



Metro

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

Agenda - Final

Thursday, November 21, 2024

10:00 AM

Watch online: <https://boardagendas.metro.net>
Listen by phone: Dial 888-978-8818 and enter Access Code:
5647249# (English) or 7292892# (Español)

To give written or live public comment, please see the top of page 4

Finance, Budget and Audit Committee

Tim Sandoval, Chair

Lindsey Horvath, Vice Chair

Kathryn Barger

James Butts

Paul Krekorian

Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES
(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

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

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

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

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

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

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

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

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

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

DISCLOSURE OF CONTRIBUTIONS

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

ADA REQUIREMENTS

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 working hours) in advance of the scheduled meeting date. Please telephone (213) 364-2837 or (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

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

LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 364-2837 or (213) 922-4600. Live Public Comment Instructions can also be translated if requested 72 hours in advance.

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



323.466.3876

x2 *Español (Spanish)*

x3 *中文 (Chinese)*

x4 *한국어 (Korean)*

x5 *Tiếng Việt (Vietnamese)*

x6 *日本語 (Japanese)*

x7 *русский (Russian)*

x8 *Հայերէն (Armenian)*

HELPFUL PHONE NUMBERS AND EMAIL

Copies of Agendas/Record of Board Action/Recordings of Meetings - (213) 922-4880 (Records Management Department) - <https://records.metro.net>

General Information/Rules of the Board - (213) 922-4600

Internet Access to Agendas - <https://www.metro.net>

TDD line (800) 252-9040

Board Clerk Email - boardclerk@metro.net

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

Live Public Comment Instructions:

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

The Meeting begins at 10:00 AM Pacific Time on November 21, 2024; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-978-8818 and enter
English Access Code: 5647249#
Spanish Access Code: 7292892#

Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

Instrucciones para comentarios publicos en vivo:

Los comentarios publicos en vivo se pueden dar por telefono o en persona.

La Reunion de la Junta comienza a las 10:00 AM, hora del Pacifico, el 21 de Noviembre de 2024. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

Marque: 888-978-8818 y ingrese el codigo
Codigo de acceso en ingles: 5647249#
Codigo de acceso en espanol: 7292892#

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

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.
Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
Post Office Mail:
Board Administration
One Gateway Plaza
MS: 99-3-1
Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

10. **SUBJECT: CUSTODIAL BANKING SERVICES** [2024-0842](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a firm fixed unit rate Contract No. PS124467000 to US Bank National Association (U.S. Bank N.A.) for custodial banking services in an amount Not-to-Exceed (NTE) \$1,193,550 for the three-year base term and \$397,850 for each of the two, one-year option terms, for a total NTE amount of \$1,989,250, effective April 1, 2025, subject to the resolution of any properly submitted protest(s), if any.

Attachments: [Attachment A - Procurement Summary](#)
[Attachment B - DEOD Summary](#)
[Presentation](#)

11. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2025 FIRST QUARTER REPORT** [2024-1021](#)

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services FY 2025 First Quarter Report.

Attachments: [Attachment A - Management Audit Services \(MAS\) FY25 First Quarter Report](#)
[Presentation](#)

12. **SUBJECT: PROPOSITION A 5% OF 40% INCENTIVE GUIDELINES** [2024-0998](#)

RECOMMENDATION

CONSIDER:

- A. ADOPTING the revised Proposition A 5% of 40% Incentive Guidelines (Attachment A); and
- B. AUTHORIZING the Chief Executive Officer to amend existing agreements between Los Angeles County Metropolitan Transportation Authority (Metro) and Local Transit Operators to incorporate guideline amendments, and execute all necessary future agreements as pertains to this program.

Attachments: [Attachment A - Proposed Proposition A Incentive Program Guidelines](#)
[Attachment B - Proposed Proposition A Incentive Program Guidelines Redlined](#)
[Attachment C - Alliance of Local Transit Operators – Letter of Support](#)
[Presentation](#)

**13. SUBJECT: PREPARATION FOR INITIATING THE FY26 BUDGET
DEVELOPMENT PROCESS**

[2024-0968](#)

RECOMMENDATION

RECEIVE oral report on the preparation for initiating the FY26 budget development process.

Attachments: [Presentation](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2024-1052](#)

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 #: 2024-0842, File Type: Contract

Agenda Number: 10.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 21, 2024

SUBJECT: CUSTODIAL BANKING SERVICES

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a firm fixed unit rate Contract No. PS124467000 to US Bank National Association (U.S. Bank N.A.) for custodial banking services in an amount Not-to-Exceed (NTE) \$1,193,550 for the three-year base term and \$397,850 for each of the two, one-year option terms, for a total NTE amount of \$1,989,250, effective April 1, 2025, subject to the resolution of any properly submitted protest(s), if any.

ISSUE

Operating funds are the pool of revenue used to fund expenses for projects, programs and services. Metro's Investment Policy requires that securities purchased for the investment of operating funds and collateral be maintained in the trust department or the safekeeping department of a qualified bank that offers institutional custody services. The Treasurer is required to provide a quarterly report to the CEO and Board detailing investment compliance and performance information. The record keeping and pricing services provided by the custody bank are the basis for all reporting and accounting practices at Metro. The existing five-year banking custodial services contract with U.S. Bank N.A. will expire on March 31, 2025.

BACKGROUND

Custody banks provide safekeeping of the securities as required by the California Government Code. The institutional accounts they manage often exceed billions of dollars. As a result, custody banks tend to be large and reputable banks. The top custody banks have trillions of dollars in global assets. Staff analyzed the minimum qualifications of large government agencies for similar services. It was determined that the minimum qualifications of eight years of experience providing custody services and current custody of one trillion dollars of assets are consistent with best practices for the safety and security of public assets. Furthermore, there are several large financial institutions that qualify by size, but many no longer offer custody services in the municipal space due to a lack of profitability and high cost of infrastructure investment. Lowering the minimum requirement might attract more custody banks, but they will still be large financial institutions with multiple product lines.

Community banks, as defined by the Federal Reserve as having less than \$10 billion in assets, provide traditional banking services rather than institutional custody services. The latter requires a costly and sophisticated infrastructure, as well as a highly trained professional staff capable of providing reporting, real-time trade services, daily compliance monitoring, online access, and data collection. These services are the foundation of all accounting and recordkeeping at Metro. This is crucial as it also is the basis for staying in compliance with Generally Accepted Accounting Principles and passing Metro's annual audit.

The current contract was awarded through a competitive procurement in September 2019 to U.S. Bank N.A. As of June 30, 2024, Metro Operating Funds held in custody at U.S. Bank N.A. totaled \$3.1 billion.

DISCUSSION

The RFP notification was posted on Metro's Vendor Portal and was publicized through four publications in order to broaden awareness. Three of the four publications, which included the Asian Journal (Filipino-American), La Opinión (Hispanic-American) and the Los Angeles Sentinel (African-American), were ethnic media publications. In addition, the RFP was sent via e-mail to 27 financial institutions.

Only one proposal was received from U.S. Bank N.A., the current custodial banking services provider. U.S. Bank N.A. proposed lower fee components from its current fee structure. The reduction produces approximately \$537,500 in lower fees for the three-year base and two, one-year option terms of the five-year custodial banking contract.

DETERMINATION OF SAFETY IMPACT

The approval of this item will have no negative impact on the safety of Metro employees or passengers.

FINANCIAL IMPACT

Total proposed fees of \$1,989,250 over five years are based on a firm fixed rate applied to an estimated market value of assets under custody, the number of transactions applied to a unit price, and the number of accounts subject to compliance monitoring and performance reporting services.

Funding of \$370,000 for this service in FY25 is included in the budget under 50316 - Service Professional and Tech Services in cost center 5210 Treasury Department. The funds are divided among three projects: 4% to Project 100002, Task 30.02; 43% to Project 300076, Task 30.02; and 53% to Project 610340, Task 30.02. Since this is a multi-year contract, the Treasurer will be accountable for budgeting its costs in future years.

Impact to Budget

The source of funds for this contract is Prop A, Prop C, Measure R, Measure M and TDA Administration. Administration funds are not eligible for bus and rail operations.

EQUITY PLATFORM

Since the primary contractor will perform all peripheral and ancillary work, an SBE/DBE goal for this procurement was not established. However, U.S. Bank N.A. will service eight external investment managed accounts, five of which are managed by firms that are classified as either small business firms, minority owned, women owned or employee-owned firms. In addition, U.S. Bank N.A. is a large U.S. based financial institution that is committed to diversity and inclusion, and has policies instituted for seeking and promoting diverse talents, partnering with diverse suppliers as well as strengthening local communities. In 2023, U.S. Bank N.A. was ranked No. 11 on the overall DiversityInc Top 50 list. Additionally, U.S. Bank remains committed to its five-year \$100 billion community benefits plan, which focuses on supporting equitable access to capital for low- and moderate-income communities and communities of color. This includes: Small Business Access to Capital & Technical Assistance, Community Development Lending & Investment, Philanthropy & Community Service, Advancing a Diverse & Equitable Workforce, Diverse Segment Outreach, and Supplier Diversity.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Metro Vision 2028 Strategic Plan Goal 5 as follows:

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

Goal 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

ALTERNATIVES CONSIDERED

Metro's Investment Policy mandates the use of an external custody bank to safekeep operating fund securities or cash.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS124467000 to U.S. Bank N.A. effective April 1, 2025, to provide custodial banking services.

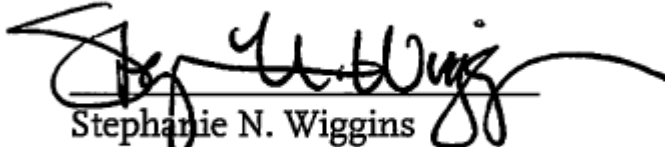
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

Prepared by: Robert Suh, Principal Financial Analyst, (213) 922-4102
Jin Yan, Assistant Treasurer, (213) 922-2127
Mary E. Morgan, Deputy Executive Officer, Finance, (213) 922-4143
Rodney Johnson, Treasurer, (213) 922-3417
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer (Interim), (213) 922-4471

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



Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

CUSTODIAL BANKING SERVICES/PS124467000

1.	Contract Number: PS124467000	
2.	Recommended Vendor: U.S. Bank National Association	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: July 3, 2024	
	B. Advertised/Publicized: July 3, 2024	
	C. Pre-Proposal Conference: July 15, 2024	
	D. Proposals Due: August 14, 2024	
	E. Pre-Qualification Completed: September 12, 2024	
	F. Ethics Declaration Forms submitted to Ethics: August 15, 2024	
	G. Protest Period End Date: November 27, 2024	
5.	Solicitations Picked up/Downloaded: 11	Bids/Proposals Received: 1
6.	Contract Administrator: Manchi Yi	Telephone Number: (213) 418-3332
7.	Project Manager: Robert Suh	Telephone Number: (213) 922-4102

A. Procurement Background

This Board Action is to approve Contract No. PS124467000 to provide full custodial banking services, compliance monitoring, and performance measurement. Board approval of contract award is subject to the resolution of any properly submitted protest(s), if any.

On July 3, 2024, Request for Proposal (RFP) No. PS124467 was issued as a competitive procurement in accordance with Metro’s Acquisition Policy and the contract type is a firm fixed unit rate. The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise/Disabled Veteran Business Enterprise (SBE/DVBE) participation goal for this procurement.

No amendments were issued during the solicitation phase of this RFP.

The solicitation was available for download from Metro’s website. Advertisements were placed with the Los Angeles Daily News, Asian Journal, La Opinion, and Los Angeles Sentinel to notify potential proposers of this solicitation. Further, Metro notified potential prime contractors identified by the Project Office and other potential proposers from Metro’s vendor database based on applicable North American Industry Classification System (NAICS) codes. A virtual pre-proposal conference was held on July 15, 2024, and was attended by three participants representing three firms.

A total of eleven individuals downloaded the RFP and were included on the planholders list. There were twelve questions received and responses were issued prior to the proposal due date.

One proposal was received from U.S. Bank National Association (U.S. Bank N.A.) by the proposal due date of August 14, 2024.

