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Agenda - Final

Wednesday, January 20, 2021

1:30 PM

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Finance, Budget and Audit Committee

James Butts, Chair

Kathryn Barger, Vice Chair

Paul Krekorian

Holly Mitchell

Los Angeles County City Selection Committee Appointee

Tony Tavares, non-voting member

Phillip A. Washington, Chief Executive Officer

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(ALSO APPLIES TO BOARD COMMITTEES)

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x2 *Español (Spanish)*

x3 *中文 (Chinese)*

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Email: jacksonm@metro.net

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Board Secretary's Office

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 5, 6, and 7.

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

CONSENT CALENDAR

5. SUBJECT: LOCAL RETURN PROJECT CODING

[2020-0827](#)

RECOMMENDATION

APPROVE revised Project Coding Structure for Local Return Projects funded through the Metro administered Proposition A, Proposition C, Measure R, and Measure M Local Return (LR) programs. (ATTACHMENT A)

Attachments: [Attachment A - Revised Project Summary for Local Return Projects.](#)

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6. **SUBJECT: SECOND AMENDMENT TO STANDARD COMMERCIAL LEASE AGREEMENT WITH PBONE OSF-C, LLC, FOR THE METRO OFFICE LEASE FOR VARIOUS OPERATING DEPARTMENTS LOCATED AT 100 S. SANTA FE AVENUE, SUITE 100, LOS ANGELES** [2020-0759](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute a Second Amendment to the Standard Commercial Lease Agreement to make improvements totaling approximately \$150,765 and to continue renting 70 parking spaces at a cost of \$159,600 annually (total of \$798,000 over the option term of 5 years), commencing March 1, 2021 with PBONE OSF-C, LLC (“Lessor”) for the Metro Operations and Training office located at 100 S. Santa Fe Avenue, Suite 100, Los Angeles.

Attachments: [Attachment A - Lease Location](#)
[Attachment B - Deal Points](#)

7. **SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2020 TO JUNE 30, 2020** [2020-0870](#)

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2020 to June 30, 2020.

Attachments: [Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Exp Presentation](#)

NON-CONSENT

8. **SUBJECT: ACCESS SERVICES - QUARTERLY UPDATE** [2020-0818](#)

RECOMMENDATION

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

Attachments: [Presentation](#)

9. **SUBJECT: I-105 EXPRESSLANES PROJECT** [2020-0824](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

APPROVE the submittal of a Letter of Interest (LOI) to the United States Department of Transportation (USDOT) for a Transportation Infrastructure

Finance and Innovation Act of 1998 (TIFIA) loan for the I-105 ExpressLanes Project and pay related fees and expenses.

Attachments: [Presentation](#)

10. SUBJECT: MID-YEAR FY 20-21 BUDGET EQUITY ASSESSMENT [2020-0817](#)

RECOMMENDATION

RECEIVE AND FILE status report on Mid-Year FY 20-21 Budget Equity Assessment.

Attachments: [Attachment A - Metro Budget Equity Assessment Tool](#)
[Presentation](#)

11. SUBJECT: FISCAL YEAR 2021 (FY21) MID-YEAR BUDGET [2020-0726](#)

RECOMMENDATION

CONSIDER:

- A. AMENDING the FY21 Budget by \$765 million from \$6.23 billion annual consolidated expenditures to \$6.99 billion to achieve goals and objectives set forth by the Board adopted Metro Vision 2028 strategic plan; and
- B. AMENDING an increase of 5 Non-Represented FTEs from FY21 Adopted Budget authorized levels: 3 for Equity and Race and 2 for Customer Experience

Attachments: [Presentation](#)

SUBJECT: GENERAL PUBLIC COMMENT [2020-0877](#)

RECEIVE General Public Comment

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

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

Adjournment



Board Report

File #: 2020-0827, **File Type:** Informational Report

Agenda Number: 5.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
JANUARY 20, 2021**

SUBJECT: LOCAL RETURN PROJECT CODING

ACTION: APPROVE REVISED PROJECT CODING FOR LOCAL RETURN PROJECTS

RECOMMENDATION

APPROVE revised Project Coding Structure for Local Return Projects funded through the Metro administered Proposition A, Proposition C, Measure R, and Measure M Local Return (LR) programs. (ATTACHMENT A)

ISSUE

Metro has recently developed and implemented a significantly upgraded, cloud-based database, Local Return Management System (LRMS) to collect, approve, administer, audit, and report on Local Return activities of the 88 cities and Los Angeles County.

To provide for efficiency of use, consistency of application, and minimize user complexity, staff is seeking Board approval of a unified Project Coding structure across all Local Return (LR) programs.

Current LR guidelines approved by the Board include inconsistent project coding among the different taxes. Staff requires Board approval for the revised project structure.

This report does not revise the definitions of project eligibility but rather seeks to provide a more efficient process to manage and report LR activities.

BACKGROUND

According to LR Guidelines, Metro staff is responsible to ensure that local jurisdictions comply with Board project eligibility guidelines for each of the four locally imposed sales tax Measures (A, C, R, M).

For the past two decades, this process included jurisdictions submitting paper forms that Metro staff was subsequently required to manually input into multiple Microsoft Access databases. These databases have reached the end of their useful life, are undependable for reporting purposes, and are subject to frequent crashes and do not provide the necessary information to provide the Board and staff with a timely and comprehensive understanding of the uses to which Local Return Funds

are applied.

DISCUSSION

Currently, there are three different Project Coding structures in place for the LR programs. One set of project coding for Propositions A & C, another set for Measure R, and final set for Measure M.

As indicated below, each of the voter approved and Metro administered sales tax measures includes a Local Return component ranging from a high of 25% for Proposition A to a low of 15% for Measure R.

Sales Tax Measure	Approved	Effective Collection Date	Tax Rate	Rate of Net Revenue Distribution (3)
Proposition A	1980	July 1, 1982	½%	25%
Proposition C	1990	April 1, 1991	½%	20%
Measure R	2008	July 1, 2009	½%	15%
Measure M (1)	2016	July 1, 2017	½%	17%
Measure M (2)	2016	July 1, 2039	1%	20%

- 1) Measure M distributes 16% of Net Revenues plus 1% Supplemental Funds transferred from 1.5% ordinance defined as Administrative Funds for a total of 17%.
- 2) Per Measure M ordinance, Measure M Local Return share increase to 1% July 1, 2039 upon the expiration of Measure R and the allocation of Local Return shall increase by 3% to total 20%.
- 3) LR funds are allocated and distributed monthly to cities and the County of Los Angeles (JURISDICTIONS) on a "per capita" basis by the Los Angeles County Metropolitan Transportation Authority.

In total, approximately 20% of the transportation sales taxes approved by the voters of Los Angeles County go to support locally based, community supportive programs and projects.

The newly implemented and cloud-based LRMS is designed to include:

- A new intuitive interface that mirrors electronically what city staff are already doing with minimal disruption including the on-line submittal of any necessary supplemental information as required by individual ordinance guidelines;
- The elimination of unnecessary duplicative effort by Metro staff;
- A consolidated chart of accounts for project coding that is consistent across funding sources; *(the subject of this recommendation)*
- Enhanced reporting features that will allow both staff at the cities to provide reports to their management as well as allow Metro staff to keep the Metro Board better informed and up to date on local return activities;
- Individualized dashboards for specific cities and the County as well as Metro oriented program wide dashboards to track agency progress towards various objectives;
- A secure electronic workflow system that the user can monitor from any internet accessible location.

The LRMS is designed to recognize and distinguish between funding sources as well as across project categories and seeks to simplify city staff input through a singular comprehensive structure of project categories and coding. This newly improved system would also afford Metro staff the ability to quickly and easily query information without the need to differentiate, at the point of inquiry, among funding sources and project categories.

All project definitions and eligibility requirements remain unchanged from the Board approved guidelines. These guidelines were developed subsequent to the adoption of the ordinances through extensive outreach, stakeholder input, Metro staff, and Board review.

DETERMINATION OF SAFETY IMPACT

There would be no impact on system safety should the Board adopt staff recommendation.

FINANCIAL IMPACT

Adoption of staff recommendations would improve staff ability to provide significantly increased visibility into the applications of Local Return funds throughout the county.

Impact to Budget

Adoption of staff recommendations would have no impact on the LACMTA Budget as Local Return funds are disbursed directly to the cities and are included in the Metro Board approved budget

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Metro's Strategic Plan Goal #5 by providing responsive, accountable, and trustworthy governance within the Metro organization and the region.

ALTERNATIVES CONSIDERED

Should the Board choose not to approve the implementation of a revised system of Local Return Project coding, which staff does not recommend, staff will be required to maintain an inconsistent and inefficient project reporting structure that limits our ability to provide timely and comprehensive information on the Local Return program.

NEXT STEPS

Should the Board approve the recommendation, staff will update the Local Return Guidelines to incorporate the approved project coding structure changes.

ATTACHMENTS

Attachment A - Revised Project Summary for Local Return Projects.

Prepared by: Drew Phillips, Senior Director, Finance, (213) 922-2109

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



Phillip A. Washington
Chief Executive Officer

Revised Local Return Project Coding Guidelines

Propositions A & C; Measures R & M

Public Transit Services (Operations)

- 105 - New/existing fixed route service
- 106 - Paratransit
- 107 - Dial-a-Ride
- 108 - TNC or other Flexible Destination Service
- 109 - Vanpool and/or vanpool incentive programs
- 110 - Extension or augmentation of existing bus route
- 115 - Contracted Transportation Services from within LA County
- 116 - Contracted Transportation Services from outside LA County
- 120 - Operating subsidy to existing bus operator
- 125 - Service enhancements related to bus/rail interface
- 130 - Shuttle service between activity centers
- 135 - Fare subsidy, subsidized taxi service
- 140 - Taxi coupon programs
- 145 - ADA related improvements
- 150 - Transit security
- 155 - Recreational transit
- 160 - Rail Operations
- 170 - Bus stop, transit station, park and ride lot maintenance
- 175 - Vehicle maintenance
- 179 - Training
- 180 - Planning, engineering for transit operations
- 181 - Capital Reserves for transit operations
- 190 - Other Public Transit Services

Public Transit Capital

- 205 - Bus Stop, Stations
- 210 - Vehicles - new, replacement
- 215 - Transit Facilities
- 220 - Transportation Enhancements
- 225 - Right of Way Improvements
- 230 - Farebox systems
- 231 - Transit Access Pass ("TAP")
- 232 - Universal Fare System (UFS), ITS
- 240 - Transportation technical systems
- 245 - Transit Security
- 250 - Light Rail Capital
- 251 - Commuter Rail Capital
- 260 - vehicle equipment, improvements
- 261 - Electric vehicle charging stations
- 270 - Park and Ride Lots
- 274 - preferential turning lanes for transit
- 275 - Reserved bus lanes on surface arterials
- 276 - Contra-flow lanes
- 277 - Traffic Signal Priority for Buses
- 278 - Ramp meter bypass for buses
- 280 - Planning, engineering for transit capital projects
- 281 - Capital Reserve for Transit Capital
- 290 - Other Public Transit Capital

Traffic Control Measures

- 301 - Traffic Signal - New
- 302 - Traffic signal upgrades or improvements
- 303 - Traffic signal sync
- 304 - Traffic Signal - Repairs and Maintenance
- 312 - Community-based shuttles for employees
- 313 - Parking management incentive programs
- 314 - Employer or citizen ride-matching programs and subsidies
- 315 - Transportation Management Organization's (TMO) insurance costs
- 317 - Car sharing programs
- 320 - Congestion pricing, toll roads
- 323 - Ramp meter by-pass
- 324 - Other TDM-Eligible projects
- 340 - Other TSM-Eligible projects
- 350 - Intelligent Transportation System (ITS)
- 380 - Planning, engineering for Traffic Control Measures projects
- 381 - Capital Reserve for Traffic Control Measures
- 390 - Other Traffic Control Measures

Local Funding Contributions

- 410 - Fund exchange for Prop A
- 420 - Fund exchange for Measure M (For like transportation funds only)
- 430 - Fund exchange for Measure R (For like transportation funds only)
- 440 - Measure R Ordinance & Attachment A& required 3% local funding contribution
- 450 - Matching funds for LR-eligible projects
- 460 - Local Return Gifting
- 470 - Start-up cost, dues, advocacy for LR eligible proj.
- 490 - Other

Transportation Marketing

- 510 - Transit publications, brochures, pamphlets, etc.
- 520 - Online, smartphone app transportation marketing
- 530 - Transportation user subsidy programs marketing
- 540 - Promotions & events transportation marketing
- 570 - Service changes marketing
- 580 - Planning, engineering for transportation marketing
- 581 - Capital reserves for transportation marketing
- 590 - Other Transportation marketing

Transportation Administration

- 610 - Admin Prop A
- 620 - Admin Prop C
- 630 - Admin Measure R
- 640 - Admin Measure M

Revised Local Return Project Coding Guidelines

Proposition C and Measures R & M Only

Streets and Roads

705 - Street Repair, resurfacing, maintenance, striping
 710 - Capacity Enhancements
 715 - Street improvements
 720 - Roadway safety improvements
 725 - ADA Related Street Improvements
 730 - Complete Streets
 730 - Freeways
 740 - Intersection improvements
 750 - Soundwalls
 755 - Medians, Landscaping
 760 - Signage
 765 - PMS
 780 - Planning, engineering for Streets and Roads project
 781 - Capital Reserves for Streets and Roads project

Active Transportation

805 - Bike/Pedestrian Facilities, Construction
 806 - Bike/pedestrian path or facility maintenance
 810 - Signage, Information
 815 - Bike and pedestrian safety features, education
 816 - Bike signals, detection
 820 - ADA Impvts, streetscapes, crossings, curb cuts
 825 - Bike Sharing
 840 - Bike Lanes
 850 - Bike parking, valet, storage
 880 - Planning, engineering for active transportation project
 881 - Capital Reserves for active transportation project
 890 - Other Bike and Pedestrian Projects

Measure M Only

Transit Oriented Community Investment

910 - Transit Oriented Community Investment (TOC)
 990 - Other
 980 - Planning, Engineering for TOC
 981 - Capital Reserves for TOC

**Board Report**

File #: 2020-0759, **File Type:** Agreement**Agenda Number:** 6.

**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 20, 2021****SUBJECT: SECOND AMENDMENT TO STANDARD COMMERCIAL LEASE AGREEMENT WITH
PBONE OSF-C, LLC, FOR THE METRO OFFICE LEASE FOR VARIOUS
OPERATING DEPARTMENTS LOCATED AT 100 S. SANTA FE AVENUE, SUITE 100,
LOS ANGELES****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) to execute a Second Amendment to the Standard Commercial Lease Agreement to make improvements totaling approximately \$150,765 and to continue renting 70 parking spaces at a cost of \$159,600 annually (total of \$798,000 over the option term of 5 years), commencing March 1, 2021 with PBONE OSF-C, LLC (“Lessor”) for the Metro Operations and Training office located at 100 S. Santa Fe Avenue, Suite 100, Los Angeles.

ISSUE

The office lease at 100 S. Santa Fe Avenue, Suite 100, Los Angeles (“One Santa Fe”), which provides essential office space for system maintenance services and safety training for Metro vendors and other Metro departments, includes leasing 70 parking spaces. Currently Metro is actively using all 70 existing parking spaces for staff and equipment parking. The parking space lease will terminate on February 28, 2021 if not amended. In addition, repair work to the ventilation, alarm and lighting systems that serve the premises is required.

BACKGROUND

Metro exercised its first option to extend the lease at One Santa Fe for an additional five (5) years from March 1, 2021 to February 28, 2026 (“Option Term”). This option included predetermined rental rates for the office space but did not include a predetermined rental rate for the 70 parking spaces which requires separate negotiation to lock in a new rental rate for the period of the Option Term.

In addition, the office space at One Santa Fe has had longstanding issues with the ventilation in certain areas of the premises, the volume of the alarm system, and lighting in certain areas which need to be remedied.

DISCUSSION

The newly exercised Option Term allows for the Lessor to revise the rate up to prevailing rates for similar parking in the area. The parking at One Santa Fe is used for Metro vehicles for emergency responses and maintenance issues and for on-site employee parking.

This Second Amendment documents the negotiated portion of the rent for the parking spaces during the exercised Option Term. The parking rent will increase from \$9,100 per month up to \$13,300 per month for a total amount of \$798,000 over the Option Term.

Metro Real Estate staff is taking this opportunity to memorialize other processes, impose stricter maintenance obligations, and make some repairs to portions of the ventilation, alarm and lighting systems. The estimated one-time cost of these repairs is \$150,765.

Findings

The lease allows the Lessor to raise the rental rate for the parking spaces to prevailing rates for similar parking spaces during the Option Period. Metro Real Estate staff was provided prevailing parking data from the Transportation Demand Management (TDM) staff to assist in negotiating the new parking space rental rate. The newly negotiated parking rate resulted in a rate lower than prevailing rates. This savings will offset the cost of the repairs the Lessor will begin making after the amendment is executed.

Considerations

The onsite, secured and gated parking spaces at One Santa Fe is the safest and most secure option for Metro vehicles which have expensive service equipment stored inside. Other available parking spaces are not as secure and are integrated with non-Metro public parking at locations which are farther away and may slow down emergency response times.

