit Use	Get the Word Out	Partnerships
Pop-up/open streets events to cross-promote Metro for bike/ped/rideshare coordination				X	X
Social media promotions				X	
Develop a customer loyalty reward program such as the Montreal Merci, Singapore Travel Smart Rewards, or Minneapolis-St. Paul Ride to Rewards programs		X			X
Partnerships					
Identify and implement a pilot effort with a ridehailing company such as Uber or Lyft to provide first mile connection from home to a transit center, or last mile connection from a transit center to employment center			X		X
Identify and implement a pilot effort with a ridehailing company such as Uber or Lyft to provide first/last mile service to/from a major event or venue event			X		X
Implement promotional event(s) for 2016 Foothill and Expo Line openings	X			X	
Partner with a 3rd party app developer to collect traveller information from their customers			X		X
Work with 3rd party app developers to promote Metro, including cross promotions, providing travel information, service alerts, and other information				X	X
Lead the nation's efforts to identify ways to reverse the national decline in bus ridership, including participating in OCTA's APTA Peer Review on Ridership Trends					X
Establish a panel of peer agencies to review and share ridership trends and strategies to increase ridership					X
Integrate frequent bus network with local street network and transportation plans, including LA City's Mobility Plan					X
Coordinate bus/bicycle planning					X

**ATTACHMENT C
RIDERSHIP INITIATIVES - OTHER RIDERSHIP INCREASE STRATEGIES**

Updated: Aug 18, 2015

Action Item	Goals				
	Attract New Markets	Customer Focused Service	Remove Barriers to Transit Use	Get the Word Out	Partnerships
Service Design					
Consider developing tailored subscription bus service to meet specific major employer travel demand	X	X			
Service Management					
Hire and train additional Vehicle Operations Supervisors to allow for rapid response task forces to be deployed during major service interruptions		X			
Pilot project to control bus bunching on Wilshire BRT using Operator-facing software such as VIA Analytics product		X			
Transit Priorities/Technology					
Explore options for countdown clocks at rail stations and high-use bus stops (Orange Line can serve as a pilot)		X			
Explore options to increase transit priorities for Expo Rail		X			
Install queue jumpers at congested intersections for buses to bypass congestion hot spots		X			
Investigate technology that alerts Operators of waiting passengers at multi-line stops to reduce confusion and pass-ups		X			
Work with jurisdictions to install bus lanes on key transit corridors		X			
Safety/Security					
Enhance CCTV hardware/software and streaming capabilities through Metro operating fleets to provide law enforcement and Metro Security the ability to respond quickly to an incident		X			
Continue to improve and enhance Transit Watch LA app, including providing communication between law enforcement and riders, and tools for faster/direct response in the field		X		X	

RIDERSHIP INITIATIVES - OTHER RIDERSHIP INCREASE STRATEGIES

Updated: Aug 18, 2015

Action Item	Goals				
	Attract New Markets	Customer Focused Service	Remove Barriers to Transit Use	Get the Word Out	Partnerships
Investigate options for permitting of vendors at transit centers			X		
Implementation of Mobile Data Terminal: Enhance safety and security by providing situation awareness for law enforcement and Metro Security to view CCTVs via tablet/smartphones		X			
Increase patrolling of the bus network at strategic locations		X		X	
Customer Amenities					
Attract concessionaires that provide convenience services at rail stations (e.g. dry cleaners, watch repair, fast food, farmers markets, child care, etc.)		X			X
Design facilities and equipment based on the customer preference first, including TVM and faregate orientation, information case placement, etc.		X			
Improve bus shelters (Metro Rapid)		X			
Improve customer content and sound quality on Transit Passenger Information Systems (TPIS) and Public Address (PA) Announcements		X		X	
Improved wait experience at freeway rail stations, including sound barriers, platform barrier doors, better schedule coordination between the Green and Blue, and Green and Silver Lines		X			
Systemwide comprehensive signage makeover		X			
Marketing/Outreach/Promotions					
Media partnerships to promote Metro				X	
New rider encouragement program to promote services to new residents and employees	X			X	

RIDERSHIP INITIATIVES - OTHER RIDERSHIP INCREASE STRATEGIES

Updated: Aug 18, 2015

Action Item	Goals				
	Attract New Markets	Customer Focused Service	Remove Barriers to Transit Use	Get the Word Out	Partnerships
Social media promotions, including transportation makeover videos, giveaways for participating, promotions ahead of events, etc.				X	
Create an Art Night on the Red Line with temporary art installations at each station in tandem with DTLA Art Walk dates or Art Night Pasadena				X	
Develop an "Amazing Race" type of event, using transit to access locations along a scavenger hunt				X	
Host travelling rail car concert to highlight a specific rail line				X	
Launch fitness themed events (e.g. Metro Bootcamp) that encourages incorporating transit into fitness routines/active lifestyle				X	
Produce rush hour concerts at multiple locations within the system, like the Colburn School				X	
Similar to Speed Dating on the Metro Red Line, activate Metro Mingle with an organized 'Meet-Up' theme				X	
Partnerships					
Partner with ridehailing companies such as Uber or Lyft to allow payment for their services through TAP			X		X

MOTION BY:

MAYOR ERIC GARCETTI

MTA Regular Board Meeting

June 25, 2015

Item 50: MTA Ridership

MTA should set the standard for enhancing customer service with innovation and creativity.

MTA's current customers deserve an agency that constantly seeks to improve the customer experience.

Likewise, MTA's potential customers deserve an agency that constantly seeks to attract new customers into the MTA system.

To achieve these goals, MTA must renew its focus on customer service and ensure that its departments are coordinated and attentive to these issues.

According to MTA data, MTA's ridership continues to decline.

The most recent data confirms that MTA's Average Daily Boardings are down nearly 7% from May 2014 to May 2015.

This is a troubling trend that MTA must take steps to reverse.

I, THEREFORE, MOVE that the Board instruct the CEO to:

- A. Implement the Immediate Action Plan within existing budget resources as described by the Ridership Initiatives staff report, including but not limited to beginning implementation of a frequent bus network based on the Strategic Bus Network Plan currently under development.
- B. To complement the opening of the Expo Phase 2 and Gold Line Foothill Phase 2A rail lines, develop a bus service integration plan that takes advantage of new rail service.

CONTINUED

ATTACHMENT D

- C. Continue with further evaluation of cost, benefit, and implementation of Other Ridership Increase Strategies as described by the Ridership Initiatives staff report.
- D. Include the following additional programs in the study of Other Ridership Increase Strategies:
 - 1. A list of bus service bottlenecks that would benefit from strategically-placed bus-only facilities
 - 2. A specific plan to improve the accuracy and reliability and expand placement of real-time arrival countdown clocks at rail stations and high-volume bus stops
 - 3. A revenue-neutral residential TAP purchase program similar to the Denver Regional Transportation District's Neighborhood EcoPass program
 - 4. A customer loyalty reward program such as the Montreal *Merci*, Singapore *Travel Smart Rewards*, or Minneapolis-St. Paul *Ride to Rewards* programs
- E. Report to the Board with a quarterly Ridership and Customer Service Initiatives Report beginning in September 2015.

###

**Board Report**

File #: 2015-1240, **File Type:** Informational Report

Agenda Number: 7.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 16, 2015**

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2015 YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the year-end report of **Management Audit Services** for the period ending June 30, 2015.

ISSUE

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit Services (Management Audit) on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the fourth quarter of FY 2015.

DISCUSSION

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in Management Audit: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

The summary of Management Audit activity for the fourth quarter and for the fiscal year ending June 30, 2015 is as follows:

Internal Audits: two internal audits were completed for the fourth quarter; five reports were completed for the year. As of June 30, 2015, 15 internal audits were in process.

External Audits: 34 contract audits with a total value of \$103.5 million and five incurred cost audits with a total value of \$36 million were completed during fourth quarter. Sixty-one contract pre-award audits with a total value of \$141 million and 27 incurred cost audits with a total value of \$137 million were completed for the year. Two contract pre-award audits and 42 incurred cost audits were in process.

Other Audits: Details of additional audits completed by external certified public accountants (CPAs) during the year are included in Attachment A.

Audit Follow-up and Resolution: 19 recommendations were added and 55 recommendations were closed. As of June 30, 2015, there were 46 open audit recommendations.

Management Audit's FY 2015 year-end report is included as Attachment A.

NEXT STEPS

Management Audit will provide the first quarter summary of FY 2016 audit activity to the Board at the January 2016 Finance, Budget and Audit Committee meeting.

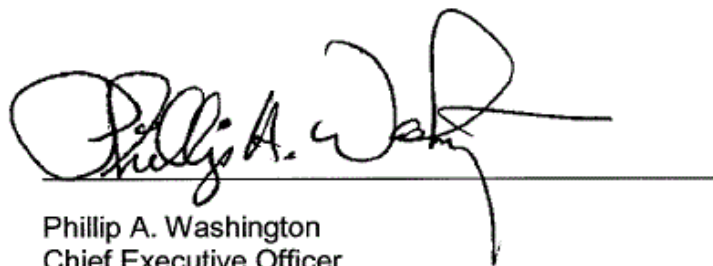
ATTACHMENTS

Attachment A - Management Audit Services Quarterly Report to the Board for the period ending June 30, 2015.

Prepared by: Monica Del Toro, Audit Administration, (213) 922-7494

Yvette Suarez, Interim Chief Auditor, (213) 922-1096

Reviewed by: Stephanie Wiggins, Deputy Executive Officer, (213) 922-1023



Phillip A. Washington
Chief Executive Officer

**MANAGEMENT AUDIT SERVICES
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan
Transportation Authority**

***YEAR-END REPORT
FY 2015***

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EXECUTIVE SUMMARY

FY15 Summary of Audit Activity

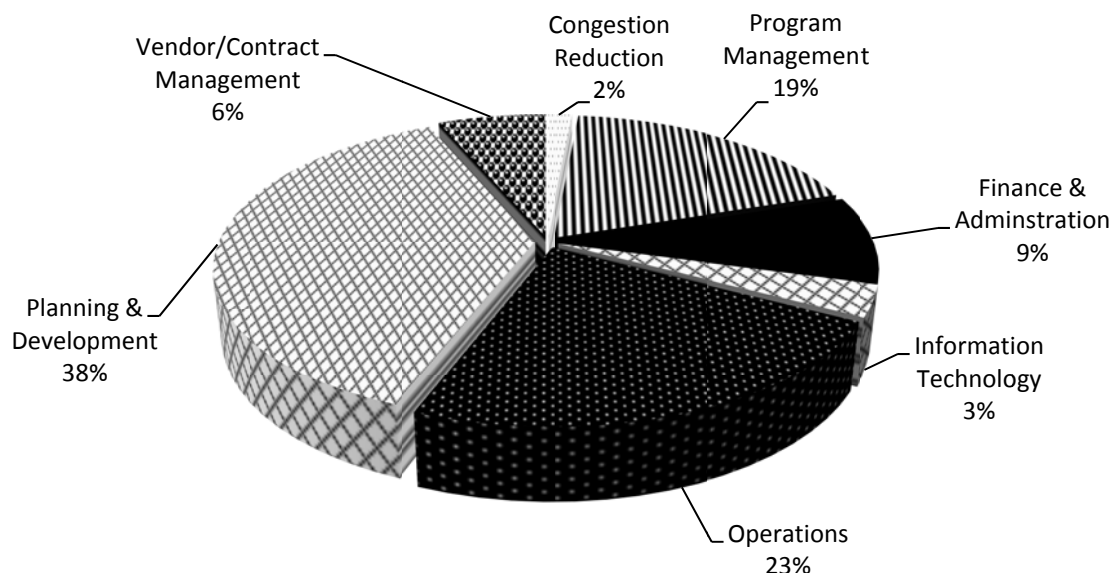
During FY 2015, 93 engagements were completed. These include:

- 17 audit reports issued in the first quarter;
- 22 audit reports issued in the second quarter;
- 13 audit reports issued in the third quarter;
- 41 audit reports issued in the fourth quarter.

The work completed in the first, second, and third quarters of FY 2015 are summarized in the quarterly reports issued in January 2015, April 2015 and June 2015. The completed audits for fourth quarter include 2 internal audit reports, 34 contract pre-award audits and 5 incurred cost audits. The completed contract pre-award and incurred cost audits are summarized on page 2 and completed internal audits begin on page 3. Fifty-nine audits were in process at the end of FY 2015.

Appendix A and B contain a list of all contract pre-award and incurred cost audit projects completed in FY 2015. Appendix C lists all internal audits completed during FY 2015. Appendix D lists all internal audits in process as of June 30, 2015.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during FY 2015:



During FY 2015, 19 recommendations were added and 55 recommendations were closed. As of June 30, 2015, there were 46 open audit recommendations.

EXTERNAL AUDITS

Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During FY 2015, we completed 61 audits, reviewing a net value of \$141 million. Auditors questioned \$24 million or 17% of the proposed costs. The 61 audits supported procurements in the following areas:

- 12 Regional Planning, including Corridor projects, procurements;
- 9 Capital projects procurements;
- 9 Regional Rail projects procurements;
- 7 Airport Connector project Procurements;
- 6 Bikeshare project Procurements;
- 6 Highway projects Procurements;
- 4 Light Rail Vehicle Acquisition project/Bus Buy procurements;
- 3 ExpressLanes project Procurements;
- 2 for the Transit Access Pass/Universal Fare System project procurements;
- 2 Communication Systems Equipment procurement; and
- 1 Business Interruption Fund Management procurement.

Two contract pre-award audits were in process as of June 30, 2015.

Details on Contract Pre-Award Audits completed during FY 2015 are in Appendix A.

Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, and various other transportation related projects, including Caltrans projects. The purpose of the audits is to ensure that grantees spend funds in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 27 audits during FY 2015. We reviewed \$137 million of funds and identified \$5.6 million of unused funds that may be reprogrammed by Planning and Development for other projects. Forty-two incurred cost audits were in process as of June 30, 2015.

Details on Incurred Cost Audits completed during FY 2015 are in Appendix B.

INTERNAL AUDITS

Management Audit completed five internal audit reports in FY 2015. Fifteen internal audits were in process as of June 30, 2015. A list of the internal audits in process is in Appendix D.

Details of the two internal audits completed during the fourth quarter are listed below in the order of the magnitude of risks that their findings represent to the agency.

Performance Audit of Mobile Devices

The objective of this audit was to determine the adequacy of management and security of smartphone and cellphone mobile devices.

We found that Information Technology Services has adequate controls over the acquisition process, internal billing process and the process for decommissioning devices. However, the governance approach could be improved by better management oversight and increased security of mobile devices equipment. Management agrees with the finding and has already taken steps to resolve the issue.

Performance Audit of Operations Training Tracking System

The objective of the audit was to evaluate general and application controls over the Operations Training Tracking System.

We found that general and application controls for Operations Training Tracking System are adequate. However, ITS is not actively overseeing users' accounts for status and role changes, agency-wide. In addition, the process to deactivate users' accounts upon termination is not adequately set-up and the process to update transferred users' accounts is not being followed. Management agrees with the findings and has already taken steps to resolve the issue.

OTHER AUDITS

Other audits completed during FY15 by external CPA firms include:

Measure R Audit – Issued November 2014

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. Bazilio Cobb Associates (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2014. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures. As required by law, BCA presented their audit report to the Measure R Oversight Committee on February 9, 2015.

Proposition A and C Special Revenue Funds Audit – Issued December 2014

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by the MTA with the provisions of Propositions A and C. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2014. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Proposition A and Proposition C revenues and expenditures. As required by law, BCA presented their audit report to the Independent Citizens Advisory and Oversight Committee on January 8, 2015.

Basic Financial Statements – All parts Issued by February 2014

An audit of our financial statements by an independent CPA firm is required annually. We retained KPMG, LLP to conduct the audit for the fiscal year FY14. The following reports include MTA's basic financial statements and following component audits for the year ended June 30, 2014.

- Basic Financial Statement Report;
- Single Audit Reports which include:
 - 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; and
 - Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133;
- Federal Funding Allocation Data Transportation Operating Agency (ID# 9154) and Management Letter;
- Federal Funding Allocation Data L.A. County Small Operators (ID# 9166) and Management Letter;

OTHER AUDITS

- Transportation Development Act Operations Agency Year ended June 30, 2014;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency Schedule of Revenues, Expenditures, and Changes in Fund Balances;
- State Transit Assistance Special Revenue Fund Basic Financial Statements;
- Service Authority for Freeway Emergencies Financial Statements and Other Supplementary Information; and
- Independent Auditors' Statement on Auditing Standards 114 letter covering required communications.

The audit found our financial statements to present fairly, in all material respects. Three internal control matters were noted in the management letter for the Federal Funding Allocation Data Transportation Operating Agency (9154) report. In addition, they found two significant deficiencies in the Report on Compliance with Requirements Applicable to Each Major Program. Management has agreed to correct those issues. Management Audit will follow-up to ensure they are being addressed.

PTSC - MTA Risk Management Authority Basic Financial Statements – Issued March 2014

In October 1998, the Public Transportation Services Corporation (PTSC) and the Los Angeles County Metropolitan Transportation Authority (LACMTA) entered into a joint powers agreement to create the PTSC-MTA Risk Management Authority (PRMA) for the purpose of establishing and operating a program of cooperative self-insurance and risk management. An audit of PRMA's financial statements by an independent CPA firm is required annually. We retained BCA to conduct the audit for the fiscal year ended June 30, 2014. BCA found that PRMA's financial statements present fairly, in all material respects.