Since only one proposal was received, staff conducted a market survey of the planholders to determine why no other proposals were received. Responses were received from four firms, and they included:

- lack of capability to fulfill the technical requirements of the RFP
- inability to meet the RFP minimum qualification requirements

The market survey revealed that the decisions not to propose were based on individual business considerations. Therefore, the solicitation can be awarded as a competitive award.

B. Evaluation of Proposal

A Proposal Evaluation Team (PET) consisting of staff from the Treasury and Accounting departments was convened and conducted a comprehensive technical evaluation of the proposal received.

The proposal was evaluated based on the following evaluation criteria:

Phase 1 Evaluation - Minimum Qualifications (Pass/Fail): To be responsive to the RFP minimum qualification requirements, proposers must meet all of the following:

- The proposer must have current custody of more than one trillion dollars (\$1,000,000,000,000) of domestic fixed-income assets.
- The proposer must have a minimum of eight years of experience in providing custody and/or performance measurement services.
- The proposal must include proof that an independent certified auditor or third party vendor has attested to the accuracy of performance returns according to Global Investment Performance Standards (GIPS).

Phase 2 Evaluation - Weighted Technical Evaluation: The proposer met the Minimum Qualifications (Pass/Fail) Criteria and was further evaluated based on the following evaluation criteria and weights:

- Qualifications, Experience and Capability of the Firm and Key Personnel 25%
- Custody, Compliance Reporting and Performance Measurement Services 25%

- Technology, Transition and Conversion 25%
- Price Proposal 25%

The evaluation criteria are appropriate and consistent with criteria developed for similar procurements. Several factors were considered in developing the evaluation criteria and each were equally weighted.

From August 19, 2024 through September 5, 2024, the PET independently evaluated and scored the technical proposal. At the conclusion of the evaluation, the PET determined that U.S. Bank N.A. met all RFP requirements and was technically qualified to perform the work.

The following is a summary of the PET scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	U.S. Bank National Association				
3	Qualifications, Experience and Capability of the Firm and Key Personnel	92.00	25.00%	23.00	
4	Custody, Compliance Reporting and Performance Measurement Services	94.16	25.00%	23.54	
5	Technology, Transition and Conversion	93.32	25.00%	23.33	
6	Price Proposal	100.00	25.00%	25.00	
7	Total			94.87	1

C. Price Analysis

The recommended amount has been determined to be fair and reasonable based on price analysis, Independent Cost Estimate (ICE), and technical analysis.

	Proposer Name	Proposal Amount	Metro ICE	Recommended Amount
1.	U.S. Bank National Association	\$1,989,250	\$1,921,106	\$1,989,250

The variance between the recommended amount and the ICE is due to the use of a lower projected market value of Metro’s operating fund investment portfolios in calculating the ICE. Further, fees proposed by US Bank N.A. are lower than the fee structure under the current custodial banking services contract.

D. Background on Recommended Contractor

U.S. Bank National Association (U.S. Bank N.A.), headquartered in Minneapolis, Minnesota, was established in 1863. It offers a wide range of financial services and has over 125 years of experience providing trust and custody services for institutional clients. It manages 5,303 custody accounts with more than \$2.6 trillion in assets, including 635 public and government clients with over \$417.3 billion in assets. Existing public sector clients include the Orange County Transportation Authority, Santa Clara Valley Transportation Authority, County of Fresno, City of San Diego and the California State University, Long Beach.

U.S. Bank, the incumbent contractor, has been providing custodial banking services to Metro and performance has been satisfactory.

DEOD SUMMARY

CUSTODIAL BANKING SERVICES / PS124467000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE)/Disabled Veteran Business Enterprise (DVBE) participation goal for this procurement due to the lack of subcontracting opportunities. It is expected that US Bank National Association (U.S. Bank N.A.) will perform the services of this contract with its own workforce.

B. Living Wage and Service Contract Worker Retention Policy Applicability

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

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.

Item #2024-0842

Custodial Banking Services Contract

Finance, Budget and Audit Committee
November 21, 2024



Custodial Banking Services Contract

Background:

- Metro's Investment Policy requires the use of an external custody bank to safekeep operating fund securities or cash.
- The existing five-year banking custodial services contract with U.S. Bank N.A. will expire on March 31, 2025.

Action:

- The RFP notification was posted on Metro's vendor database based on applicable NAICS codes, advertised on 4 publications and on Metro's Vendor Portal, and sent to 27 financial institutions.
- Only 1 proposal was submitted by the current custodial banking services provider, U.S. Bank N.A.



Procurement Evaluation – Single Proposer

U.S. Bank N.A.	Evaluation Criteria Factor Weight	Weighted Average Score
Qualifications, Experience & Capability of Firm & Key Personnel	25.00%	23.00%
Custody, Compliance Reporting & Performance Measurement Services	25.00%	23.54%
Technology, Transition and Conversion	25.00%	23.33%
Price	25.00%	25.00%
Total	100.00%	94.87%

Custodial Banking Services Contract

Recommendation:

- Authorize the Chief Executive Officer to award a firm fixed unit rate Contract No. PS124467000 to US Bank N.A. for custodial banking services in an amount of \$1,193,550 for the three-year base term and \$397,850 each for the two, one-year option term, for a total not-to-exceed amount of \$1,989,250, effective April 1, 2025, subject to resolution of protest(s), if any.

Next Step:

- Upon Board approval, staff will execute Contract PS124467000 to U.S. Bank N.A. effective April 1, 2025 to provide custodial banking services.





Board Report

File #: 2024-1021, **File Type:** Informational Report

Agenda Number: 11.

**FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 21, 2024**

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2025 FIRST QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services FY 2025 First Quarter Report.

ISSUE

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

BACKGROUND

It is customary for MAS to deliver quarterly audit reports. The FY 2025 first quarter report covers the period from July 1, 2024, to September 30, 2024.

MAS provides audit services in support of Metro’s ability to provide responsive, accountable, and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency, while external audits analyze contractors, cities, and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups: Performance Audit; Contract, Financial and Compliance Audit; and Administration and Policy, which includes audit support functions. Performance Audit is mainly responsible for internal audits related to Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management, including the Chief Executive Office, and other internal areas. Contract, Financial, and Compliance Audit is primarily responsible for external audits in Planning, Program Management, and Vendor/Contract Management. MAS’ functional units provide assurance to the public that internal processes and programs are being managed efficiently, effectively, economically, ethically, and equitably; and that desired outcomes are being achieved. This assurance is provided by MAS’ functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Administration and Policy is responsible for administration, quality assurance, financial management, including audit support, audit follow-up, and

resolution tracking.

DISCUSSION

The following summarizes MAS activity for FY 2025 first quarter:

Performance Audits: One audit was completed; seven projects were in progress.

Contract, Financial and Compliance Audits: 15 audits with a total value of \$42 million were completed; 75 were in progress.

Other Audits: One audit issued by external firms was completed for the quarter.

Audit Follow-up and Resolution: Three recommendations were closed; 29 recommendations are open.

The FY 2025 First Quarter Report is included as Attachment A.

EQUITY PLATFORM

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2025 First Quarter Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

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

ATTACHMENT

Attachment A - Management Audit Services (MAS) FY 2025 First Quarter Report

Prepared by:

Monica Del Toro, Senior Manager, Audit, (213) 922-7494
Lauren Choi, Senior Director, Audit, (213) 922-3926
Alfred Rodas, Senior Director, Audit, (213) 922-4553
Kimberly L. Houston, Deputy Chief Auditor, (213) 922-4720

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



Stephanie N. Wiggins
Chief Executive Officer

Quarterly Report to Metro Board of Directors

FY 2025 First Quarter



Metro

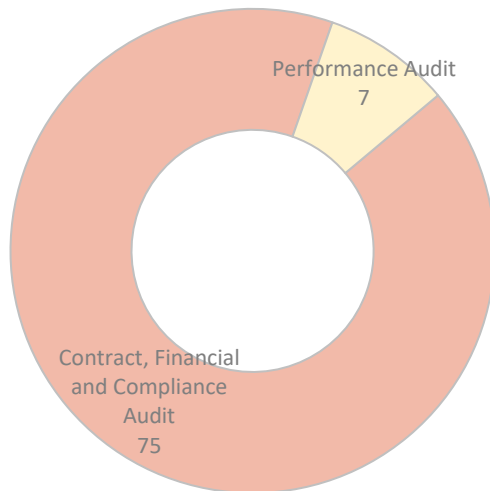
**MANAGEMENT
AUDIT SERVICES**

Table of Contents

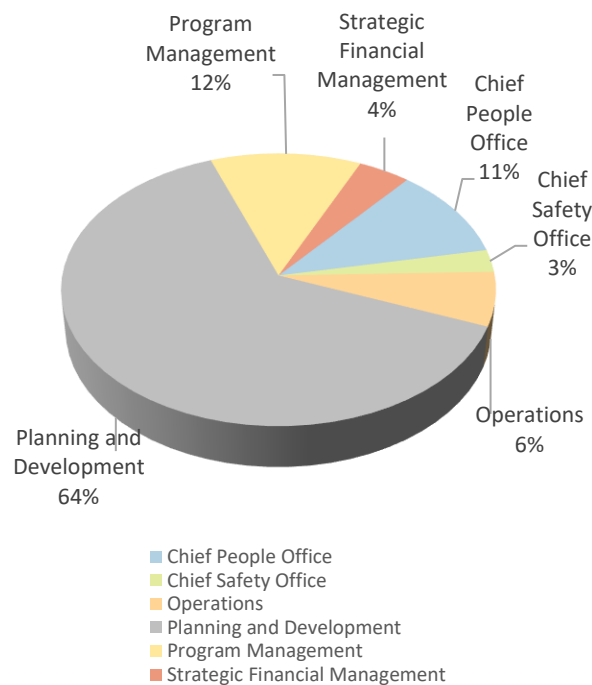
Executive Summary	3
<i>Summary of In-Progress Audit Activity</i>	3
<i>Summary of First Quarter Completed Audit Activity</i>	3
Performance Audits	4
<i>Critical Spare Parts Inventory</i>	4
Contract, Financial & Compliance Audits	5
Other Audits	6
Audit Follow-Up and Resolution	7
Summary Tables	
Appendix A – Performance Audits in Progress	8
Appendix B – Contract, Financial and Compliance Audit Completed.....	9
Appendix C – Open Audit Recommendations.....	11

Executive Summary

In Progress Projects as of September 30, 2024



Summary of Audit Activity by Department Reporting Period July 1, 2024 – September 30, 2024



Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 82 in progress projects as of September 30, 2024, which include 7 performance projects and 75 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 29 open MAS audit recommendations.

Summary of First Quarter Completed Audit Activity

MAS completed 17 audit projects. The projects are comprised of one (1) performance audit, 15 contract, financial and compliance audits, and one (1) other audit issued by external firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The other audit issued by external firms is highlighted on page 6

A summary of the open audit recommendations is included on page 7.

Performance Audits

This section includes performance audits completed in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards, in addition to other types of projects performed by the Performance Audit team to support Metro. Other projects may include independent reviews, analyses, or assessments of select areas. The goal of non-audit projects is to provide Metro with other services that help support decision-making and promote organizational effectiveness.

Critical Spare Parts Inventory

MAS completed a report summarizing the results of the Performance Audit of Critical Spare Parts Inventory. The objective of the audit was to determine if Logistics is managing the critical spare parts inventory in accordance with Metro policies and procedures and to evaluate how Logistics identifies critical components to ensure availability.

MAS found that critical spare parts inventory records appeared complete, and the staff was experienced and knowledgeable. However, MAS noted improvements in parameters used to establish reorder points for critical spare parts, classification of business impact codes used to indicate the criticality of parts impacting revenue vehicles and warehouse physical access oversight. MAS provided management with nine recommendations and will follow up to ensure implementation.