Equity Platform

This project addresses Metro's equity platform by assuring consistent quality of operations throughout the system in underserved communities and that all vendors receive uniform training for access to Metro rail properties.

DETERMINATION OF SAFETY IMPACT

The departments located at One Santa Fe provide essential safety training for employees and vendors needing access to Metro rail property. The repairs to the lighting, ventilation and alarm system will improve the health and safety for One Santa Fe employees and visitors.

FINANCIAL IMPACT

Approval of the lease amendment with PBONE OSF-C, LLC, for parking space rent as well as proposed repairs is estimated to be a total of \$948,765 over the five (5)-year Option Term. The rental

rate is within market rate for similar parking spaces in the area.

Impact to Budget

Rental costs for One Santa Fe are included annually in the Real Estate budget 0651.300040.01.01.51201 Rent Property/Facilities. Future rental obligations will be requested in the annual budget process. Funds used are eligible for rail operating expenditures.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goal #5: “Responsive, accountable, and trustworthy Metro within the organization.”

ALTERNATIVES CONSIDERED

The alternative would be to lease parking spaces at an alternate off-site location for staff and Metro vehicles that would be more expensive, less secure and increase staff travel time between locations.

NEXT STEPS

If approved by the Board, the Metro CEO will execute the lease amendment with PBONE OSF-C, LLC.

ATTACHMENTS

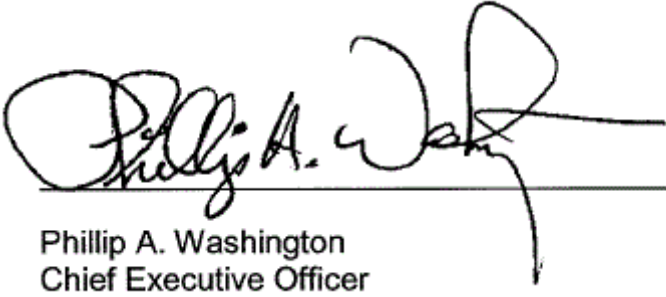
Attachment A - Lease Location

Attachment B - Deal Points

Prepared by: John Beck, Principal Real Estate Officer, Countywide Planning & Development, (213) 922-4435

John Potts, Executive Officer, Countywide Planning & Development, (213) 928-3397
Holly Rockwell, SEO - Real Estate, Transit Oriented Communities and Transportation Demand Management, (213) 922-5585

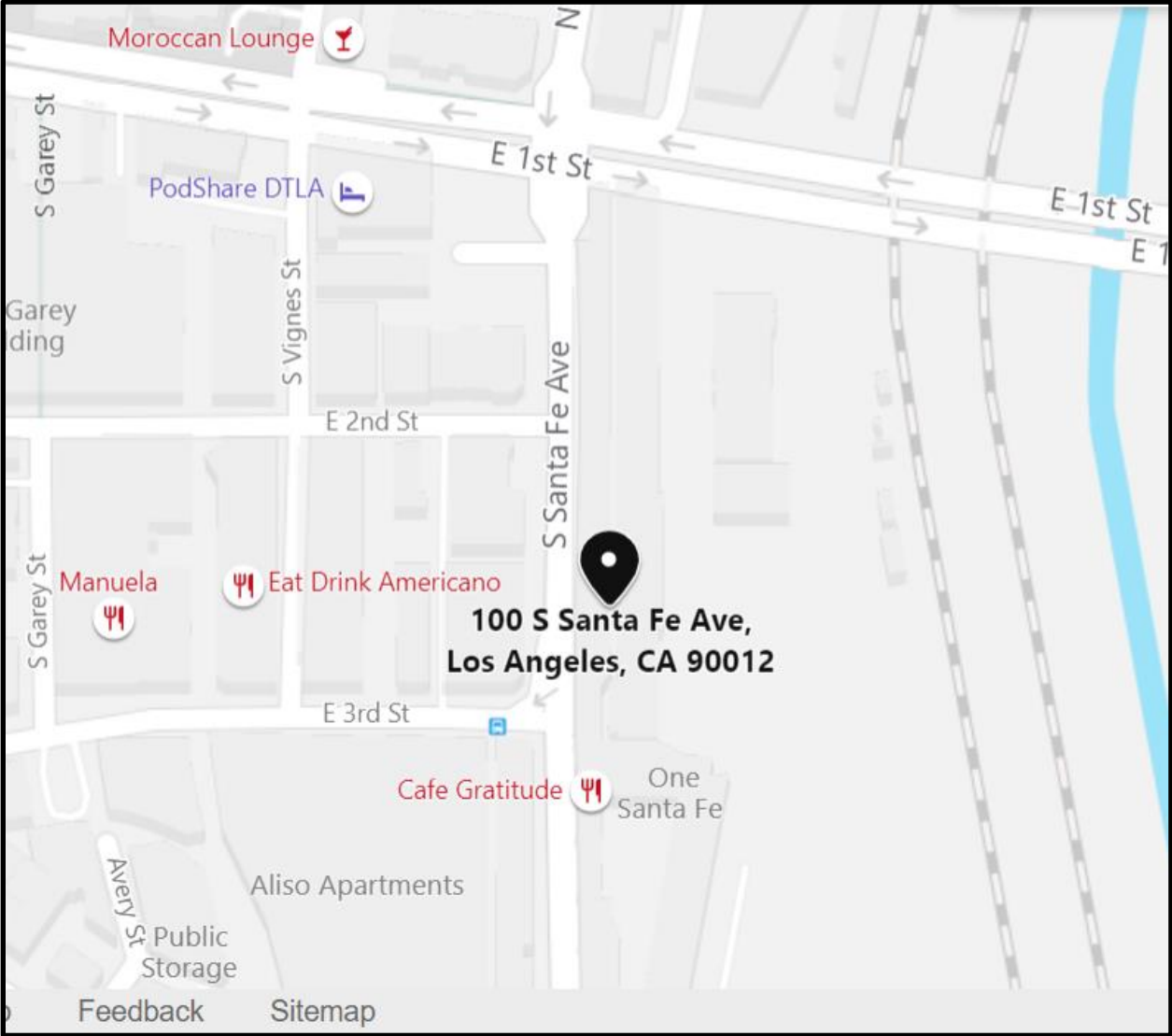
Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920



Phillip A. Washington
Chief Executive Officer

Attachment A –Lease Location

Location Map



Attachment B – Deal Points

New or renewal	2nd Amendment to Lease
Landlord/Owner	PBONE OSF-C, LLC
Location	One Santa Fe Avenue, Suite 100, Los Angeles
Premises	70 Parking Spaces
Purpose	Continued use for Metro Transportation Operations, Maintenance of Way, and Rail Fleet.
Commencement and Duration (note any extensions)	Five (5) additional years commencing approximately March 1, 2021.
Total Cost	The total lease amendment value is approximately \$948,765 over the additional five (5)-year term including parking and tenant improvement (TI) costs.
Early Termination Clauses	None.
Determination of Lease Value	Metro Real Estate was provided prevailing parking data from Metro Transportation Demand Management.
Background with this Landlord	This underlying lease is with this landlord, PBONE OSF-C, LLC.
Special Provisions	The TI's are estimated to cost about \$150,765. The work will be performed by the landlord and Metro will reimburse after the work is completed.



Board Report

File #: 2020-0870, **File Type:** Informational Report

Agenda Number: 7.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
JANUARY 20, 2021**

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2020 TO
JUNE 30, 2020**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2020 to June 30, 2020.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2020 to June 30, 2020. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses, such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

This audit covered a review of Metro miscellaneous expenses for the period of April 1, 2020 to June 30, 2020. For this period, miscellaneous expenses totaled \$1,902,336 with 730 transactions. We selected 53 expense transactions totaling \$586,063 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of April 1, 2020 to June 30, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for three of the expenses reviewed, requirements were not followed regarding the compliance with policies on business meals and travel expenses. A few transactions were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the staff involved.

As stated in our previous report on the audit of miscellaneous expenses for the period of January to March 2020, Metro is facing unprecedented financial challenges due to the Covid-19 pandemic. On April 20, 2020, the Chief Executive Officer instructed the Senior Leadership Team to implement immediate cost saving actions and one of them is to cease expenditure in travel, seminar, business meal, training, membership, advertising, and other miscellaneous expenses.

Our review of miscellaneous expenses for the period of April to June 2020 disclosed that management and staff complied with the CEO's directive. The payments made were either for expenses incurred in the prior quarters or for expenses deemed essential .

Recommendations

We recommend that:

OPERATIONS (Bus Warranty) and PROGRAM MANAGEMENT (Executive Office, Transit Project Delivery):

1. Continue to remind staff to submit Travel and Business Expense (TBE) Reports timely and accurately; require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN 14.

OFFICE OF BOARD SECRETARY:

2. We reiterate our recommendations given in our prior report for the audit of miscellaneous expenses for the period January to March 2020 (21-AUD-01):
 - a) Indicate details and other pertinent information when business meals expenses are incurred, in compliance with Metro Policy ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.
 - b) Work with Accounting to formulate a policy on business meals expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs.
3. Remind the P-Cardholder to monitor the invoices/billings to facilitate prompt payment. Keep detailed records to facilitate monitoring of credit card charges and to avoid overdue invoices from the meal vendors.

FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute in minor respects to cost savings and controls.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period April 1, 2020 to June 30, 2020 (Report No. 21-AUD-03)

Prepared by: Asuncion Dimaculangan, Senior Auditor (213) 244-7311
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Sr. Director, Inspector General-Audit, (Interim)
(213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
April 1, 2020 to June 30, 2020**

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Metro

DATE: December 29, 2020

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses
From April 1, 2020 to June 30, 2020 (Report No. 21-AUD-03)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2020 to June 30, 2020. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses, such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and adequately supported by required documents. However, we noted the following issues on three of the 53 expenses reviewed:

- Various issues on business meals
- Non-compliance with Travel and Business Expense Policy

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

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

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

- Obtained and reviewed applicable policies and procedures;

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
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Office of the Inspector General

Report No. 21-AUD-03

- Interviewed Metro personnel including staff in Accounting, Communications, Human Capital and Development, Vendor Contract Management, Office of the Board Secretary, and Operations; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of April 1, 2020 to June 30, 2020. For this period, miscellaneous expenses totaled \$1,902,336¹ with 730 transactions. We selected 53 expense transactions totaling \$586,063 for detail testing. Thirty of the expense transactions were randomly selected, eight were selected due to their large dollar amounts, six were selected to sample other accounts and the remaining nine were judgmentally selected for an expanded review of Travel and Business Expense (Account 50917), which was the focus of this quarter's review. As a result, we examined 24 travel and business expenses totaling \$24,255 from the 53 samples mentioned above. See Attachment B for details.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

RESULTS OF AUDIT

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

1. Various issues on Business Meal Expenses

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

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
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Office of the Inspector General

Report No. 21-AUD-03

Employees are normally prohibited to use the Purchase Card (P-Card) for food purchases. However, the exception for the Office of the Board Secretary was justified with valid reasons and it was approved by the Chief Vendor/Contract Management. Meals were purchased for board meetings, committee meetings, board staff briefings, Chair's meetings, and for other business functions.

Our sample included business meals charged to Cost Center 1010 (Board Office) for P-Card statement dated 3/23/2020 for \$3,980.69. We noted the following issues:

- a) The P-Card log did not include details such as nature of meeting, number of attendees, and other information as required by the Accounting Procedures and Guidelines for Check Request (ACC-01).

Section 1.1.1(aa) of ACC-01 requires that that business meals for events and business meetings *“must be accompanied with receipts, account coding and a detailed justification memo signed by the responsible department which documents attendees, name and title, affiliation, subject discussed, purpose and benefit to LACMTA.”*

Upon our request, the P-Cardholder provided the nature of meetings and number of attendees for each meeting. The P-Cardholder explained that this policy has not been used to govern expenditures by the Board in the past. Instead, an annual justification memo has been used in its place for the past five years.

As mentioned in our prior audit report for miscellaneous expenses for the period January to March 2020 (21-AUD-01), we reiterate that it is important to include pertinent information, as required by ACC-01 to ascertain that the business meals incurred were reasonable and justifiable.

- b) We also noted that the meal per person expended appears to exceed the per diem rate published by the U.S. General Services Administration (GSA).

In our prior audit report for miscellaneous expenses for the period January to March 2020 (Report No. 21-AUD-01), the same findings were identified as items (a) and (b), and we recommended: (1) Indicate details and other pertinent information when business meal expenses are incurred, in compliance with ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price, and (2) work with Accounting to formulate a policy on business meal expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs.

In the Board Secretary's response to the findings in Report No. 21-AUD-01, she agreed with the above recommendations. For recommendation no. (2) above, she suggested using a two-year average per meal for Accounting purposes.

Statutorily Mandated Audit of Miscellaneous Expenses for the Period

April 1, 2020 to June 30, 2020

Office of the Inspector General

Report No. 21-AUD-03

We don't think averaging is a workable method, so we reiterate the recommendations stated in our prior report and we will follow up for their implementation that needs to apply to staff, board members, and other guests.

- c) The P-Card statement for March 2020 included charges for two invoices dated November 21, 2019 (\$769) and December 12, 2019 (\$286), which had not been paid until February and March 2020, respectively. The P-Cardholder explained that the bills were paid late due to an oversight.

Based on P-Card guidelines, *“the Cardholder is responsible for record keeping and reconciliation of charges made on his/her P-Card.”*

This is not significantly late, but it is important the P-Card holders make an effort to promptly pay, since it affects the accounting department's attempts to meet its prompt pay goals. It also ensures that expenses are charged in the proper budget period.

2. Non-Compliance with Travel and Business Expense Policy

For the quarter of April 1, 2020 to June 30, 2020, we performed an expanded review of Travel and Business expense². The total Travel and Business expense for the quarter was \$375,121. We sampled 24 transactions totaling \$24,255 and examined the supporting documents.

The following is the summary of Travel and Business expense by Cost Center for the quarter ended June 30, 2020:

Cost Center	Travel and Business Expense	
	Population	Sample Amount
Vehicle Tecnology & Acquisition	\$ 31,011	\$ 364
Rail Vehicle Acquisition	29,489	7,486
Project Management, Transit	16,705	1,130
Office of Extraordinary Innovation	14,473	292
Government Relations	14,471	443
Board Office	13,087	407
Congestion Reduction	12,075	427
Systems Architecture & Technology Integration	11,610	1,809
Talent Acquisition	8,366	394
System Security & Law Enforcement	8,277	408
Strategic Financial Planning	8,257	2,162
Other Cost Centers - Population Below \$8K	207,300	8,933
Total	\$ 375,121	\$ 24,255

² Note that during the Covid-19 era, any expense for travel and business expense may be disallowed.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
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Office of the Inspector General

Report No. 21-AUD-03

Our review of Travel and Business expense (TBE) found two instances that the TBE reports were submitted late:

- a. The Warranty and Equipment Mechanic Leader, Bus Warranty, traveled to the New Flyer Facility in St. Cloud, Minnesota from January 7 to 11, 2020 for the final bus inspection. He submitted his Travel & Business Expense report on May 15, 2020, which was four months later. The employee explained that he had difficulty in finding time to prepare and submit the report as his department was understaffed.
- b. The Director, Engineering, Executive Office, Transit Project Delivery, traveled to Golden, Colorado to attend a short course in Colorado School of Mines from October 14 to 17, 2019. She submitted the TBE report on April 28, 2020, which was more than five months late. She explained that it was an oversight on her part, as she was very busy working on the Westside Purple Line Extension – Section 3.

Section 1.2.1 of the Travel & Business Expense Policy (FIN 14) states: *“The TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.”*

It is important that TBE reports are submitted in a timely manner in order for the expense to be recorded in the proper accounting period and for their department’s budget balances to be updated. Furthermore, the possibilities of errors and omission or loss of receipts may increase if the employee submits the TBE report several months after his/her travel. Management should continue to encourage employees to attend the training on TBE and remind them of Metro’s travel policy.

3. Observation on Various Miscellaneous Expenses

In the course of our audit, we had the following observations:

a. Issues on Modified Electronic Purchase Card Workflow System

We identified a few technical issues with the P-card approval system during this period of review and informed the Accounting Department. The Accounting Director stated that the Accounts Payable (AP) team responds to all P-card user inquiries and processes issues on a timely basis to ensure statements are submitted on time for clearing and compliance with the policy. He added that AP and Information Technology Services (ITS) work closely together to review and resolve both user and system issues. They currently have seven service requests pending with ITS to improve the user experience.

b. Some transactions recorded to incorrect accounts.

Our review found some transactions were miscoded or recorded to incorrect accounts, such as:

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- Technical services recorded as fringe benefit – training, instead of professional and technical services
- Recruitment ads recorded as professional membership, instead of miscellaneous
- Lapel pins for awards recorded as employee activities and recreation, instead of miscellaneous

We brought these transactions to the attention of the cost center heads, who explained that the incurred errors were due to miscoding or misinterpretation of the account description. We informed Accounting Department about these instances and the entries were promptly corrected.

CONCLUSION

The miscellaneous expenses we reviewed for the period of April 1, 2020 to June 30, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for three of the expenses reviewed, requirements were not followed regarding the compliance with policies on business meals and travel expenses. A few transactions were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the staff involved.