Audited Financial Statements of Metro ExpressLanes – Issued January 2015

Metro ExpressLanes started as a one-year demonstration program to test innovations in order to improve existing transportation systems in three sub-regions: the San Gabriel Valley, Central Los Angeles, and the South Bay. In April 2014, the Board of Directors voted unanimously for the ExpressLanes on the I-110 and I-10 Freeways to become permanent. An audit of the financial statements of Metro ExpressLanes, an enterprise fund of the LACMTA, was performed by Vasquez & Company, LLP (Vasquez) for the year ended June 30, 2014 and the period from November 10, 2012 to June 30, 2013. Vasquez found that the financial statements present fairly, in all material respects.

OTHER AUDITS

State Transportation Improvement Program (STIP) and Planning Programming and Monitoring (PPM) - Issued January 2015

In August 2012, Metro entered into a Reimbursement Agreement (Agreement) with Caltrans to provide planning, programming and monitoring of projects for the development and preparation of the Regional Transportation Improvement Program. Metro is required to comply with the Agreement and to ensure that STIP (PPM) funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement. Mayer Hoffman McCann (MHM), CPA completed a financial and compliance audit of The State Transportation Improvement Program (STIP) for the period August 22, 2012 through December 20, 2013. MHM found that the financial schedule presents fairly, in all material respects.

Gateway Center & Union Station Properties Financial Statements and Independent Auditor's Reports – Issued January 2015

The MTA acquired the Union Station and Gateway Center properties in April 2011. We contracted BCA to conduct an audit of the financial statements for these two entities for the year ended June 30, 2014. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

Consolidated Audit – Issued various dates

These financial and compliance audits are needed to ensure that the recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration guidelines. Vasquez & Company and Simpson & Simpson performed the audits of Financial Statements of the Proposition A Local Return Fund, Proposition C Local Return fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund for various cities for the year ended June 30, 2014.

In addition to the Measure R audits delivered to the various cities, the auditors issued two audits that were presented to the Measure R Oversight Committee as required by Ordinance. The respective auditors will follow up on the findings identified in these audits in the following years' audits.

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During FY 2015, 19 recommendations were added and 55 recommendations were closed. At the end of this quarter, there were 46 outstanding audit recommendations. The table below summarizes the fourth quarter activity.

Summary of MAS and External Audit Recommendations As of June 30, 2015

Executive Area	Closed or Completed in Apr.	Closed or Completed in May	Closed or Completed in Jun.	Late	Extended	Not Yet Due/Under Review	Total Open Recom.
Program Management						4	4
Finance and Administration			1			3	3
Information Technology						7	7
Operations					11		11
Planning and Development			13		18		18
Vendor/Contract Management			1			3	3
Totals			15		29	17	46

Appendix A

Contract Pre-Award Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Contractor	Requirement	Date Completed
Operations	14-OPS-A10 - Attestation Agreed-upon Procedures	New Flyer	Contractual	7/2014
Finance & Administration	14-OPS-A08A - Attestation Agreed-upon Procedures	Cubic Transportation Systems, Inc.	Contractual	7/2014
Finance & Administration	14-OPS-A08B - Attestation Agreed-upon Procedures	Robnett Electric, Inc.	Contractual	7/2014
Program Management	14-CON-A03A - Attestation Agreed-upon Procedures	J.L. Patterson & Associates, Inc.	Contractual	8/2014
Program Management	14-CON-A03B - Attestation Agreed-upon Procedures	Parsons Brinkerhoff, Inc.	Contractual	8/2014
Program Management	14-CON-A02 - Attestation Agreed-upon Procedures	RailPros, Inc.	Contractual	9/2014
Operations	14-OPS-A14 - Attestation Agreed-upon Procedures	ARINC, Inc.	Contractual	9/2014
Vendor/Contract Management	15-ADM-A01- Attestation Agreed-upon Procedures	Del Richardson & Associates	Contractual	10/2014
Program Management	15-HWY-A02 - Attestation Agreed-upon Procedures	Parsons Transportation Group	Contractual	10/2014

Appendix A

Contract Pre-Award Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Contractor	Requirement	Date Completed
Program Management	15-HWY-A01 - Attestation Agreed-upon Procedures	TranSystems Corporation	Contractual	10/2014
Planning & Development	15-PLN-A07 - Attestation Agreed-upon Procedures	Cambridge Systematics, Inc.	Contractual	11/2014
Operations	15-OPS-A03 - Attestation Agreed-upon Procedures	Kinkisharyo International LLC	Contractual	11/2014
Program Management	15-HWY-A03 - Attestation Agreed-upon Procedures	CH2M Hill, Inc.	Contractual	11/2014
Operations	14-OPS-A11 - Attestation Agreed-upon Procedures	Kinkisharyo International LLC	Contractual	11/2014
Operations	15-OPS-A01 - Attestation Agreed-upon Procedures	New Flyer of America, Inc.	Contractual	12/2014
Program Management	15-CON-A01A - Attestation Agreed-upon Procedures	JL Patterson & Associates, Inc.	Contractual	12/2014
Program Management	15-CON-A01B - Attestation Agreed-upon Procedures	MARRS Services, Inc.	Contractual	12/2014
Program Management	15-CON-A01C - Attestation Agreed-upon Procedures	Kal Krishnan Construction Services, Inc.	Contractual	12/2014

Appendix A

Contract Pre-Award Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Contractor	Requirement	Date Completed
Program Management	15-CON-A01D - Attestation Agreed-upon Procedures	URS Corporation	Contractual	12/2014
Program Management	15-CON-A01E - Attestation Agreed-upon Procedures	Safework, Inc.	Contractual	12/2014
Vendor/Contract Management	15-ADM-A02 - Attestation Agreed-upon Procedures	Pacific Coast Regional Small Business Development Corporation	Contractual	12/2014
Program Management	15-CON-A04B - Attestation Agreed-upon Procedures	HNTB	Contractual	2/2015
Program Management	15-CON-A04A - Attestation Agreed-upon Procedures	Biggs Cardosa Associates	Contractual	2/2015
Planning & Development	15-CON-A07 - Attestation Agreed-upon Procedures	AECOM Technical Services, Inc.	Contractual	3/2015
Congestion Reduction	15-PLN-A19 - Attestation Agreed-upon Procedures	Jacobs Engineering Group, Inc.	Contractual	3/2015
Congestion Reduction	15-PLN-A16 - Attestation Agreed-upon Procedures	CDM Smith, Inc.	Contractual	3/2015
Program Management	15-PLN-A17 - Attestation Agreed-upon Procedures	Mark Thomas & Company, Inc.	Contractual	3/2015

Appendix A

Contract Pre-Award Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Contractor	Requirement	Date Completed
Planning & Development	15-PLN-A18 - Attestation Agreed-upon Procedures	AECOM Technical Services, Inc.	Contractual	4/2015
Operations	15-OPS-A07 - Attestation Agreed-upon Procedures	ARINC (Rockwell Collins)	Contractual	4/2015
Program Management	15-CON-A03A - Attestation Agreed-upon Procedures	STV Incorporated	Contractual	4/2015
Program Management	15-CON-A03B - Attestation Agreed-upon Procedures	Pacific Railway Enterprises, Inc.	Contractual	5/2015
Planning & Development	15-PLN-A23B - Attestation Agreed-upon Procedures	Parsons Brinckerhoff, Inc.	Contractual	5/2015
Planning & Development	15-PLN-A25 - Attestation Agreed-upon Procedures	Moore Iacofano Goltsman, Inc.	Contractual	5/2015
Planning & Development	15-PLN-A24B - Attestation Agreed-upon Procedures	LSA Associates, Inc.	Contractual	5/2015
Planning & Development	15-PLN-A24A - Attestation Agreed-upon Procedures	AECOM Technical Services, Inc.	Contractual	5/2015
Program Management	15-CON- A05 - Attestation Agreed-upon Procedures	Arcadis US, Inc.	Contractual	6/2015

Appendix A

Contract Pre-Award Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Contractor	Requirement	Date Completed
Planning & Development	15-PLN-A21C - Attestation Agreed-upon Procedures	Accel Employment Services, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A21E - Attestation Agreed-upon Procedures	Toole Design Group, LLC	Contractual	6/2015
Planning & Development	15-PLN-A21D - Attestation Agreed-upon Procedures	Alameda Park Street Bicycles, Inc.	Contractual	6/2015
Program Management	15-CON- A03C - Attestation Agreed-upon Procedures	J.L. Patterson & Associates, Inc.	Contractual	6/2015
Program Management	15-PLN-A22C - Attestation Agreed-upon Procedures	ICF International	Contractual	6/2015
Program Management	15-PLN-A22B - Attestation Agreed-upon Procedures	WKE, Inc.	Contractual	6/2015
Program Management	15-PLN-A22A - Attestation Agreed-upon Procedures	Parsons Transportation Group, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A21A - Attestation Agreed-upon Procedures	Bicycle Transit Systems, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A21B - Attestation Agreed-upon Procedures	B-Cycle, LLC	Contractual	6/2015

Appendix A

Contract Pre-Award Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Contractor	Requirement	Date Completed
Planning & Development	15-PLN-A21F - Attestation Agreed-upon Procedures	Kiosk Information Systems, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A27C - Attestation Agreed-upon Procedures	Arup Americas Group	Contractual	6/2015
Planning & Development	15-PLN-A23A - Attestation Agreed-upon Procedures	JM Diaz, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A27E - Attestation Agreed-upon Procedures	Hatch Mott MacDonald, LLC	Contractual	6/2015
Planning & Development	15-PLN-A27D - Attestation Agreed-upon Procedures	Innovative Engineering Group, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A27A - Attestation Agreed-upon Procedures	Gruen Associates	Contractual	6/2015
Planning & Development	15-PLN-A27G - Attestation Agreed-upon Procedures	The Solis Group	Contractual	6/2015
Planning & Development	15-PLN-A27F - Attestation Agreed-upon Procedures	Lenax Construction Services, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A27B - Attestation Agreed-upon Procedures	Grimshaw Architects, P.C.	Contractual	6/2015

Appendix A

Contract Pre-Award Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Contractor	Requirement	Date Completed
Congestion Reduction	15-PLN-A30 - Attestation Agreed-upon Procedures	Parson Brinckerhoff, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A29A - Attestation Agreed-upon Procedures	Parsons Transportation Group, Inc.	Contractual	6/2015
Planning & Development	15-PLN-A29B - Attestation Agreed-upon Procedures	Parsons Transportation Group, Inc.	Contractual	6/2015
Program Management	15-PLN-A22D - Attestation Agreed-upon Procedures	Guida Surveying, Inc.	Contractual	6/2015
Program Management	15-CON-A02C - Attestation Agreed-upon Procedures	Ninyo & Moore, Geotechnical Consultants	Contractual	6/2015
Program Management	15-CON-A02D - Attestation Agreed-upon Procedures	Ramos Consulting Services, Inc.	Contractual	6/2015
Program Management	15-CON-A02A - Attestation Agreed-upon Procedures	MARRS Services Inc.	Contractual	6/2015

Appendix B

Incurred Cost Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Grantee	Requirement	Date Completed
Program Management	14-PLN-A16 - Closeout	Caltrans	Contractual	8/2014
Program Management	14-PLN-A28 - Closeout	City of El Segundo	Contractual	8/2014
Program Management	13-PLN-A04 - Closeout	I-5 Joint Powers Authority	Contractual	8/2014
Planning & Development	12-PLN-G09 - Closeout	County of Los Angeles	Contractual	8/2014
Planning & Development	12-PLN-A12 - Closeout	County of Los Angeles	Contractual	8/2014
Planning & Development	14-PLN-A17 - Closeout	City of Los Angeles	Contractual	9/2014
Program Management	14-PLN-A15 - Closeout	Caltrans	Contractual	9/2014
Program Management	13-PLN-A02 - Closeout	Caltrans	Contractual	9/2014
Planning & Development	12-PLN-A11 - Closeout	City of Los Angeles	Contractual	9/2014

Appendix B

Incurred Cost Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Type	Grantee	Requirement	Date Completed
Planning & Development	14-PLN-A20- Closeout	City of Los Angeles	Contractual	10/2014
Planning & Development	14-PLN-A32- Closeout	City of Los Angeles	Contractual	10/2014
Planning & Development	14-PLN-A30 - Closeout	City of Redondo Beach	Contractual	10/2014
Planning & Development	14-PLN-A29 - Closeout	County of Los Angeles	Contractual	10/2014
Planning & Development	14-PLN-A19 - Closeout	County of Los Angeles	Contractual	11/2014
Program Management	12-PLN-A13 - Closeout	Caltrans	Contractual	11/2014

Appendix C

Internal Audit FY 2015 - Audits Completed During Fiscal Year				
Area	Audit Number & Title	Description	Risk	Date Completed
Congestion Reduction	12-HCP-P01 - Performance Audit of Metro Freeway Service Patrol	Evaluate project management and contract performance.	High	9/2014
Operations	13-OPS-P03 - Performance Audit of ATMS Utilization	Evaluate the efficiency and effectiveness ATMS utilization.	High	12/2014
Finance & Administration	11-MET-F01 - Performance Audit of Metrolink Use of TAP Funds	Validate costs claimed were allowable and allocable, adequately supported and met the objectives of grant terms and conditions.	High	12/2014
Information Technology	14-ADM-P01 - Performance Audit of Mobile Devices	Evaluate efficiency and effectiveness of mobile device security and controls for personal usage.	High	4/2015
Operations	14-OPS-P03 - Performance Audit of Operations Training Tracking System	To evaluate efficiency and effectiveness of Operations Training and Tracking System.	High	6/2015

Appendix D

Internal Audit FY 2015 - Progress Toward Completing Audit Plan			
Area	Audit Number & Title	Description	Estimated Date of Completion
Finance & Administration	10-ACC-F04 - Chart of Accounts	Verify that the Chart of Accounts adequately reflects the current business process and reporting needs.	7/2015
Operations	13-OPS-P02 - Non-Revenue Vehicle Usage (Agencywide)	Evaluate efficiency and effectiveness of bus division non-revenue vehicle usage.	8/2015
Operations	13-OPS-P06 - Contracted Bus Services	Evaluate the efficiency and effectiveness of contracted bus services contracts.	9/2015
Vendor / Contract Management	13-ADM-P01 - RFP Process	Assess efficiency and effectiveness and timeliness of Procurement's RFP processes.	9/2015
Operations	13-OPS-P04 - Operations KPI Audit	Evaluate the accuracy and completeness of Operations KPIs.	10/2015
Vendor / Contract Management	13-ADM-O02 - Automated Storage and Retrieval System Phase I & II	Evaluate the adequacy of internal controls over the Automated Storage and Retrieval System (ASRS).	10/2015
Planning & Development	14-EDD-P01 - Real Estate Property Management Follow-up	Evaluate accuracy and completeness of tracking real estate properties in Real Property Management System.	10/2015
Program Management	14-TPD-P01 - Construction Change Order Process	Evaluate the efficiency and effectiveness of the construction change order process including effectiveness of estimating process.	11/2015
Vendor / Contract Management	13-CEO-P01 - Cost Estimating Process	Assess efficiency and effectiveness and timeliness of Procurement's cost estimating process.	11/2015
Operations	12-OPS-P01 - Rail Overhead and Maintenance	Evaluate the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program.	12/2015

Appendix D

Internal Audit FY 2015 - Progress Toward Completing Audit Plan			
Area	Audit Number & Title	Description	Estimated Date of Completion
Operations	12-ROP-001 - Wayside System	Evaluate effectiveness of maintenance of the Rail signaling systems.	12/2015
Finance & Administration	10-ACC-F01 - Accounts Receivable	Validate adequacy of current policies and procedures.	1/2016
Vendor / Contract Management	12-ADM-I01 - Contract Information Management System	Assess the system implementation process to acquire, design, test and implement the Contract Information Management System that meets specific functionalities required by the MTA business processes.	1/2016
Program Management	12-CON-P03 - I-405 Follow-up	Verify if management's corrective actions from the prior audit were implemented and resulting in improvements.	12/2016
Program Management	10-CPC-K02 - Third Party Utility Relocation Agreement Efficiency	Assess the adequacy and effectiveness of the Third Party Utility Relocation.	12/2016

**Board Report**

File #: 2015-1104, **File Type:** Contract

Agenda Number: 8.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 16, 2015**

SUBJECT: GENERAL LIABILITY CLAIMS ADMINISTRATION SERVICES

ACTION: EXERCISE THE FIRST THREE-YEAR OPTION

RECOMMENDATION

AUTHORIZING the Chief Executive Officer to execute Contract Modification No. 4 to Contract No. PS05312717, with **Carl Warren & Company, for general liability claims administration services**, to exercise the first three-year option in the amount of \$7,721,051 increasing the total contract value from \$10,307,876 to \$18,028,927 and extending the contract term from October 31, 2015 to October 31, 2018.

ISSUE

Contract No. PS05312717 currently provides public liability and property damage third-party claims administration (TPA) services. The contract consists of a four-year base period and two, three-year options for a combined total of \$25,896,641.

On August 4, 2011, the Board authorized the CEO to award the ten year and two month fixed-price contract to CWC in an amount of \$25,896,641 for all ten years inclusive of two, three-year options. CWC was awarded the contract with a base term from September 1, 2011 to October 31, 2015. CWC was the lowest priced proposer at the time and based on our assessment of industry conditions and regional economic growth occurring since the contract award in 2011, pricing has hardened in the interim. Staff conducted a market price assessment in August 2015 by contacting four of the original proposers. The two proposers who responded to our inquiry have increased their original proposed price of claims administration services by 3-5%.

The Board approved a motion at the June 26, 2014 Board meeting requiring all requests to exercise contract options exceeding \$500,000 annually to be approved by the Board. This motion effectively rescinded the CEO's authority to execute a contract modification to exercise the options under this contract.