Contract, Financial & Compliance Audits

MAS staff completed 15 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Downey - Paramount Blvd at Firestone Blvd Intersection Improvement	\$3,166,802	\$197,909
City of Malibu - Civic Center Way Improvements	\$5,241,431	\$38,978
City of Burbank - Burbank-Glendale Traffic Coordination	\$1,477,874	\$255,014
City of Bellflower - Downtown Smart Park System and Program Implementation	\$495,892	\$305,520
City of Hermosa Beach - Pacific Coast Highway Improvements Between Anita Street and Artesia Blvd	\$574,734	\$203,754
City of Glendale - Doran Street Traffic Signal Modifications/Installation and Roadway Improvements	\$1,421,542	\$114,186
City of South Gate - I-710 Soundwall	\$8,115,344	\$823,516
City of Bellflower - Lakewood Blvd Arterial Improvement	\$2,407,298	
City of Huntington Park - Pacific Blvd Pedestrian Improvement	\$4,261,004	\$1,063,620
City of Inglewood - Inglewood ITS Phase IV (2 Reports)	\$4,860,930	\$0
County of Los Angeles Department of Public Works - South Bay Forum Traffic Signal Corridors	\$8,468,156	\$0
City of Downey - Woodruff Ave Fiber-Optic Traffic Signal Communications	\$1,127,264	\$0
<i>Reviewed and questioned costs were not identified for the following as these audits reviewed labor rates for pre-award or indirect cost rates and/or Local Employment Program Compliance.</i>		
JCE Structural Engineering Group, Inc.	N/A	N/A
New Flyer of America, Inc.	N/A	N/A
Total Amount	\$41,618,271	\$3,002,497

Details on contract, financial and compliance audits completed during FY 2025 first quarter are included in Appendix B.

Other Audits

The following highlights other audits completed by the external firms:

Low Carbon Fuel Standard (LCFS) Verification

MAS contracted K-Coe Isom, LLP to provide LCFS verification services for the 2023 Quarterly Fuel Transactions report submitted to the California Air Resource Board (CARB). The objective was to assist Metro's Environmental Compliance and Sustainability Department by determining whether collected data and the prepared LCFS Quarterly Fuel Transactions Report are in conformance with regulatory requirements. The contractor noted that the submitted 2023 Quarterly Fuel Transactions Report was free of material misstatement and in conformance with regulatory requirements.

Audit Follow-Up and Resolution

The tables below summarize the open audit recommendations as of September 30, 2024.

MAS and External Audit Recommendations				
Executive Area	Closed	Currently Open	Added in Q3	Past Due
Chief People Office		3		
Chief Safety Office		2		
Operations		14		
Strategic Financial Management	3		10	
Total	3	19	10	

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

Appendix A

Performance Audit - In Progress Projects as of September 30, 2024				
No.	Area	Project Number & Title	Description	Estimated Date of Completion
1	Strategic Financial Management \ Chief People Office	23-ITS-P01 - Third Party Risk Management (Outsourced Service Providers)	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.	11/2024
2	Operations	23-SEC-P01 - Bus Operations Continuity of Operations Plan (COOP)	Evaluate the adequacy of Bus Operations' COOP and Standard Operating Procedures to support mission essential functions during emergencies.	11/2024
3	Chief People Office	*24-PEN-P01 – Employee Pension Benefits	Verify the accuracy of pension payroll deductions and contributions for active eligible employees.	11/2024
4	Chief People Office	*24-BEN-P01 – Employee Health Care Benefits	Verify the accuracy and completeness of the health and dental benefits enrollment and the corresponding payroll deductions for all active eligible recipients, excluding represented employee and retirees.	11/2024
5	Program Management	*24-CON-P01 - Eastside Access Improvement Project (EAIP)	Assess whether usage of EAIP funds, including grants, complied with applicable terms, conditions, and restrictions, and determine whether the executed scope of the EAIP aligned with the scope described in the Board Report, Grant, and other funding agreements and assess reasons for variances, including change orders.	12/2024
6	Program Management	24-CON-P01 - Purple (D-Line) Extension 1 (PDLE1)	Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations.	12/2024
7	Chief Safety Office	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	2/2025

* Audits 3, 4 and 5 listed above were initiated at the request of Metro's Chief Executive Officer.

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning & Development	23-HWY-A09 - Agreed-Upon Procedures	City of Downey	7/2024
2	Planning & Development	24-HWY-A06 - Agreed-Upon Procedures	City of Malibu	8/2024
3	Planning & Development	23-PLN-A04 - Agreed-Upon Procedures	City of Burbank	8/2024
4	Planning & Development	24-PLN-A16 - Agreed-Upon Procedures	City of Bellflower	8/2024
5	Planning & Development	24-HWY-A02 - Agreed-Upon Procedures	City of Hermosa Beach	9/2024
6	Planning & Development	24-HWY-A07 - Agreed-Upon Procedures	City of Glendale	9/2024
7	Planning & Development	23-HWY-A10 - Agreed-Upon Procedures	City of South Gate	9/2024
8	Program Management	23-CON-A03 - Agreed-Upon Procedures	JCE Structural Engineering Group, Inc.	9/2024
9	Operations	24-OPS-A03 - Agreed-Upon Procedures	New Flyer of America, Inc.	9/2024
10	Planning & Development	25-HWY-A03 - Agreed-Upon Procedures	City of Bellflower	9/2024
11	Planning & Development	23-PLN-A10 - Agreed-Upon Procedures	City of Huntington Park	9/2024

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
12	Planning & Development	24-PLN-A24 - Agreed-Upon Procedures	City of Inglewood	9/2024
13	Planning & Development	24-HWY-A05 - Agreed-Upon Procedures	City of Inglewood	9/2024
14	Planning & Development	23-PLN-A11 - Agreed-Upon Procedures	County of Los Angeles Department of Public Works	9/2024
15	Planning & Development	24-PLN-A22 - Agreed-Upon Procedures	City of Downey	9/2024

Appendix C

Open Audit Recommendations as of September 30, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	16	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
2	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	17	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to clarify and enforce the roles and responsibilities of system owners and data custodians to review and update the access list periodically.	12/31/2024	
3	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	18	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
4	Operations	21-SEC-P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	6 total	The recommendations included in this report address findings in Metro's Operational System.	ongoing	
5	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	1	OCI Management should establish and document a formal process for overseeing training courses that are required under the OCI Training Matrix and delivered by either OCI or the Divisions to ensure compliance with the PTASP.	6/30/2025	
6	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	3	Work with the EAMS implementation team and other functional groups (Accounting, ITS, Operations etc.), who maintain an asset list, to consolidate inventory records in the upcoming EAMS. Update: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.	11/30/2022	12/31/2024
7	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1b	Periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. b) Continue working with the EAMS implementation team to plan, design, develop and implement a system integration/interface to transfer available asset data from the accounting system to the new EAMS. Update: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.	11/30/2022	12/31/2024
8	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	2	OCI Management should update the OCI Standard Operating Procedures (SOP), Revision 1, January 22, 2020, to ensure alignment with the PTASP OCI Training Matrix and current practices.	6/30/2025	
9	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	3	OCI Management should explore the feasibility of adding the proper naming convention within OTTS when an employee completes training courses for the first, second, and third avoidable accidents within 18 months of the first accident. The naming convention should align with the procedures outlined in the PTASP on Post Accident Training.	6/30/2025	

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

Appendix C

Open Audit Recommendations as of September 30, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
10	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	4	OCI Management should explore the feasibility of utilizing OTTS or collaborate with Talent Development, to assess the capability of using the Adobe Learning Management System to capture not only employees' training course titles and hours but also as a data repository for all hard copy files associated with an employee's completed training records. This will help ensure that all training files are maintained in a centralized location. Regardless of the chosen approach, OCI Management should pursue an alternative solution, including documenting the process.	6/30/2025	
11	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	5	To help with archival and retrieval of OCI Matrix training courses, OCI Management should collaborate with the Divisions to develop a standardized method for retaining attendee rosters. This approach should be uniform and adopted across all Bus Divisions.	6/30/2025	
12	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	6	For consistent record keeping across OCI and the Bus Divisions, OCI and Division Management should document their process for the electronic archiving of training records for employees and Goodyear contractor personnel. This should include a training checklist outlining essential documents (e.g. DL260) required for each type of OCI Matrix training course.	6/30/2025	
13	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	7	OCI Management should collaborate with the Divisions to formally communicate the need to comply with the OCI Training Matrix as it relates to recommendations 1-7.	6/30/2025	
14	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	9	OCI Management should work with Corporate Safety to ensure that the OCI Training Matrix includes current course descriptions, and any updates should be communicated to all staff that have responsibility for compliance with the OCI Training Matrix.	6/30/2025	
15	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	1	Logistic Planners (Planners) should document policies and procedures that include processes, methodologies, key parameters, considerations, and filters used by Logistics staff during the monthly review process to establish reorder points, business impact and other relevant criteria.	6/30/2025	
16	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	2A	Incorporate into Policies and Procedures requirements for Planners to review and populate all prior missing Business Impact fields.	6/30/2025	
17	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	2B	Incorporate into Policies and Procedures requirements for regular review and update to the Business Impact field.	6/30/2025	
18	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	3	Require Planners to reexamine inventory items classified as Business Impact C for upgrade consideration to Business Impact to "A" or "B" if inventory items are known to cause revenue vehicles to be downed or out of service. This would accurately reflect their criticality.	6/30/2025	

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

Appendix C

Open Audit Recommendations as of September 30, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
19	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	4	Collaborate with ITS to make the Business Impact field a mandatory data entry field in the MRO/IO system.	6/30/2025	
20	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	5	Logistics should eliminate terminated and retired employees' master key access to facilities by either replacing all locks with electronic key card access or altering locks to prevent older master keys from gaining access to the buildings.	10/31/2024	
21	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	6	Ensure newly issued keys are assigned to appropriate individuals. When an individual no longer needs a key, collect and log the key's return.	10/31/2024	
22	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	7	Remove key card access for terminated and retired employees.	10/31/2024	
23	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	8	Work with Building Services and Facilities Maintenance to limit access to all their storerooms to those who require it, revoke access for all others, and confirm that their access has been removed. Logistics should also review the logs in detail on a regular basis to ensure they are up to date.	10/31/2024	
24	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	9	Logistics should document any exceptions to policies and procedures regarding general cycle count timelines, including how the respective area counts are to be performed.	10/31/2024	

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

Management Audit Services

FY 2025 First Quarter Report

Finance, Budget & Audit Committee
November 21, 2024

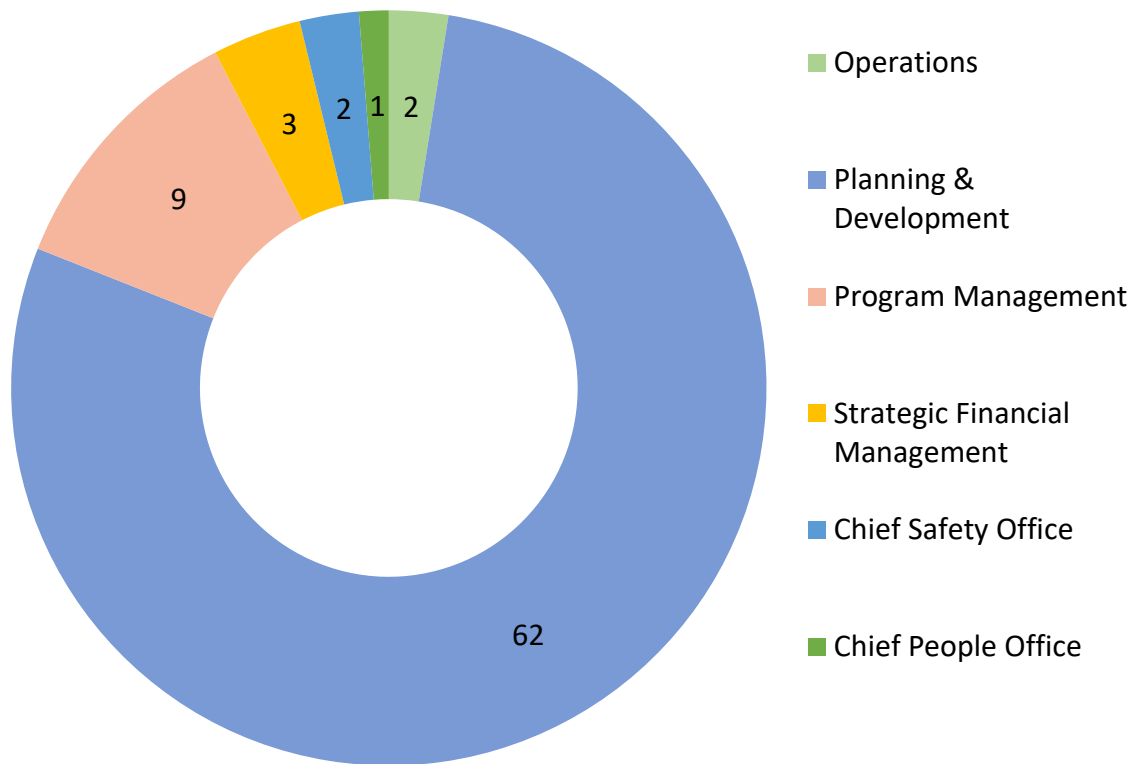
Kimberly Houston, Deputy Chief Auditor



MANAGEMENT
AUDIT SERVICES








In Progress: MAS Audit Activity

Agency Representation



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

In Progress: Performance Audits

	Audit Title	Description	Estimated Completion		
			FY25 Q2 Oct - Dec	FY25 Q3 Jan - Mar	FY25 Q4 Apr - Jun
1	Third Party Risk Management	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.			
2	Business Continuity Plan - Bus	Evaluate the adequacy of Bus Operations' COOP and SOPs to support Bus Operations' mission essential functions during emergencies.			
3	Employee Pension Benefits	Verify accuracy of pension payroll deductions and contributions for active eligible employees.			
4	Employee Health Care Benefits	Verify accuracy and completeness of health / dental benefits enrollment and corresponding payroll deductions for all active eligible recipients, excluding represented employees and retirees.			
5	Eastside Access Improvement Project	Assess whether usage of funds complied with applicable terms and determine whether the scope aligned with the board approved scope and other agreements.			
6	Purple (D-Line) Extension 1	Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations.			
7	Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.			