As stated in our previous report on the audit of miscellaneous expenses for the period January to March 2020, Metro is facing unprecedented financial challenges due to the Covid-19 pandemic. On April 20, 2020, the Chief Executive Officer instructed the Senior Leadership Team to implement immediate cost saving actions and one of them is to cease expenditure in travel, seminar, business meal, training, membership, advertising, and other miscellaneous expenses.

Our review of miscellaneous expenses for the period of April to June 2020 disclosed that management and staff complied with the CEO's directive. The payments made were either for expenses incurred in the prior quarters or for expenses deemed essential .

All business travel expense for the current audit period were for travels made in the previous quarters which were paid in the current quarter. No travel was made after the implementation of the cost cutting measures.

We noted few payments made for seminars held in the current quarter; however, these seminars were either deemed essential or the contracts for which were executed before the CEO's mandate.

While advertising showed an increase of \$96,000 from \$926,000 to \$1,022,000, we verified that all the sampled transactions we examined were for contracts approved before the cost reduction measures were implemented.

We recommend that management continue to strictly comply with the CEO's mandate to control miscellaneous expenses, identify cost saving opportunities, and eliminate unnecessary expenses.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
April 1, 2020 to June 30, 2020**

Office of the Inspector General

Report No. 21-AUD-03

RECOMMENDATIONS

We recommend that:

OPERATIONS (Bus Warranty) and PROGRAM MANAGEMENT (Executive Office, Transit Project Delivery):

1. Continue to remind staff to submit Travel and Business Expense (TBE) Reports timely and accurately; require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN 14.

OFFICE OF BOARD SECRETARY:

2. We reiterate our recommendations given in our prior report for the audit of miscellaneous expenses for the period January to March 2020 (21-AUD-01):
 - a) Indicate details and other pertinent information when business meals expenses are incurred, in compliance with Metro Policy ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.
 - b) Work with Accounting to formulate a policy on business meals expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs.
3. Remind the P-Cardholder to monitor the invoices/billings to facilitate prompt payment. Keep detailed records to facilitate monitoring of credit card charges and to avoid overdue invoices from the meal vendors.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On December 7, 2020, we provided Metro Management a draft report. On December 23, 2020, the management completed their responses that summarized their corrective actions, as shown in Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

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

**Summary of Sampled Expenses Audited
For the Period from April 1, 2020 to June 30, 2020**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 43,883	\$ 20,689
50903	Business Meals	18,256	4,080
50905	Corporate Membership	44,000	44,000
50908	Employee Relocation	13,042	13,042
50910	ER Mileage / Parking	2,751	1,520
50912	Professional Membership	11,461	2,875
50914	Schedule Checkers	1,946	0
50915	Seminar and Conference Fee	54,881	2,840
50917	Business Travel	375,121	24,255
50918	Advertising	1,022,171	459,208
50930	Employee Activities and Recreation	585	585
50999	Other Miscellaneous Expenses	<u>314,239</u>	<u>12,969</u>
	<i>Total</i>	<u>\$1,902,336</u>	<u>\$ 586,063</u>

Management Comments to Draft Report


Metro

Interoffice Memo

Date	December 23, 2020
To	Karen Gorman Inspector General
From	James T. Gallagher Chief Operations Officer <i>JTG.</i>
Subject	Management Response to the Audit of Metro Miscellaneous Expenses (Report # 21- AUD-03)

Operations Management has received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from April 2020 - June 2020 in Vehicle Engineering & Acquisition department within Operations. The report includes the following recommendation:

1. Vehicle Engineering & Acquisition - Bus Warranty: Remind staff to submit Travel & Business Expense (TBE) Reports timely and accurately; require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN14.

Response: Agree; Warranty & Equipment Mechanic Leader, submitted his TBE report 4 months late due to lack of time available to prepare his reports as the department was and is still experiencing understaffing issues related to COVID leaves/exposures. This employee has been re-issued the travel policy FIN14 and has been advised of his responsibility to adhere to all aspects of the policy for travel & business funded by Metro and/or other external agencies. Further, the employee has been advised to attend the next scheduled training class for the use and application of the FIN14 policy.

CC: Yvonne Zheng, Sr. Mgr., Audit
 Jess Montes, Sr. EO, Vehicle Engineering & Acquisition
 Marc Manning, Sr. Director, Sr. Director, Vehicle Engineering & Acquisition
 Jim Jenson, Equipment Engineering Supervisor
 Diane Corral-Lopez, EO, Operations Administration
 Nancy Alberto-Saravia, Director, Finance & Administration

Management Comments to Draft Report



Metro

Interoffice Memo

Date	December 22, 2020
To	Yvonne Zheng Senior Manager, Audit Office of Inspector General (OIG)
From	Richard F. Clarke <i>RF Clarke</i> Chief Program Management Officer
Subject	Response to OIG Audit No. 21-AUD-03

This memo is in response to the Office of Inspector General audit, 21-AUD-03, which found Program Management noncompliant with Metro Policy FIN 14 Travel and Business Expense (TBE).

Based on the audit recommendations the following actions were taken:

1. The audit recommended Program Management remind staff to submit accurate Travel and Business Expense reports in a timely manner. To address the audit recommendation, an interoffice memo was sent via email, on December, 17, 2020, reminding all staff that business related travel expense reports must comply with Metro's Policy FIN 14 Travel.
2. The audit recommended Program Management require staff to attend TBE training prior to traveling. To address this recommendation, Program Management reached out to the Travel Office to arrange a TBE/ FIN 14 Travel and Business Expense virtual training, during calendar year 2021. The specific date for the training is being coordinated at this time.

Please reachout to me if you would like to discuss or require additional information.

Attachments:

December 17, 2020 Interoffice Memo to Program Management Staff

Management Comments to Draft Report



Metro

Interoffice Memo

Date	December 23, 2020
To	Yvonne Zheng, Senior Manager, Audit Office of the Inspector General
From	Michele Jackson, Board Secretary
Subject	Draft Report: Audit of Metro Miscellaneous Expenses From April 1, 2020 to June 30, 2020 (Report No.21-AUD-03)

OVERVIEW

The results of the audit have been reviewed and concur with the recommendations.

Corrective actions must be taken to ensure that Metro policies are followed concerning timely submission of Purchase Card logs and sufficient documentation is properly logged for all business meals expenses.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

1. Remind the P-Cardholder to monitor the invoices/billings to facilitate prompt payment.

Management Response: Agree

The Board Secretary will ensure that the P-Cardholder will monitor the invoices/billings to facilitate prompt payment.

2. Indicate details and other pertinent information when business meal expenses are incurred, in compliance with ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.

Management Response: Agree

The Board Secretary will work with the P-Cardholder to evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.

Management Comments to Draft Report

3. Work with Accounting to formulate a policy on business meal expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs.

The Board Office will notify the incoming Chair of the recommendations suggested by the Audit Department with regards to meal spending allocations.

Should you have any questions regarding the response to this report, please feel free to contact me.

Final Report Distribution

Board of Directors

Kathryn Barger
Mike Bonin
James Butts
Jacquelyn Dupont-Walker
Eric Garcetti
Robert Garcia
Janice Hahn
Paul Krekorian
Sheila Kuehl
Ara Najarian
Holly Mitchell
Hilda Solis
Tony Tavares
Board Deputy on behalf of vacant North County Selection Member

Metro

Chief Executive Officer
Chief of Staff
Board Secretary
Inspector General
Chief Finance Officer
Executive Officer, Finance/Controller
Chief Vendor/Contract Management Officer
Chief Operations Officer
Chief Auditor (Interim)
Audit Support Manager
Manager, Records & Information Management

Audit of Miscellaneous Expenses
April to June 2020
OIG Report No. 21-AUD-03

Karen Gorman, Inspector General

January 21, 2021



Objectives

The objectives of the audit were to determine whether:

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

Results

Based on our sample reviews for the covered period, the expenses incurred generally complied with policies, were reasonable, and adequately supported by required documents.

However, we found that for three of the expenses reviewed, requirements were not followed regarding the compliance with policies on business meals and travel expenses.

We made three recommendations to improve the monitoring and payment of Metro miscellaneous expenses.

**Board Report**

File #: 2020-0818, **File Type:** Informational Report**Agenda Number:** 8.

**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 20, 2021****SUBJECT: ACCESS SERVICES - QUARTERLY UPDATE****ACTION: RECEIVE AND FILE****RECOMMENDATION**

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

ISSUE

This is a quarterly update on Access Services (Access).

BACKGROUND

Access is the Los Angeles County transit agency that provides paratransit services on behalf of Metro and 44 other fixed route operators, as mandated by the Americans with Disabilities Act (ADA). Eligibility for Access is based on a person's ability to use accessible fixed-route buses and trains in Los Angeles County; Access currently has 135,000 registered riders. Access' paratransit service is a next-day, shared-ride, curb-to-curb service with additional assistance available to qualified individuals. The service operates throughout most of the County of Los Angeles and is operated by six contractors in the following regions: Eastern, Southern, West Central, Northern, Santa Clarita and Antelope Valley. Access provides service to customers who are traveling between locations that are located within 3/4 of a mile of local bus routes and rail lines. Customers call Access' service providers directly to make trip reservations or book trips online.

DISCUSSION**Response to the COVID-19 Pandemic**

Starting in the middle of March with the implementation of Los Angeles City and County's Safer at Home directives, Access saw its average daily ridership decline 78 percent from 11,600 trips a day to 2,500 trips a day. Ridership has now recovered to approximately 50 percent of normal.

Access is continuing its physical distancing and cleaning protocols including the elimination of shared rides, disinfecting vehicles twice a day, wiping down high contact surfaces after each passenger trip

and a face covering mandate. Access' eligibility process continues to be done remotely, over the phone, rather than in-person.

APTA Commitment: Furthermore, Access was recently confirmed by the American Public Transportation Association (APTA) to be fulfilling the highest industry commitments of keeping transit safe during COVID-19. That commitment has earned Access APTA's Health and Safety Commitment (HSC) seal, which is now displayed on the Access website (www.accessla.org).

This commitment to the safety of our riders, contractors, and employees focuses on five key areas:

- Follow public health guidelines from official sources;
- Protect each other by cleaning and disinfecting transit vehicles and facilities frequently and requiring face coverings and other protection;
- Keep passengers informed and empowered;
- Put health first by requiring riders to avoid riding our services if they have been exposed to COVID-19 or feel ill; and
- Put health first by requiring employees and contractors to not come to work if they have been exposed to COVID-19 or feel ill.

Additional services were also implemented to serve the community:

Meal and grocery delivery: Access continues to work with a number of public and private entities to deliver, as of October 31, 265,000 meals and grocery boxes since the start of the pandemic to the most vulnerable populations in the County.

Same Day Service: On May 4, Access began offering same day service for trips to non-emergency medical/dental appointments, grocery stores, pharmacies or drug stores, the bank, and other critical locations. As of October 31, nearly 25,000 same day trips have been completed.

Recovery Plans: Access will continue to monitor the COVID-19 pandemic and normalize its operations as the pandemic subsides. The goal of restoring service back to pre-pandemic service levels will be to balance operational circumstances, including contractor capacity and ridership, as well as guidance from our public health partners and local authorities. At this time, Access believes that the continuation of its no-shared ride policy should be continued as long as operationally practicable.

FY21 Operational Performance

In FY21, through October 31, Access has provided 541,392 trips, which is about 30 percent above projections. Access staff will continue to monitor this trend as the fiscal year moves forward.

In FY18, the Access Board of Directors adopted additional key performance indicators (KPIs) and liquidated damages to ensure that optimal levels of service are provided throughout the region.

Overall system statistics are published monthly in a Board Box report. A comparison summary of the main KPIs is provided below:

Key Performance Indicators (KPIs)	FY 2020	FY 2021
On Time Performance - $\geq 91\%$	92.20%	92.7%
Excessively Late Trips - $\leq 0.10\%$	0.10%	0.05%
Excessively Long Trips - $\leq 5\%$	2.90%	0.00%
Missed Trips - $\leq 0.75\%$	0.46%	0.34%
Access to Work On Time Performance - $\geq 94\%$	95.90%	97.40%
Average Hold Time (Reservations) - ≤ 120 seconds	71	52
Calls On Hold > 5 Min (Reservations) - $\leq 5\%$	3.30%	2.20%
Calls On Hold > 5 Min (ETA) - $\leq 10\%$	4.10%	1.50%
Complaints Per 1,000 Trips - ≤ 4.0	2.5	2.2
Preventable Incidents - ≤ 0.25	0.19	0.08
Preventable Collisions (Weighted) - ≤ 0.50	0.67	0.43
Miles Between Road Calls - $\geq 25,000$	60,999	78,661

Overall, all KPIs are being met through October 31.

Serving the Community

Free Fare Election Day Service: Access provided 330 free trips to vote (or turn in a ballot at an official Los Angeles County ballot drop box) on Election Day.

Zoom Community Meeting: Access hosted its first virtual Community Meeting on Saturday, September 12th, paving the way for a new format to engage a wider audience and increase awareness and public involvement. The event was well attended with over 60 guests calling in or participating via Zoom. Staff from across departments presented on a variety of topics to ensure customers were well informed on the many changes Access has implemented during the COVID-19 pandemic.

In response to the COVID-19 pandemic, Access continues to engage and consult with its community and public agency partners throughout the county to gain feedback and help assess future policies.

Working with Member Agencies

NextGen: In accordance with ADA regulations, Access’ service area is determined by a $\frac{3}{4}$ mile distance from local fixed-route bus and rail lines. Access Services will be analyzing Metro’s NextGen maps to determine the impact on the service area. After this analysis is done, if it is determined that there are impacts to customers, Access will develop a proposal to take to its Board of Directors. Access Services past practice has been to grandfather existing clients that may fall outside the fixed route coverage. Metro is also requesting that Access Services recognize the Metro microtransit

zones as part of the Metro service area for Access coverage, which would address the vast majority of coverage issues for ADA paratransit in the future. Until this process is complete, Access' service area will remain the same.

Metro Fareless Initiative: Access' Executive Director is serving as a member of the Fareless System Initiative Ad Hoc Committee and has provided information to Metro and other committee members about the financial and operational impacts of a free fare transit system on the regional paratransit system. Federal regulations would require that Access also go fareless which would lead to a projected substantial increase in demand and projected additional paratransit costs of \$180 million to \$302 million. Any move to a fareless system would require Access a significant amount of time (2 years minimum) to increase operational capacity to ensure that quality paratransit service be continued and provided to Access customers.

FINANCIAL IMPACT

There is no financial impact.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

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

NEXT STEPS

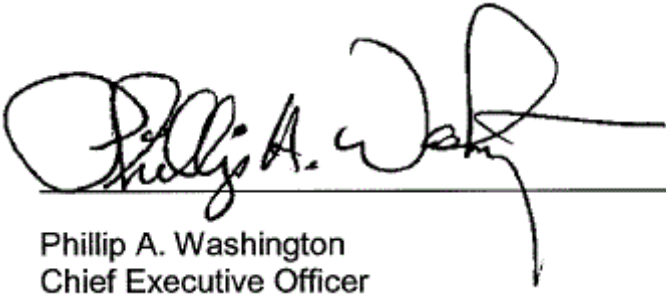
Access is in the process of completing the following:

- An analysis of the impact of Metro's NextGen plan on the Access service area
- A modified Parents with Disabilities program throughout Los Angeles County
- Enhancements to the WMR app using Mobility for All grant funds
- Expanding online reservations to the Northern region (San Fernando Valley)
- The procurement process for the Southern operational region