We are returning to the Board for authorization to exercise the first three-year option. Staff has determined that the previously negotiated option prices with CWC are fair, reasonable and will result in cost savings to Metro. The approval of this action is required to continue processing public liability claims timely and seamlessly.

DISCUSSION

Consistent with practice of many other public agencies including the County of Los Angeles, the Los Angeles Unified School District and others, we use the services of a TPA to investigate, evaluate and resolve all general liability claims, primarily bus accidents, valued at \$50,000 or less. More than 95% of claims received are valued at less than \$50,000, including minor property damage and bodily injury claims. In 1998, we assumed responsibility for claims administration in-house for claims valued at \$50,000 and greater; thereby, reducing contract costs and allowing for better control of high value claims by our executive management and improved coordination with counsel.

Subrogation of losses against a responsible third party is also part of the services provided by the TPA. Over the last seven years, we received gross recoveries of more than \$1 million annually from subrogation or cross complaints and the TPA receives an incentive fee on subrogated cash receipts. Contract incentives for subrogation recoveries are consistent with industry best practice since they encourage the TPA to recover as much as possible from third parties.

We received 2,848 claims in fiscal year 2013, 2,715 claims in fiscal year 2014 and 2,618 claims in fiscal year 2015. The open general liability claim inventory on July 31, 2015 was 2,183 claims. Processing claims with an inventory of this size requires the issuance of approximately 700 payments monthly to claimants, attorneys, experts and others along with processing approximately 2,000 incoming and 1,000 outgoing pieces of mail. The expertise and infrastructure of a professional TPA in resolving these claims and litigation is essential for structuring a competitive and cost-effective program.

Our current TPA, CWC, provides staff and management of 24 individuals to support claims administration in-house at the Gateway Plaza building on the 10th floor in Risk Management. CWC staff provides claims adjusting, 1099 and W-9 processing, initial claim data entry as well as investigation services. They receive a 20% incentive fee on subrogated cash receipts which is less than the 25% considered middle of the industry practice range. CWC is providing satisfactory claims administration and subrogation services. CWC subrogation recoveries exceeded \$1.1 million in each of the prior four years of the contract.

CWC was by far the lowest price proposer out of seven proposers in the competitive procurement process. CWC was also the highest scoring proposer using the weighted values defined in the original RFP document. Attachment A summarizes the procurement activity. Under the current contract, CWC meets their 21.8% commitment to small business participation through the use of subcontractor Sam Hooper and Associates. Although not a requirement at the time, the small business subcontractor is also a qualified DBE.

CWC has been in the claims industry for over 70 years and has handled claims for such clients as Long Beach Transit, Gardena Transit, County of Los Angeles, California Joint Powers Insurance Authority, Santa Clara Valley Transportation Authority and San Mateo County Transit District.

Attachment B provides the history of contract amendments and modifications.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The funding for eight months of \$1,715,789 for this action is included in the FY16 budget in cost center 0531, Non-Departmental - Risk Management, under project 100018 (PRMA-PLPD).

Since this is a multi-year contract, the Executive Director, Risk, Safety, and Asset Management will be accountable for budgeting the cost in future years. In FY15, \$2,525,595 was expensed on this contract.

Impact to Budget

Approval of this action has no impact on the FY16 budget. The sources of funds for this action are bus and rail operations eligible. No other sources of funds were considered for this activity because TPA services almost exclusively support bus and rail operations.

ALTERNATIVES CONSIDERED

Staff considered a new procurement action for TPA services but prefers to exercise the first of two, three-year options. On-boarding a new contractor requires significant staff resources, lead time and opportunity costs to complete the estimated twelve-month procurement process. Once the new contractor is issued the notice to proceed, a transition period of six to twelve months could be expected. New staff will need to be trained on the RiskMaster claims administration system, learn the internal claims administration process and then develop valuable internal contacts to facilitate adjusting the claims timely and efficiently. We did not consider a new procurement as a viable option given the availability of option years, on-boarding costs and the need to renew the current contract on a month-to-month basis during the transition in the event another contractor prevailed in the solicitation process.

We also considered providing the service through Metro in-house staff. This alternative would require the hiring of up to 30 additional qualified full-time staff to administer the general liability claims currently administered by CWC. CWC currently provides 24 dedicated claims staff as well as additional off-site non-dedicated staff for support activities. Hiring and retaining full-time staff would be very challenging for Metro because we would need to attract, train and retain a sufficient number of qualified employees in this industry's highly competitive market. Staff's assessment indicates this is not a cost effective option for Metro since the cost to self-administer would be similar, if not more, than the costs of contracting for this service.

NEXT STEPS

Upon Board approval of this action, staff will execute a contract modification with CWC under the current Contract No. PS05312717, exercising the first three-year option from November 1, 2015 to October 31, 2018.

ATTACHMENTS

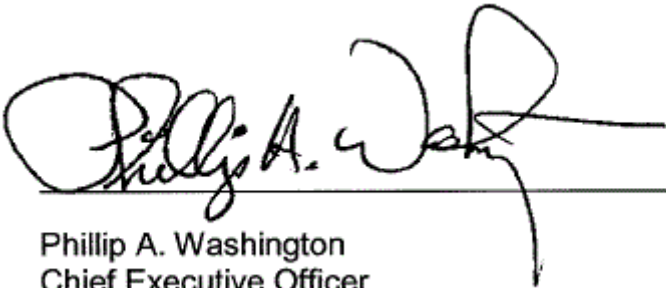
Attachment A - Procurement Summary

Attachment B - Contract Modification/Change Order Log

Prepared by: Tim Rosevear, Risk Financing Manager, (213) 922-6354

Reviewed by: Greg Kildare, Executive Director, Risk, Safety, and Asset Management, (213) 922-4971

Ivan Page, Interim Executive Director, Vendor/Contract Management, (213) 922-6383



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

GENERAL LIABILITY CLAIMS ADMINISTRATION SERVICES
PS05312717

1.	Contract Number: PS05312717			
2.	Contractor: Carl Warren & Company			
3.	Mod. Work Description: Exercise first three-year option			
4.	Contract Work Description: Provide public liability/property damage general liability claims third party administrative services.			
5.	The following data is current as of: 08/14/15			
6.	Contract Completion Status		Financial Status	
	Contract Awarded:	August 23, 2011	Contract Award Amount:	\$10,307,876
	Notice to Proceed (NTP):	August 23, 2011	Total of Modifications Approved:	\$0
	Original Complete Date:	October 31, 2015	Pending Modifications (including this action):	\$7,721,051
	Current Est. Complete Date:	October 31, 2018	Current Contract Value (with this action):	\$18,028,927
7.	Contract Administrator: Maria V. Lechuga		Telephone Number: (213) 922-7206	
8.	Project Manager: Juanita Welch		Telephone Number: (213) 922-4956	

A. Procurement Background

This Board Action is to approve Modification No. 4 for PS05312717 issued to exercise first three-year option.

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

On August 4, 2011, Contract No. PS05312717, Item #29, was approved by the Metro Board. The contract provides for general liability claims administering services for Metro. The contract was awarded on August 23, 2011, to Carl Warren & Company. The contract firm fixed prices are for a 4-year and two-month base with two, three-year options in the amount \$25,896,641 for all ten years.

(Refer to Attachment B – Contract Modification/Change Order Log)

B. Cost/Price Analysis

Option years were fully negotiated at the time of contract award authorization and determined to be fair and reasonable. CWC was the lowest priced proposer at the time and based on our assessment of industry conditions, it is believed that pricing has not decreased. With regional economic growth occurring since the contract award in 2011, it is anticipated that market pricing may have increased.

Proposal Amount	Metro ICE	Negotiated Amount
\$7,721,051	\$7,721,051	\$7,721,051

C. Small Business Participation

Carl Warren & Company made a 21.8% Disadvantaged Business Enterprise (DBE) Anticipated Level of Participation (DALP) commitment. Current DBE participation is 22.25%. In October 2014, the Diversity & Economic Opportunity Department (DEOD) approved Carl Warren's request to substitute Fu-Gen, Inc., a DBE firm that is no longer in business. Carl Warren added Sam Hooper & Associates, a DBE. Carl Warren is currently exceeding their DALP commitment.

SMALL BUSINESS COMMITMENT	21.8% DALP	SMALL BUSINESS PARTICIPATION	22.25% DALP

	DBE Subcontractors	Ethnicity	% Committed	Current Participation¹
1.	Fu-Gen, Inc.	African American	21.8%	17.75%
2.	Sam Hooper	African American	Added	4.50%
		Total	21.8%	22.25%

D. Living Wage Service Contract Worker Policy

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

E. Prevailing Wage Applicability

Prevailing wage is not applicable to this modification.

CONTRACT MODIFICATION/CHANGE ORDER LOG
GENERAL LIABILITY CLAIMS ADMINISTRATION SERVICES
PS05312717

Mod. No.	Description	Date	Amount
1	Additional scope for Workers' Compensation Subrogation and related services	October 28, 2014	\$0
2	Amend Special Provision 11, Subrogation, for additional requirements to task	October 28, 2014	\$0
3	Revise Special Provision 04, Approved Subcontractors & Suppliers, to replace subcontractor	November 20, 2014	\$0
4	Pending Board Approval		\$7,721,051
	Total:		\$7,721,051



Board Report

File #: 2015-1227, **File Type:** Resolution

Agenda Number: 9.

**REGULAR BOARD MEETING
OCTOBER 22, 2015**

SUBJECT: GENERAL REVENUE BONDS AND UNDERWRITER POOL

ACTION: AUTHORIZE REFUNDING OF BONDS AND APPOINT BOND UNDERWRITERS

RECOMMENDATION

A. ADOPTING a resolution:

1. authorizing **the issuance of refunding bonds by negotiated sale to refund the 2004 General Revenue Refunding Bonds** (the “2004 GRRBs”) in one or more transactions through June 30, 2016, consistent with the Debt Policy;
2. approving the forms of the supplemental trust agreement, preliminary official statement and such other documents as required and all as subject to modification as set forth in the Resolution;
3. authorizing taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the 2015 General Revenue Refunding Bonds (the “2015 GRRBs”), and approves related documents on file with the Board Secretary; and
4. prohibiting the subsequent issuance of General Revenue Bonds or Parity Debt under the General Revenue Trust Agreement except for refunding bonds.

B. **APPOINTING the underwriter team** selected for the 2015 GRRBs transaction(s) as shown in Attachment B.

C. **ESTABLISHING an underwriter pool**, as shown in Attachment B, that will be used to select underwriters for all future negotiated debt issues through June 30, 2019.

(REQUIRES SEPARATE SIMPLE MAJORITY VOTE OF THE BOARD)

(CARRIED OVER FROM SEPTEMBER BOARD CYCLE)

ISSUE

Currently low interest rates provide an opportunity to lock in fixed interest rates to refund our \$86,175,000 outstanding 2004 GRRBs, which were originally issued as weekly auction rate securities (“ARS”) in 2004, in combination with an interest rate swap to produce a synthetic fixed rate of 3.501%. During the financial crisis in 2008, the ARS market failed and it continues to fail, causing investors to be unable to sell their bonds. We were able to refund approximately half of the bonds to fixed rate in 2010 through a tender program, buying the bonds back from owners at a discount. We would like to refund the remaining failed ARS while interest rates continue to be low.

DISCUSSION

ARS bear an interest rate that changes weekly based on the results of an auction process to investors. Following the financial collapse in 2008, and demise of the bond insurers, there has not been an active market for these bonds. When the auction fails, as it has since then, the weekly interest rate is set by formula at 225% of the one-month London Interbank Offered Rate (“LIBOR”). The one-month LIBOR rate is now only about 0.20%, meaning we pay approximately 0.45% on the bonds. Because these bonds are now illiquid, this rate is especially unattractive to investors. Replacing this failed security would be a positive for LACMTA’s relationship with bond investors.

Although current short-term interest rates are extremely low, and thus what was designed as a penalty rate is not burdensome, the cost to LACMTA is expected to increase as interest rates rise. For example, the 10 year average for one-month LIBOR is 1.75%, which would result in an interest rate of approximately 4%.

To avoid these cost increases as the market returns to more normal interest rate levels, we need to refund the ARS into another type of bond. These variable rate bonds were originally matched with an interest rate swap to create a “synthetically” fixed-rate obligation. With falling interest rates since 2009, the fixed rate was higher than the current market, and the swap was terminated at no cost last year. Replacing the failed ARS with a traditional fixed-rate bond financing is recommended. This will allow us to lock in a fixed rate at current low levels for the remaining life of the bonds, through fiscal 2027.

The General Revenue Bonds are rated A1/A+ as of September 1, 2015, by Moody’s and S&P respectively, because the first source of payment for the bonds is farebox revenues, with a subordinate pledge of Prop A, Prop C and certain other funds in the event farebox revenues are not sufficient to pay debt service. Because of the unusual type of revenue pledge and the lower ratings, the negotiated bond sale method is recommended. A negotiated bond sale is justified under the Debt Policy criteria for Method of Bond Sale due to the need to have the underwriters available well in advance of the bond sale because this particular structure is unfamiliar to many of our investors. The underwriters will pre-market the issue, assist with the rating process and advise on market timing for pricing the bonds.

In addition to appointing underwriters for the 2015 GRRBs transaction, we are recommending the establishment of a pool of underwriters to be used in all future negotiated sales. The pool will enable us to move more quickly in forming financing teams when a negotiated sale is the recommended approach for a bond issue. For subsequent negotiated sales, underwriter(s) will be selected from the pool, using a mini-RFP process. Selecting the underwriters early in the process will enable us to

benefit from their participation in structuring the debt, bond document development and preparation for credit presentations.

Consistent with our Debt Policy, the underwriting team is recommended based on a competitive Request For Proposal (RFP) process conducted by KNN, our general financial advisor. RFPs were distributed in March 2015 to 29 firms and 24 proposals were received. Members of LACMTA's Treasury staff and our financial advisors reviewed the proposals, evaluating them based on the criteria listed in the RFP. The twelve firms that were ranked the highest by the review team are recommended for inclusion in the pool. The underwriting pool will be retained through June 30, 2019. See Attachment B, Summary of Underwriter Selection.

The underwriters selected for the 2015 GRRBs transaction are the highest ranked member of the pool and the two highest ranked minority owned firms.

Included in the Resolution and in the Supplemental Trust Agreement is language that amends the General Revenue Trust Agreement so that no further General Revenue Bonds can be issued on parity with the current bonds, other than refunding bonds. Our Debt Policy specifically says that we will not issue any additional General Revenue Bonds and we have not issued any General Revenue Bonds, other than refunding bonds, since 1995. By making this legally binding, it should provide an additional level of security to rating agencies and bondholders and does not impose an undue burden on us as we do not have any plans to use General Revenue Bonds as a source of borrowing.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety.

FINANCIAL IMPACT

The costs of issuance for this refunding were not budgeted in FY16 due to the uncertainty related to completing any refunding. The costs of issuance including underwriting fees for this transaction will not affect the FY16 Budget since they will be covered by the proceeds of the bond issue.

General Revenue debt service is accounted for in cost center 0521, project #610309. The 2004 GRRBs refunded bonds that financed the construction cost of the Gateway Headquarters Building and the debt service is allocated as rent cost to departments housed in the Gateway building.

ALTERNATIVES CONSIDERED

Authorization of the refunding and the appointment of the underwriters could be delayed, but would continue to expose us to significantly higher interest costs in the future if interest rates were to rise. This option is not recommended.

The selection of an underwriting pool may either be deferred or not be put into place. This option is not recommended. The Debt Policy identifies that for a negotiated bond sale, the financial advisor will conduct a competitive process to select underwriters, either for a specific bond issue or through the establishment of a pool of underwriters to be used for bond issues over a defined time period.

With a pool, it will be much faster and easier to move forward with negotiated transactions because a new solicitation process will not have to be done each time, which could save us several months in a volatile interest rate environment as we try to get to market.

NEXT STEPS

- Obtain ratings on the bonds, finish legal documentation, distribute the Preliminary Official Statement to potential investors, and initiate the pre-marketing effort.
- Negotiate the sale of the bonds with the underwriter.