Completed: Critical Spare Parts Inventory

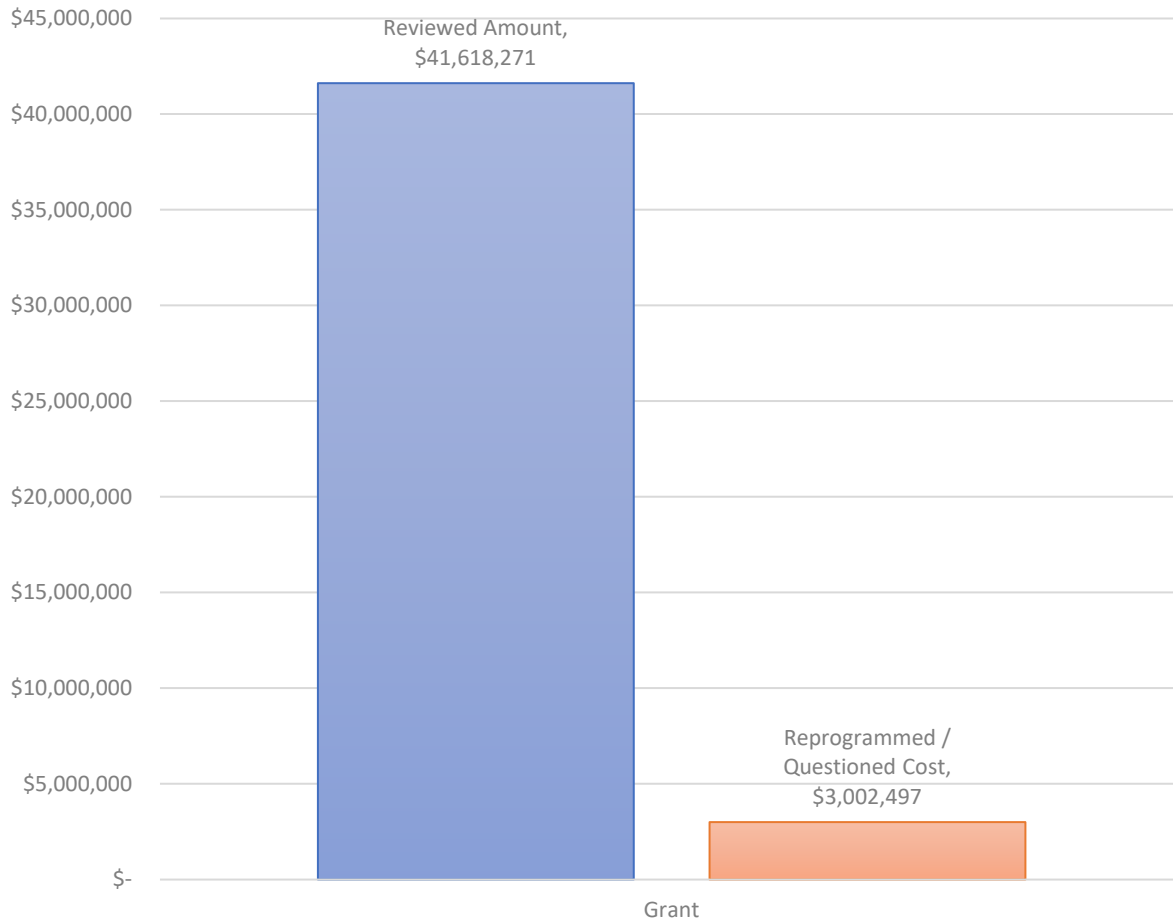
Objective

Determine if Logistics is managing the critical spare parts inventory in accordance with Metro policies and procedures and evaluate how Logistics identifies critical components to ensure availability.

Audit Results

Critical spare parts inventory records appeared complete, and the staff was experienced and knowledgeable. However, MAS noted improvements in parameters used to establish reorder points for critical spare parts, classification of business impact codes used to indicate the criticality of parts impacting revenue vehicles and warehouse physical access oversight.

Completed: Contract, Financial & Compliance Audits



- Delivered financial audits that reviewed \$42M of funding and identified \$3M (9%) for reprogramming

Thank you



Board Report

File #: 2024-0998, File Type: Program

Agenda Number: 12.

FINANCE, BUDGET, AND AUDIT COMMITTEE NOVEMBER 21, 2024

SUBJECT: PROPOSITION A 5% OF 40% INCENTIVE GUIDELINES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. ADOPTING the revised Proposition A 5% of 40% Incentive Guidelines (Attachment A); and
- B. AUTHORIZING the Chief Executive Officer to amend existing agreements between Los Angeles County Metropolitan Transportation Authority (Metro) and Local Transit Operators to incorporate guideline amendments, and execute all necessary future agreements as pertains to this program.

ISSUE

The Proposition A 5% of 40% Incentive (Prop A Incentive) Guidelines have not been updated since 2001. Due to COVID-19 pandemic impacts, in 2021 - 2024, program participants requested revisions to the criteria that govern Prop A Incentive funding distribution. This prompted Metro staff to work with program participants to update the guidelines to reflect the changing Los Angeles County transportation landscape and accommodate funding challenges that small local operators are experiencing while maintaining their transit systems.

BACKGROUND

The Prop A Incentive Program earmarks 5 percent of the Proposition A 40 Percent Discretionary funding to promote projects that encourage the development of an integrated local public transportation system that addresses the varied transportation needs of Los Angeles County residents. This includes subregional paratransit, eligible fixed-route services, locally funded community-based transportation services and other specialized transportation services. This funding program was instituted to divert demand from costlier regional paratransit services (i.e. Access Services) by partially funding more cost-effective subregional services operated by local jurisdictions in their respective communities. An additional element of the Prop A Incentive Program consists of

small Los Angeles County operators who voluntarily report to the Federal Transit Administration (FTA) National Transit Database (NTD). These agencies are incentivized to report data in exchange for federal Section 5307 Urbanized Area Formula Grant- equivalent funding. Program expenditures are audited annually and reviewed by the Independent Citizen's Advisory and Oversight Committee (ICAOC) and the Local Transit Systems Subcommittee (LTSS).

The purpose in developing the Subregional Paratransit program element was twofold: 1) to encourage coordinated paratransit systems that are subregional in nature, and 2) to institute performance standards that promote the effectiveness of participating systems as a condition of receipt of funds.

DISCUSSION

In the current program, a base funding amount of 15% of operating costs is provided to participating jurisdictions. Up to an additional 10% of operating costs can be achieved by operators through meeting three standards: 1) cost per revenue hour test, 2) subsidy per passenger test, and 3) passengers per vehicle revenue hour test. If any of the three standards are not met, the agency's funding is reduced causing budgetary issues for participants. The rate of meeting all three standards before the pandemic went from 26% in FY19 to 15% in FY24. Most operators now fail at least one of these tests due to the impacts of the pandemic. This led to fluctuations in program funding to recipients which has made it more difficult to coordinate service and resulted in the loss of a half dozen program participants in the last decade.

In September 2023, LTSS formed the Prop A Incentive Guidelines Working Group to review program requirements and update the program to reflect current transit trends and address financial challenges coming out of the COVID-19 pandemic. The working group convened, along with Metro staff, on four occasions to develop the revised Guidelines contained in Attachment A, with redlined version in Attachment B. The Working Group proposed to remove the passengers per vehicle revenue hour test as this standard did not adequately measure the efficiency of ADA paratransit service and was the most difficult for agencies to meet. In keeping with the program purpose, the Working Group agreed that it was still important to maintain performance standards to ensure cost-effective service and NTD reporting that generates additional FTA Section 5307 funding for the region. LTSS approved the proposed revised Guidelines in September 2024 and the Technical Advisory Committee (TAC) approved them in October 2024. The agencies that make up these committees are not Prop A Incentive recipients that benefit from the revised guidelines and serve as objective and regional oversight. A letter of support for these revisions was provided by the Alliance of Local Transit Operators, see Attachment C.

The revised Guidelines would provide each participating agency increased base funding of 20% of operating costs for program participation and reporting ridership data to the National Transit Database (NTD). Agencies can receive an additional 5% of operating costs by meeting one of two standards:

1. Cost Per Revenue Hour Test

No changes were made in the calculation of this standard. To pass, an operator's total cost per revenue hour must increase no more than 110% of the Los Angeles County Consumer Price

Index, as compared to previous year, or a compounded previous 3-year period.

2. Subsidy Per Passenger Test

This standard calculation is simplified by removing the requirement to report passenger mile data and categorizing results by service type (ex. general public, subsidized taxi, etc.) which will reduce calculation errors. To pass the test, an agency's total subsidy per passenger cannot exceed 133% of the countywide median.

Metro staff assessed the financial impact of the proposed Prop A Incentive Program changes by using FY19 transit data to represent the most likely post-COVID operating conditions. Staff determined that if the revised guidelines are adopted as proposed, all program participants except one would receive 25% of their operating costs. This would increase the draw on this fund source by approximately \$736,000, which the funding pot has the capacity to cover.

DETERMINATION OF SAFETY IMPACT

Adoption of the revised Prop A Incentive Guidelines will not impact Metro's safety standards as the transit services funded by this program are operated by other agencies.

FINANCIAL IMPACT

The proposed changes to the Prop A Incentive Program will not impact the FY25 Budget. The program funds are budgeted under Cost Center 0443 and Project 410057. Since this is a multi-year program, the Program Manager will be responsible for budgeting the costs in future years and will ensure program reserves are not overdrawn.

Impact to Budget

This fund source is specifically earmarked for this program and is not eligible for Metro bus and rail operations.

EQUITY PLATFORM

Under Board-adopted guidelines, this item enables the programming of funds to recipients to support the implementation of various transportation projects throughout the county. Without this action, almost all participating jurisdictions noted in Table 1 of the proposed Guidelines would receive less funding from the program to operate their paratransit services due to the inability to meet the current program standards, and many may be forced to reduce their service operations. Approval of this item would enable more sustained funding to program recipients that provide paratransit services primarily to disabled riders and older adults, though some services provide general public community transportation as well. Of the 49 participating jurisdictions, 36 have residents residing in Equity Focus Communities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports the following Vision 2028 Strategic Plan Goals by providing funding for essential local transit systems throughout the county:

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

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

ALTERNATIVES CONSIDERED

Should the Board choose not to approve the recommendations above, which staff does not recommend, small transit systems throughout Los Angeles County that take the pressure off Access Services and provide essential transit to underserved residents, could lead to operational funding deficits of these programs and the eventual termination of these transit systems. Further, the revised guidelines follow the intent for which the program was developed in the provision of funding for intra-community public transportation services for paratransit and specialized transit services. The streamlining of performance measures allows agencies to continue this valuable service but still promotes the effective use of funds by maintaining performance standards.