Prepared by: Andre Colaiace, Executive Director, Access Services, (213) 270-6007

Fayma Ishaq, Accessibility Program Manager, (213) 922-4925

Reviewed by: Jonaura Wisdom, Chief Civil Rights Programs Officer, (213) 418-3168



Phillip A. Washington
Chief Executive Officer

QUARTERLY UPDATE

Finance, Budget & Audit Committee
January 20, 2021

access

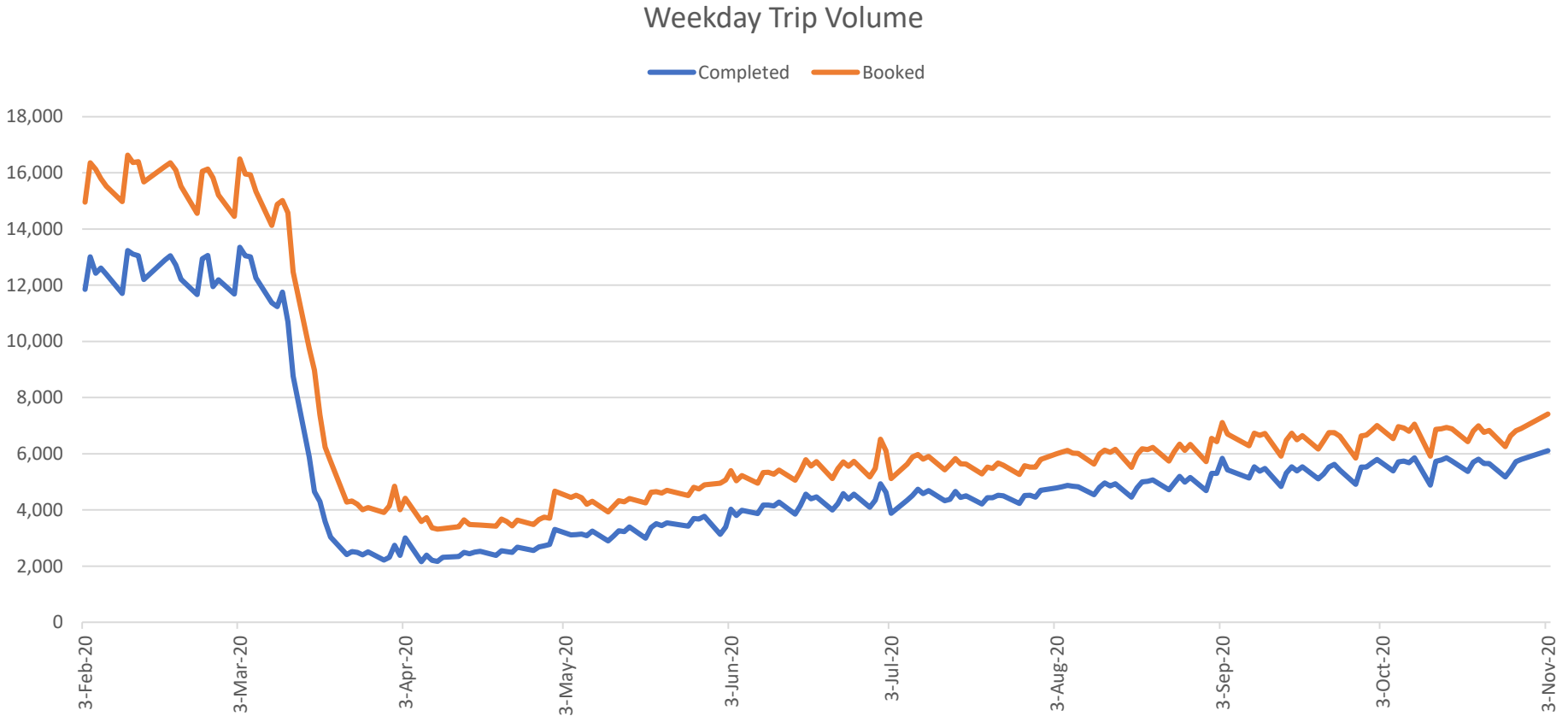


RESPONSE to COVID-19 Pandemic

- > Initial service decline from 11,500 to 2,500 trips/day
 - > Ridership has recovered to 50% of normal
- > System changes continuing:
 - > No shared rides, enhanced cleaning protocols, face coverings required for all riders and drivers
- > Additional services continuing:
 - > 265,000 meal and grocery boxes delivered
 - > 25,000 trips for same day service for trips to non-emergency medical/dental appointments, grocery stores, pharmacies or drug stores, the bank, and Los Angeles County Cooling Stations

IMPACTS

On Ridership



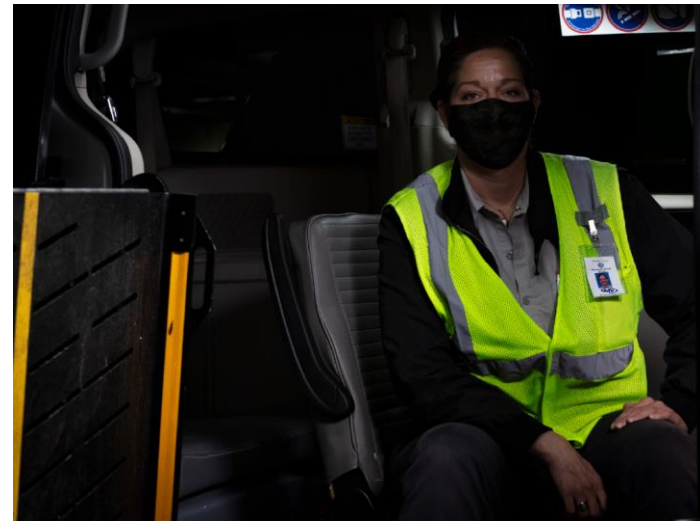
access

AGENCY Performance Goals

Key Performance Indicators (KPIs)	FY 2020	FY 2021
On Time Performance - $\geq 91\%$	92.20%	92.7%
Excessively Late Trips - $\leq 0.10\%$	0.10%	0.05%
Excessively Long Trips - $\leq 5\%$	2.90%	0.00%
Missed Trips - $\leq 0.75\%$	0.46%	0.34%
Access to Work On Time Performance - $\geq 94\%$	95.90%	97.40%
Average Hold Time (Reservations) - ≤ 120 seconds	71	52
Calls On Hold > 5 Min (Reservations) - $\leq 5\%$	3.30%	2.20%
Calls On Hold > 5 Min (ETA) - $\leq 10\%$	4.10%	1.50%
Complaints Per 1,000 Trips - ≤ 4.0	2.5	2.2
Preventable Incidents - ≤ 0.25	0.19	0.08
Preventable Collisions (Weighted) - ≤ 0.50	0.67	0.43
Miles Between Road Calls - $\geq 25,000$	60,999	78,661

SERVING **the Community**

- > Free Fare Election Day Service
 - > Provided 330 free trips to vote
- > Zoom Community Meeting
 - > September 12, 2020 – staff presented a variety of topics to over 60 attendees

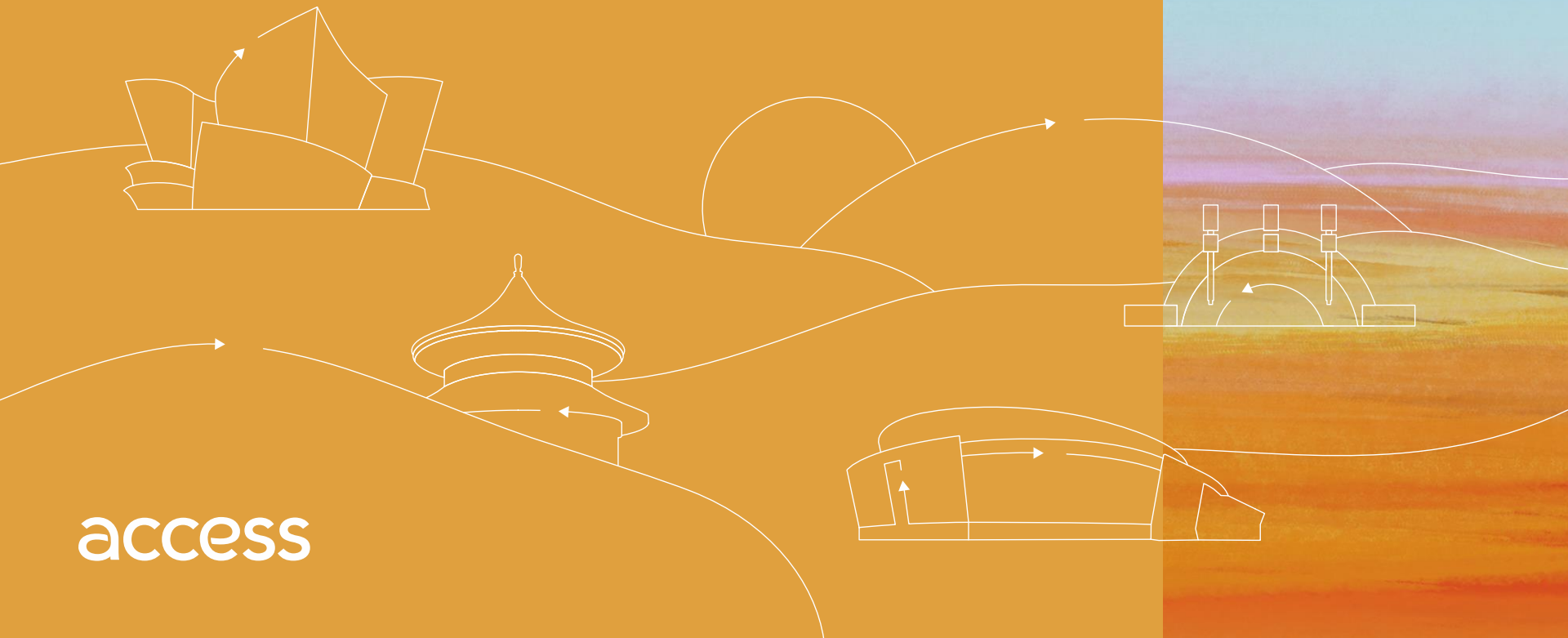


access

AGENCY Update / Next Steps

- > Analyze impact of Metro's NextGen plan on Access' service area.
- > **Recovery Plans:** Normalize operations as the pandemic subsides.
- > Balance operational circumstances, including contractor capacity and ridership, as well as guidance from our public health partners and local authorities.

access





Board Report

File #: 2020-0824, File Type: Plan

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE JANUARY 20, 2021

SUBJECT: I-105 EXPRESSLANES PROJECT

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

APPROVE the submittal of a Letter of Interest (LOI) to the United States Department of Transportation (USDOT) for a Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) loan for the I-105 ExpressLanes Project and pay related fees and expenses.

ISSUE

The I-105 ExpressLanes Project (105 Project) is the next ExpressLanes project in line to be constructed in Los Angeles County. The project is also part of the 2017 LACMTA Countywide ExpressLanes Strategic Plan (ELSP) which has it included as a Tier 1 Project. The cost to construct dual ExpressLanes on I-105 is estimated to be \$676 million. The 105 Project currently has \$175 million in Measure M funding and was recently awarded \$150 million from the Solutions for Congested Corridor Program (SCCP), which leaves a funding gap of \$351 million. As a result, staff is looking at options to fill this funding gap including applying for a TIFIA loan. The first step towards obtaining a commitment of TIFIA credit assistance is the submittal of a LOI to the USDOT. The TIFIA loan will be secured by toll revenues from the 105 Project without any additional support from Measure M or other Metro sales taxes.

BACKGROUND

Staff is currently working to prepare the financing plan for 105 Project. Metro staff recommends submission of a LOI for TIFIA credit assistance to fill a portion of the funding gap for the 105 Project. Metro released the draft Environmental Impact Report/Environmental Assessment (EIR/EA) for the 105 Project in May 2020. The EIR/EA is expected to be finalized in early 2021. While construction for the 105 Project is not expected to begin until 2023, the financing process for TIFIA can take 18-24 months.

DISCUSSION

Metro and Caltrans are currently in the environmental phase of the 105 Project. As part of this phase, cost estimates have been prepared that estimate the cost to construct the 105 Project to be \$676 million if constructed by 2026. Measure M provides \$175 million, SCCP provides \$150 million, which results in a funding gap of \$351 million.

Concurrent with the preparation of the draft EIR/EA, Metro also prepared an Investment Grade Traffic and Revenue (T&R) Study for the 105 Project. The Investment Grade T&R estimates potential toll revenue and is the most thorough, detailed type of T&R that can be prepared. An Investment Grade T&R is generally required by rating agencies and investors in order to evaluate the financial performance of a project. Based on Metro staff review of the T&R and meetings with Metro's financial advisor Sperry Capital, staff believes that the projected toll revenue generated by the 105 Project are sufficient to secure debt necessary to fill the \$351 million funding gap.

The amount of Federal TIFIA credit assistance typically does not exceed 33 percent of total reasonably anticipated eligible project costs. Preliminary project costs identified in the environmental document total \$676 million. The exact terms for the loan are negotiated between the USDOT and the borrower, based on the project economics, the cost and revenue profile of the project, and any other relevant factors.

If the USDOT confirms the 105 Project's eligibility and the LOI, and approves the loan application and final terms, staff will return to the Metro Board of Directors for final approval to execute the loan agreement.

Key activities in pursuing a TIFIA loan for the 105 Project include:

- Drafting and submitting a LOI
- Obtaining a preliminary credit rating opinion letter
- Developing a TIFIA-specific and project-specific financial model
- Making an oral presentation to TIFIA
- Submitting a TIFIA application, if invited to do so by TIFIA
- Negotiating terms of the credit agreement with TIFIA

If TIFIA financing is secured, the remaining 105 Project funding gap will be financed through toll revenue-backed bonds to be sold in the tax-exempt municipal bond market. If TIFIA financing is not secured, Metro will be required to issue additional toll revenue-backed obligations with less desirable payment terms and rates.

DETERMINATION OF SAFETY IMPACT

This action will have no impact on safety for Metro.

FINANCIAL IMPACT

The TIFIA LOI is the first step towards securing a TIFIA loan. Loans under the TIFIA program remain attractive relative to tax-exempt municipal bonds due to current market conditions and flexible

financing terms. TIFIA loans bear an interest rate which tracks long-term U.S. Treasury rates irrespective of the credit rating. Staff expects this loan to be paid from toll revenues and to have a subordinate position, consistent with Metro's prior TIFIA financings, for repayment of the loans after Metro's planned senior toll revenue-backed transaction, making the TIFIA loan rate comparatively more attractive. TIFIA loans also provide more flexibility on how the funds are used compared to traditional tax-exempt municipal bonds. TIFIA loans can be structured with financing terms which include allowing interest to be capitalized (accrued and added to the loan balance) until after project substantial completion, an interest-only early payment period, and deferred principal repayment, among other favorable terms.

Since 2012, Metro has closed four TIFIA loans, which were all repayable from Measure R 35% funds: \$545.9 million for the Crenshaw/LAX Transit Corridor project, \$160.0 million for the Regional Connector project, and \$856.0 million for the Westside Purple Line Extension Phase I and \$307.0 million for Phase II. Metro completed an early repayment of its TIFIA obligations in August 2020 through the issuance of the Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds, Series 2020-A.

After submitting the LOI, Metro may be invited to continue in the TIFIA process. If Metro decides to continue in the TIFIA process, Metro will need to reimburse the USDOT for the costs of the outside advisors who advise TIFIA on the transaction on determining a project's eligibility, credit analysis and loan negotiations. USDOT typically requests a preliminary fee of \$250,000 to initiate review of Metro's application. Funding of the \$250,000 preliminary fee is included in the FY21 Budget and will use eligible Measure M funds to pay the TIFIA fees.

IMPACT TO BUDGET

Eligible Measure M funding for the I-105 ExpressLanes will pay the preliminary TIFIA fees.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Metro Vision 2028 Strategic Plan identifies five goals to guide Metro's work and initiatives. This Board action supports the following goals.

Goal 1: Provide high-quality mobility options that enable people to spend less time traveling.

The purpose of the 105 Project, as well as the existing I-110 and I-10 ExpressLanes and other projects identified in the ELSP, is to actively manage traffic through dynamic pricing of roadway capacity to optimize traffic flow and provide faster, more reliable trips. A TIFIA loan will allow the project to proceed with low interest rates, flexible repayment terms, option to defer loan draws and interest payments, and no obligation upon Metro to draw any of or all of the loan at any given time.

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

A key benefit of Metro's ExpressLanes is improved corridor performance through a reduction in recurring peak period congestion and travel times, as well as an increase in average speeds, throughput, and reliability for freight shipments and travelers.

Goal 5. Provide responsive, accountable, and trustworthy governance within the Metro organization.

TIFIA has been shown to achieve more flexible financing terms and better costs, supporting Goal 5.2 to exercise good public policy judgment and sound fiscal stewardship.

ALTERNATIVES CONSIDERED

The Board could delay submission of the TIFIA LOI. This is not recommended as the TIFIA process requires 18-24 months or more and loans are provided on a first come-first served basis. Delaying submission of the TIFIA LOI could result in a delay in securing funding for construction of the project increasing the cost and delaying a valuable mobility option.

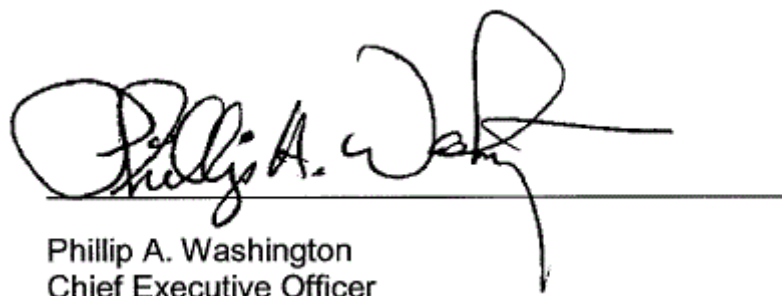
The Board could decide not to approve submitting the TIFIA LOI. This is not recommended because, in the current market environment, access to the TIFIA Loan may provide Metro with a lower cost alternative to tax-exempt municipal bonds as well as more flexible financing terms. Should market conditions change, the Metro Board of Directors can change course later in the TIFIA loan process.

NEXT STEPS

Staff will prepare and submit a TIFIA Letter of Interest for the I-105 Project to USDOT and will keep the Board apprised of subsequent steps. Staff is also working to determine the next steps of the 105 Project including the preparation of final design and construction delivery method. Staff expects to return to the Board in May 2021 with additional details.