ATTACHMENTS

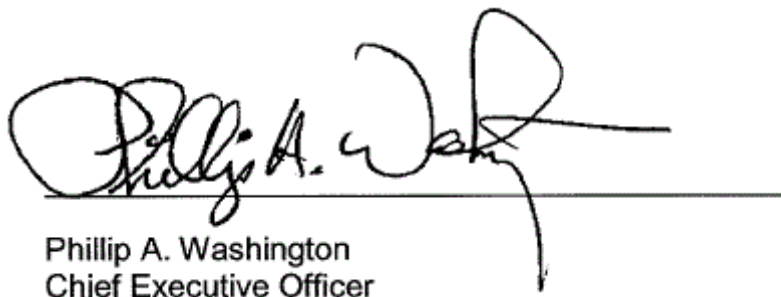
Attachment A - Authorizing Resolution

Attachment B - Summary of Underwriter Selection

Attachment C - Form of the 7th Supplemental Trust Agreement

Prepared By: Donna R. Mills, Treasurer, (213) 922-4047
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Reviewed By: Nalini Ahuja, Executive Director, Finance and Budget,
(213) 922-3088



Phillip A. Washington
Chief Executive Officer

Authorizing Resolution

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE OF ITS GENERAL REVENUE REFUNDING BONDS (UNION STATION GATEWAY PROJECT), SERIES 2015 IN AN AGGREGATE PRINCIPAL AMOUNT SUFFICIENT TO REFUND ITS GENERAL REVENUE REFUNDING BONDS (UNION STATION GATEWAY PROJECT), SERIES 2004-A, SERIES 2004-B, SERIES 2004-C AND SERIES 2004-D; PROVIDING FOR THE FORM OF SUCH BONDS AND OTHER TERMS WITH RESPECT TO SUCH BONDS; PROVIDING FOR THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO; AND AUTHORIZING OFFICERS, AGENTS AND EMPLOYEES TO PERFORM DUTIES AND TAKE ACTIONS IN ACCORDANCE WITH THIS RESOLUTION

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA") is a county transportation commission duly organized and existing pursuant to Section 130000 *et seq.* of the California Public Utilities Code and is authorized to issue bonds under Section 130500 *et seq.* of the California Public Utilities Code (the "Authorizing Act"); and

WHEREAS, the LACMTA has heretofore issued \$197,050,000 in aggregate principal amount of its outstanding General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004-A, Series 2004-B, Series 2004-C and Series 2004-D (collectively, the "Series 2004 Bonds"); and

WHEREAS, pursuant to the Authorizing Act, the LACMTA is authorized to issue refunding bonds in one or more series for the purpose of refunding any bonds then outstanding if the LACMTA makes a determination that it is in the public interest to issue refunding bonds pursuant to the terms or conditions of the refunding; and

WHEREAS, on July 22, 2010, LACMTA purchased and cancelled \$79,620,000 of the Series 2004 Bonds with the proceeds of its General Revenue Refunding Bonds(Union Station Gateway Project), Series 2010-A; and

WHEREAS, the Board of the LACMTA desires to permit the issuance of the Bonds herein authorized so long as the issuance thereof complies with the provisions of the Debt Policy of the LACMTA; and

WHEREAS, the LACMTA has determined that it is in the public interest of the LACMTA and the residents of Los Angeles County to issue bonds in one or more series entitled the Los Angeles County Metropolitan Transportation Authority General Revenue Refunding Bonds, Series 2015 (the "Bonds"), in an aggregate principal amount sufficient to refund the outstanding Series 2004 Bonds; and

WHEREAS, there has been made available in the Board Secretary's office to the LACMTA the form of a Seventh Supplemental Trust Agreement (the "Seventh Supplemental Trust Agreement") between the LACMTA and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), which Seventh Supplemental Trust Agreement authorizes the issuance of the Bonds and amends certain provisions of the Trust Agreement, dated as of January 1, 1995 (as heretofore supplemented, "Trust Agreement"), by and between the LACMTA and the Trustee; and

WHEREAS, in accordance with Article X of the Trust Agreement, the Trust Agreement will be amended pursuant to the Seventh Supplemental Trust Agreement to clarify procedures for issuance of debt secured by Proposition A and Proposition C, effect the proposed amendment authorized under the

Sixth Supplemental Trust Agreement dated as of July 1, 2010, by and between the Authority and the Trustee, and to change the definition of the term “Authorized Authority Representative” in the Trust Agreement; and

WHEREAS, subsequent to the issuance of the Bonds, the LACMTA has determined that no Bonds or Parity Debt (as defined in the Trust Agreement) except for refunding bonds may hereafter be issued under the Trust Agreement;

WHEREAS, there has been made available in the Board secretary's office to the LACMTA a form of a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to be executed by the LACMTA as required by Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”); and

WHEREAS, there has been made available in the Board secretary's office to the LACMTA the form of an Escrow Agreement (the “Escrow Agreement”) between the LACMTA and The Bank of New York Mellon Trust Company, N.A., as escrow agent, providing for the refunding of the Series 2004 Bonds; and

WHEREAS, there has been made available in the Board secretary's office to the LACMTA the form of a Preliminary Official Statement to be used in connection with the sale of the Bonds (the “Preliminary Official Statement”) which describes the Bonds, the LACMTA and the LACMTA’s operations and finances; and

WHEREAS, the LACMTA has been advised by its bond counsel that the foregoing documents are in appropriate form, and the LACMTA hereby acknowledges that said documents will be modified and amended to reflect the various final terms of the Bonds and said documents are subject to completion to reflect the results of the sale of the Bonds; and

WHEREAS, the LACMTA has determined that it is in its best interest to provide for a negotiated sale of the Bonds to one or more underwriters to be selected by the Authority (collectively, the “Underwriters”); and

WHEREAS, there has been available in the Board secretary's office to the LACMTA the form of a Purchase Contract (the “Purchase Contract”), by and between the LACMTA and the Underwriters for the initial purchase and sale of the Bonds;

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

Section 1. **Findings.** Each of the above recitals is true and correct and the LACMTA so finds and determines. The issuance of the Bonds is in the public interest of the LACMTA and the residents of Los Angeles County.

Section 2. **Issuance of Bonds; Term of Bonds.** For the purpose of refunding the Series 2004 Bonds, the LACMTA hereby authorizes the issuance of its Bonds in one or more series through June 30, 2016. The LACMTA hereby specifies that the aggregate principal amount of the Bonds shall be an amount sufficient (taking into account any original issue discount and premium) to refund \$86,175,000 in aggregate principal amount of the Series 2004 Bonds and to provide for the Underwriters’ discount and payment of costs of issuance. The Bonds shall mature not later than July 1, 2027, shall bear interest at the rates per annum, be subject to redemption, if any, and have such other terms, all as set forth in the Seventh Supplemental Trust Agreement. The Bonds shall be in substantially the form set forth in the Seventh Supplemental Trust Agreement with necessary or appropriate variations, omissions and insertions as permitted or required by the Seventh Supplemental Trust Agreement or as appropriate to adequately reflect the terms of the Bonds and the obligations represented thereby. No Bonds shall bear interest at a rate

in excess of 6% per annum. The Bonds shall be issued in fully registered form in minimum denominations of \$5,000 or any integral multiple thereof. Each of the Chief Executive Officer, the Executive Director, Finance and Budget, the Treasurer and any Assistant Treasurer of the LACMTA or any other Designated Officer (as defined below), acting in accordance with this Section 2, is hereby authorized to determine the actual aggregate principal amount of Bonds to be issued and to direct the execution and authentication of said Bonds in such amounts. Such direction shall be conclusive as to the principal amounts hereby authorized.

Section 3. **Designated Officers.** The LACMTA hereby appoints the Chief Executive Officer, Executive Director, Finance and Budget, the Treasurer and any Assistant Treasurer of the LACMTA or any such officer serving in an acting or interim capacity, and any written designee of any of them under the terms of this Resolution and the Seventh Supplemental Trust Agreement as designated officers (each, a “Designated Officer”). The Designated Officers are, and each of them is, hereby authorized and directed to perform those duties set forth in the Documents (as defined below). The Designated Officers are, and each of them is, also authorized to make representations, certifications and warranties concerning the Bonds and to take such other actions and execute such other documents as are necessary to issue the Bonds and to purchase bond insurance or other credit enhancement described under Section 10 hereof, if desirable, for some or all of the Bonds and to refund the Series 2004 Bonds.

Section 4. **Special Obligations.** The Bonds shall be special obligations of the LACMTA secured by and payable from Pledged Revenues and Remaining Sales Tax (as such terms are defined in the Trust Agreement) and other amounts pledged therefor.

Section 5. **Execution of Bonds.** Each of the Bonds shall be executed on behalf of the LACMTA by a Designated Officer or any one or more thereof and any such execution may be by manual or facsimile signature, and each Bond shall be authenticated by the endorsement of the Trustee. Any facsimile signature of a Designated Officer or any one or more thereof shall have the same force and effect as if such officer had manually signed each of said Bonds.

Section 6. **Sale of the Bonds.** The LACMTA hereby authorizes the sale of the Bonds through a negotiated sale to the Underwriters pursuant to the Purchase Contract. The Bonds, if sold to the Underwriters, shall be sold subject to an underwriters’ discount (excluding original issue discount) not to exceed .5% of the aggregate principal amount of the Bonds, subject to the terms and conditions set forth in the Purchase Contract.

Section 7. **Approval of Documents.** The forms, terms and provisions of the Seventh Supplemental Trust Agreement, the Continuing Disclosure Certificate, the Escrow Agreement and the Purchase Contract (collectively, the “Documents”) are in all respects approved, and the Designated Officers are, and each of them is, hereby authorized and directed to execute, acknowledge and deliver each of the Documents including counterparts thereof, in the name and on behalf of the LACMTA and the LACMTA’s corporate seal is hereby authorized (but not required) to be affixed or imprinted on each of the Documents. The Documents, as executed and delivered, shall be in substantially the forms on file with the Board Secretary and hereby approved, with such changes therein as shall be approved by the Designated Officer or Officers executing the same, which execution shall constitute conclusive evidence of the LACMTA’s approval of any and all changes or revisions therein from the forms of the Documents now before this meeting; and from and after the execution and delivery of the Documents the officers, agents and employees of the LACMTA are, and each of them is, hereby authorized and directed to take all such actions and to execute all such documents as may be necessary to carry out and comply with the provisions of the Documents.

Section 8. **Preliminary Official Statement.** The distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds in substantially the form of the draft thereof made available at this meeting, with such changes therein as shall be approved by the Designated Officers, individually or collectively, is hereby authorized and approved. The Preliminary Official Statement shall

be circulated for use in selling the Bonds at such time as a Designated Officer (after consultation with the LACMTA's financial advisors and bond counsel and such other advisors as the Designated Officer believes to be useful) shall deem the Preliminary Official Statement to be final within the meaning of the Rule, said determination to be conclusively evidenced by a certificate signed by the Designated Officer to such effect. Each Designated Officer is hereby authorized to make such determination.

Section 9. **Official Statement.** Prior to the delivery of the Bonds, the LACMTA shall provide for the preparation, execution, delivery, publication and distribution of a final Official Statement relating to the Bonds in substantially the form of the draft Preliminary Official Statement on file with the Board Secretary. The Designated Officers are, and each of them is, hereby authorized and directed to execute and deliver the final Official Statement in the name and on behalf of the LACMTA. The execution thereof shall constitute conclusive evidence of the LACMTA's approval of any and all changes or revisions therein from the form of the Preliminary Official Statement.

Section 10. **Credit Enhancement; Surety.** Each of the Designated Officers is hereby authorized to obtain municipal bond insurance or any other guarantee of payment of the principal of and interest on the Bonds and to obtain a surety bond or other credit facility covering all or a portion of the reserve fund for the Bonds, and to execute and deliver any financial guaranty or reimbursement agreement with the providers thereof, all upon such terms as shall be satisfactory to such Designated Officer.

Section 11. **Additional Authorization.** The Designated Officers and all officers, agents and employees of the LACMTA, for and on behalf of the LACMTA, are hereby authorized and directed to take any and all actions necessary or desirable to effect the execution and delivery of the Bonds, the Seventh Supplemental Trust Agreement, the Continuing Disclosure Certificate, the Escrow Agreement, the Purchase Contract and the final Official Statement and to carry out the transactions contemplated therein, including without limitation investment agreements with respect to the Bonds and the Series 2004 Bonds. The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments that may be necessary or desirable in order to carry out the authority conferred by this Resolution or the provisions of the Documents. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of the purposes of this Resolution are hereby confirmed, ratified and approved.

Section 12. **Bond Counsel and Disclosure Counsel.** The LACMTA hereby confirms, ratifies and approves the appointment of Hawkins Delafield & Wood LLP as bond counsel and disclosure counsel to the LACMTA in connection with the issuance and sale of the Bonds.

Section 13. **Severability.** The provisions of this Resolution are hereby declared to be severable and if any section, phrase or provision shall for any reason be declared to be invalid, such sections, phrases and provisions shall not affect any other provision of this Resolution.

Section 14. **Effective Date.** The effective date of this Resolution shall be the date of its adoption.

CERTIFICATION

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
GENERAL REVENUE REFUNDING BONDS
(UNION STATION GATEWAY PROJECT), SERIES 2015

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2015.

Michele Jackson
Board Secretary

Date: _____, 2015

Summary of Underwriter Selection

Recommended Firms for 2015 General Revenue Refunding Bonds

Position	Firm	Alloc.
Senior Manager	Siebert Brandford Shank & Co., L.L.C.	60%
Co-Manager	Wells Fargo Bank, N.A.	25%
Co-Manager	Ramirez & Co., Inc.	15%

Proposed Price (Takedown): \$2.00 per \$1,000 of Bonds (0.2% of the bond issue)

The takedown is normally the largest component of the spread, similar to a commission, which represents the income the selling broker or dealer derives from the sale of the bonds. It compensates the underwriters for their work in structuring the transaction, marketing the transaction, and underwriting any bonds that are not pre-sold to investors. Note that the actual takedown rate varies by bond maturity and will be in accordance with the senior manager's proposal. The takedown rates for all the firms will be at the rates of the senior manager. Out of pocket expenses will be an additional charge.

Recommended Firms for Underwriting Pool (in alphabetical order)

Bank of America Merrill Lynch
Barclays Capital Inc.
Citigroup Global Markets Inc.
Drexel Hamilton LLC (Disabled veteran owned firm)
J.P. Morgan Securities LLC
Loop Capital Markets LLC (Minority owned firm)
Morgan Stanley
Ramirez & Co., Inc. (Minority owned firm)
RBC Capital Markets, LLC
Siebert Brandford Shank & Co., L.L.C. (Minority owned firm)
Stifel, Nicolaus & Company, Incorporated
Wells Fargo Bank, N.A.

Evaluation of Proposals

The Request For Proposals (“RFP”) was sent on March 13, 2015 to 29 firms who had previously expressed interest in serving as underwriter on our bonds or were known as active in the California market. Proposals were due April 2, 2015 and were received from the 24 firms listed below:

List of Proposers
Bank of America Merrill Lynch
Barclays Capital Inc.
BOSC, Inc.
Cabrera Capital Markets
Citigroup Global Markets Inc.
Drexel Hamilton LLC
Fidelity Capital Markets
First Tennessee National
Goldman Sachs & Co.
Hutchinson, Shockey, Erley & Co.
Jefferies
J.P. Morgan Securities LLC
Loop Capital Markets LLC
Mesirow Securities
Morgan Stanley
Piper Jaffray
Ramirez & Co., Inc.
RBC Capital Markets
Siebert Brandford Shank & Co., LLC
Stern Brothers & Co.
Stifel, Nicolaus & Company, Incorporated
Wells Fargo Bank, N.A.
Williams Capital Group
US Bancorp

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

- Relevant experience of the firm and its individuals 40%
- Quality of the proposal 30%
- Capabilities of the firm of underwriting & distributing LACMTA’s debt 30%

Relevant experience included transportation debt, transportation fare box revenues and experience working directly with TIFIA, and working on debt that was secured by revenues that also secured TIFIA loans. One factor that was considered in

evaluating the capabilities of a firm was the demonstrated commitment of a firm in bidding on our recent competitive bond issues. The RFP also included questions about providing specific suggestions for the structuring of the 2015 GRRBs and our debt program, in general. The selection committee made up of four staff and two of our financial advisors reviewed all proposals and scored the firms based on the evaluation criteria. The twelve firms that ranked the highest are being recommended for inclusion in the underwriting pool.

Part of the review process included determining the preferred approach to structuring the General Revenue refunding bonds, which, together with experience with related securities, weighed heavily in the selection of the firms recommended for the 2015 GRRBs underwriting. These recommendations also reflect the LACMTA's Debt Policy of finding opportunities to contract with small, local and disadvantaged firms; given the relatively small size of the transaction, this bond issue provides an opportunity to fulfill this policy goal. The senior manager and one of the two co-managers are minority owned firms. The third member of the recommended underwriting team is a large broker-dealer with strong marketing and distribution capabilities. A key factor in evaluating the firms' capabilities was the level of their participation in prior competitive bids for LACMTA bonds, and their performance in such bids.

HDW Draft – 8/20/15

SEVENTH SUPPLEMENTAL TRUST AGREEMENT

between

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of [Dated Date]

Supplemental to the Trust Agreement dated as of January 1, 1995, as supplemented

Providing for issuance of

**Los Angeles County
Metropolitan Transportation Authority**

**[\$[Principal Amount]
General Revenue Refunding Bonds
(Union Station Gateway Project),
Series 2015**

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SEVENTH SUPPLEMENTAL TRUST AGREEMENT

Providing for Issuance of

Los Angeles County Metropolitan Transportation Authority

[\$[Principal Amount] General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015

This SEVENTH SUPPLEMENTAL TRUST AGREEMENT (the “Seventh Supplement”), dated as of [Dated Date], is made by and between the LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, a county transportation commission duly organized and existing pursuant to Section 130050 of the California Public Utilities Code (the “Authority”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as successor trustee (the “Trustee”), and supplements that certain Trust Agreement, dated as of January 1, 1995, by and between the Authority and the Trustee (as successor trustee to Harris Trust and Savings Bank), as supplemented and amended to the date hereof (the “Agreement”).

The Authority intends to accomplish a refunding of its outstanding General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004-A, Series 2004-B, Series 2004-C and Series 2004-D (collectively, the “Series 2004 Bonds”) by issuing its General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015 (the “Series 2015 Bonds”), under the terms of the Agreement and this Seventh Supplement, and using proceeds of the Series 2015 Bonds to optionally redeem the Series 2004 Bonds. Such refunding will mitigate risks to the Authority of market volatility related to the Series 2004 Bonds and provide other benefits to the Authority. The Series 2015 Bonds will be issued as an additional Series of Bonds pursuant to the Agreement on parity with Outstanding Bonds, as provided in the Agreement. In addition, pursuant to this Seventh Supplement and in accordance with the Agreement, the Agreement will be amended and supplemented.

ARTICLE 1

DEFINITIONS; INTERPRETATION

Section 1.01. Definitions.