NEXT STEPS

Upon adoption, staff will execute amendments to existing funding agreements with participating agencies and incorporate the program changes into future program funding agreements.

ATTACHMENTS

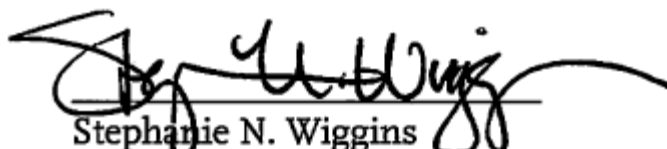
Attachment A - Proposed Proposition A Incentive Program Guidelines

Attachment B - Proposed Proposition A Incentive Program Guidelines Redlined Version

Attachment C - Alliance of Local Transit Operators - Letter of Support

Prepared by: Chelsea Meister, Manager, Transportation Planning, Local Programming (213) 922-5638
Susan Richan, Director, Budget, (213) 922-3017
Cosette Stark, Deputy Executive Officer, Finance, (213) 922-2822

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



Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A

**PROPOSITION A INCENTIVE
PROGRAM GUIDELINES**

PROPOSED

2024

I. INTRODUCTION

The Proposition A Incentive Program earmarks 5 percent of the 40 percent Proposition A Discretionary funds to promote projects that encourage the development of an integrated public transportation system that addresses the varied transportation needs of Los Angeles County residents. This includes subregional paratransit, eligible fixed-route services, locally funded community-based transportation services and other specialized transportation services.

II. PROGRAM PURPOSE

The Incentive Program was originally created in 1985 as a replacement for Transportation Development Act (TDA) Article 4.5, which provided State transportation funds for intra-community public transportation services. The purpose in developing this program was twofold: 1) to encourage coordinated paratransit systems that are regional in nature, and 2) to institute performance standards that promote the effectiveness of participating systems as a condition of receipt of funds. Since 1985, the Incentive Program has evolved to also include and provide formula funding for additional local Los Angeles County transit operators that report to the Federal Transit Administration (FTA) National Transit Database (NTD) but do not receive 5307 funding.

III. PROGRAM OBJECTIVES

The primary objectives of the Incentive Program are to provide funding to:

- Coordinate and improve services provided by cities, operators, and social services agencies to achieve more efficient and cost-effective systems.
- Improve the mobility of persons for whom regular fixed route transportation is either inadequate or inappropriate.
- Encourage the use of local transit funds for projects of regional significance and benefit, such as the provision of Americans with Disabilities Act (ADA) complementary paratransit.
- Divert demand from the more costly Access Services Incorporated (ASI) to more cost efficient locally funded subregional systems.
- Encourage locally funded public transportation systems to report NTD data, thereby enhancing data collection and the flow of Federal Section 5307 funds to the region.

IV. ELIGIBLE APPLICANTS

Local Municipalities and Departments of Los Angeles County
Joint Powers Authorities (JPAs)
Los Angeles County Metropolitan Transportation Authority
Public Operators

Eligible projects may be operated by any type of service provider, including public, private for profit, and private non-profit operators.

V. FUNDING PRIORITIES

Incentive funds are disbursed according to the following funding priorities, subject to funds availability:

1. First priority is given to existing Subregional paratransit participants identified in the LACMTA-approved Annual Transit Fund Allocations. Additional participants to this program would need to apply with Metro and be approved by Local Transportation Systems Subcommittee (LTSS), Bus Operators Committee (BOS), Technical Advisory Committee (TAC), and the LACMTA Board of Directors. FY2021-22 service and funding levels will be used to determine FY2023-24 funding levels, with future fiscal year funding levels to be determined based on the most recently audited NTD report. Eligibility criteria and performance standards will be applied as outlined in Exhibit A.

2. Second priority is given to funding the four Eligible or Included operators for specific services, per Board actions in September 1991 and September 1995, as identified below:

- Santa Clarita Transit
- Antelope Valley Transit Authority
- City of Los Angeles – DASH Routes A, B and E, Harbor Shuttle and Bus Service Continuation Project (BSCP)
- Foothill Transit’s Bus Service Continuation Project (BSCP)

These four services will receive funding from the Incentive program if growth over inflation in the Proposition A Discretionary Program is inadequate to fully fund these systems. Per Senate Bill 1755 as enacted in 1996, if the funds in the Proposition A Incentive program are not enough to fund the affected fixed route operators, LACMTA will identify other funding sources to assure full funding.

An assessment of available funds in the Discretionary category will be conducted annually to determine whether any funding from the Incentive program is needed to backfill the Discretionary program for the purposes of the aforementioned systems only. Only the four operators and their specific programs listed above are eligible for this funding source. All other recipients of the Formula Allocation Process (FAP) are ineligible to receive funds for their fixed route systems under this category.

3. Third priority will be given to existing subregional paratransit participants, identified in Table 1, which are known to have expanded their service areas after the subregional paratransit program was closed to new and/or expanded projects in the early 1990s.

4. Fourth priority will be given to approved applications for expanded and/or new subregional paratransit systems.

5. Until the region develops a methodology to return to source the funds generated from NTD reporting by locally funded public transportation systems, fifth priority will be given to locally funded public transportation systems which voluntarily report NTD data.

In order to increase the amount of Federal Revenues to the region and support increased mobility, Proposition A Incentive Funds will be used to offset costs for locally funded public transportation systems participating in the voluntary NTD reporting program. Subject to availability of Proposition A Incentive funds, LACMTA will disburse funds to each participating agency in an amount equal to the Federal funds generated for the region by each agency's reported data (determined by the unit values set annually by the FTA for revenue miles and passenger miles), after the FTA has allocated the funds to the region.

Voluntary NTD reporters should notify the LACMTA at the beginning of the NTD reporting year of their program participation status. Participation in the Prop A Incentive Priority V Program is subject to LACMTA approval. Funding allocations are subject to fund availability and may be calculated differently on a case-by-case basis. Specific public transportation services funded through the Formula Allocation Process and the subregional paratransit program are required to report through NTD and therefore are not considered voluntary reporters.

6. Sixth priority will be given to Special Demonstration projects that maximize the efficiency of transit/paratransit services. Emphasis will be placed on funding programs that provide innovative, cost saving measures for delivery of transit/paratransit services.

VI. GENERAL AND ADMINISTRATIVE CONDITIONS

Documentation of Coordination and Consolidation

Proposed projects are required to document coordination and/or consolidation with existing public transportation services and with participating local governments, as evidenced by executed agreements, joint resolutions and approved implementation plans.

Duration of Incentive Projects

Each approved Incentive project will be funded for no less than one year. Ongoing project funding is subject to funds availability and will be predicated upon a formal annual evaluation that will determine each participant's ability to achieve program objectives.

Reimbursement of Other Fund Sources

After all projects in the first and second priority categories have been funded, any unallocated balances will initially be used to reimburse funding sources that have, in the past, supplemented Incentive funds. Additional unallocated balances will be used on programs in the manner stipulated in the Funding Priorities section.

Governing Body Authorization

Completed Incentive applications must include authorization and approval of the project from the participating agencies' governing body(ies) in order to be considered for funding.

Memorandum of Understanding

Each incentive program lead agency and/or recipient must execute a Memorandum of Understanding (MOU) with the LACMTA which delineates the type of project funded, grant amount, the coordinating agencies and the service standards that must be met on an annual basis.

Funding Disbursement

Funding for Incentive recipients may be disbursed on a quarterly basis subject to timely submittal of invoices. In the case of the Subregional participants, no program can receive funds in excess of 25% of their net operating cost.

All operating projects, with the exception of those who directly report to FTA, must report auditable National Transit Database (NTD) data to the LACMTA. Failure to submit auditable NTD data by the Subregional systems by August 31 of each year may result in cancellation of funding. All other Incentive Program recipients must submit a report detailing expenditures to date and project status on a quarterly basis. All quarterly reports will be due on the last day of the months of October, January, April, and July.

Audits

The LACMTA will audit all Incentive participants on an annual basis. The audits are designed to confirm fiscal compliance.

EXHIBIT A

Subregional Paratransit Objectives, Eligibility and Application of Performance Standards

Subregional systems are intended to encourage coordinated multi-agency, multi-jurisdictional projects specifically through improved delivery of paratransit services. Coordination is defined as the sharing of resources and expansion of service areas beyond single jurisdiction boundaries to enhance access to goods and services and potentially decrease project cost.

Proposers in this category must meet the following criteria to be eligible for the program:

- Operate new or consolidate existing paratransit services that serve two jurisdictions with a combined population of at least 25,000 residents or any three or more nearby jurisdictions. Unincorporated County areas in a two-jurisdiction project must be at least one fifth of the population or size of the coordinating agency's service area to be eligible.¹ At a minimum, subregional paratransit systems offer curb-to-curb transportation throughout the contiguous jurisdictions during all service operating hours to all elderly and people with disabilities who meet eligibility requirements.
- Use all LACMTA allocated funds to increase the number and mobility of the passengers carried. Incentive funds may not be used to reduce a city's contribution of Local Return or other funding sources.
- Coordinate proposed services nearby systems, social services agencies, and the regional operators. Coordination may occur at many levels, from simple information sharing to total consolidation of services. Examples of coordination include execution of transfer agreements, sharing of resources, coordination of services with social service agencies, regional operators and/or other transportation service providers. Coordination efforts shall be subject to review by LACMTA staff or consultants.
- Where applicable, coordinate Americans with Disabilities Act (ADA) trips with Access Services, Inc. (ASI) to assure cost-effective service provision.

Upon meeting the program eligibility criteria delineated above, participants are eligible to receive up to 25% of their net operating cost, subject to the following performance standards:

- ❑ 20% of the project's net operating cost will be allocated based on annual submittal of a timely and accurate NTD report subject to certification by an independent auditor.
- ❑ 5% of the project's net operating costs will be allocated based on attainment of one of the two following performance standards:

¹ Due to the size (both in terms of population and area) of the City of Los Angeles and the unincorporated County of Los Angeles, LACMTA will assess, on a project-by-project basis, whether and how this requirement will be imposed on their projects.

- 1) Total cost per revenue hour increasing by less than 110% of the Los Angeles County Consumer Price Index (CPI), as measured either to the previous year, or to the compounded CPI for the previous three-year period.
- 2) Total subsidy per passenger does not exceed 133% of the countywide mean

To calculate net operating costs, LACMTA will use the operating costs less fare revenues as reported to the NTD annually for each program participant. LACMTA will exclude from the calculation any subsidies provided by ASI.

REVISED

TABLE 1

Los Angeles County Subregional Paratransit Projects as of September 1, 2024		
	Project Title/Sponsor	Participating Municipalities
1	Agoura Hills Dial-a-Ride	Agoura Hills, LA County
2	Antelope Valley Dial-a-Ride	Palmdale, Lancaster, LA County
3	Culver City Community Transit	Culver City, LA County
4	Gardena Special Transit	Gardena, Hawthorne, LA County
5	Glendale Paratransit	Glendale, La Canada Flintridge, LA County
6	LA County Whittier et al Dial-a-Ride	Los Angeles County (multiregional)
7	LA County Willowbrook Dial-a-Ride	Los Angeles County (multiregional)
8	Los Angeles CITYRIDE – Taxi Lift Van	Los Angeles, LA County
9	Los Angeles CITYRIDE – Dial-a-Ride	Los Angeles, LA County
10	Monrovia Dial-a-Ride	Monrovia, LA County
11	Palos Verdes Peninsula Transit Authority Dial-a-Ride	Palos Verdes Estates, Rolling Hills Estates, Rancho Palos Verdes, LA County
12	Palos Verdes Peninsula Transit Authority PV Transit	Palos Verdes Estates, Rolling Hills Estates, Rancho Palos Verdes, LA County
13	Pasadena Community Transit	Pasadena, San Marino, LA County
14	Pomona Valley Transit Authority -- Get About	San Dimas, La Verne, Pomona
15	Pomona Valley Transit Authority -- General Public	San Dimas, La Verne, Pomona
16	Santa Clarita Dial-a-Ride	Santa Clarita, LA County
17	West Hollywood Dial-a-Ride	West Hollywood, LA County
18	Whittier Dial-a-Ride	Whittier, La Habra

ATTACHMENT B

**PROPOSITION A INCENTIVE
PROGRAM GUIDELINES
Redlined Version**

**2024
~~September 2001~~**

I. INTRODUCTION

The Proposition A Incentive Program earmarks 5 percent of the 40 percent Proposition A Discretionary funds to promote projects that encourage the development of an integrated public transportation system that addresses the varied transportation needs of Los Angeles County residents. This includes subregional paratransit, eligible fixed-route services, locally funded community based transportation services and other specialized transportation services.