Prepared by: Mark Linsenmayer, DEO Congestion Reduction, (213) 922-5569

Reviewed by: Shahrzad Amiri, EO Congestion Reduction, (213) 922-3061

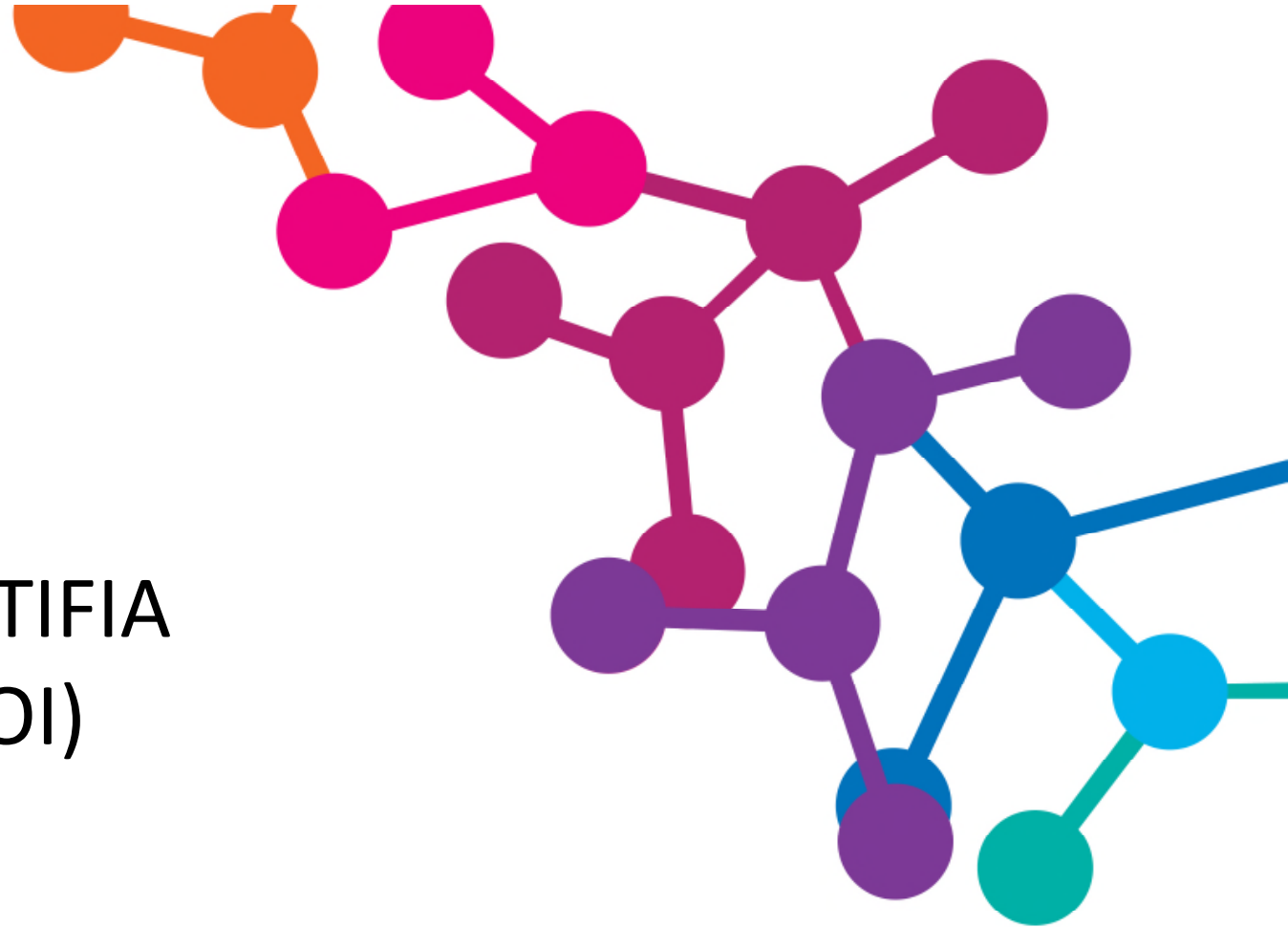


Phillip A. Washington
Chief Executive Officer

Item 9

I-105 ExpressLanes TIFIA Letter of Interest (LOI)

Wednesday, January 20, 2021



Action

- APPROVE PURSUIT OF A TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT LOAN FOR THE I-105 EXPRESSLANES PROJECT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

APPROVE the submittal of a Letter of Interest (LOI) to the United States Department of Transportation (USDOT) for a Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) loan for the I-105 ExpressLanes Project and pay related fees and expenses.

Project Area and Overview

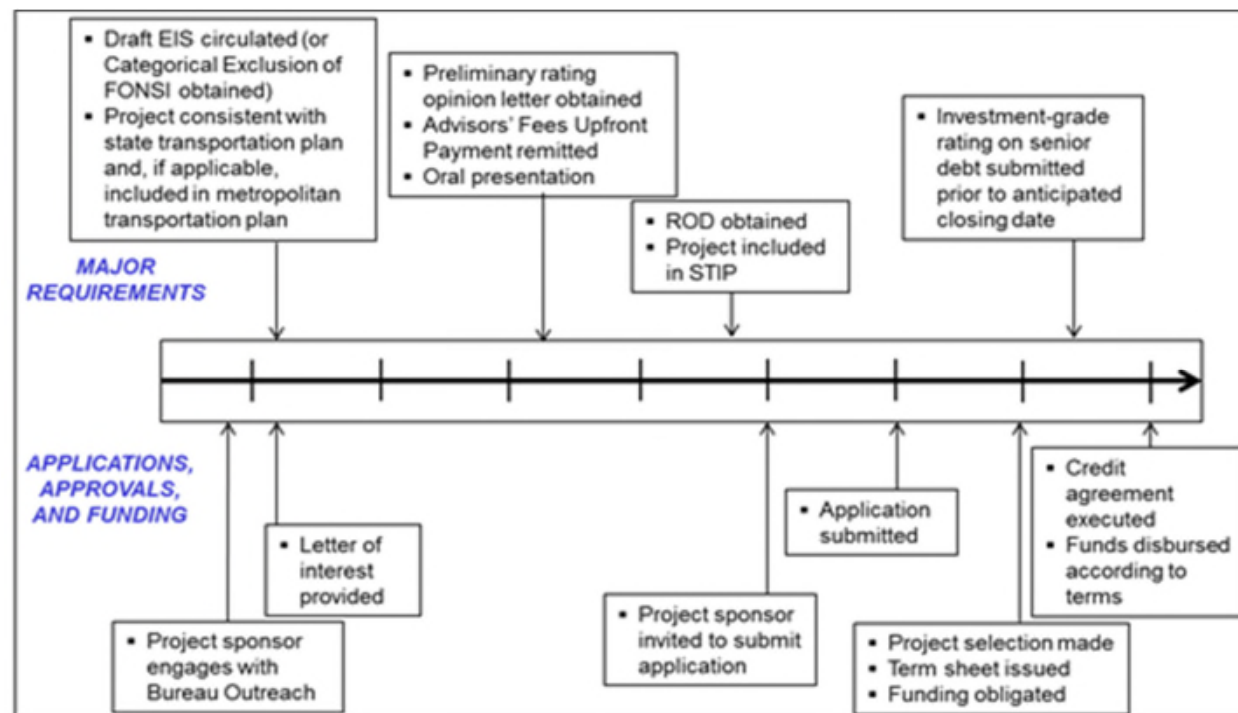
- I-105 from the 405 to 605
- Environmental Draft is Complete
- Working with Treasury, Government Relations, Program Management, and Stakeholders on next steps



TIFIA Process

Key activities in pursuing a TIFIA loan for the 105 Project include:

- Drafting and submitting a LOI
- Obtaining a preliminary credit rating opinion letter
- Developing a TIFIA-specific and project-specific financial model
- Making an oral presentation to TIFIA
- Submitting a TIFIA application, if invited to do so by TIFIA
- Negotiating terms of the credit agreement with TIFIA



Proposed Funding



Preliminary Project Cost: \$676 million

Sources:

Measure M: \$175 million

SCCP (SB1): \$150 million

Toll Revenue Backed Loans (TIFIA): \$351 million (\$223 million TIFIA)

Total Sources \$676 million

Next Steps:	Finalize Environmental	–	April 2021
	Submit LOI	–	May 2021
	Will return to the Board with updates		

**Board Report**

File #: 2020-0817, **File Type:** Informational Report**Agenda Number:** 10.

**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 20, 2021****SUBJECT: MID-YEAR FY 20-21 BUDGET EQUITY ASSESSMENT****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE status report on Mid-Year FY 20-21 Budget Equity Assessment.

ISSUE

During the Executive Management Committee meeting on September 17, 2020, Director Garcetti requested a full analysis on current expenditures using the Equity Assessment Tool for our mid-year budget report. He further requested that the Equity Assessment Tool be used to evaluate each annual budget moving forward and that the Executive Officer, Equity and Race develop a racial and social economic equity action plan.

BACKGROUND

Metro believes that access to opportunity should be at the center of decision-making around public investments and services. This is especially true for transportation, which is an essential lever to enabling that access. Vast disparities among neighborhoods and individuals in Los Angeles County limit this access, making opportunity harder to reach for some, whether it is jobs, housing, education, health care, safe environments or other essential tenets of thriving, vibrant communities. Transportation infrastructure, programs, and service investments must be targeted toward those with the greatest mobility needs first, in order to improve access to opportunity for all. Equity means that Metro's service delivery, project delivery, policymaking, and distribution of resources account for the different histories, challenges, and needs of communities across Los Angeles County; it is what we are striving towards.

DISCUSSION**Considerations**

After a review of best practices and lessons learned from jurisdictions including the cities of Portland, Oregon, Denver, Colorado, San Antonio, Texas, and the County of Santa Clara, California, staff identified the need to create a specific equity tool for application in the Metro budget process. The

tool would be used to review new, expanded scope, or reduced budgetary requests and departmental budgets. A separate agency-wide equity assessment will be conducted to assess the entire Metro budget and investments, help identify key disparities and gaps in opportunity, and drive the development of an equity strategic action plan.

Accordingly, staff created the Metro Budget Equity Assessment Tool (MBEAT) (Attachment “A”). The MBEAT is a set of questions to guide Metro staff in considering racial and social equity explicitly in its budgetary decisions. The MBEAT has two parts. Part one applies to budgetary changes, including new, expanded scope, or reduced budgetary requests, and assesses each for positive and negative impacts on historically marginalized groups and other facing inequities. Part two applies to the department’s entire budget and looks holistically at how the budget supports community engagement and inclusion; targeted efforts to reduce disparities and create a diverse and inclusive workforce; funding gaps that limit equity opportunities; and data collection and tracking to measure equity impacts. Each part will be reviewed for approval by the Offices of Equity and Race and Management and Budget through the budget process.

Part one of the tool was piloted through the FY20-21 mid-year budget process.

MBEAT Process

The MBEAT process has challenged Metro staff to apply an equity lens and more explicitly explain how budgetary decisions might specifically benefit or potentially harm or negatively impact marginalized communities. To launch the MBEAT process, staff from the offices of Equity and Race and Management and Budget met with key staff from the departments who submitted mid-year budget requests to explain the MBEAT questions and apply it to sample budget requests. Each department was then charged with completing an assessment for each new, expanded scope, or reduced budgetary request. Going into the Annual budget process, staff will incorporate a broader MBEAT training session into the Metro Budget Training for staff. Staff will also enhance the online version of the tool to collect and track the large number of anticipated budgetary requests and ensure integration with the Metro budget process.

While there are some logistical details to address, the MBEAT process shows promise in setting a foundation for applying an equity lens to decision making. It will help capture details on potential impacts for marginalized communities, provide an opportunity to address identified potential harms or negative impacts, and highlight areas for an agencywide equity assessment to further assess. The MBEAT is the first equity assessment integrated into one of Metro’s agencywide processes. It will eventually become part of an iterative process where Metro applies an equity lens at different points through planning, implementation, and funding decisions to ensure that Metro’s process and outcomes are more equitable.

MBEAT Results: FY21 Mid-Year

The MBEAT was applied to 25 new or expanded scope budget requests from various departments including the Office of the CEO (Customer Experience), Operations, and Safety Security and Law Enforcement. The MBEAT assessments highlight how many of the requests will help improve access to opportunities for some of our most marginalized and/or vulnerable communities. Most of Metro’s

current riders are people of color, low-income, and/or essential riders. There are a range of requests that will improve the customer experience for them and all riders, including funding for the Bus Speed and Reliability program and a GPS based system that will improve rail service reliability. There is also a new Rescue Ride program which would improve mobility options for bus riders who have experienced pass-ups or canceled runs. This is particularly important for riders with few alternative options to transit, who often experience more detrimental impacts when transit is not available when they need it.

Additionally, there are requests that will allow Metro to test new programs to help connect people experiencing homelessness to housing and services, including funding for a temporary shelter program and participation in the flexible dispatch pilot program in the City of Los Angeles. There are also a series of requests that will support Metro as we enhance transparency in policing and begin to reimagine public safety to ensure that every customer and operator feels safe on our system. This includes funding for body cameras and the public safety advisory committee.

Several programs or projects funded by the requests are in the development or planning phase, and program staff noted that use of the tool was helpful in thinking through how to ensure benefit for those with the greatest needs from the start. There were also funding requests for programs or projects that aim to benefit all, for which staff has not identified a potential harm or negative impact, including the Tunnel and Intrusion Program and CCTV Video Analytics. Staff will continue to measure outcomes and monitor for any disparate impacts that emerge or are unveiled.

Overall, application of the MBEAT highlighted budgetary requests with a wide range of benefits for marginalized and/or vulnerable communities, helped staff identify potential barriers or harms to address, and helped staff consider adjustments to improve access and reduce potential barriers or harms. It also highlighted a need for broader training to not only answer MBEAT questions, but to help staff think through how investment, projects, programs, and policies might cause harm or not benefit all as intended, given historic and current disparities and systemic inequities. The midyear pilot served as a first step in building a foundation for a process that will improve with the use of data analysis and targeted community engagement to help detect and invest in a way that reduces disparities.

FINANCIAL IMPACT

There is no specific financial impact to the mid-year FY20-21 budget as a result of development and applications of the Metro Budget Equity Assessment Tool.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goals #1.1, 3.3, and 5.7 by helping Metro to target programmatic, infrastructure, and service investments toward those with the greatest needs and enhancing communities and lives through mobility and access to opportunity.

NEXT STEPS

For the second part of the pilot, the full MBEAT will be integrated into the FY22 annual budget process which launched in November 2020. Once the FY22 budget process is complete, staff will

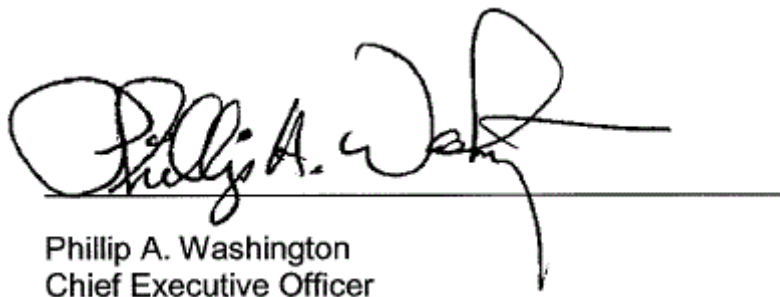
refine the MBEAT and its review process as necessary, enhance the MBEAT training process, and take the necessary steps to fully integrate the MBEAT into the Metro budget process before the development of the FY23 budget.

ATTACHMENTS

Attachment A - Metro Budget Equity Assessment Tool

Prepared by: KeAndra Cylear Dodds, Executive Officer, Equity & Race, (213) 922-4850
Anelli-Michelle Navarro, Executive Officer, Finance, (213) 922-3056
Giovanna Gogreve, Sr Manager, Transportation Planning, (213) 922-2835

Reviewed by: Nadine Lee, Chief of Staff, (213) 922-7950
Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

Metro Budget Equity Assessment Tool

The Metro Budget Equity Assessment Tool (MBEAT) is a set of questions to guide Metro staff in considering racial and social equity explicitly in its budgetary decisions. Metro believes that access to opportunity should be at the center of decision-making around public investments and services. This is especially true for transportation, which is an essential lever to enabling that access. Vast disparities among neighborhoods and individuals in LA County limit this access, making opportunity harder to reach for some, whether it's jobs, housing, education, health care, safe environments or other essential tenets of thriving, vibrant communities. Transportation infrastructure, programs, and service investments must be targeted toward those with the greatest mobility needs first, in order to improve access to opportunity for all. The MBEAT is designed to help Metro center equity in its decision-making.

What is "Equity"?

Equity is both an outcome and a process to address racial, socioeconomic, and gender disparities, to ensure fair and just access – with respect to where you begin and your capacity to improve from that starting point – to opportunities, including jobs, housing, education, mobility options, and healthier communities. It is achieved when one's outcomes in life are not predetermined, in a statistical or experiential sense, on their racial, economic, or social identities. It requires community informed and needs-based provision, implementation, and impact of services, programs, and policies that reduce and ultimately prevent disparities.

Equity means that Metro's service delivery, project delivery, policymaking, and distribution of resources account for the different histories, challenges, and needs of communities across Los Angeles County; it is what we are striving towards.

Why use the Metro Budget Equity Assessment Tool?