(a) Except as otherwise provided in Section 1.01(b), all words, terms and phrases used herein which are defined in the Agreement shall have the same meaning herein as in the Agreement.

(b) The following words, terms and phrases used herein shall have the following meanings:

“Agreement” means the Trust Agreement, dated as of January 1, 1995, by and between the Authority and the Trustee, as amended and supplemented from time to time.

“Authorized Denomination” means \$5,000 and any integral multiple thereof.

“Bond Counsel” means Hawkins Delafield & Wood LLP. or other nationally recognized bond counsel selected by the Authority.

“Bondholder” means the Registered Owner of any Series 2015 Bond, including DTC or its nominee as the sole Registered Owner of all Book-Entry Bonds.

“Book-Entry Bonds” means the Series 2015 Bonds held by DTC (or its nominee) as the Registered Owner thereof pursuant to the terms and provisions of Section 2.06 hereof.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in Los Angeles, California or New York, New York, or the Trustee is required or authorized to be closed, or (iii) a day on which the New York Stock Exchange is closed.

“Closing Date” means the date of original issuance and delivery of the Series 2015 Bonds.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate dated as of the date of issuance of the Series 2015 Bonds executed by the Authority.

“Costs of Issuance” means all costs and expenses incurred by the Authority in connection with the issuance of the Series 2015 Bonds, including, but not limited, to costs and expenses of printing and copying documents and the Series 2015 Bonds; the fees, costs and expenses of rating agencies, the Trustee, the Trustee’s counsel, Bond Counsel and Disclosure Counsel, accountants, financial advisors and other consultants; and the underwriting fee.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent under the Escrow Agreement, and any successor thereto.

“Escrow Agreement” means the Escrow Agreement, dated as of [Dated Date], by and between the Authority and the Escrow Agent, as amended and supplemented in accordance with its terms.

“Escrow Fund” means the escrow fund established under the Escrow Agreement and held by the Escrow Agent.

“Interest Payment Date” means January 1 and July 1, commencing January 1, 2016.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds book-entry bonds as securities depository.

“Participating Underwriter” means any of the original underwriters of the Series 2015 Bonds required to comply with the Rule in connection with the offering of the Series 2015 Bonds.

“Registered Owner” means the Person in whose name any Series 2015 Bond is registered pursuant to Article II of the Agreement.

“Registrar” means, for purposes of this Seventh Supplement, the Trustee or any successor registrar appointed pursuant to the Agreement.

“Regular Record Date” means the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

“Representation Letter” means the Letter of Representations from the Authority to DTC.

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

“Series 2004 Bonds” means the Authority’s outstanding General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004-A, Series 2004-B, Series 2004-C and Series 2004-D.

“Series 2015 Bonds” means the Los Angeles County Metropolitan Transportation Authority General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015.

“Series 2015 Costs of Issuance Fund” means the Fund of that name created pursuant to Section 4.01 hereof.

“Seventh Supplement” means this Seventh Supplemental Trust Agreement, dated as of [Dated Date], by and between the Authority and the Trustee, providing for the issuance of the Series 2015 Bonds.

“Special Record Date” means the date and time established by the Trustee for determination of which Bondholders shall be entitled to receive overdue interest on the Series 2015 Bonds pursuant to Section 2.03(b)(iii) hereof.

“Tax Agreement” means the Tax Compliance Agreement of the Authority, dated the closing date of the Series 2015 Bonds, with respect to tax matters relating to the Series 2015 Bonds.

Section 1.02. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Seventh Supplement.

Section 1.03. Actions by Authority. Except as otherwise expressly provided herein, for all purposes of the Agreement and this Seventh Supplement with respect to the Series 2015 Bonds, the Authorized Authority Representative shall be authorized to act upon behalf of the Authority.

ARTICLE 2

THE SERIES 2015 BONDS

Section 2.01. Authority; Purpose; Principal and Interest Provisions.

(a) The Series 2015 Bonds are issued pursuant to the Act and the Agreement and constitute an additional Series of Bonds issued pursuant to Article II of the Agreement.

(b) The Series 2015 Bonds are issued for the purpose of refunding the Series 2004 Bonds. The Authority will use proceeds of the Series 2015 Bonds, together with moneys transferred pursuant to

Section 2.07(a) hereof, to pay the redemption price of the Series 2004 Bonds and to pay Costs of Issuance.

The Series 2015 Bonds shall be secured by a prior lien on, and are payable from, Pledged Revenues and Remaining Sales Tax and otherwise, all as provided in the Agreement, and are otherwise subject to the terms of the Agreement, except that otherwise provided on this Seventh Supplement. The Authority may, but is not obligated to, provide for payment of principal or redemption price of and interest on the Series 2015 Bonds from any other source or from any other funds of the Authority.

(c) The Series 2015 Bonds shall be designated as “Los Angeles County Metropolitan Transportation Authority General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015” in the original aggregate principal amount of \$[Principal Amount]. The Series 2015 Bonds shall be issued in Authorized Denominations and shall be dated the Closing Date.

(d) The Series 2015 Bonds shall mature on the dates in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (July 1)	Principal Amount	Interest Rate
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(e) The Series 2015 Bonds shall be in substantially the form set forth in Exhibit A hereto. The form of any Series 2015 Bond shall be subject to such variations, omissions and insertions as may be necessary.

Section 2.02. Payments of Principal, Redemption Price and Interest: Persons Entitled Thereto.

(a) The principal or redemption price of each Series 2015 Bond shall be payable when due, upon surrender of such Series 2015 Bond to the Trustee at its designated office, by check, provided that any Registered Owner of \$1,000,000 or more in aggregate principal amount of the Series 2015 Bonds may, upon written request given to the Trustee at least 15 days prior to the maturity or redemption date designating an account in a domestic bank, be paid by wire transfer of immediately available funds; provided further, however, that while the Series 2015 Bonds are Book-Entry Bonds, payment of principal or redemption price of the Book-Entry Bonds shall be made as provided in Section 2.05 hereof. Such payments shall be made to the Registered Owner of the Series 2015 Bond so surrendered, as shown on the registration books maintained by the Registrar on the date of payment.

(b) (i) Each Series 2015 Bond shall bear interest (A) from the date of authentication, if authenticated on an Interest Payment Date to which interest has been paid or duly provided for in full, or (B) from the last preceding Interest Payment Date to which

interest has been paid or duly provided for in full (or from the Closing Date, if no interest thereon has been paid or duly provided for).

(ii) Subject to the provisions of subparagraph (iii) below, the interest due on any Series 2015 Bond on any Interest Payment Date shall be paid to the Registered Owner of such Series 2015 Bond as shown on the registration books kept by the Registrar as of the Regular Record Date.

(iii) If the available funds under this Seventh Supplement are insufficient on any Interest Payment Date to pay the interest then due, the Regular Record Date shall no longer be applicable with respect to the Series 2015 Bonds. If funds for the payment of such overdue interest thereafter become available, the Trustee shall immediately establish a special interest payment date for the payment of the overdue interest and a Special Record Date (which shall be a Business Day) for determining the Registered Owners entitled to such payments. Notice of such date so established shall be sent by mail by the Trustee to each Registered Owner at least ten days prior to the Special Record Date, but not more than 30 days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Registered Owners, as shown on the registration books kept by the Registrar as of the close of business on the Special Record Date.

(iv) All payments of interest on the Series 2015 Bonds shall be paid to the persons entitled thereto pursuant to subsection (b)(ii) above by check and sent by mail on the Interest Payment Date, provided that any Registered Owner of \$1,000,000 or more in aggregate principal amount of the Series 2015 Bonds may, upon written request given to the Trustee at least 15 days prior to an Interest Payment Date designating an account in a domestic bank, be paid by wire transfer of immediately available funds; provided, however, that while the Series 2015 Bonds are Book-Entry Bonds, payment of interest on Book-Entry Bonds shall be made as provided in Section 2.05 hereof.

Section 2.03. Terms of Redemption of Series 2015 Bonds.

(a) Optional Redemption of Series 2015 Bonds. The Series 2015 Bonds maturing on or before July 1, ____, are not subject to optional redemption prior to their stated maturities. The Series 2015 Bonds maturing on or after July 1, ____, shall be subject to optional redemption, in whole or in part, upon forty-five (45) days written notice to the Trustee by the Authority of its intention to optionally redeem, on any date on or after July 1, ____, from any available source of funds of the Authority, at a redemption price equal to the principal amount of the Series 2015 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption shall be in such order of maturity as the Authority shall designate.

(b) Selection of Series 2015 Bonds for Redemption. Whenever provision is made in this Seventh Supplement for the redemption of less than all of the Series 2015 Bonds of a particular maturity, the Trustee shall select the Series 2015 Bonds to be redeemed from all Series 2015 Bonds of such maturity, or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, the Trustee shall treat each Series 2015 Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate bond.

(c) Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any Series 2015 Bonds designated for redemption at their addresses appearing on the registration books of the Registrar. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Series 2015 Bonds (or all Series 2015 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Series 2015 Bonds within a maturity are called for redemption) bond numbers of the Series 2015 Bonds to be redeemed, the maturity or maturities of the Series 2015 Bonds to be redeemed and in the case of Series 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Series 2015 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2015 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of any Series 2015 Bonds under Section 2.03(a) above, the notice of redemption may state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to optionally redeem the Series 2015 Bonds on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Series 2015 Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Series 2015 Bonds to be optionally redeemed, such event shall not constitute an Event of Default, the Trustee shall send written notice to the Owners to the effect that the redemption did not occur as anticipated, and the Series 2015 Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of the Agreement. In addition, the Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

(d) Partial Redemption of Bonds. Upon surrender of any Series 2015 Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same interest rate and maturity.

Section 2.04. Purchase of Series 2015 Bonds in Lieu of Optional Redemption. If any Series 2015 Bond is called for optional redemption in whole or in part, the Authority may elect, as provided in this Section 2.04, to have all or part in Authorized Denominations of such Series 2015 Bonds purchased for the account of the Authority or its designee in lieu of redemption and cancellation. The purchase price of the Series 2015 Bonds purchased in lieu of optional redemption shall be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Series 2015 Bonds on the scheduled redemption date for such redemption. The Authority may direct the Trustee (or another agent appointed by the Authority to make such purchase upon behalf of the Authority) to purchase all or such specified lesser portion of the Series 2015 Bonds called for optional redemption. Any such direction to the Trustee must (i) be in writing; (ii) state either that all the Series 2015 Bonds called for redemption therein identified are to be purchased or, if less than all of the Series 2015 Bonds called for redemption are to be purchased, identify those Series 2015 Bonds to be purchased by maturity date and Outstanding principal amount in Authorized Denominations; and

(iii) be received by the Trustee no later than 12:00 noon one Business Day prior to the scheduled redemption date thereof. If so directed, the Trustee shall purchase such Series 2015 Bonds on the date which otherwise would be the optional redemption date of such Series 2015 Bonds. On or prior to the scheduled optional redemption date, any direction given to the Trustee pursuant to this Section may be withdrawn by the Authority by delivering a written direction to the Trustee. Any of the Series 2015 Bonds called for optional redemption that are not purchased in lieu of redemption shall be redeemed as otherwise required by the Agreement and this Seventh Supplement on such redemption date. No notice of the purchase in lieu of optional redemption shall be required to be given to the Owners (other than the notice of redemption otherwise required under Section 2.03(f)).

Section 2.05. Book-Entry Bonds.

(a) Except as provided in paragraph (c) of this Section 2.05, the Registered Owner of all of the Series 2015 Bonds shall be DTC and the Series 2015 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal or interest for any Series 2015 Bond registered in the name of Cede & Co. shall be made by wire transfer of the New York Clearing House or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. at the address indicated on the Regular Record Date or Special Record Date for Cede & Co. in the registration books of the Registrar.

(b) The Series 2015 Bonds shall be initially issued in the form of a separate single authenticated fully registered Series 2015 Bond for each separate stated maturity of the Series 2015 Bonds. Upon initial issuance, the ownership of such Series 2015 Bonds shall be registered in the registration books of the Registrar in the name of Cede & Co., as nominee of DTC. The Trustee, the Registrar and the Authority may treat DTC (or its nominee) as the sole and exclusive Registered Owner of the Series 2015 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2015 Bonds, selecting the Series 2015 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Agreement or this Seventh Supplement, registering the transfer of Series 2015 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the Authority shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2015 Bonds under or through DTC or any Participant or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2015 Bonds; any notice which is permitted or required to be given to Bondholders under the Agreement or this Seventh Supplement; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2015 Bonds; or any consent given or other action taken by DTC as a Bondholder. The Trustee shall pay, from funds held under the terms of the Agreement or otherwise provided by the Authority, all principal or redemption price of and interest on the Series 2015 Bonds only to DTC as provided in the Representation Letter and all such payments shall be valid and effective to satisfy and discharge fully the Authority's obligations with respect to the principal or redemption price of and interest on the Series 2015 Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2015 Bond evidencing the obligation of the Authority, to make payments of principal or redemption price and interest pursuant to the Agreement. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Regular Record Dates and Special Record Dates, the name "Cede & Co." in this Seventh Supplement shall refer to such new nominee of DTC.

(c) In the event the Authority determines that Series 2015 Bond certificates be issued, the Authority may notify DTC, the Trustee and the Registrar of such determination and then DTC will notify the Participants of the availability through DTC of Series 2015 Bond certificates. In such event, the Trustee shall authenticate and the Registrar shall transfer and exchange Series 2015 Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2015 Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and the Trustee shall be obligated to deliver Series 2015 Bond certificates as described in this Seventh Supplement. In the event Series 2015 Bond certificates are issued the provisions of the Agreement and this Seventh Supplement shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2015 Bonds to any Participant having Series 2015 Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2015 Bonds.

(d) Notwithstanding any other provision of the Agreement and this Seventh Supplement to the contrary, so long as any Series 2015 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or redemption price of and interest on such Series 2015 Bond and all notices with respect to such Series 2015 Bond shall be made, and given by the Trustee, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Agreement and this Seventh Supplement by the Authority or the Trustee with respect to any consent or other action to be taken by Owners of Series 2015 Bonds, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Section 2.06. Application of Proceeds. The proceeds of the sale of the Series 2015 Bonds shall be applied:

(a) \$_____ shall be deposited into the Escrow Fund to be applied in accordance with the Escrow Agreement; and .

(b) \$_____ shall be deposited into the Series 2015 Costs of Issuance Fund.

Section 2.07. Transferred Amounts. On the Closing Date, the Trustee shall transfer to the Escrow Agent for deposit to the Escrow Fund to be applied in accordance with the Escrow Agreement (i) \$_____ from the Series 2004 Subaccount in the Bond Principal Account and \$_____ from the Series 2004 Subaccount in the Bond Interest Account held under the Agreement (which amounts represent the monthly deposits made therein by the Authority with respect to the mandatory sinking account payment for the Series 2004 Bonds due on July 1, 2016 and interest due thereon on the next Interest Payment Date of the Series 2004 Bonds) and (ii) \$_____ from the Reserve Fund held under the Agreement.

ARTICLE 3

AMENDMENT OF AGREEMENT; ADDITIONAL BONDS

Section 3.01. Amendment of Agreement. Pursuant to Article X of the Agreement and in accordance with the terms of the Sixth Supplemental Trust Agreement dated as of July 1, 2010 by and between the Authority and the Trustee, the definition of the term “Reserve Fund Requirement” is amended to be as follows:

“Reserve Fund Requirement’ means, as of any date of calculation under the Agreement, the least of: (1) 10% of the aggregate original proceeds of all Series of the Bonds Outstanding, (2) Maximum Annual Debt Service on all the Bonds Outstanding (provided however that notwithstanding anything contained in the definition of Maximum Annual Debt Service herein, the interest rate for Variable Rate Indebtedness with respect to which there is no corresponding interest rate swap agreement or interest rate cap agreement satisfying the requirements set forth in such definition shall be assumed to be “The Bond Buyer Thirty-Year Revenue Bond Index” as last published prior to the date of determination), or (3) 125% of average Annual Debt Service on all the Bonds Outstanding. For purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement for all Bonds Outstanding, any Reserve Fund Insurance Policy deposited with the Trustee shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy.”

The owners of the Series 2015 Bonds are deemed upon the purchase thereof to have consented to this amendment to the Agreement.

(b) Pursuant to Article X of the Agreement, Section 2.13 of the Agreement is amended to be as follows:

“Section 2.13. Test for Issuance of Securities Secured by Proposition A Sales Tax and Proposition C Sales Tax.

As a condition to the issuance of any securities or other indebtedness secured by Proposition A Sales Tax or Proposition C Sales Tax on a parity with or senior to the Bonds subsequent to the issuance of the initial Bonds and initial Parity Debt issued under this Agreement, there shall be delivered to the Trustee a certificate prepared by a Consultant showing that Proposition A Sales Tax and/or Proposition C Sales Tax, as the case may be, collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed securities or other indebtedness was at least 100% of Maximum Annual Debt Service for all Bonds, Parity Debt and all other securities or other indebtedness secured by such Proposition A Sales Tax or Proposition C Sales Tax which will be Outstanding immediately after the issuance of the proposed securities or other indebtedness. As used herein, “issuance” means (i) with respect to Bonds or Parity Debt with fixed rates of interest through the term of such Bonds and Variable Rate Indebtedness other than commercial paper, the initial issuance and delivery thereof by the Authority, and (ii) with respect to commercial paper or other short-term financing facility, the date on which a commercial paper financing program or other short-term financing facility is established or the date that the maximum authorized principal amount under the financing program is modified or otherwise amended; provided that the maximum authorized principal

amount under any such commercial paper or other short-term financing program shall be used for the purpose of preparing the certificate of the Consultant required by this Section 2.13.”