II. PROGRAM PURPOSE

The Incentive Program was originally created in 1985 as a replacement for Transportation Development Act (TDA) Article 4.5, which provides State transportation fund for intra-community public transportation services. The purpose in developing this program was twofold: 1) to encourage coordinated paratransit systems that are regional in nature, and 2) to institute performance standards that promote the effectiveness of participating systems as a condition of receipt of funds. Since 1985, the Incentive Program has evolved to also include and provide formula funding for additional local Los Angeles County transit operators that report to the Federal Transit Administration (FTA) National Transit Database (NTD) but do not receive 5307 funding.

III. PROGRAM OBJECTIVES

The primary objectives of the Incentive Program are to provide funding to:

- Coordinate and improve services provided by cities, operators, and social services agencies to achieve more efficient and cost effective systems.
- Improve the mobility of persons for whom regular fixed route transportation is either inadequate or inappropriate.
- Encourage the use of local transit funds for projects of regional significance and benefit, such as the provision of Americans with Disabilities Act (ADA) complementary paratransit.
- Divert demand from the more costly Access Services Incorporated (ASI) to more cost efficient locally funded subregional systems.
- Encourage locally funded public transportation systems to report NTD data, thereby enhancing data collection and the flow of Federal Section 5307 funds to the region.

IV. ELIGIBLE APPLICANTS

Local Municipalities and Departments of Los Angeles County
Joint Powers Authorities (JPAs)
~~California Department of Transportation (Caltrans) and other State transportation agencies~~
Los Angeles County Metropolitan Transportation Authority
Public Operators

Eligible projects may be operated by any type of service provider, including public, private for profit, and private non-profit operators.

V. FUNDING PRIORITIES

Incentive funds are disbursed according to the following funding priorities, subject to funds availability:

1. First priority is given to existing Subregional paratransit participants ~~as identified of June 30, 2001, and~~ in the LACMTA-approved Annual Transit Fund Allocations ~~Table 1. Additional participants to this program would need to apply with Metro and be approved by Local Transportation Systems Subcommittee (LTSS), Bus Operators Committee (BOS), Technical Advisory Committee (TAC), and the LACMTA Board of Directors. FY2021-22 1999-2000~~ service and funding levels will be used to determine FY2023-24 ~~2001-2002~~ funding levels, with future fiscal year funding levels to be determined based on the most recently audited NTD report. Eligibility criteria and performance standards will be applied as outlined in Exhibit A.
2. Second priority is given to funding the four Eligible or Included operators for specific services, per Board actions in September 1991 and September 1995, as identified below:
 - Santa Clarita Transit
 - Antelope Valley Transit Authority
 - City of Los Angeles – DASH Routes A, B and E, Harbor Shuttle and Bus Service Continuation Project (BSCP)
 - Foothill Transit’s Bus Service Continuation Project (BSCP)

These four services will receive funding from the Incentive program if growth over inflation in the Proposition A Discretionary Program is inadequate to fully fund these systems. Per Senate Bill 1755 as enacted in 1996, if the funds in the Proposition A Incentive program are not enough to fund the affected fixed route operators, LACMTA will identify other funding sources to assure full funding.

An assessment of available funds in the Discretionary category will be conducted annually to determine whether any funding from the Incentive program is needed to backfill the Discretionary program for the purposes of the aforementioned systems only. Only the four operators and their specific programs listed above are eligible for this funding source. All other recipients of the Formula Allocation Process (FAP) are ineligible to receive funds for their fixed route systems under this category.

3. Third priority will be given to existing subregional paratransit participants, identified in Table 1, which are known to have expanded their service areas after the subregional paratransit program was closed to new and/or expanded projects in the early 1990s.
4. Fourth priority will be given to approved applications for expanded and/or new subregional paratransit systems.

5. Until the region develops a methodology to return to source the funds generated from NTD reporting by locally funded public transportation systems, fifth priority will be given to locally funded public transportation systems which voluntarily report NTD data.

In order to increase the amount of Federal Revenues to the region and support increased mobility, Proposition A Incentive Funds will be used to offset costs for locally funded public transportation systems participating in the voluntary NTD reporting program. Subject to availability of Proposition A Incentive funds, LACMTA will disburse funds to each participating agency in an amount equal to the Federal funds generated for the region by each agency's reported data (determined by the unit values set annually by the FTA Federal Transit Administration for revenue miles and passenger miles), after ~~an independent auditor certifies the data and~~ the FTA has allocated the funds to the region.

Voluntary NTD reporters should notify the LACMTA at the beginning of the NTD reporting year of their program participation status. Participation in the Prop A Incentive Priority V Program is subject to LACMTA approval. Funding allocations are subject to fund availability and may be calculated differently on a case by case basis. ~~This allows the MTA to administer consolidated passenger mile sampling and to schedule an audit after the reporting year. If the MTA pays for the audit, the MTA may deduct the cost of the audit, and other MTA administrative fees associated with oversight of NTD reporting, from the payments made to the voluntary reporters.~~ Specific public transportation services funded through the Formula Allocation Process and the subregional paratransit program are required to report through NTD and therefore are not considered voluntary reporters.

6. Sixth priority will be given to Special Demonstration projects that maximize the efficiency of transit/paratransit services. Emphasis will be placed on funding programs that provide innovative, cost saving measures for delivery of transit/paratransit services.

VI. GENERAL AND ADMINISTRATIVE CONDITIONS

Documentation of Coordination and Consolidation

Proposed projects are required to document coordination and/or consolidation with existing public transportation services and with participating local governments, as evidenced by executed agreements, joint resolutions and approved implementation plans.

Duration of Incentive Projects

Each approved Incentive project will be funded for no less than one year. Ongoing project funding is subject to funds availability and will be predicated upon a formal annual evaluation that will determine each participant's ability to achieve program objectives.

Reimbursement of Other Fund Sources

After all projects in the first and second priority categories have been funded, any unallocated balances will initially be used to reimburse funding sources that have, in the past, supplemented

Incentive funds. Additional unallocated balances will be used on programs in the manner stipulated in the Funding Priorities section.

Maintenance of Effort

~~All applicants must commit, among all Proposition A and C projects, an amount greater than or equal to 1/2 of the cities' annual allocation of Proposition A and C Local Return. If cities do not commit adequate Local Return funding, they will have their Proposition A Discretionary Incentive grant reduced by the amount of uncommitted annual allocation over 50%.~~

Governing Body Authorization

Completed Incentive applications must include authorization and approval of the project from the participating agencies' governing body(ies) in order to be considered for funding.

Memorandum of Understanding

Each incentive program lead agency and/or recipient must execute a Memorandum of Understanding (MOU) with the LACMTA which delineates the type of project funded, grant amount, the coordinating agencies and the service standards that must be met on an annual basis.

Funding Disbursement/~~Quarterly Reports~~

Funding for Incentive recipients ~~may~~ will be disbursed on a quarterly basis subject to timely submittal of invoices ~~the appropriate quarterly report~~. In the case of the Subregional participants, no program can receive funds in excess of 25% of their net operating cost.

All operating projects, with the exception of those who directly report to FTA, must report auditable National Transit Database (NTD) data to the LACMTA. Failure to submit auditable NTD data by the Subregional systems by August 31 of each year may result in cancellation of funding. All other Incentive Program recipients must submit a report detailing expenditures to date and project status on a quarterly basis. All quarterly reports will be due on the last day of the months of October, January, April, and July. ~~Funds may also be withheld from approved recipients if quarterly reports are not completed and submitted on schedule.~~

Audits

The LACMTA will audit all Incentive participants on an annual basis. The audits are designed to confirm fiscal compliance ~~and verify operating statistics reported as part of the quarterly and NTD reports submittals.~~

EXHIBIT A

Subregional Paratransit Objectives, Eligibility and Application of Performance Standards

Subregional systems are intended to encourage coordinated multi-agency, multi-jurisdictional projects specifically through improved delivery of paratransit services. Coordination is defined as the sharing of resources and expansion of service areas beyond single jurisdiction boundaries to enhance access to goods and services and potentially decrease project cost.

Proposers in this category must meet the following criteria ~~in order~~ to be eligible for the program:

- Operate new or consolidate existing paratransit services that serve two jurisdictions with a combined population of at least 25,000 residents or any three or more nearby jurisdictions. Unincorporated County areas in a two-jurisdiction project must be at least one fifth of the population or size of the coordinating agency's service area to be eligible.¹ At a minimum, subregional paratransit systems offer curb-to-curb transportation throughout the contiguous jurisdictions during all service operating hours to all elderly and people with disabilities who meet eligibility requirements.
- Use all LACMTA allocated funds to increase the number and mobility of the passengers carried. Incentive funds may not be used to reduce a city's contribution of ~~Proposition A and/or C~~ Local Return or other funding sources.
- Coordinate proposed services nearby systems, social services agencies, and the regional operators. Coordination may occur at many levels, from simple information sharing to total consolidation of services. Examples of coordination include execution of transfer agreements, sharing of resources, coordination of services with social service agencies, regional operators and/or other transportation service providers. Coordination efforts shall be subject to review by LACMTA staff or consultants.
- Where applicable, coordinate Americans with Disabilities Act (ADA) trips with Access Services, Inc. (ASI) to assure cost-effective service provision.

Upon meeting the program eligibility criteria delineated above, participants are eligible to receive up to 25% of their net operating cost, subject to the following performance standards:

- ~~20~~5% of the project's net operating cost will be allocated based on annual submittal of a timely and accurate NTD report subject to certification by an independent auditor.
- ~~5~~10% of the project's net operating costs will be allocated based on attainment of one of the two following ~~three~~ performance standards:

¹ Due to the size (both in terms of population and area) of the City of Los Angeles and the unincorporated County of Los Angeles, LACMTA will assess, on a project-by-project basis, whether and how this requirement will be imposed on their projects.

- 1) Total cost per revenue hour increasing by less than 110% of the Los Angeles County Consumer Price Index (CPI), as measured either to the previous year, or to the compounded CPI for the previous three-year period.
- 2) Total subsidy per passenger does not exceed 133% of the countywide mean. ~~for the mode of service. Modes are defined as follows:~~
 - ~~☐ **General Public** — Paratransit systems available to all service area residents with no eligibility restrictions.~~
 - ~~☐ **User Side Subsidy** — User choice voucher programs, typically taxis and/or lift vans.~~
 - ~~☐ **Elderly and Disabled** — Systems restricted to elderly riders and people with disabilities. User Side Subsidy programs are not included in this category.~~
 - ~~☐ **Geographically Constrained** — Geographically large service areas which result in a system wide average trip length greater than six miles per boarding.~~
 - ~~☐ **Transportation Disabled** — Systems restricted to medically certified frail elderly and people with disabilities who are unable to use traditional fixed-route public transportation services.~~
- 3) ~~Attainment of the Passengers per Revenue Vehicle Hour standard for each service mode:~~

<u>Mode</u>	<u>Standard</u>
General Public	5.0
User Side Subsidy	4.0
Elderly and Disabled	3.5
Geographically Constrained	2.5
Transportation Disabled	2.5

~~NOTE: MTA funding for attainment of the above three performance standards will be allocated as a percentage of net operating costs as follows:~~

_____ meet one performance standard	_____ 4%
_____ meet two performance standards	_____ 7%
_____ meet three performance standards	_____ 10%

To calculate net operating costs, LACMTA will use the operating costs less fare revenues as reported ~~in the annual to the NTD annually report (Modal Expense Form 301 and Operating Funding Form 203)~~ for each program participant. LACMTA will exclude from the calculation any subsidies provided by ASI.