Use of the MBEAT can help develop strategies and actions, through budgetary decisions, that reduce, and eventually eliminate, racial and socioeconomic inequities and improve access to opportunities for all groups. Understanding the potential impacts of our decisions for those faring the worse, will enable us to improve conditions for all of our customers, front-line Metro family, and the broader Los Angeles County community. MBEAT questions help staff apply an equity lens as they allocate existing and future resources to meet the diverse needs of those who live, work, and play in Los Angeles County. This represents a shift from an equality-based approach to a more strategic equity-based application and helps operationalize Metro's Equity Platform.

How should you use the MBEAT?

- **Please read this entire document.**
- Utilize the MBEAT as you prepare your annual budget request.
- ***Complete part one of the MBEAT for all budgetary adjustment requests.*** Budgetary adjustments are budgetary changes including new, expanded scope, or reduced budgetary requests. This excludes requests for ongoing approved budgets or requests with standardized adjustments, such as cost of living adjustments.
- ***Complete part two of the MBEAT for your Department's overall budget.***
- All questions should be answered to the best extent possible before submitting budget requests.
- Consult with your Department's Equity Liaison(s) for assistance.
- For additional questions, email equityandrace@metro.net.

Metro Budget Equity Assessment Tool

PART ONE: Budgetary Adjustment

Fiscal Year: Click or tap here to enter text.

Department: Click or tap here to enter text.

Unit or Program Click or tap here to enter text.

FY Budget Request: Click or tap here to enter text.

Cost Center: Click or tap here to enter text.

Project number: Click or tap here to enter text.

Account Number: Click or tap here to enter text.

Life of Project Budget: Click or tap here to enter text.

Who completed the MBEAT? (Staff Names): Click or tap here to enter text.

Who completed the MBEAT? (Staff Names): Click or tap here to enter text.

Is this board directed program or project? Yes No

Project Name: Click or tap here to enter text.

Project Scope: Click or tap here to enter text.

1. Which area(s), neighborhood(s), or employees will the budgetary adjustment, or the subject of the budgetary adjustment, impact? For area(s) or neighborhood(s), are they Equity Focus Communities (see the map on page 6)?

2. Does your budgetary adjustment directly benefit or potentially cause harm or negative impact to one or more of the following groups? Negative impacts may be unintended and impact some more than others. Consider unique needs and who might have difficulty accessing the service, program, or project, including cost barriers, physical access, safety, language access, etc.

Population Impacted	No Specific Impact	Potential Positive Impact	Potential Negative Impact
Black, Indigenous, or People of Color (Specify when discussing impact.)			
People with Low Incomes (Avg. HH incomes < \$35K)			
People with Limited English Proficiency			
People with Disabilities			
Minority or Women Owned Businesses, DBEs, or DVBEs			

Metro Budget Equity Assessment Tool

Other underrepresented groups facing inequities. Ex: Older Adults, LGBTQ+, Women, etc. (Specify when discussing impact.)			
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3. What considerations were taken into account to maximize equity in this request? Be specific.

Ex: Racial or social disparities data, inequitable service levels, concerns from a high need community, potential to meet an identified community need, potential to support or engage with a high need community, etc. This information may be anecdotal or incomplete but specify what you considered.

4. What steps will you take to mitigate any potential harm or negative impact caused by this request?

Potential Mitigation Steps: 1) identify the equity challenge and 2) reprioritize to address the equity challenge 3) promote an equity connection - what other areas did you make decision to promote equity or 4) address the concerns and provide mitigations. Please include specific strategies. Ex: funding redistribution, service or program reprioritization, related program coordinating, coordination with other services, targeted outreach, etc.

5. How will you monitor impacts to the affected populations and evaluate outcomes over time?

Identify specific metrics, qualitative (surveys, focus groups, etc.) or quantitative (program participants, number of riders, etc.), disaggregate by race, income, language access, or other demographics as relevant to monitor disparity levels.

Metro Budget Equity Assessment Tool

PART TWO: Department Budget Proposal:

Department: Click or tap here to enter text.

Fiscal Year: Click or tap here to enter text.

Total Departmental Budget: Click or tap here to enter text.

Who completed the MBEAT? (Staff Names): Click or tap here to enter text.

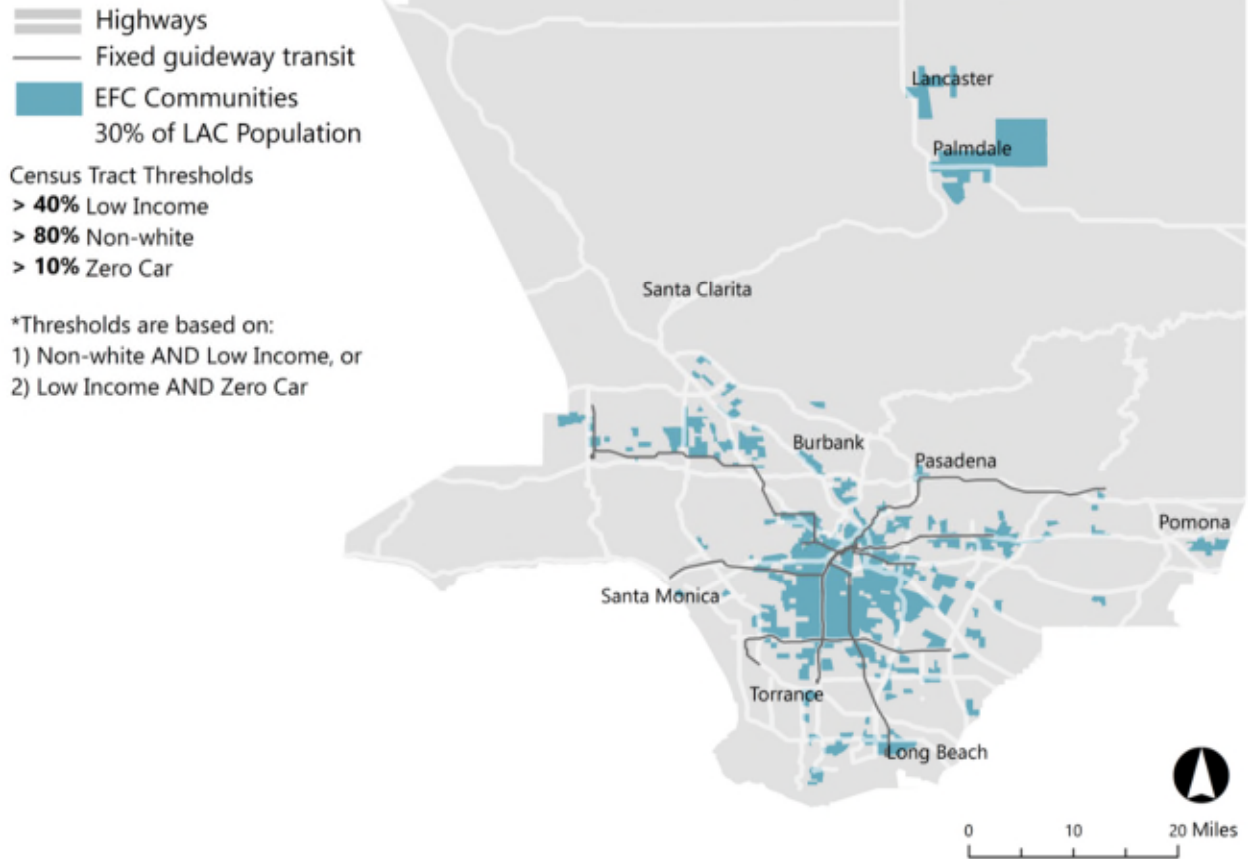
- 1. How will the proposed budget build the Department’s capacity to engage with and include communities of color, low-income communities, and others most impacted by inequities?** Consider funding allocated towards community engagement (meetings, events, surveys, committees, focus groups, etc.), live speech captioning and oral translation at meetings, the translation of written documents, and ensuring public documents, policies, plans, and meetings are readily accessible to the public.
- 2. How will your overall budget for the next fiscal year be realigned in targeted ways to advance equity and support a diverse and inclusive workforce?** This may include shifts relating to programmatic commitments that are intended to reduce or eliminate disparities experienced by communities of color, low-income communities, or other experiencing inequities; and/or staff time allocations for the purposes of advancing diversity, equity, and inclusion, including, but not limited to, staff participation in internal or external trainings, conferences, or book clubs.
- 3. Are there recurring funding gaps or limitations in your overall budget that could inhibit your Department’s ability to advance racial and social equity?** Consider funding limitations beyond your control, staff capacity, time constraints, and recognition that racial and socioeconomic disparities are vast, deep, and influenced by many factors beyond Metro’s control.

Metro Budget Equity Assessment Tool

4. **Does your Department have, collect, or track the disaggregated demographic data your Department needs to evaluate equity impacts in the community moving forward, and to inform your future budget decisions? If not, how will you obtain additional data?**

Metro Budget Equity Assessment Tool

Equity Focus Communities Map



Acknowledgements: This tool was developed with inspiration and borrowing from the “COVID-19 Equity Framework and Rapid Response Tool” from the City of San Antonio Office of Equity and the “EOC Equity Framework” from the City of Denver.

Metro Budget Equity Assessment Tool

For internal purposes only.

	Status	Comment
<input type="checkbox"/>	Reviewed, no concerns	
<input type="checkbox"/>	Reviewed, need more information.	
<input type="checkbox"/>	Reviewed, pull for further discussion.	

Metro Budget Equity Assessment Tool

KeAndra Cylear Dodds

Cyleardoddsk@metro.net

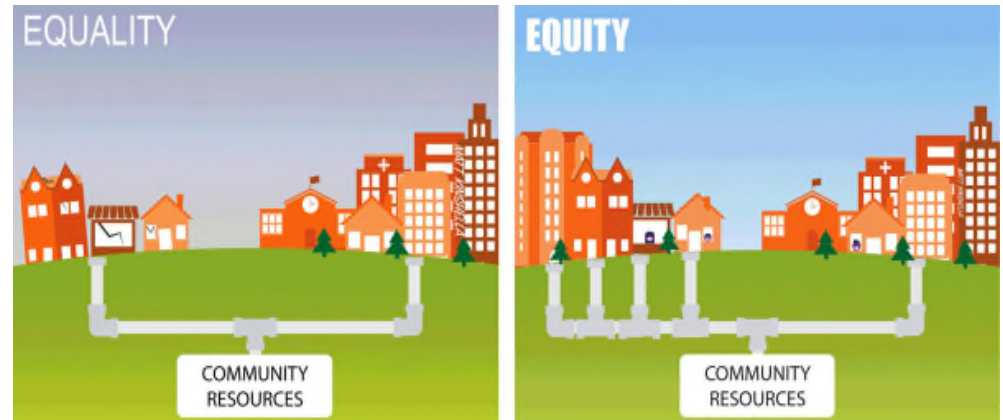
Background

September 2020 Executive Management Committee Meeting:
“Request a full analysis on current expenditures using the Equity Assessment Tool for our mid-year budget report. The Equity Assessment Tool should be used to evaluate each annual budget moving forward. Equity Officer to develop a racial and social economic equity action plan.”

What is Equity?

Equity is both an outcome and a process to address disparities to ensure fair and just access to opportunities for all.

Equity means that Metro's service delivery, project delivery, policymaking, and distribution of resources account for the different histories, challenges, and needs of communities across Los Angeles County; it is what we are striving towards.



What is a budget equity assessment?

Research:

- Review Level Options
 - Agency Level
 - Departmental
 - Budgetary Request
- Apply an equity lens: consider needs and disparities and assess potential benefit or harm to communities with the greatest need and facing the greatest disparities.

The MBEAT

- The Metro Budget Equity Assessment Tool (MBEAT) is a set of questions to guide Metro staff in considering racial and social equity explicitly in its budgetary decisions.
- There are two parts:
 - Part One applies to all budgetary adjustment requests. Budgetary adjustments include new, expanded scope, or reduced budget requests. This excludes requests for ongoing approved budgets and standardized increases, such as a cost-of-living adjustments.
 - Part Two applies to a Department's overall budget.

MBEAT Results: FY21 Mid-Year

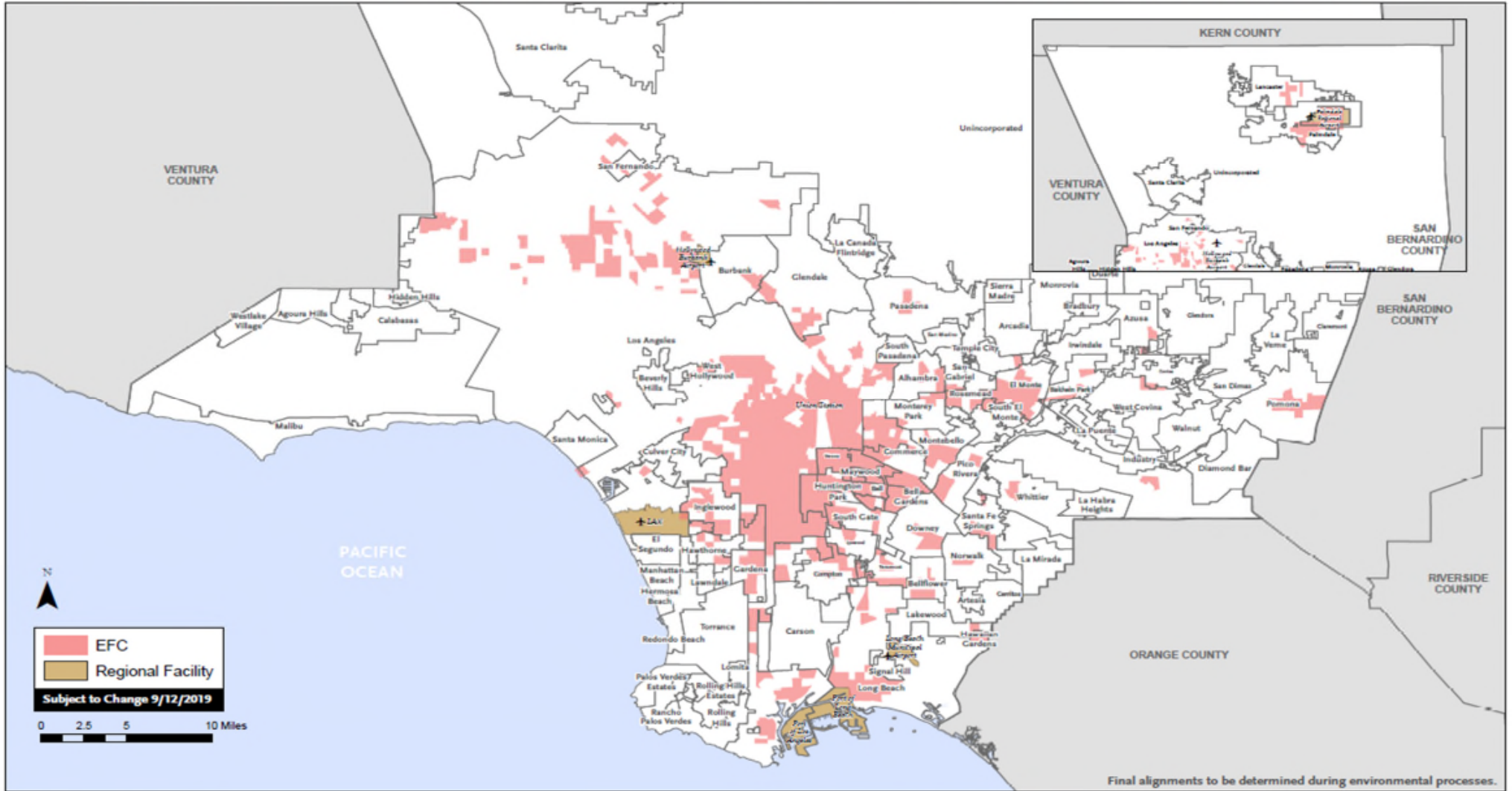
- The first four departments were challenged to apply an equity lens and more explicitly explain how budgetary decisions might specifically benefit or potentially harm or negatively impact marginalized communities.
- There were 25 MBEAT Submissions.
- Benefits Identified:
 - Improved bus rider experience
 - Connect more people experiencing homelessness to services
 - Improve transparency in policing and reimagine public safety
- Ongoing efforts are needed to better identify, prevent, and mitigate potential harm.



Next Steps

- Complete the MBEAT Pilot
 - FY21 Mid-year Budget: OPS, SSLE, and CX
 - FY22 Annual Budget: All Departments
 - Capital Projects
 - MBEAT Training: February 2021
 - Non-Capital Projects
- Review and Improve for FY23

Equity-Focus Communities – 40% Low Income Scenario with 80% Non-White OR 10% Zero-Car Households





Board Report

File #: 2020-0726, File Type: Informational Report

Agenda Number: 11.

REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 20, 2021

SUBJECT: FISCAL YEAR 2021 (FY21) MID-YEAR BUDGET

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. AMENDING the FY21 Budget by \$765 million from \$6.23 billion annual consolidated expenditures to \$6.99 billion to achieve goals and objectives set forth by the Board adopted Metro Vision 2028 strategic plan; and
- B. AMENDING an increase of 5 Non-Represented FTEs from FY21 Adopted Budget authorized levels: 3 for Equity and Race and 2 for Customer Experience

ISSUE

This report provides an update for revenues and expenses related to the FY21 Budget and request board approval to amend the FY21 Budget to the eligible Metro programs while maximizing the available financial resources. The increase to the FY21 Budget, during this mid-year update, is the result of our current economic conditions, reforecast of sales tax revenues, and effective cost control practices.