(c) Pursuant to Article X of the Agreement, the definition of the term “Authorized Authority Representative” is amended to be as follows:

"Authorized Authority Representative" shall mean the Chief Executive Officer, the Executive Director, Finance and Budget, the Treasurer and any Assistant Treasurer of the LACMTA, or such other officer or employee of the Authority or other person who has been designated an agent of the Authority by any of the officers of the Authority named above or by resolution of the Authority”.

Section 3.02. Additional Bonds. The Authority covenants not to issue any Bonds or Parity Debt under the Trust Agreement subsequent to the issuance of the Series 2015 Bonds except for Bonds and Parity Debt issued in accordance with Section 2.11(c) thereof.

ARTICLE 4

PAYMENT OF COSTS OF ISSUANCE; CREATION OF SERIES 2015 ACCOUNTS

Section 4.01. Payment of Costs of Issuance. There is hereby created a separate Fund for the Series 2015 Bonds to be designated as the Series 2015 Costs of Issuance Fund, which shall be held and applied by the Trustee for the payment of Costs of Issuance as provided in this Section 4.01.

(a) As provided in Section 2.07(b) hereof, at the time of issuance and delivery of the Series 2015 Bonds, a portion of the proceeds of the Series 2015 Bonds shall be deposited into the Series 2015 Costs of Issuance Fund. Funds on deposit in such Fund shall be used to pay, or to reimburse the Authority for the payment of, Costs of Issuance. Amounts in the Series 2015 Costs of Issuance Fund shall be disbursed by the Trustee upon written requisition executed by an Authorized Authority Representative. Each such requisition shall state:

- (i) the requisition number;
- (ii) the amount to be paid to the Authority or to its designee and the method of payment;
- (iii) that each item to be paid with the requisitioned funds represents either incurred or due and payable Costs of Issuance;
- (iv) that such Costs of Issuance have not been paid from other funds withdrawn from the Series 2015 Costs of Issuance Fund; and
- (v) to the best of the signatory’s knowledge, no Event of Default has occurred and is continuing under the Agreement or any Supplemental Agreement.

(b) The Trustee shall transfer all amounts remaining in the Series 2015 Costs of Issuance Fund into the Series 2015 Subaccount of the Bond Interest Account of the Debt Service Fund to be applied on the next Interest Payment Date to pay interest on the Series 2015 Bonds upon the earlier to occur of (i) _____ 1, 2016 or (ii) receipt by the Trustee of written notice from the Authority that all Costs of Issuance have been paid and that no additional amounts from the Series 2015 Costs of Issuance Fund will

be needed to pay Costs of Issuance. At such time as no amounts remain in the Series 2015 Costs of Issuance Fund, the Series 2015 Costs of Issuance Fund shall be closed.

Section 4.02. Creation of Series 2015 Subaccount in Bond Interest Account of Debt Service Fund. There is hereby created within the Bond Interest Account of the Debt Service Fund a separate Account to be designated as the “Series 2015 Subaccount of the Bond Interest Account.” Amounts in the Series 2015 Subaccount of the Bond Interest Account will be disbursed to pay interest on the Series 2015 Bonds pursuant to the Agreement and this Seventh Supplement. All amounts held at any time in the Series 2015 Subaccount of the Bond Interest Account shall be held, invested and used by the Trustee as an integral part of the Bond Interest Account as provided in Sections 4.04 and 4.06 of the Agreement and shall be used by the Trustee to pay interest on the Bonds, when due, pursuant to the Agreement and this Seventh Supplement, as if no separate Subaccount had been created.

Section 4.03. Creation of Series 2015 Subaccount in Bond Principal Account of Debt Service Fund. There is hereby created within the Bond Principal Account of the Debt Service Fund a separate Account to be designated as the “Series 2015 Subaccount of the Bond Principal Account.” All amounts held at any time in the Series 2015 Subaccount of the Bond Principal Account shall be held, invested and used by the Trustee as an integral part of the Bond Interest Account as provided in Sections 4.04 and 4.06 of the Agreement and shall be used by the Trustee to pay principal of the Series 2015 Bonds, when due, pursuant to the Agreement and this Seventh Supplement, as if no separate Subaccount had been created.

ARTICLE 5

TAX COVENANTS

Section 5.01. Tax Covenants for Series 2015 Bonds. The Authority covenants to and for the benefit of the Owners of the Series 2015 Bonds that, notwithstanding any other provisions of Agreement, it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Series 2015 Bonds or the moneys and investments held in the funds and accounts established under the Agreement or this Seventh Supplement which would cause the Series 2015 Bonds to be arbitrage bonds under section 103(b) and Section 148 of the Code or which would otherwise cause the interest payable on the Series 2015 Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Series 2015 Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Series 2015 Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2015 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

In furtherance of the covenants in this Section 5.01, the Authority agrees that any money transferred pursuant to Section 4.06(c) of the Agreement from the Series 2015 Reserve Account, because the balance therein exceeds the Reserve Fund Requirement for the Series 2015 Bonds, shall be transferred to the Series 2015 Subaccount in the Bond Interest Account and used to pay interest on the Series 2015 Bonds.

In furtherance of the covenants in this Section 5.01, the Authority shall execute, deliver and comply with the provisions of the Tax Agreement for Series 2015 Bonds, which is by this reference incorporated into this Indenture and made a part of this Indenture as if set forth in this Indenture in full including all of the defined terms therein, and by its acceptance of this Indenture the Trustee acknowledges receipt of such Tax Agreement and acknowledges its incorporation in this Indenture by this reference. The Trustee agrees it will invest funds held under this Indenture in accordance with the terms of this Indenture (this covenant shall extend throughout the term of the Series 2015 Bonds, to all funds and accounts created under this Indenture and all moneys on deposit to the credit of any fund or account).

Section 5.02. Rebate Fund for the Series 2015 Bonds.

(a) The Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder or under the Agreement designated as the Rebate Fund for the Series 2015 Bonds (the “Rebate Fund”), which is not pledged to any Bonds. Neither the Authority nor the Owner of any Bonds shall have any rights in or claim to such money. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Authority given pursuant to the terms and conditions of the Tax Agreement. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement) for the Series 2015 Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section 5.02 and by the Tax Agreement (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written direction of the Authority including supplying all necessary information in the manner provided in the Tax Agreement, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Agreement or any other tax covenants contained herein. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no independent duty to review such calculations or enforce the compliance by the Authority with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written direction provided by the Authority.

(b) Upon the Authority’s written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Authority, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement for the Series 2015 Bonds. Computations of the Rebate Requirement shall be furnished by or on behalf of the Authority in accordance with the Tax Agreement. The Trustee shall supply to the Authority, at the Authority’s request, all necessary information in the manner provided in the Tax Agreement, to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section 6.07, other than from moneys held in the funds and accounts created under this Indenture or from other moneys provided to it by the Authority.

(d) At the written direction of the Authority, the Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the Authority's written direction, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Authority so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Authority's written direction; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States, redemption and payment of all of the Series 2015 Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Authority.

(f) Notwithstanding any other provision of this Seventh Supplement and the Agreement, including in particular Article VII, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section 5.02, Section 5.01 and the Tax Agreement shall survive the defeasance or payment in full of the Series 2015 Bonds.

ARTICLE 6

MISCELLANEOUS

Section 6.01. Continuing Disclosure. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Agreement and this Seventh Supplement, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default hereunder or under the Agreement

Section 6.02. Trustee's Agents. The Trustee or the Authority (with written notice to the Trustee) may from time to time appoint other banks, trust companies or other financial institutions to perform functions of the Trustee described in this Seventh Supplement or the Agreement, as provided in the Agreement. Such agents may include, but shall not be limited to, authenticating agents and Paying Agents. Any reference in this Seventh Supplement to the Trustee shall also refer to any agent appointed by the Trustee or the Authority to perform such functions in addition to the Trustee or shall, instead, refer only to any agent appointed by the Trustee or the Authority to perform such functions in place of the Trustee.

Section 6.03. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Seventh Supplement must be in writing except as expressly provided otherwise in this Seventh Supplement or the Series 2015 Bonds.

(b) Whenever in this Seventh Supplement or the Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Seventh Supplement or the Agreement any notice to Owners of Series 2015 Bonds shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 6.04. Limitation of Rights. Nothing expressed or implied in this Seventh Supplement or the Series 2015 Bonds shall give any person other than the Authority, the Trustee and the Holders of the Series 2015 Bonds any right, remedy or claim under or with respect to this Seventh Supplement or the Agreement.

Section 6.05. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Series 2015 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Seventh Supplement or by the Agreement.

Section 6.06. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made or the action taken on the stated date, and no interest shall accrue for the intervening period.

Section 6.07. Evidence of Acts of Owners of Series 2015 Bonds.

(a) Any request, direction, consent or other instrument provided hereby or under the Agreement to be signed and executed by the Owners of Series 2015 Bonds may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Series 2015 Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and of the Agreement and shall be conclusive in favor of the Trustee and Authority with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Series 2015 Bonds shall be proved by the registration books of the Registrar.

Nothing in this Section shall be construed as limiting the Trustee to the proof herein specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient including, without limitation, an affidavit evidencing beneficial ownership of Series 2015 Bonds while the Series 2015 Bonds are Book-Entry Bonds.

(b) Any action taken or suffered by the Trustee pursuant to any provision hereof or the Agreement, upon the request or with the assent of any person who at the time is the Owner of any Series 2015 Bond or Bonds, shall be conclusive and binding upon all future Owners of the same Series 2015 Bond or Bonds.

(c) Any request, consent, or other instrument or writing of the Owner of any Series 2015 Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 6.08. Money Held for Particular Series 2015 Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Series 2015 Bonds (or portions of Series 2015 Bonds in the case of bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Series 2015 Bonds entitled thereto, subject, however, to the provisions of Section 4.12 of the Agreement hereof but without any liability for interest thereon.

Section 6.09. Severability. If any provision of this Seventh Supplement shall be determined to be unenforceable, such determination shall not affect any other provision of this Seventh Supplement.

Section 6.10. Governing Law. This Seventh Supplement shall be governed by and construed in accordance with the laws of the State.

Section 6.11. Captions. The captions in this Seventh Supplement are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Seventh Supplement.

Section 6.12. Counterparts. This Seventh Supplement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Seventh Supplement by their officers thereunto duly authorized as of the date first written above.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Assistant Treasurer

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By _____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2015 BONDS

Unless this Series 2015 Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Los Angeles County Metropolitan Transportation Authority or its agent for registration of transfer, exchange or payment, and any Series 2015 Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
GENERAL REVENUE REFUNDING BONDS
(UNION STATION GATEWAY PROJECT) SERIES 2015**

No. R-1 \$ _____
Interest Rate Maturity Date Original Issue Date CUSIP
% _____2015

REGISTERED OWNER:

PRINCIPAL AMOUNT: \$ _____

The LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (the “Authority”), a public entity, duly organized and existing under and pursuant to the laws of the State of California (the “State”), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns (the “Owner”), but solely from the sources hereinafter mentioned, on the Maturity Date specified above the Principal Amount shown above and to pay interest hereon, but solely from the sources hereinafter referred to, at the Interest Rate shown above from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or from the date of authentication hereof if such date is on an Interest Payment Date to which interest has been paid or duly provided for, or from the Original Issue Date specified above if no interest has been paid or duly provided for, such payments of interest to be made on each Interest Payment Date until the principal or redemption price hereof has been paid or duly provided for as aforesaid. The principal or redemption price of and interest on this Bond may be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public or private debts. The principal of this Bond is payable to the Owner hereof in immediately available funds or next day funds, depending on the instructions of the Owner as described below upon presentation and surrender hereof at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A. as successor Trustee (the “Trustee”) under the Trust Agreement, dated as of January 1, 1995, as supplemented and amended (the “Trust Agreement”), including as supplemented by the Seventh Supplemental Trust Agreement, dated as of [Dated Date] (the “Seventh Supplement” and, together with the Trust Agreement, the “Agreement”) providing for the issuance of the captioned bonds (the “Series 2015 Bonds”). Interest shall be paid to the Owner hereof whose name appears on the registration books kept by the Trustee as of the close of

business on the applicable regular or special record date by check mailed to such Owner; provided that any Owner of \$1,000,000 or more in aggregate principal amount of the Series 2015 Bonds may, upon written request given to the Trustee at least fifteen days prior to an Interest Payment Date designating an account in a domestic bank, be paid by wire transfer of immediately available funds. The regular record date for any Interest Payment Date shall be the 15th day of the calendar month (whether or not a Business Day) next preceding such Interest Payment Date. If sufficient funds for the payment of interest becoming due on any Interest Payment Date are not on deposit with the Trustee on such date, the Trustee may establish a special interest payment date on which such overdue interest shall be paid and a special record date relating thereto. This Series 2015 Bond is registered as to both principal and interest on the registration books kept with the Trustee and may be transferred or exchanged, subject to the further conditions specified in the Agreement, only upon surrender hereof at the designated corporate trust office of the Trustee. This Series 2015 Bond is payable solely from the sources hereinafter mentioned.

Capitalized terms used in this Series 2015 Bond which are not defined herein but which are defined in the Agreement shall have the respective meanings set forth in the Agreement.

The Series 2015 Bonds are special, limited obligations of the Authority payable from and secured by a prior lien on and pledge of the Pledged Revenues and the Remaining Sales Tax and are also payable in the event of a deficiency from certain other amounts, all as provided under the Agreement. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR THE COUNTY OF LOS ANGELES OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, OTHER THAN THE AUTHORITY TO THE EXTENT OF THE AMOUNTS PLEDGED UNDER THE AGREEMENT, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015 BONDS.

NO RECOURSE UNDER THIS BOND SHALL BE HAD AGAINST ANY PAST, PRESENT OR FUTURE OFFICER OF THE AUTHORITY.

This Series 2015 Bond is one of an authorized series of Series 2015 Bonds of the Authority issued in the original aggregate principal amount of \$[Principal Amount] designated as “Los Angeles County Metropolitan Transportation Authority General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015” authorized by a resolution of the Authority, and issued under and secured by the Agreement in full conformity with the Constitution and laws of the State of California.

Reference is made to the Agreement for provisions concerning the rights of the Owners and the rights and obligations of the Authority and the Trustee. The acceptance of the terms and conditions of the Agreement (including amplifications and qualifications of the provisions hereof), which is on file at the designated corporate trust office of the Trustee, is an explicit and material part of the consideration of the Authority’s issuance hereof, AND EACH OWNER HEREOF BY ACCEPTANCE OF THIS SERIES 2015 BOND ACCEPTS AND ASSENTS TO ALL SUCH TERMS AND CONDITIONS AS IF FULLY SET FORTH HEREIN.

Series 2015 Bonds and all other Bonds and Parity Debt now or hereafter issued and Outstanding under the Agreement are and will be equally and ratably secured, to the extent provided by the Agreement, by the pledge thereunder of the Pledged Revenues and Remaining Sales Tax, all as provided in the Agreement.

Interest on the Series 2015 Bonds is payable on January 1 and July 1, commencing on January 1, 2011 (each an “Interest Payment Date”), and will be paid to the party who is the Owner hereof on the

record date for such payment. This Series 2015 Bond shall be issued pursuant to a book-entry system administered by The Depository Trust Company (together with any successor thereto, "Securities Depository"). The book-entry system will evidence beneficial ownership of the Series 2015 Bonds with transfers of ownership effected on the register held by the Securities Depository pursuant to rules and procedures established by the Securities Depository. So long as the book-entry system is in effect, transfer of principal, interest and premium payments, and provisions of notices or other communications, to beneficial owners of the Series 2015 Bonds will be the responsibility of the Securities Depository as set forth in the Agreement.

Reference has made to the Agreement for the redemption provisions and the transfer and exchange provisions applicable to the Series 2015 Bonds.

In case an Event of Default, as defined in the Agreement, shall have occurred, the principal of all Bonds then outstanding under the Agreement may become due and payable prior to their scheduled maturity date.

No Owner shall have any right to pursue any remedy under the Agreement unless (a) the Trustee shall have been given written notice of an Event of Default by an Owner of the Bonds then outstanding, (b) the Owners of no less than 25% in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers therein granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, (d) the Trustee shall have failed to comply with such request within sixty (60) days after receipt of such notice, request and offer of indemnity and (e) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate principal amount of Bonds then outstanding.

The Authority and the Trustee may deem and treat the Owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Series 2015 Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Series 2015 Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on this Series 2015 Bond to the extent of the sum or sums so paid.

The rights and obligations of the Authority and of the Owners of the Series 2015 Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Agreement

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Series 2015 Bonds the interest thereon and the principal thereof at the times and in the manner stipulated herein and in the Agreement, then the Owners of such Series 2015 Bonds shall cease to be entitled to the security provided by the Agreement, and all agreements, covenants and other obligations of the Authority to the Owners of such Series 2015 Bonds under the Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

Except as otherwise provided in the Agreement, this Series 2015 Bond shall not be entitled to any, right or benefit under the Agreement, or be valid or become obligatory for any purpose, until this Series 2015 Bond shall have been authenticated by execution by the Trustee of the Certificate of Authentication inscribed hereon.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond and the Series 2015 Bonds is duly authorized by law; that all acts, conditions and things required to exist

and necessary to be done or performed precedent to and in the issuance of this Series 2015 Bond and the Series 2015 Bonds to render the same lawful, valid and binding have been properly done and performed and have happened in regular and due time, form and manner as required by law; that all acts, conditions and things necessary to be done or performed by the Authority or to have happened precedent to and in the execution and delivery of the Agreement have been done and performed and have happened in regular and due form as required by law; that due provision has been made for the payment of the principal of and premium, if any, and interest on this Series 2015 Bond and the Series 2015 Bonds by irrevocably assigning the described revenues as provided in the Agreement; that payment in full for the Series 2015 Bonds has been received; and that the issuance of the Series 2015 Bonds does not contravene or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY has caused this Series 2015 Bond to be signed in its name and on its behalf as of the Original Issue Date specified above.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Title: Assistant Treasurer

AUTHENTICATION CERTIFICATE

This Bond is one of the General Revenue Refunding Bonds (Union Station Gateway Project) Series 2015 of the Los Angeles County Metropolitan Transportation Authority, described in the within-mentioned Agreement.