~~New projects will be funded at 20% of their net operating cost for the first two years, or until there is sufficient audited data to apply the three performance standards referenced above.~~

REVISED

TABLE 1

Los Angeles County Subregional Paratransit Projects as of June 30, 2001 September 1, 2024		
	Project Title/Sponsor	Participating Municipalities
1	<u>Agoura Hills Dial-a-Ride</u>	<u>Agoura Hills, LA County</u>
2	Antelope Valley Dial-a-Ride	Palmdale, Lancaster, LA County
	Beverly Hills Taxi and Lift Van	Beverly Hills, West Hollywood-
3	Culver City Community Transit	Culver City, LA County
4	Gardena Special Transit	Gardena, Hawthorne, LA County
5	Glendale Paratransit	Glendale, La Canada Flintridge, LA County
6	<u>LA County Whittier et al Dial-a-Ride</u>	<u>Los Angeles County, Los Angeles City</u>
7	<u>LA County Willowbrook Dial-a-Ride</u>	<u>Los Angeles County, Los Angeles City</u>
	Huntington Park Dial-a-Ride	Huntington Park, South Gate, LA County
	Inglewood Paratransit	Inglewood, LA County
8	Los Angeles CITYRIDE – Taxi Lift Van	Los Angeles, LA County
9	Los Angeles CITYRIDE – Dial-a-Ride	Los Angeles, LA County
10	Monrovia Dial-a-Ride	Monrovia, LA County
11	Palos Verdes Peninsula Transit Authority Dial-a-Ride	Palos Verdes Estates, Rolling Hills Estates, Rancho Palos Verdes, LA County
12	Palos Verdes Peninsula Transit Authority PV Transit	Palos Verdes Estates, Rolling Hills Estates, Rancho Palos Verdes, LA County
13	Pasadena Community Transit	Pasadena, San Marino, LA County
14	Pomona Valley Transit Authority -- Get About	San Dimas, La Verne, Pomona
15	Pomona Valley Transit Authority -- General Public	San Dimas, La Verne, Pomona
	Redondo Beach Community Transit	Redondo Beach, Hermosa Beach
16	Santa Clarita Dial-a-Ride	Santa Clarita, LA County
	Westco Dial-a-Ride	West Covina, LA County
	West Hollywood Taxi and Lift Van-Program	West Hollywood, Beverly Hills-
17	<u>West Hollywood Dial-a-Ride</u>	<u>West Hollywood, LA County</u>
18	<u>Whittier Paratransit</u>	<u>Whittier, LA County</u>



ALLIANCE OF LOCAL TRANSIT OPERATORS

City of Agoura Hills
 City of Alhambra
 City of Artesia
 City of Avalon
 City of Azusa
 City of Baldwin Park
 City of Bell Gardens
 City of Beverly Hills
 City of Burbank
 City of Calabasas
 City of Carson
 City of Cerritos
 City of Covina
 City of Culver City
 City of Downey
 City of Duarte
 City of El Monte
 City of El Segundo
 City of Gardena
 City of Glendale
 City of Glendora
 City of Inglewood
 City of La Canada Flintridge
 City of Lakewood
 City of Lawndale
 City of Lynwood
 City of Manhattan Beach
 City of Monrovia
 City of Monterey Park City
 of Norwalk
 City of Paramount
 City of Pasadena
 City of Pico Rivera
 City of Redondo Beach City
 of Rosemead
 City of San Fernando
 City of Santa Clarita
 City of Santa Fe Springs City
 of Santa Monica
 City of South Gate
 City of South Pasadena City
 of West Covina
 City of West Hollywood City
 of Whittier
 Los Angeles County DPW
 Palos Verdes Peninsula
 Transit Authority
 Pomona Valley

 Transportation Authority

November 14, 2024

Stephanie N. Wiggins, Chief Executive Officer
 Los Angeles County Metropolitan Transportation Authority
 One Gateway Plaza
 Mail Stop: 99-25-1
 Los Angeles, CA 90012

Subject: Revised Proposition A Incentive Guidelines for the Subregional Paratransit Program

Dear Ms. Wiggins:

On behalf of The Alliance of Local Transit Operators (The Alliance), a group representing over forty Los Angeles County Local Operators, we would like to take this opportunity to affirm our support for the revised Proposition A Incentive Guidelines for the Subregional Paratransit program being brought before the Board for approval.

As noted in our February 5, 2024, letter to you, due to the post-pandemic effects on ridership and the continued vulnerability of the older adult and disabled community, the primary population served by subregional paratransit, the Fiscal Year 2023 data demonstrated that the Local Transit Operators are still struggling to meet Proposition A subregional paratransit program standards which were last updated in 2001.

Since the last adoption of the Proposition A Incentive Guidelines over twenty-three years ago, 26% of participating agencies have had to discontinue providing subregional paratransit transportation due to challenges in being able to meet outdated standards that were established in a very different demand and technology environment. This reduction of agencies participating in the Proposition A Incentive program has further limited subregional paratransit options in the region for the most vulnerable in our communities.

The Alliance members worked extensively with Metro staff through the Local Transit Systems Subcommittee Working Group to reach consensus on updates to the Proposition A Incentive Guidelines. These proposed guidelines streamline the subregional paratransit performance measures used to determine fund allocation, make the standards more relevant per the shift in the demand conditions and the technologies available today, and provide more reliable and predictable annual funding levels.

We appreciate your support in the ongoing effort to build consensus and regional collaboration between LA Metro and The Alliance members to provide intra-community public transportation services for paratransit and specialized transit services.

Sincerely,

Sebastián Andrés Hernández, City of Pasadena
 On behalf of The Alliance of Local Transit Operators

cc: Nalini Ahuja, LA Metro
 Michelle Navarro, LA Metro
 Chelsea Meister, LA Metro

Proposition A 5% of 40% Incentive Guidelines



Item # 2024-0998



Finance, Budget, and Audit Committee
November 21, 2024

Prop A Incentive Program Background



- Earmarks 5% of Prop A Discretionary revenues to fund:
 - ❑ coordinated subregional paratransit
 - ❑ eligible fixed-route services
 - ❑ locally funded community-based transportation services and
 - ❑ other specialized transportation services
- Developed to:
 - ❑ promote system effectiveness by meeting standards to receive funds
 - ❑ divert demand from costlier Access Services by operating cost-effective local services
- Guidelines govern this program

Amendment Purpose and Proposed Revisions

Purpose

- ❑ Guidelines last updated in 2001
- ❑ Local operators requested criteria be amended last 4 years due to pandemic
- ❑ Permanent changes needed to adjust to new conditions & maintain services

Current Program

- ❑ Receive 15% of operating costs if report to National Transit Database (NTD)
- ❑ Up to 25% of operating costs if pass 3 standards

Proposed Program

- ❑ Receive 20% of operating costs if report to NTD
- ❑ Additional 5% attained if pass 1 of 2 performance standards

Collaboration and Benefits



- Collaboration
 - Local Transit Systems Subcommittee (LTSS) formed Working Group to review guidelines
 - Worked with Metro staff to propose guideline amendments
 - LTSS & Technical Advisory Committee (TAC) both approved proposed guidelines
- Benefits
 - Operators prefer streamlined two-standard approach
 - Better aligns with NTD data currently submitted by operators
 - Increased base funding provides more consistent & reliable funding stream

Recommended Board Action

CONSIDER:



- ADOPTING the revised Proposition A 5% of 40% Incentive Guidelines (Attachment A)
- AUTHORIZING the Chief Executive Officer to amend existing agreements between Los Angeles County Metropolitan Transportation Authority (Metro) and Local Transit Operators to incorporate guideline amendments and execute all necessary future agreements as pertains to this program.



Board Report

File #: 2024-0968, **File Type:** Oral Report / Presentation

Agenda Number: 13.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
NOVEMBER 21, 2024**

SUBJECT: PREPARATION FOR INITIATING THE FY26 BUDGET DEVELOPMENT PROCESS

ACTION: ORAL REPORT

RECOMMENDATION

RECEIVE oral report on the preparation for initiating the FY26 budget development process.

ISSUE

This report will give an assessment on the key developments in the cost growth drivers for Metro Transit since the March 2024 Special Board Workshop. This, along with an assessment of sales tax revenues, will be incorporated in the near-term outlook in January as Metro advances its preparations in developing the FY26 Budget.

This year's annual budget development process will aim to address some of the critical challenges raised during the workshop and lay the foundation for the implementation of the Equitable Zero-Based Budgeting (EZBB) process.

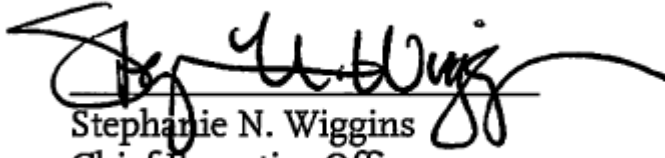
EQUITY PLATFORM

As we move forward with the development of the FY26 Budget, our commitment to equity will continue to guide our approach and decisions. While addressing public safety, cleanliness, system expansion, labor equity, and environmental sustainability, we strive to create a transit system that is not only efficient and safe but also inclusive and equitable for all Los Angeles residents and riders. In the coming months, as we look at our seven cost drivers, we will make sure to consider impacts, especially to riders and marginalized communities, and seek options that maximize benefits for them.

Additionally, Metro's EZBB processes will undergo enhancements following the recent awarding of a contract for an Agency-wide Budget Equity Assessment. The assessment will refine Metro's budget tools and process to better incorporate both procedural and distributional equity considerations, extending beyond the analysis of impact or proximity to Equity Focus Communities (EFCs).

Prepared by: Irene Fine, Senior Executive Officer (213) 922-4420
Michelle Navarro, Senior Executive Officer Finance, (213) 922-3056

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



Stephanie N. Wiggins
Chief Executive Officer



PREPARATION FOR INITIATING THE FY26 BUDGET DEVELOPMENT PROCESS

Finance, Budget and Audit Committee

November 21, 2024



Meeting Agenda

- FY24 Year End Preliminary Budget Results
- Metro Transit Cost Growth Drivers
 - Recap
 - Assessment
- Transit Infrastructure Development
- Other Programs
- Revenue Assessment
- Next Steps

FY 2024 Year End Preliminary Budget Results

- FY24 Preliminary net results total nearly \$403 million, which is mostly attributed to:
 - **Capital Projects:** project delays and invoice timing in MM, MR, Highway Multimodal, and Regional Rail projects. Majority of the projects are dedicated Ordinance projects with committed funds and cannot be repurposed without explicit Board authorization.
 - **Regional Allocations, Operations, and Debt:** invoice timing from local agencies and contractors, delays in drawdowns of regional subsidies; principal and interest payments were lower due to bond refunding and no new issuance of short-term notes for Debt Service.