DISCUSSION

Revenue Reforecast Update

Staff have been closely monitoring Metro’s revenues as they relate to, and deviate from, historical patterns. We have been tracking current social and economic trends for potential impacts to Metro’s revenue sources. The FY21 Mid-Year reforecast resource summary by type is in the following table.

FY21 Reforecast Resources

Resources (\$ in millions)	FY21 Budget	FY21 Reforecast	\$ Change	% Change
1 Sales Tax, TDA and STA	\$ 3,895.0	\$ 4,177.2	\$ 282.2	7.2%
2 CARES Act	569.6	569.6	-	0.0%
3 Passenger Fares	60.3	22.2	(38.1)	-63.2%
4 ExpressLanes, Advertising and Other Revenues	138.6	109.6	(29.0)	-20.9%
5 Grants and TIFIA	1,138.9	1,138.9	-	0.0%
6 Debt and Additional Debt Proceeds if necessary*	424.9	974.8	549.9	129.4%
Total Resources	\$ 6,227.3	\$ 6,992.3	\$ 765.0	12.3%

* Debt will be issued based on need, subject to Board Approval

NOTE: Totals may not add up because of rounding

To date, sales tax revenues have not declined as much as projected in the Adopted Budget. There was a significant bounce back in the Spring quarter, largely due to the broad economic stimulus of the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. The Federal legislation helped Metro two ways: First, directly through the transportation allocations in the law; Second, indirectly through individual and business stimulus payments and loans, which created additional sales tax receipts in Los Angeles (LA) County.

This recovery stalled over the summer. Actual sales tax receipts for the first quarter of FY21 are over budget but have stopped increasing. Looking forward, there are both positive and negative indicators for taxable sales. On the positive side, the consensus economic projection is for tepid and uneven but continued growth. The National Retail Federation projects holiday spending increased 4%-5% compared to 2019. Also, LA County's economy will receive a boost from the Supplemental stimulus package recently approved by Congress just as it did from the CARES Act (The direct transportation allocations are expected to be received in Q4 and will be programmed in the FY22 Budget).

On the negative side, the COVID-19 pandemic continues to ravage the county and efforts to combat it will have continuing economic impacts. While it is apparent a full economic recovery will take longer than originally expected, overall, we are cautiously optimistic that sales tax receipts will continue slightly above budgeted amounts, generating an additional \$282 million in sales tax revenues, or a 7.7% increase, above the FY21 Adopted Budget level.

The revenue picture is not as optimistic within Operations. The reduction in travel continues to have a negative impact on Metro's system-generated revenues which are projected to be even lower than Adopted Budget levels. Farebox revenues are only a fraction of prior year levels and have fallen much farther than ridership due to rear door boarding. The advertising contract has been temporarily modified to provide relief to the vendor by reducing their payments. ExpressLanes tolls, parking, and bikeshare revenues have all fallen due to reduced usage. These losses in operating-eligible funding sources will have to be covered by operating-eligible sales tax revenues, offsetting many of those gains. The table below shows the overall changes in terms of fund eligibility.

Mid-Year Changes in Sales Tax and Other Resources by Funding Eligibility

Resources (\$ in millions)	Funding Eligibility				
	Metro Transit Ops/SGR	Flex Funding Eligible for Ops/SGR/TID	Transit Expansion	Other Dedicated	Total Funding Gain/(Loss)
1 Sales Tax, TDA and STA	\$ 14.7	\$ 97.7	\$ 43.2	\$ 126.5	\$ 282.2
2 Passenger Fares	-	(38.1)	-	-	(38.1)
3 ExpressLanes, Advertising and Other Revenues*	(0.7)	(15.0)	-	(13.3)	(28.9)
Total Additional FY21 Funding	\$ 14.0	\$ 44.6	\$ 43.2	\$ 113.2	\$ 215.1
Total Funding Eligible for Operations	\$ 58.6				

* Other Revenues include Green Fund, HOV Fines, Transit Court, Parking, Bikeshare and Lease Revenues.

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In total, \$215 million is projected to be available for the FY21 Budget. Out of \$67 million of combined operating income declines, consisting of -\$38.1 million from Passenger Fares and -\$28.9 from other revenues, \$53 million are operating-eligible revenues, primarily Passenger Fares and the Green Fund. These losses offset some of the sales tax gains, resulting in an increase of \$58.6 million in funding eligible for Operations. Proposed allocations of these funds will be discussed later in this report, but it is important to note that all additional funding that is eligible for Operations is allocated to Operations. Gains and losses in dedicated revenue sources like Regional Rail, General Planning and Programs, Congestion Management, and Subsidies fall into those specific programs.

Every eligible transit dollar has been made available to seize opportunities in increasing operating projects to further enhance the speed and efficiency from the NextGen implementation and initiate the Customer Experience plan.

Transit Expansion, Highway, and Regional Rail Projects

Metro is leveraging the additional \$43.2 million of Transit Expansion eligible funds and net savings of \$34.3 from refinancing existing debt to advance the drawdown of approved grants in current fiscal year. Metro’s \$741.4 million cashflow increase will be funded with additional sales tax, advancement of FFGA and other grants, and debt proceeds within Board authorized Life of Project (LOP) budget. All new debt issuance will be in accordance with previously approved Board Approved policies and requires separate Board Action.

Table below depicts those projects with midyear cashflow adjustments for the remainder of FY21. These increases are within Board authorized LOP budget.

Projects with Midyear Adjustment	FY21 Adapted	Midyear Increase	Adopted + Midyear	Activities
TRANSPORTATION INFRASTRUCTURE DEVELOPMENT (TID)				
Transit Expansion				
Crenshaw/LAX	\$ 73.0	\$ 15.2	\$ 88.2	•Project is 97% complete •Focused on systems integration testing prior to putting it into revenue service
Regional Connector	136.0	82.8	218.8	•Project is 71% complete; revenue service dates summer/fall 2022 •Focused on completed structural concrete and track work installation
Westside Purple Line Section 1	170.7	144.4	315.1	•Project is 66% complete; revenue service date in summer of 2023 •Focus on TBM tunnel drive completion – 8 of the 12 cross passages excavated, and concrete placements occurring at station sites
Westside Purple Line Section 2	113.1	170.1	283.1	•Project is 39% complete; revenue service date in 2025 •Focused on final design completion; construction activities in Century City and Beverly Hills
Westside Purple Line Section 3	213.2	213.3	426.5	•Project is 16% complete; revenue service date in 2027 •Focus on third party utility relocations, continue with final design on one contract, and prepare for tunneling operation
Division 20 Portal Widening & Turnback	88.1	53.2	141.3	•Much of adopted budget spent on mobilization costs •Additional funds for construction as staging area and preparatory work finalizes
East San Fernando Valley Transit Corridor	12.8	18.1	30.9	•NEPA environmental cleared in Dec-20 •Utility conflict investigation consisting of potholing and slot trenching
Eastside Extension Phase 2	2.9	1.5	4.4	•Allow for engineering and EIR work to be back on schedule
Transit Expansion Subtotal	\$ 809.8	\$ 698.5	\$ 1,508.3	
Highway				
Soundwall Package 10	\$ 1.2	\$ 0.9	\$ 2.1	•Caltrans expected to finish design by Q3 and Metro to lead soundwall construction
Soundwall Package 11	11.3	12.0	23.3	•Re-design due to differing site conditions from as-built drawings •Continue with permeation grouting
SR-57/SR-60 Interchange Improvements	6.5	3.2	9.7	•Advance project through design phase using the TCEP grant
SR-91 Improvements	6.7	2.0	8.7	•Progress through environmental phase for shovel readiness.
Highway Total	\$ 25.7	\$ 18.1	\$ 43.8	
REGIONAL RAIL				
Link US	\$ 53.8	\$ 24.8	\$ 78.6	•Right-of-way acquisitions anticipated in Q4
TID & Regional Rail Total	\$ 889.3	\$ 741.4	\$ 1,630.7	
Savings From Debt Refinancing	509.2	(34.3)	475	
Total Project Adjustment in TID, Regional Rail and Debt Services	\$ 1,398.5	\$ 707.1	\$ 2,105.6	

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Metro Transit Program Recommended Options

Applying all operating eligible funding of \$58.6 million to Bus/Rail Operations and State of Good Repair, Metro staff has recommended a list of prioritized initiatives to improve the customer experience, continue rollout of NextGen/Mobility on Demand, Capital State of Good Repair, staffing recruitment for Regional Connector, and implementation of other operational needs. Service-related criteria, as well as other criteria including Equity, Grant Funding Consideration, Project Readiness, Project Interdependency, and Safety/Reliability have been evaluated to implement the initiatives and to optimize the additional revenues.

Initiative (\$ in millions)	FY21 Mid-Year Budget Adjustment
1 Customer Experience	\$ 4.9
2 NextGen Infrastructure Study/Mobility on Demand	10.0
3 Capital State of Good Repair	24.3
4 Regional Connector Staffing	4.3
5 Other Operational Needs	15.1
Total Initiatives	\$ 58.6

NOTE: Totals may not add up because of rounding

- **Customer Experience initiatives** include real-time identification of customer impacts of pass-ups, deployment of elevator attendants at various stations, reducing homelessness on the system by 50%, flexible dispatching of various people with expertise for quick problem response, advertising campaigns to increase TransitWatch use, Better Bus engagement tool/Metro.net website overhaul, and increasing customer experience surveys
- **NextGen/Mobility on Demand initiatives** relate to continued NextGen infrastructure studies and incorporating Mobility on Demand into Microtransit
- **Capital State of Good Repair initiatives** will re-establish scheduled fleet and infrastructure scheduling priorities that were delayed. Projects include new bus engine procurement, bus vehicle delivery, rail vehicle mid-life and component overhaul programs, and rail infrastructure improvements
- **Regional Connector staffing recruitment** will initiate maintenance training to gear up for the upcoming Rail Operations Date (ROD)
- **Other Operational Needs** include Bus/ Rail fleet maintenance campaigns, backfilling expenses to cover Purchased Transportation revenue service hour increases, and additional budget to complete the build out of lactation rooms at various facilities

Five (5) Non-Represented FTEs - Equity & Race and Customer Experience

Metro believes that access to opportunity should be at the center of decision-making around public investments and services. Accordingly, led by the Office of Equity and Race, Metro continues to take steps to operationalize and institutionalize equity under the four pillars of the Board-adopted Equity Platform. The Office of Equity and Race is requesting Board approval for three (3) Non-Represented FTEs to increase capacity to lead this work and improve efforts to expand access for historically and currently marginalized, underserved, and vulnerable communities, to contribute to a more inclusive and equitable LA County.

Additionally, Metro seeks to improve mobility in LA County by doubling the number of people who travel by modes other than single occupancy vehicles in the next ten years. In order to achieve this goal, the Customer Experience department has requested Board approval for two (2) Non-Represented FTEs to improve the customer experience across all Metro products and services to deliver customers with an outstanding, reliable, safe, and comfortable journey.

EQUITY ASSESSMENT

Metro staff developed and applied the Metro Budget Equity Assessment Tool (MBEAT) to the budgetary requests in this board action to understand the potential benefits and burdens for historically and currently marginalized communities and determine how budgetary requests might support more equitable outcomes. Overall, application of the MBEAT highlighted budgetary requests with a wide range of benefits for marginalized and/or vulnerable communities, helped staff identify potential barriers or harms to address, and helped staff consider adjustments to improve access and reduce potential barriers or harms. It also highlighted a need for broader training to not only answer MBEAT questions, but to help staff think through how investment, projects, programs, and policies might cause harm or not benefit all as intended, given historic and current disparities and systemic inequities.

Please see the Mid-Year FY20-21 Budget Equity Assessment - Receive and File Report for a summary of highlights on the findings, new process and next steps.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact safety.

FINANCIAL IMPACT

The FY21 Proposed Mid-Year Budget at \$6.99 billion is balanced and appropriates the resources necessary to fund them. The proposed mid-year budget demonstrates Metro's ongoing commitment to meeting its capital and operating obligations, which is essential in receiving subsidies from the state and federal governments and to administer regional transportation funding to local cities and municipal operators.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Metro Vision 2028 Strategic Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Upon Board amendment of the FY21 Budget, Metro will make funds available for the planned transit and transportation programs outlined in this document.

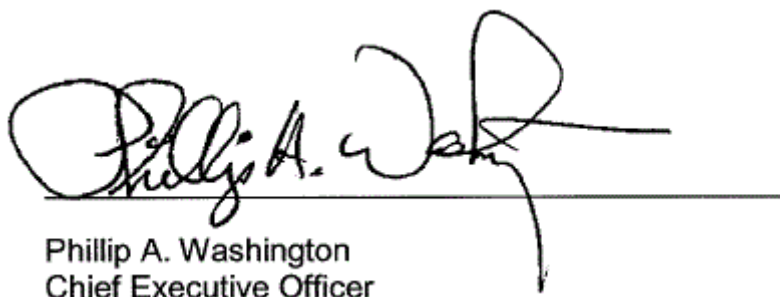
Metro staff will continue to monitor the financial situation considering the COVID-19 pandemic and

reassess resources, expenditures, and economic recovery which may result in returning to the Board for another amendment in FY21, if necessary.

With the allocation and application of the recently approved additional stimulus package yet to be determined by the federal government, Metro will assess the financial impact of the amount available for all transit agencies in the County and integrate the information into the FY22 Budget Development process.

Prepared by: Office of Management and Budget Team
Melissa Wang, Senior Executive Officer, Finance (213) 922-6024
Perry Blake, Senior Executive Officer Finance, (213) 922-6171

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



Phillip A. Washington
Chief Executive Officer

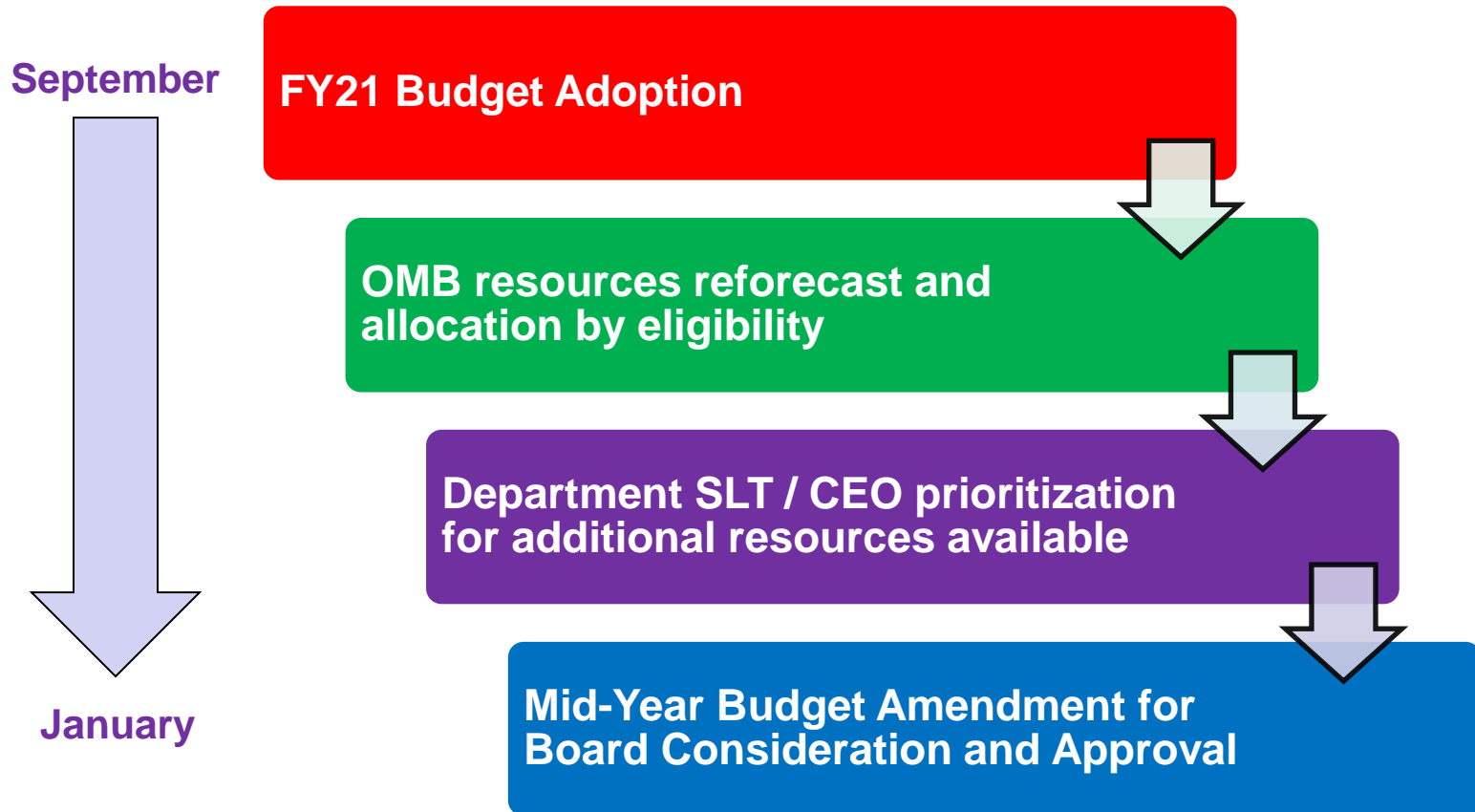
FY21 Mid-Year Budget

Finance, Budget & Audit Committee
January 20, 2021

Meeting Agenda

- **FY21 Mid-Year Budget Process**
- **Revenue Reforecast Update**
- **Transportation Infrastructure Development**
- **Metro Transit:**
 - **Operations & Maintenance**
 - **State of Good Repair**
 - **Customer Experience**
- **FTE increases for Customer Experience and Equity and Race**
- **Next Steps**