Date: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By _____
Authorized Officer

ASSIGNMENT OF THE SERIES 2015 BONDS

For value received the undersigned hereby sells, assigns and transfers unto _____, whose tax identification number is _____, the within Series 2015 Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the within Series 2015 Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the Series 2015 Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTE: The signature must be guaranteed by an eligible guarantor institution.

**Board Report**

File #: 2015-1261, **File Type:** Contract

Agenda Number: 10.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 16, 2015**

SUBJECT: CONTRACT FOR FISCAL YEAR 2013-2015 TRANSPORTATION DEVELOPMENT ACT (TDA) TRIENNIAL PERFORMANCE REVIEWS OF LOS ANGELES COUNTY TRANSIT OPERATORS, INCLUDING METRO OPERATIONS, AND METRO AS THE REGIONAL TRANSPORTATION PLANNING ENTITY

ACTION: AWARD CONTRACT TO MA AND ASSOCIATES

RECOMMENDATION

AUTHORIZING the Chief Executive Officer to award a one year Firm Fixed Price Contract No. PS1544301142 to Ma and Associates to conduct the fiscal year **FY 2013-2015 independent performance review of all the Los Angeles County transit operators receiving state Transportation Development Act (TDA) Article 4**, and operators receiving Proposition A funds in lieu of TDA funds and Metro as the Regional Transportation Planning Entity (RTPE), for the fixed price of \$588,192.

ISSUE

Public Utilities Code (PUC) Section 99246 requires that Metro conduct an independent performance review of all Los Angeles County transit operators, including Metro Operations, eligible to receive state TDA Article 4 funds. The same requirement also calls for an independent performance review of the activities of Metro as the RTPE for Los Angeles County. Attachment B describes the performance review requirements.

In addition, the State gives Metro the authority to withhold allocations in excess of prior year allocations if the performance review finds that the operator has not made reasonable progress on implementing prior review recommendations. State law also stipulates that the Planning agency prior to determining the allocation to an operator for the next fiscal year, annually review and evaluate the efforts made by the operator to implement changes recommended by the performance review.

DISCUSSION

The performance reviews for Los Angeles County transit operators and for Metro as the RTPE are required every three years. All Los Angeles County transit operators who receive TDA Article 4 funds

must be audited as prescribed in the PUC. The present schedule calls for the FY13-15 Triennial Performance Review to be completed and forwarded to the State of California by the end of FY16.

State law requires that Metro hire an independent contractor to perform the review and submit the findings and recommendations for each operator including Metro to the State in a timely manner. The State's approval will ensure that disbursements of the funds for allocation to the eligible jurisdictions. Any delay in submission of the review report might delay the allocation of the TDA Article 4 funds to Metro and the local jurisdictions.

Background

As the Programming agency of TDA funds, Metro has the responsibility to conduct and transmit to the State a Triennial Performance Review of all the operators under its jurisdiction and Metro as an Operator as well as the RTPE. The scope has two categories - Review (Part A) and Compliance (Part B).

Part A1, Operator Performance Review - TDA requires that an operator receiving TDA funds be audited for efficiency, effectiveness and economy of the operation. To perform this function, the consultant reviews the performance indicators including;

- Operating cost per passenger;
- Operating cost per vehicle service hour;
- Passengers per vehicle service hour;
- Passengers per vehicle service mile; and
- Vehicle service hours per employee.

The Consultant is also required to follow-up on prior performance review recommendation and assess the progress made on the implementation of this recommendation(s). In addition, TDA requires that the following functions are reviewed:

- General Management and Organization
- Service Planning
- Scheduling, Dispatch and Operations
- Personnel Management and Training
- Administration & Budget
- Marketing and Public Information
- Maintenance

Part A2, Regional Transportation Planning Entity Performance Review - TDA also requires that the

RTPE also be reviewed for their functions performed and compliance with TDA statutes. The RTPE functions that are reviewed are:

- RTPE Administration and Management
- Transportation Planning and Regional Coordination
- Claimant Relationship and Oversight
- Marketing and Transportation Alternatives
- Grant Applications and Management

Part B, Compliance with TDA Statutes - The consultant reviews each operator and Metro as RTPE for compliance with all the relevant statutes stated in TDA law as described in Attachment C. A summary of the sample findings and progress made on implementation of some past findings is shown in Attachment D.

DETERMINATION OF SAFETY IMPACT

Approval of this project will have no impact on Safety.

FINANCIAL IMPACT

The funding of \$588,192 for this service is included in the FY16 Budget in Cost Center 4430, Project 405511, Task 001.22, Line item 50316, Professional Services. As the cost of the Triennial Performance Review is an eligible TDA expense, funds to pay for the reviews are deducted from Metro's TDA administration apportionment.

ALTERNATIVES CONSIDERED

The Board of Directors may choose not to award the contract as recommended, and may choose instead to direct us to seek another contractor. However, we do not recommend this alternative action, as we believe that the recommended contractor is qualified and capable of helping us stay on schedule for completing and forwarding the required FY13-15 Triennial Performance Reviews to the State of California by the end of fourth Quarter FY16. The State of California requires that an independent contractor conduct the Triennial Performance Reviews in a timely fashion, so that Los Angeles County, Metro and the transit operators continue to receive TDA funding.

NEXT STEPS

At the completion of the reviews, the Consultant will present the reports, including the findings and recommendations, to the Board.

ATTACHMENTS

Attachment A - Procurement Summary

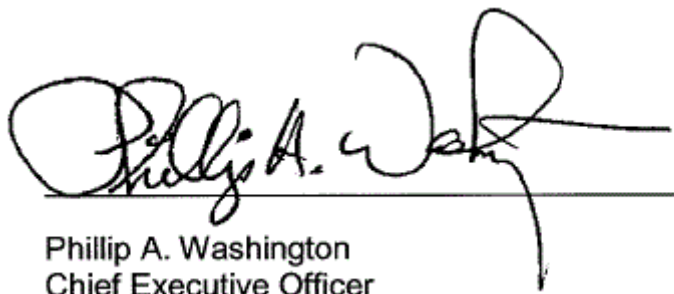
Attachment B - State Requirement to Conduct the Triennial Performance Reviews

Attachment C - Listing of Operator and RTPPE Compliance Requirements included in the Scope

Attachment D - Summary of Progress made by the Operators and Metro as the RTPPE on the Implementation of 2010-12 Triennial Review Recommendations

Prepared by: Kelly Hines, Deputy Executive Officer, Finance, (213) 922-4569
Armineh Saint, Program Manager, (213) 922-2369

Reviewed by: Nalini Ahuja, Executive Director, Finance and Budget, (213) 922-3088
Ivan Page, Interim Executive Director, Vendor/ Contract Management, (213) 922-6383



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

**TRIENNIAL PERFORMANCE REVIEWS OF LOS ANGELES COUNTY TRANSIT
OPERATORS, INCLUDING METRO OPERATIONS, AND METRO AS
THE REGIONAL TRANSPORTATION PLANNING ENTITY
PS1544301142**

1.	Contract Number: PS1544301142	
2.	Recommended Vendor: Ma and Associates	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: 3/25/15	
	B. Advertised/Publicized: 3/25/2015	
	C. Pre-proposal/Pre-Bid Conference: 4/8/2015	
	D. Proposals/Bids Due: 4/23/2015	
	E. Pre-Qualification Completed: 5/28/15	
	F. Conflict of Interest Form Submitted to Ethics: 5/14/2015	
	G. Protest Period End Date: July 28, 2015	
5.	Solicitations Picked up/Downloaded: 43	Bids/Proposals Received: 3
6.	Contract Administrator: Linda Rickert	Telephone Number: (213) 922-4186
7.	Project Manager: Armineh Saint	Telephone Number: (213) 922-2369

A. Procurement Background

This Board Action is for a procurement issued in support of finding a contractor for the required Triennial Review through the small business set aside program.

The RFP was issued in accordance with Metro's Acquisition Policy and the contract type is a Firm Fixed Price.

A total of three proposals were received on April 23, 2015.

B. Evaluation of Proposals/Bids

A Proposal Evaluation Team (PET) consisting of staff from local programming and from Long Beach Transit was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria and weights:

- | | |
|--|------------|
| • Qualifications of the Firm | 20 percent |
| • Experience of the Team | 20 percent |
| • Understanding of Statement of Work and Work Plan | 45 percent |
| • Price | 15 percent |

The evaluation criteria are appropriate and consistent with criteria developed for other historical reviews. Several factors were considered when developing these weights, giving the greatest importance to the Understanding of the Statement of Work and the Work Plan.

The three proposals received were determined to be within the competitive range. The three firms within the competitive range are listed below in alphabetical order:

1. BCA Watson
2. LVR International
3. Ma and Associates

The PET met twice. It was determined, based on the above explicit factors, that Ma and Associates offered the best proposal of the three firms. The PET expressed knowledge of all the proposers and staff as some had retired from other agencies. Each proposer was asked questions to clarify parts of their proposals.

Qualifications Summary of Firms Within the Competitive Range:

BCA WATSON RICE LLP

BCA Watson Rice LLP is a firm of certified public accountants that has performed audits for the LACMTA. In business since 2013, BCA Watson Rice LLP has an office in Torrance. Their team for this review includes the Franklin Hill Group, Altmayer Consulting, Inc. and SGN and Associates. The team includes the services of Dr. Cheryl Stecher, Tom Altmayer and Stephanie Negriff which are three sub-contractors with long histories of planning, design and operations support in transportation service.

LVR INTERNATIONAL

LVR has been in business since 1994 to address planning, design and operations solutions in transportation. They have provided guidance in parking to the Atlanta Airport and for robot parking in Tokyo, Japan. LVR has been the Project Manager for TDA Triennial Performance Audits in Orange County, San Francisco, San Mateo and other areas.

MA AND ASSOCIATES

Ma and Associates with Moore and Associates has performed two prior reviews. Ma and Associates has provided 20 years of certified public accounting services in transportation to cities such as Irwindale, La Habra Heights, La Puente, San Dimas and others. Moore and Associates, their sub-contractor, is a firm established in 1991 and is a public transportation specialist.

1	FIRM	Average Score	Factor Weight	Weighted Average Score	Rank
2	BCA Watson				
3	Degree of Prime's Skill	47.50	20.00%	9.50	
4	Experience of the Team	68.75	20.00%	13.75	
5	Understanding of Work and Plan	68.75	45.00%	30.93	
6	Price		15.00%	15.00	
7	Total		100.00%	69.18	2
8	LVR International				
9	Degree of Prime's Skill	47.50	20.00%	9.50	
10	Experience of the Team	62.50	20.00%	12.50	
11	Understanding of Work and Plan	73.75	45.00%	33.18	
12	Price		15.00%	12.78	
13	Total		100.00%	67.96	3
14	Ma and Associates				
15	Degree of Prime's Skill	56.25	20.00%	11.25	
16	Experience of the Team	90.00	20.00%	18.00	
17	Understanding of Work and Plan	91.25	45.00%	41.06	
18	Price		15.00%	13.10	
19	Total		100.00%	83.41	1

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon: price analysis, historical experience, technical evaluation and fact finding.

	Bidder/Proposer Name	Proposal Amount	Independent Cost Estimate	Negotiated Amount
1.	Ma and Associates	\$588,192	\$800,000	\$588,192

D. Background on Recommended Contractor

The recommended firm, Ma and Associates, located in Los Angeles, has been in business for more than 20 years, and has experience in the field of public transportation. Ma and Associates is a LACMTA certified small business. Ma and Associates has worked with the City of Irwindale, City of South El Monte, City of Santa Fe Springs and other area municipalities.

Teamed with Moore and Associates (office in Valencia), the two firms offer more than 50 years total experience of staff in transportation issues and reviews. Moore and Associates has worked with the Sacramento Area Council of Governments, Kern Council of Governments, the Transportation Agency for Monterey County and others.

Together, the team has performed the last two performance reviews for the LACMTA.

E. Small Business Participation

Effective June 2, 2014, per Metro’s Board-approved policy, competitive acquisitions with three or more Small Business Enterprise (SBE) certified firms within the specified North American Industry Classification System (NAICS) as identified for the project scope shall constitute a Small Business Set-Aside procurement. Accordingly, the Contract Administrator advanced the solicitation, including posting the solicitation on Metro’s website, advertising, and notifying certified small businesses as identified by NAICS code(s) that this solicitation was open to SBE Certified Small Businesses Only.

Ma and Associates is an SBE Prime that is performing 35% of the work with its own workforce.

SMALL BUSINESS SET-ASIDE

	SBE Prime Contractor	SBE % Committed
1.	Ma and Associates (Prime)	35%
	Total	35%

ATTACHMENT B

**State Law Requirement to Conduct the Triennial
Performance Review**

State Law Provisions	Description
State Law - PUC 99246	<p>State Law requires that Metro conduct an independent performance review of the Los Angeles County operators including Metro as an operator as well as Metro as the Regional Transportation Planning Entity (RTPE). In addition to meeting the legal requirements, a performance audit also provides an opportunity for an independent, objective and comprehensive review of the efficiency and effectiveness of the entity being reviewed. The review has other benefits, including:</p> <ul style="list-style-type: none">• Provides management with useful information to assess past activities and provides insight for future planning efforts;• Provides management with a review and evaluation of an agency's organization and operations;• Presents an opportunity to utilize consultant expertise which can supplement staff work; and• Assures accountability for the use of public funds.
State Law - PUC 99248	<p>This code states that no operator is eligible to receive an allocation of TDA funds for any fiscal year until the transmittal of its performance review report to the State and Metro as the RTPE for Los Angeles County.</p>
State Law – PUC 99244	<p>Each transportation planning agency shall annually identify, analyze and recommend potential productivity improvements. Prior to determining the allocation to an operator for the next fiscal year, the responsible entity shall review and evaluate the efforts made by the operator to implement such recommended improvements.</p>

OPERATOR COMPLIANCE REQUIREMENTS

OPERATOR COMPLIANCE REQUIREMENTS	REFERENCE
1. The transit operator submitted annual reports to the RTPE based upon the Uniform System of Accounts and Records established by the State Controller.	Public Utilities Code, Section 99243
2. The operator has submitted annual fiscal and compliance audits to its RTPE and to the State Controller within 180 days following the end of the fiscal year, or has received the 90 day extension allowed by law.	Public Utilities Code, Section 99245
3. The CHP has, within 13 months prior to each TDA claim submitted by an operator certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator's terminal.	Public Utilities Code, Section 99251 B
4. The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPE for such claims.	Public Utilities Code, Section 99261
5. If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	Public Utilities Code, Section 99270.1
6. The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the changes(s)	Public Utilities Code, Section 99266
7. The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passenger per vehicle service hour, (h) vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service per employee.	Public Utilities Code, Section 99247
8. If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenue to operating cost at least three-twentieths (15 percent), if so determined by the RTPE.	Public Utilities Code, Section 99268.2, 99268.3 & 99268.1
9. If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	Public Utilities Code, Section 99268.2,
10. The current cost of operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPE, which will fully fund the retirement system for 40 years.	99268.4 & 99268.5 Public Utilities Code, Section 99271
11. If the operator receives state transit assistance funds, the operator makes full use of funds if available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	California Code of Regulations, Section 6754 (a) (3)

RTPE COMPLIANCE REQUIREMENTS

RTPE COMPLIANCE REQUIREMENTS	REFERENCES
<p>1. All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund monies apportioned to that area.</p>	<p>Public Utilities Code, Section 99231</p>
<p>2. The RTPE has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.</p>	<p>Public Utilities Code, Section 99233 and 99234</p>
<p>3. The RTPE has established a social services transportation advisory council. The RTPE must ensure that there is a citizen participation process that includes at least an annual public hearing.</p>	<p>Public Utilities Code, Section 99238 and 99238.5</p>
<p>4. The RTPE has annually identified, analyzed and recommended potential productivity improvements which could lower operating cost of those operators, which operate at least 50 percent of their vehicle service miles within the RTPE's jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit.</p> <ul style="list-style-type: none"> • A committee for the purpose of providing advice on productivity improvements may be formed. • The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation that exceeds its prior year allocation. 	<p>Public Utilities Code, Section 99244</p>
<p>5. The RTPE has ensured that all claimants to whom it allocated TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.</p>	<p>Public Utilities Code, Section 99245</p>
<p>6. The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA money and to the RTPE within 12 months after the end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.</p>	<p>Public Utilities Code, Section 99246, and 99248</p>

Implementation Plan for the FY 2010-2012 Triennial Review Of the Los Angeles County Transit Operators

ANTELOPE VALLEY TRANSIT AUTHORITY

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Submit all Transit Operator Financial Transaction Reports to the State Controller within the PUC-established timeframe.	Rong Fitzgibbons / Colby Konisek	We have submitted all State Controllers Reports by the PUC-established timeframe for the past 3 fiscal years.	FY 2011
2	Submit all financial audits within the PUC-established timeframe.	Colby Konisek	We have submitted all audits by the PUC-established timeframe for the past 3 fiscal years.	FY 2011
3	Calculate the Full-Time Equivalents metric according to PUC definition (labor hours divided by 2,000) for reporting on Transit Operators Financial Transaction Report fillings to the State Controller.	Rong Fitzgibbons / Colby Konisek	In FY 2010, we incorrectly used the federal definition of 2,080 labor hours for reporting, however, the last 2 fiscal years we have used the state law definition of 2,000 for reporting on Transit Operators Financial Transaction Report fillings to the State Controller.	FY 2012