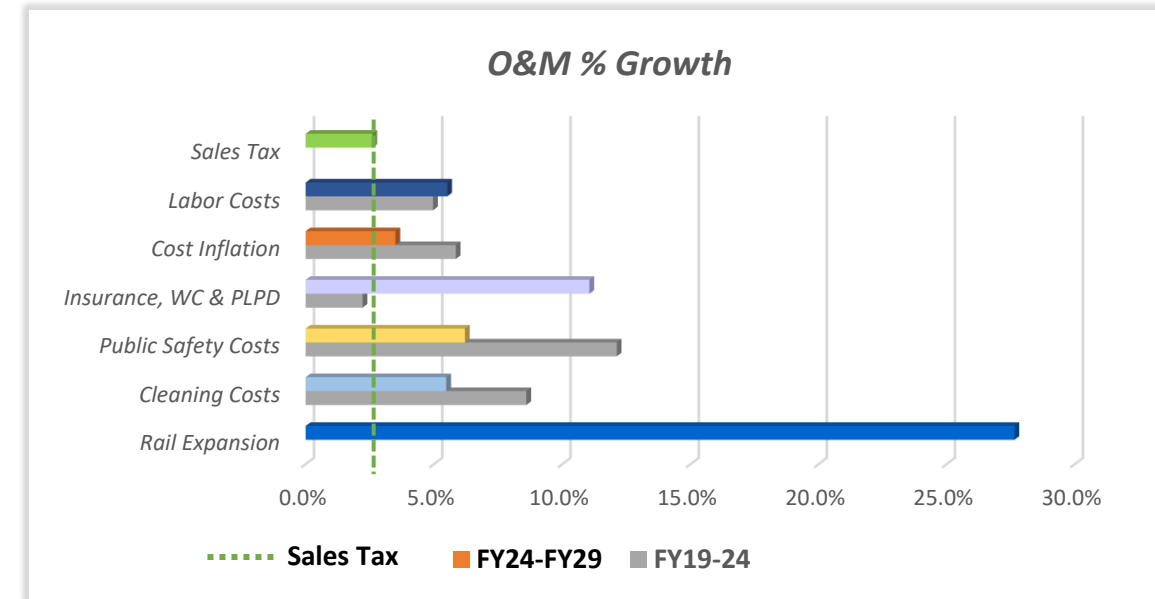
Revenues/ Expenses (\$ in millions)	YTD June 30, 2024			
	Budget	Actual	Variance	% of Budget
1 Sales Tax and Operating Revenues	\$ 5,963.1	\$ 5,769.5	\$ (193.6)	96.8%
2 Reimbursement Revenues ¹	3,385.3	1,982.4	(1,402.9)	58.6%
3 Total Revenues	9,348.4	7,751.9	(1,596.5)	82.9%
4 Total Expenses/Expenditures	9,348.4	7,349.1	1,999.3	78.6%
5 Net Total/Results	\$ -	\$ 402.8	402.8	

¹ Includes federal, state and local grant, bond proceeds, and prior year commitments.

Cost Growth Drivers for Metro Transit Operations from Board of Directors Workshop (Mar 2024)

- At the March Board of Directors workshop, Metro presented its Near-Term outlook on Metro Transit Operations & Management (O&M) and the following significant cost growth drivers:

- Labor costs
- Cost inflation for parts, fuel, power and contract services
- Insurance, Workers' Comp and PLPD
- Public safety
- Cleaning
- Rail expansion



- Historical growth rates have been trending up and are expected to grow over the next five years
- Every cost growth driver is anticipated to grow at a faster rate than sales tax revenues
- The forecast includes recent cost control measures from Equitable Zero-Based Budgeting (EZBB) process

Assessment of Major Cost Growth Drivers

Labor Costs and Collective Bargaining Agreements

- New CBAs with ATU, TCU, and AFSCME

System Expansion

- LAX/Metro Transit Center
- Launch of new Aviation/Century station
- Metro Center
- Rail to Rail

Cleanliness and Station Experience Expansion

- Lighting and Ventilation
- Surveillance systems
- Elevator Open Door Program
- Restroom facilities

Public Safety Update

- Transit Community Public Safety Department
- Concealed Weapons Detection Pilot Program
- Fare Enforcement: Tap-to-Exit and Taller Fare Gates Pilot



WC, PLPD and Insurance Market Premiums

- WC Division partnering with Bus Operations, Corporate Safety, and the Return-to-Work Program
- Return-to-Work program has enhanced transitional duty opportunities
- Request for Proposal (RFP) for insurance services to mitigate cost of insurance driven by hard market

Zero-Emissions Bus (ZEB) and Infrastructure

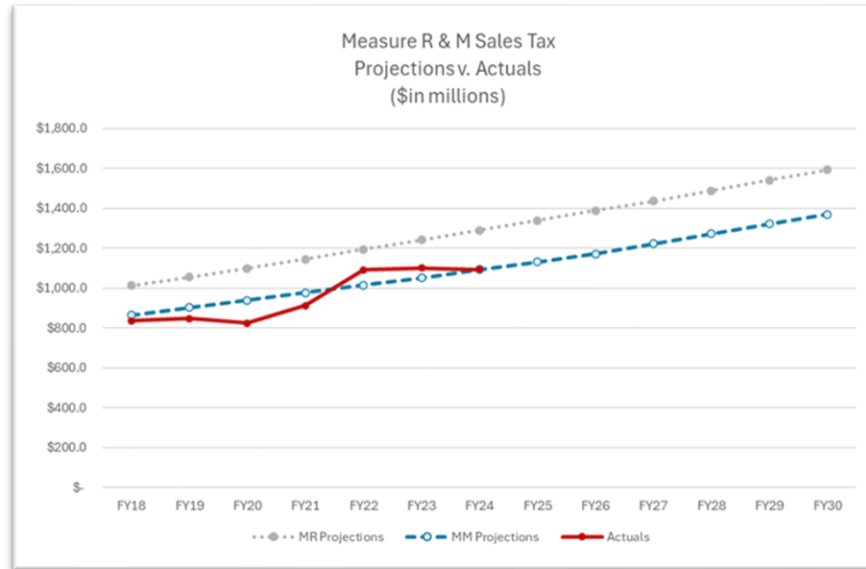
- Request for Proposal (RFP) to procure 1,980 zero-emissions buses (ZEBs) and related infrastructure by 2035

Major Capital Project Risks

- Ongoing management of cost escalations in major capital projects
 - Scope modifications
 - Schedule changes
 - Project close-out risks

Transit Infrastructure Construction

- Annually assess the financial risks stemming from Transportation Infrastructure Development (TID) as it continues to build out the ordinance approved major construction projects



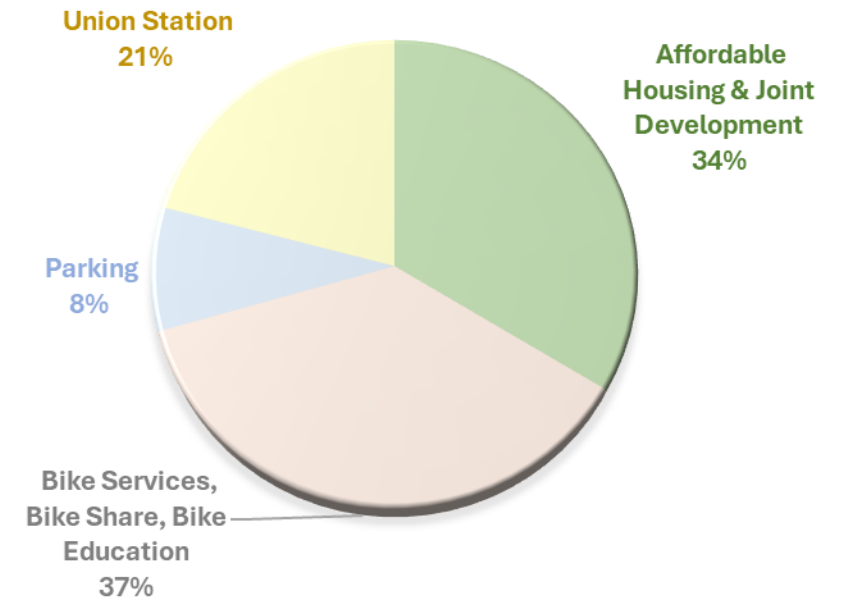
Actual to MR/MM Ordinance Projections

- MR actuals below ordinance projections by \$2.3B since inception FY10
 - MM actuals are closer to ordinance projections, falling short by over \$136M from FY18 (inception) through FY24
- The Agency conducts regular project reviews to mitigate the challenges of cost escalations that stem from TID programs due to:
 - Scope modifications
 - Schedule changes and
 - Project close-out risks
 - Metro continues to compete for capital investment grants, which are not always awarded and often include operational and local match funding requirements

Other Programs Impacting Metro Transit Funding

- Metro utilizes resources for a wide range of activities that support the goal of delivering improved mobility, sustainability, and financial and technical support to Metro's partners throughout the Los Angeles County region
- Programs that do not have sufficient dedicated funding and compete with Metro Transit for funds include:
 - Affordable housing and joint development efforts
 - Metro's bike and active transportation program
 - Operating and maintaining Union Station
 - Parking
- **2028 Olympic and Paralympic Games:** Metro is dedicated to balancing investments for the 2028 Games while improving the quality of transportation services for the community

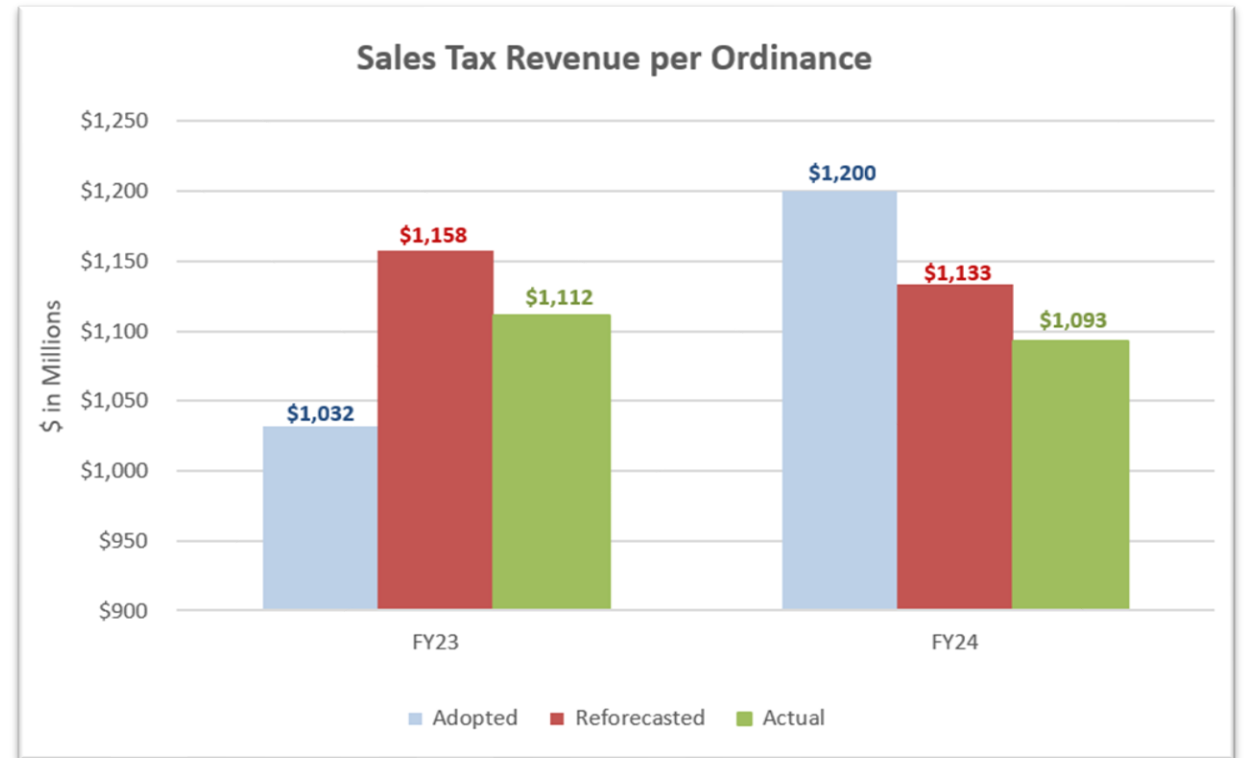
Other Program Costs



Revenue Assessment

FY24 Year-End Actual Sales Tax Receipts

- **Adopted Budget:** \$1,200 million (per ordinance)
- **Reforecasted:** \$1,133 million
- **Actual Receipts:** \$1,093 million
 - 3.5% below Reforecast
 - 8.9% below Adopted
- **Factors contributing to Lower Sales Tax Revenue**
 - Aggressive interest rate hikes by the Federal Reserve to combat persistent inflation
 - Increased borrowing costs for consumers and investors
 - Decline in countywide population
 - Political uncertainties impacting economic stability
 - Rising unemployment rates contributing to a slowing economy



FY25 Budget Sales Tax Update

- **Adopted Budget:** \$1,156 million (per ordinance)
- **Projected Year-End Range:** \$1,040 - \$1,130 million (Expected to fall 2% to 10% below budget)
- The projection for FY26 to FY30 will be conducted once the second quarter FY25 data becomes available, which is anticipated in January 2026.

Next Steps – January 2025



Updated Near-Term Financial Outlook

- Major Cost Drivers
- Revenue Projections



FY26 EZBB Development Process and Schedule



FY26 Equity Budget Tools



Public Outreach and Engagement