FY21 Mid-Year Budget Development Process



FY21 Mid-Year Budget Summary

Recommendation: Requesting approval to AMEND the FY21 Budget by \$765M from \$6.23B to \$6.99B and AMEND 5 Non-Represented FTEs for Equity and Race and Customer Experience

Revenues

- Sales Tax Revenue forecasted to increase \$282.2M compared to FY21 Budget
- System-Generated Revenues (Fares, Toll Revenues) projected to decrease by -\$67.1M
- Recent federal stimulus package will be programmed for FY22 Budget when the allocation is approved by the Board

Expenses

- Transit Expansion, Highway, and Regional Rail projects increase to be funded by a combination of the projected sales tax increase, the advancement of FFGA and other grants, and the issuance of new debt if necessary.
- All Transit Operations-eligible funding allocated to Operations for Customer Experience initiatives, NextGen / Mobility on Demand initiatives, Capital State of Good Repair projects, Regional Connector staffing recruitment, and Other Operational Needs
- Newly created Metro Budget Equity Assessment Tool (MBEAT) applied to the budgetary adjustments
- Increase of 5 Non-Represented FTEs compared to FY21 Budget
 - 3 for Equity and Race
 - 2 for Customer Experience

If needed, additional updates will be brought to Board for approval based on the pace of recovery

Revenue Reforecast

FY21 Reforecast Resources

Resources (\$ in millions)	FY21 Budget	FY21 Reforecast	\$ Change	% Change
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5 Grants and TIFIA	1,138.9	1,138.9	-	0.0%
6 Debt and Additional Debt Proceeds if necessary*	424.9	974.8	549.9	129.4%
Total Resources	\$ 6,227.3	\$ 6,992.3	\$ 765.0	12.3%

* Debt will be issued based on need, subject to Board Approval

- Overall Resources is projected to be \$765M or 12.3% higher than FY21 Budget
- Sales Tax Revenues have not declined as much as originally projected, with a \$282.2M increase or +7.2%
 - Sales Tax receipts in Q1 FYH21 was higher than projected but coming down to budgeted levels in recent months
 - CARES impact had broad economic impact
- Operating Revenues (Fares, Expresslanes, Advertising and Other) is projected lower \$67.1M compared to FY21 Budget
- If necessary, \$549.9M additional debt proceeds available subject to Board Approval

Revenue by Funding Eligibility

Mid-Year Changes in Sales Tax and Other Resources by Funding Eligibility

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Total Funding Eligible for Operations	\$ 58.6				

* Other Revenues include Green Fund, HOV Fines, Transit Court, Parking, Bikeshare and Lease Revenues.

- Total Resources added \$215.1M must be allocated by funding eligibility into Programs
- All funding eligible for Operations have been allocated to Operations
 - Total increase for Metro Transit Operations is \$58.6M (\$14.0M Metro Transit specific + \$44.6M Flexible Funding Eligible)

Transportation Infrastructure Development – List of Projects with Midyear Adjustments

- Transit Infrastructure Development and Regional Rail cashflow increases of \$741.4M within Board authorized Life of Project (LOP) budget

(\$s in MMs)

Project	FY21 Adopted	Midyear Increase	Adopted + Midyear	Activities
TRANSPORTATION INFRASTRUCTURE DEVELOPMENT (TID)				
Transit Expansion				
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2 Regional Connector	136.0	82.8	218.8	• Project is 71% complete; revenue service date summer/fall 2022 • Focused on completed structural concrete and track work installation
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Highway				
11 Soundwall Package 10	\$ 1.2	\$ 0.9	\$ 2.1	• Caltrans expected to finish design by Q3 and Metro to lead soundwall construction
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REGIONAL RAIL				
17 Link US	\$ 53.8	\$ 24.8	\$ 78.6	• Right-of-way acquisitions anticipated in Q4
18 TID & Regional Rail Total	\$ 889.3	\$ 741.4	\$ 1,630.7	

Metro Transit Program – Operations Proposed Allocations

- All Transit Operations-eligible funding allocated to Operations for a total of \$58.6M

(\$s in MM\$)

#	Initiative	FY21 Mid-Year Budget Adj	Description of Activity
1	Customer Experience	\$ 4.9	Pilot programs: elevator attendants, unarmed ambassadors to address homelessness, dispatching social service workers to address issues on the system, ads to increase TransitWatch use, a Better Bus website engagement tool, a new annual Customer Experience Survey, and a program that identifies customers impacted by a missed run or pass-up and offers them a free ride code for a taxi or rideshare service to get where they need to go
2	NextGen Infrastructure / Mobility on Demand	10.0	NextGen/Mobility on Demand initiatives relate to continued NextGen infrastructure studies and incorporating Mobility on Demand into Microtransit
3	Capital State of Good Repair	24.3	Capital State of Good Repair initiatives will re-establish scheduled fleet and infrastructure scheduling priorities that were delayed. Projects include new bus engine procurement, Bus vehicle delivery, rail vehicle mid-life and component overhaul programs, and Rail infrastructure improvements
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5	Other Operational Needs	15.1	Other Operational Needs include Bus and Rail fleet maintenance campaigns, backfilling expenses to cover Purchased Transportation revenue service hour rate increases, and additional budget to complete the build out of lactation rooms at various facilities
6	Total Initiatives	\$ 58.6	

Equity and Race and Customer Experience – FTE Increases

Office of Equity and Race (3 Non-Represented FTEs)

- (3) Non-Represented FTEs to staff new Equity and Race department
- Increase capacity to lead this work and improve efforts to expand access for historically and currently marginalized, underserved, and vulnerable communities, to contribute to a more inclusive and equitable Los Angeles County. Operationalize and institutionalize equity under the four pillars of the Board-adopted Equity Platform
- Metro staff developed and applied the Metro Budget Equity Assessment Tool (MBEAT) to the budgetary requests in this Board action

Customer Experience (2 Non-Represented FTEs)

- (2) Non-Represented FTEs to staff the new Customer Experience department
- This will support the annual Customer Experience Plans required by the Board, and expand the scope to include journey mapping, building a customer-first culture across the organization, and planning for the needs of out-of-town visitors as Metro prepares to welcome people from around the world for the 2028 Olympics.

Next Steps

- FB&A Committee on January 20, 2021
- Board Meeting on January 28, 2021
- Metro will make funds available for the planned transit and transportation programs upon Board Approval
- Metro staff will continue to monitor the financial situation which may result in returning to the Board for another amendment in FY21, if necessary
- Metro will assess the financial impact of recently approved additional stimulus package and program accordingly based on the timing of available information



Board Report

File #: 2020-0726, File Type: Informational Report

Agenda Number: 11.

REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 20, 2021

SUBJECT: FISCAL YEAR 2021 (FY21) MID-YEAR BUDGET

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RECOMMENDATION

CONSIDER:

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* Other Revenues include Green Fund, HOV Fines, Transit Court, Parking, Bikeshare and Lease Revenues.

NOTE: Totals may not add up because of rounding

In total, \$215 million is projected to be available for the FY21 Budget. Out of \$67 million of combined operating income declines, consisting of -\$38.1 million from Passenger Fares and -\$28.9 from other revenues, \$53 million are operating-eligible revenues, primarily Passenger Fares and the Green Fund. These losses offset some of the sales tax gains, resulting in an increase of \$58.6 million in funding eligible for Operations. Proposed allocations of these funds will be discussed later in this report, but it is important to note that all additional funding that is eligible for Operations is allocated to Operations. Gains and losses in dedicated revenue sources like Regional Rail, General Planning and Programs, Congestion Management, and Subsidies fall into those specific programs.

Every eligible transit dollar has been made available to seize opportunities in increasing operating projects to further enhance the speed and efficiency from the NextGen implementation and initiate the Customer Experience plan.

Transit Expansion, Highway, and Regional Rail Projects

Metro is leveraging the additional \$43.2 million of Transit Expansion eligible funds and net savings of \$34.3 from refinancing existing debt to advance the drawdown of approved grants in current fiscal year. Metro’s \$741.4 million cashflow increase will be funded with additional sales tax, advancement of FFGA and other grants, and debt proceeds within Board authorized Life of Project (LOP) budget. All new debt issuance will be in accordance with previously approved Board Approved policies and requires separate Board Action.

Table below depicts those projects with midyear cashflow adjustments for the remainder of FY21. These increases are within Board authorized LOP budget.

Projects with Midyear Adjustment	FY21 Adapted	Midyear Increase	Adopted + Midyear	Activities
TRANSPORTATION INFRASTRUCTURE DEVELOPMENT (TID)				
Transit Expansion				
Crenshaw/LAX	\$ 73.0	\$ 15.2	\$ 88.2	•Project is 97% complete •Focused on systems integration testing prior to putting it into revenue service
Regional Connector	136.0	82.8	218.8	•Project is 71% complete; revenue service dates summer/fall 2022 •Focused on completed structural concrete and track work installation
Westside Purple Line Section 1	170.7	144.4	315.1	•Project is 66% complete; revenue service date in summer of 2023 •Focus on TBM tunnel drive completion – 8 of the 12 cross passages excavated, and concrete placements occurring at station sites
Westside Purple Line Section 2	113.1	170.1	283.1	•Project is 39% complete; revenue service date in 2025 •Focused on final design completion; construction activities in Century City and Beverly Hills
Westside Purple Line Section 3	213.2	213.3	426.5	•Project is 16% complete; revenue service date in 2027 •Focus on third party utility relocations, continue with final design on one contract, and prepare for tunneling operation
Division 20 Portal Widening & Turnback	88.1	53.2	141.3	•Much of adopted budget spent on mobilization costs •Additional funds for construction as staging area and preparatory work finalizes
East San Fernando Valley Transit Corridor	12.8	18.1	30.9	•NEPA environmental cleared in Dec-20 •Utility conflict investigation consisting of potholing and slot trenching
Eastside Extension Phase 2	2.9	1.5	4.4	•Allow for engineering and EIR work to be back on schedule
Transit Expansion Subtotal	\$ 809.8	\$ 698.5	\$ 1,508.3	
Highway				
Soundwall Package 10	\$ 1.2	\$ 0.9	\$ 2.1	•Caltrans expected to finish design by Q3 and Metro to lead soundwall construction
Soundwall Package 11	11.3	12.0	23.3	•Re-design due to differing site conditions from as-built drawings •Continue with permeation grouting
SR-57/SR-60 Interchange Improvements	6.5	3.2	9.7	•Advance project through design phase using the TCEP grant
SR-91 Improvements	6.7	2.0	8.7	•Progress through environmental phase for shovel readiness.
Highway Total	\$ 25.7	\$ 18.1	\$ 43.8	
REGIONAL RAIL				
Link US	\$ 53.8	\$ 24.8	\$ 78.6	•Right-of-way acquisitions anticipated in Q4
TID & Regional Rail Total	\$ 889.3	\$ 741.4	\$ 1,630.7	
Savings From Debt Refinancing	509.2	(34.3)	475	
Total Project Adjustment in TID, Regional Rail and Debt Services	\$ 1,398.5	\$ 707.1	\$ 2,105.6	

NOTE: Totals may not add up because of rounding

Metro Transit Program Recommended Options

Applying all operating eligible funding of \$58.6 million to Bus/Rail Operations and State of Good Repair, Metro staff has recommended a list of prioritized initiatives to improve the customer experience, continue rollout of NextGen/Mobility on Demand, Capital State of Good Repair, staffing recruitment for Regional Connector, and implementation of other operational needs. Service-related criteria, as well as other criteria including Equity, Grant Funding Consideration, Project Readiness, Project Interdependency, and Safety/Reliability have been evaluated to implement the initiatives and to optimize the additional revenues.

Initiative (\$ in millions)	FY21 Mid-Year Budget Adjustment
1 Customer Experience	\$ 4.9
2 NextGen Infrastructure Study/Mobility on Demand	10.0
3 Capital State of Good Repair	24.3
4 Regional Connector Staffing	4.3
5 Other Operational Needs	15.1
Total Initiatives	\$ 58.6

NOTE: Totals may not add up because of rounding

- **Customer Experience initiatives** include real-time identification of customer impacts of pass-ups, deployment of elevator attendants at various stations, reducing homelessness on the system by 50%, flexible dispatching of various people with expertise for quick problem response, advertising campaigns to increase TransitWatch use, Better Bus engagement tool/Metro.net website overhaul, and increasing customer experience surveys
- **NextGen/Mobility on Demand initiatives** relate to continued NextGen infrastructure studies and incorporating Mobility on Demand into Microtransit
- **Capital State of Good Repair initiatives** will re-establish scheduled fleet and infrastructure scheduling priorities that were delayed. Projects include new bus engine procurement, bus vehicle delivery, rail vehicle mid-life and component overhaul programs, and rail infrastructure improvements
- **Regional Connector staffing recruitment** will initiate maintenance training to gear up for the upcoming Rail Operations Date (ROD)
- **Other Operational Needs** include Bus/ Rail fleet maintenance campaigns, backfilling expenses to cover Purchased Transportation revenue service hour increases, and additional budget to complete the build out of lactation rooms at various facilities

Five (5) Non-Represented FTEs - Equity & Race and Customer Experience

Metro believes that access to opportunity should be at the center of decision-making around public investments and services. Accordingly, led by the Office of Equity and Race, Metro continues to take steps to operationalize and institutionalize equity under the four pillars of the Board-adopted Equity Platform. The Office of Equity and Race is requesting Board approval for three (3) Non-Represented FTEs to increase capacity to lead this work and improve efforts to expand access for historically and currently marginalized, underserved, and vulnerable communities, to contribute to a more inclusive and equitable LA County.

Additionally, Metro seeks to improve mobility in LA County by doubling the number of people who travel by modes other than single occupancy vehicles in the next ten years. In order to achieve this goal, the Customer Experience department has requested Board approval for two (2) Non-Represented FTEs to improve the customer experience across all Metro products and services to deliver customers with an outstanding, reliable, safe, and comfortable journey.

EQUITY ASSESSMENT

Metro staff developed and applied the Metro Budget Equity Assessment Tool (MBEAT) to the budgetary requests in this board action to understand the potential benefits and burdens for historically and currently marginalized communities and determine how budgetary requests might support more equitable outcomes. Overall, application of the MBEAT highlighted budgetary requests with a wide range of benefits for marginalized and/or vulnerable communities, helped staff identify potential barriers or harms to address, and helped staff consider adjustments to improve access and reduce potential barriers or harms. It also highlighted a need for broader training to not only answer MBEAT questions, but to help staff think through how investment, projects, programs, and policies might cause harm or not benefit all as intended, given historic and current disparities and systemic inequities.

Please see the Mid-Year FY20-21 Budget Equity Assessment - Receive and File Report for a summary of highlights on the findings, new process and next steps.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact safety.

FINANCIAL IMPACT

The FY21 Proposed Mid-Year Budget at \$6.99 billion is balanced and appropriates the resources necessary to fund them. The proposed mid-year budget demonstrates Metro's ongoing commitment to meeting its capital and operating obligations, which is essential in receiving subsidies from the state and federal governments and to administer regional transportation funding to local cities and municipal operators.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Metro Vision 2028 Strategic Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Upon Board amendment of the FY21 Budget, Metro will make funds available for the planned transit and transportation programs outlined in this document.

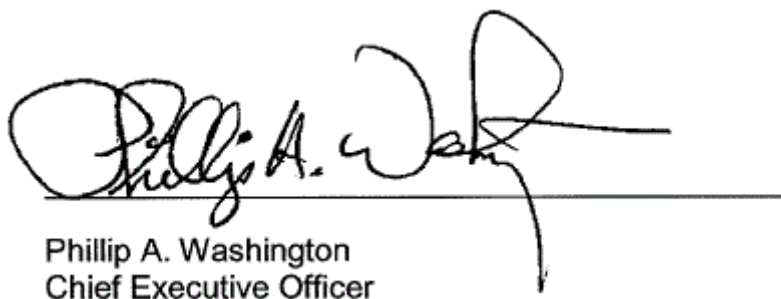
Metro staff will continue to monitor the financial situation considering the COVID-19 pandemic and

reassess resources, expenditures, and economic recovery which may result in returning to the Board for another amendment in FY21, if necessary.

With the allocation and application of the recently approved additional stimulus package yet to be determined by the federal government, Metro will assess the financial impact of the amount available for all transit agencies in the County and integrate the information into the FY22 Budget Development process.

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