Arcadia Transit

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Redesign the City's service delivery model as a traditional two-tiered (fixed route and demand-response) transit system.	City of Arcadia	Conduct Needs Assessment and Restructuring Plan (RFP in process) Implement recommended service delivery modes	9/30/15 7/1/16
2	Develop and implement a formal marketing program to support the new service delivery model.	City of Arcadia	Develop and implement marketing program as part of the Restructuring Plan	4/1/16
3	Enhance security measures at operations contractor's counting room.	Contractor	The Fare Counting Room is a locked room with very limited access only by the fare counting personnel and the Vice President/COO. The	May 2013

			room is also equipped with a money counter and has a continuously recording camera to observe all activities taking place inside the room.	
4	Develop a formal customer feedback/complaint process.	City of Arcadia/ Contractor	A complaint form and a formal process have long been established. The City and the contractor continue to follow the procedure for complaints that are significant.	On-going
5	Work with the operations contractor to ensure inspections and vehicle maintenance of its fleet are systematically conducted at regular intervals and vehicle records are signed and include necessary vehicle information	Contactar/City of Arcadia	This program has been implemented as of July 1, 2014 with the award of our new contract.	7/1/14

CLAREMONT DIAL-A-RIDE

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Develop and implement a formal marketing program.	George Sparks/Cari Sneed	The City reviewed the impact of the fare increase on DAR. Staff will be evaluating the development of recommendations for a targeted marketing effort to increase productivity and utilization of the Group service.	Fall 2014
2	Hire an outside consultant to conduct performance assessments.	George Sparks/Cari Sneed	Claremont will hire a consultant to prepare an overall service assessment that will be incorporated into the FY2016 SRTP.	Fall 2015
3	Secure cash-handling facility when counting group-ride fares.	George Sparks/Cari Sneed	This recommendation was satisfied with the relocation of the DAR operations facility. The new facility provides a safe cash-handling facility.	Completed January 2014
4	Invest in data management software to compile all performance data reported within Transit Performance Measurement, National Transit Database, and Transit Operators Financial Transaction Reports.	George Sparks/Cari Sneed	The consultant that will assist with the preparation of the 2016 SRTP will also provide recommendations to satisfy this recommendation.	Fall 2015

commerce municipal bus lines

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Submit fiscal audits in a timely manner.	Loan Le & Josh Brooks	Recommendations were implemented to ensure timely reporting.	July 2012 Achieved
2	Properly calculate FTE for inclusion in the Transit Operators Financial Transaction Report.	Loan Le & Josh Brooks	Steps are being taken to implement the recommended FTE calculation method for State Controller reporting purposes.	July 2013 Achieved
3	Enhance program promotion through development of a strategic marketing plan with a five-year horizon.	Claude McFerguson	The City is currently installing a brand new ITS System, which the capabilities of "real time" arrival times, bus routing information and interactive website to help better market system.	The ITS RFP is currently posted with a bid deadline of 7/29/2015. Contract award to proceed immediately
4	Identify sustainable program with a five-year horizon.	Claude McFerguson	The City is currently implementing its five year horizon plan. Completion date approximately December 2014.	December 2014 Achieved
5	Improve the consistency of data reported to each external entity.	Claude McFerguson, Loan Le & Josh Brooks	Recommendations were implemented to ensure timely reporting.	July 2012

CULVER CITY MUNICIPAL BUS LINES

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Properly calculate FTE for inclusion in the Transit Operators Financial Transaction Report.	D. Chang and J. Leonard	Report FTE by calculating employee hours divided by 2,000, rather than using actual person count.	FY12-13

FOOTHILL TRANSIT

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Improve the consistency of		The financial information contained in the TPM is in	April 2013

	performance data reported within the National Transit Database (NTD), Transit Performance Measurement (TPM), and Transit Operators Financial Transaction (TOR) Reports.	Michelle Caldwell/Gil Victorio	agreement with the annual financial audit (AKA General Ledger/State Controller's report). This will ensure Foothill Transit achieves consistency in reporting.	
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GARDENA MUNICIPAL BUS LINES

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Work with auditor so that CAFRs are submitted within the PUC-established timeframe.	Raphael Guillen	Submittals have been prepared on-time and within PUC-established timeframe	Completed
2	Maintain documentation regarding requests for extensions when CAFRs must be submitted late.	Raphael Guillen	Submittals have been prepared on-time; CAFR has been submitted on time per reporting requirements and extensions are no longer being requested	Completed
	The City should strive to improve its fixed-route farebox recovery to the point where auxiliary revenue is not necessary to meet the TDA minimum standard.	Raphael Guillen	In an effort to increase the farebox recovery rate, a fare increase is being considered by GMBL for possible FY 2016 implementation. A comprehensive marketing campaign was implemented in January 2015 including a full system rebrand with a goal of 5% ridership increase by year end 2016. GMBL continues to strive to reduce operating costs including overhead, overtime, spread time, etc.	2015
	Improve the consistency of data reported to each external entity.	Raphael Guillen	GMBL is exploring the acquisition of a statistical software application to assist with data collection and reporting requirements	Winter 2014
	Develop and implement marketing plan to reverse declining ridership trend.	Raphael Guillen	A marketing plan has been developed to celebrate the 75th anniversary of GMBL; implementation started in Fall 2014 and will carry into 2015	Marketing plan completed. Implementation strategies underway; Full launch in January 2015; soft launch starts Fall 2014.

LA MIRADA TRANSIT

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Include accurate FTE data within Transit Operators Financial Transaction Reports.	Tony Moreno	The City will submit Full Time Equivalent (FTE) data based on 2,000 hours equaling 1 FTE staff in the Transit Operators Financial Transaction Report for FY 2013/14. FTE calculations for TPM reports in 2012/13 will include contractor hours in the FTE calculation.	October 2014
2	Improve the accuracy of data included within the Transit Operations Financial Transaction Reports.	Judy Quinonez	<p>The Transit Operations Final Transaction report is now reviewed jointly by the Transit administration and finance staff prior to submission to the State Controller's Office to ensure the correct data is accurate. Additionally, previous inconsistencies in reporting have been corrected and submitted to the State Controller's office.</p> <p>Inconsistencies specific to Vehicle Service Hours were correctly entered in the FY 12/13 Transit Operations Financial Transaction Report. Vehicle Service Miles and Full-Time Equivalent consistent indicators will be included in the FY 13/14 Transit Operations Financial Transaction Report consistent with PUC guidelines.</p>	October 2014
3	Implement a fare increase	Tony Moreno	Staff is hiring a consultant to analyze the impacts of a fare increase. Staff plans to bring a recommendation to City Council in late 2015 for a fare increase.	To Be Determined
4	Develop and implement an 18-to 24- month marketing plan to support increase in ridership and fare revenue	Tony Moreno	Staff is hiring a consultant to review the effectiveness and make recommendations on implementation of a marketing plan.	February 2015
5	Install fareboxes and revise fare collection policies.	Tony Moreno	Farebox quotes have been obtained. Staff plans to purchase diamond fare boxes in the near future.	November 2014

LONG BEACH TRANSIT

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	No findings			

ladot

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Submit all Transit Operator Financial Transaction Reports to the State Controller within the PUC-established timeframe.	LADOT	State Controller reports (inclusive of correct FTE data) should be filed prior to the submittal deadline stipulated by the PUC. FTE data, calculated correctly, should be included.	FY 12/13
2	Submit all financial audits within the PUC-established timeframe.	LADOT	Submit all compliance audits (CAFRS) to the State Controller within the PUC-established time frame. (180 days after end of fiscal year) PFP is to work with independent auditor to ensure they are aware of the (differing) TDA deadline. If deadline cannot be met, LADOT will request 90-day extensions and document whether the request was granted so that we can be found in compliance in the next review.	FY 12/13
3	Ensure data reported to external entities are accurately calculated and reported, as well as includes all required performance—related data.	LADOT	The PFP is to keep track of when various reports are filed, to submit them on time (with unaudited or incomplete data) and amend them as necessary once the data is finalized. Both original State Controller filings as well as revised data pages should be provided in entirety, including all pages and data not usually reported to Metro.	FY 12/13

METRo

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Properly calculate FTE data for inclusion in the Transit Operators Financial Transaction Report.	Alex Perez	All subsequent reports will include the purchase transportation data.	7/1/14
2	Include representation from metro's Accounting staff in	Alex Perez	An Accounting staff representative will be available for future Triennial Performance Reviews.	7/1/14

	subsequent Triennial Performance Review			
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montebello bus lines

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Submit all Transit Fund financial audit reports prior to the deadline established by PUC guidelines.	David Kim	Montebello Bus Lines will continue to submit the Transit Financial Audit Report and the State Controller's Report to the appropriate agencies within the established timeframe. Should there be any delays in reporting, a prior extension or approval will be requested from the agency.	Effective FY 2012/2013 reporting period
2	Include contractor hours when reporting FTE employee data to the State Controller.	Robert Portillo	The city will continue to calculate the Full-Time Equivalent using all employee hours when reporting to State Controller.	Effective FY 2012/2013 reporting period
	Utilize a single database for the collection of data and cross-check reports to all three entities (LACMA,NTD, and the State Controller) to ensure they are consistently reported.	Robert Portillo	Montebello Bus Lines will verify and ensure all future data reporting are consistent with the three reporting entities. Furthermore, we will improve our process by consistently verifying our data in our current database, TransTrack.	Effective FY 2012/2013 reporting period

norwalk transit

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Include contractor hours when calculating FTE employee data	Theresa Clark	Established a separate spreadsheet to track contractor hours which is linked to the Master FTE File used for populating data for TPM, NTD, etc.	July 1, 2012
2	Develop and implement a five-year marketing plan focused on expanding the traditional transit rider customer base as part of an effort to increase ridership and fare revenue.	Theresa Clark/Graham Ridley	Developing student customer focus strategies with local Community Colleges including on-going Go Rio Student Pass MOU with Rio Hondo College and implementation of FY2015 Student Pass Program with Cerritos Community College. NTS utilizes the Comprehensive Operational Analysis on a triennial basis to evaluate its performance. Recommendations from the 2012 COA	November 20, 2011 and September 9, 2012 and November 17, 2013 and ongoing

			<p>were implemented to restore mid-day service on segment(s) for Route 3 allowing the service to be more utilized by dependent riders.</p> <p>Additionally, NTS is developing an Intelligent Transportation System to improve customer service, overall bus efficiency and identify potential unmet rider needs. The system will include: Automatic Vehicle Location; Automated Passenger Count with real-time reporting; GPS based Computer Automated Dispatch system; Automated Vehicle Annunciator System and Automated Travel Information System. Lastly, NTS developed a new fare structure for its Fixed-Route and Dial-A-Ride services. The new fare structure was implemented in (2) phases; effective 11/20/2011, and 11/17/2013.</p>	
	Improve the accuracy of performance data reported within the Transit Operators Financial Transaction Reports (TOR).	Theresa Clark/Sudesh Paul	Adherence to consistent cut-off dates for financial reporting and cross-reference reconciliation performed through use of spreadsheets.	July 1, 2013
	Track trip denials for Norwalk Transit System's Dial-A-Ride service.	Theresa Clark/Maria Corona	Trip denials are recorded by Contractor utilizing Computer Aided Dispatch. Also, Customer Service Representatives (Lobby Staff) receives calls from patrons that were unable to receive DAR service for specific pick-up time and are entered into database (Access) for tracking, then a customer comment report is generated and followed up for appropriate action and/or resolution by Staff/Management	July 1, 2013
	Streamline the definition of "senior" so the same metric applies to both fixed-route and demand-response services.	Graham Ridley	<p>The "senior" age requirement for demand-response was formerly consistent with Fixed Route at 62 yrs of age. However, local policy administered by the City reduced the "senior" age requirement to 60 yrs of age in support of Senior Center/Social Services Programs; thus NTS' demand-response service (age requirement) is compatible with the eligibility age requirements for various Senior Community Services Programs.</p> <p>NTS' next COA is scheduled for September 2015. At which time, the scope of services will cover a cost analysis to determine potential impacts to fare revenue if "senior" age for fixed route is reduced to 60 yrs of age.</p>	FY 2014/15

city of redondo beach

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Implement the Beach Cities Transit marketing plan developed in November 2011	Joyce Rooney/Diane Amaya	Hired a transit consultant to assist with Transit Marketing. Implementing new brochures, and new transit signage. Other items are in the planning phase.	In progress
2	File a separate Transit Operators Financial Transaction Report (TOR) for the City's Specialized Service (demand-response taxi program).	Joyce Rooney/Diane Amaya	The separate FY13 TOR demand response dial a ride service report was submitted in October 2013. Separate reports will be submitted in the future.	Completed TOR is due to the State in October 2015.
3	Report data consistently on all filings with reporting entities.	Joyce Rooney/Diane Amaya	Staff reviews all reporting statistics for consistency.	On-going
4	Improve security at the City's transit maintenance and storage facility.	Joyce Rooney	<p>The facility driveway gate is locked by closing supervisor leaving the premises after everyone leaves. The lead mechanic unlocks the gate in the morning. The gate is left open during the day due to the number of vehicles entering and exiting the yard.</p> <p>The office door is locked after hours, and only 7 personnel have keys. The maintenance doors are locked when there is no mechanic on duty. The gate between the office and shop is also locked during these times.</p> <p>There is one camera outside the front office door that captures anyone entering the office, driver's area and maintenance / supervisor and securement area. There are three cameras inside the office area, and one in the Dispatch office to monitor the counting of the fare revenue is counted.</p> <p>Blinds were installed in the Dispatch area and are these closed during the money counting process. All blinds are closed and doors and windows are secured during this process.</p>	Completed

santa clarita transit

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Submit all Transit Operator Financial Transaction Reports to the State Controller within the PUC-established timeframe.	Susan Lipman and Brittany Houston	The final report indicated that no further action was required as the City continues to submit all SCO Reports on time.	On-going
	Submit all financial audits within the PUC-established timeframe.	Susan Lipman and Brittany Houston	City staff continues to work with annual audit team to complete the Transit portion of the audit in a timely manner.	On-going
	Ensure data is reported accurately and consistently to all reporting entities.	Susan Lipman	Staff continues to work with city financial staff and annual auditors to help make sure that data is 100% accurate and not subject to change when staff prepares and submits reports due with different deadlines. Staff will continue to review reports for consistency and if changes are made staff will work more diligently to submit revised reports.	On-going

SANTA MONICA'S big blue bus

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	Ensure FTE reporting complies with PUC 99247(j)	Enny Chung	Policy created to ensure FTE reporting complies with PUC 99247(j)	7/1/2013

torrance transIt

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date
1	The City should strive to improve its fixed-route farebox recovery to the point where auxiliary revenue is not necessary to meet the TDA	Jim Mills	The City will strive to improve its fixed route farebox recovery with the following strategies: 1) Reduce its operating cost as much as possible	07/01/14

	minimum standard.		<ul style="list-style-type: none"> 2) Increase its marketing efforts to increase ridership 3) Consider a fare increase. 	
	Improve the consistency of performance data reported within the National Transit Database (NTD), Transit Performance Measurement (TPM), and Transit Operators Financial Transaction (TOR) Reports.	Jim Mills	All data has been incorporated into a central file (spreadsheet). Data is compared and reviewed by relevant section to ensure accuracy and consistency.	07/01/13

FY 2010-2012 Triennial Review Implementation Plan for Los Angeles County Metropolitan Authority (LACMTA) as Regional Transportation Planning Entity (RTPE)

Ref No.	Audit Recommendation	Responsibility Lead/Support	Plan for Progress Implementation Instruments	Implementation Date

1	Monitor operators to ensure future fiscal audits are submitted by the stipulated deadline.	MASD	MASD monitors and work with Project Manager and SCO to ensure timely submittal of fiscal audits.	2014
2	Provide a higher level of administrative support for operators regarding annual and required reporting.	Local Programming	Annually, Metro submits a consolidated NTD report to Federal Transit Administration (FTA) on behalf of Los Angeles county transit operators. This report is coordinated with approximately 48 jurisdictions. Throughout the year, NTD training workshops are conducted to train new reporters/staff and provide updates on reporting requirements to existing reporters and prepare the reporters for their annual audit. At the end of fiscal year each jurisdictions' annual NTD reports is collected which include their ridership, financial, fuel consumption and inventory data to ensure and validate the consistency of the reported data with NTD reporting requirements.	On-going
3	Provide a higher level of support for operators in advance of the next Triennial Performance Review cycle.	Local Programming	To be implemented during the 2013-2015 Triennial Review cycle	July/Sept 2015
4	Enhance coordination between the Office of Management and Budget (OMB) and Planning departments.	Regional Transit Planning	Regional Transit Planning is currently working with the municipal operators and a consultant team on the development of a Regional Short Range Transit Plan (RSRTP). As part of this effort, one of the findings and/or recommendations is looking at streamlining the annual individual Short Range Transit Plan submittal process. As part of this, Metro would supply the operators with improved templates/guidelines for developing their SRTPS in order to improve on the consistency and quality of the contents. It is also being recommended that annual SRTP training be provided for newer staff at the various agencies.	To be determined based on discussions and approval by BOS. It most likely would not be implemented until late 2016.