



Metro

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

Agenda - Final

Wednesday, May 17, 2023

1:30 PM

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Finance, Budget and Audit Committee

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Holly J. Mitchell, Vice Chair
Karen Bass
Paul Krekorian
Tim Sandoval
Gloria Roberts (Interim), non-voting member
Stephanie Wiggins, Chief Executive Officer*

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(ALSO APPLIES TO BOARD COMMITTEES)

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- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
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The Committee Meeting begins at 1:30 PM Pacific Time on May 17, 2023; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-251-2949 and enter
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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.

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

Email: BoardClerk@metro.net

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Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 10 and 11.

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

CONSENT CALENDAR

10. SUBJECT: FY24 AUDIT PLAN [2023-0260](#)

RECOMMENDATION

ADOPT the Fiscal Year 2024 (FY24) Proposed Annual Audit Plan (Attachment A).

Attachments: [Attachment A - FY24 Annual Audit Plan
Presentation](#)

11. SUBJECT: MANAGEMENT AUDIT SERVICES FY 2023 THIRD
QUARTER REPORT [2023-0274](#)

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services FY 2023 third quarter report.

Attachments: [Attachment A - FY 2023 Third Quarter Report
Presentation](#)

NON-CONSENT

12. SUBJECT: FISCAL YEAR 2024 (FY24) BUDGET [2023-0223](#)

RECOMMENDATION

CONSIDER:

- A. ADOPTING the proposed FY24 Budget as presented in the budget document (provided in a separate transmittal and posted on [metro.net](https://www.metro.net/about/financebudget/) [<https://www.metro.net/about/financebudget/>](https://www.metro.net/about/financebudget/));
1. AUTHORIZING \$9.0 billion annual consolidated expenditures to achieve goals and objectives set forth by the Board adopted mission and goals;
 2. AUTHORIZING a total of 10,842 FTEs, with 8,943 Represented FTEs

and 1,899 Non-Represented FTEs;

3. AUTHORIZING an average 3.5% performance-based merit increase and a cost-of-living adjustment (COLA) of 2.5% on July 1st, 2023, and 2.5% on January 1st, 2024, for Non-Represented employees. The COLA will adjust the Non-Represented salary pay grade bands accordingly. The wage increases for Represented employees, in accordance with the pre-negotiated Collective Bargaining Agreements, is 3.5% plus step progression increases;
 4. APPROVING the Life of Project (LOP) budgets for new capital projects; new capital projects with LOP exceeding \$5.0 million are presented in Attachment B;
 5. AMENDING the proposed budget to include any Board approved actions currently under consideration from now to the end of the fiscal year (June 30, 2023);
- B. AMENDING FY24 Proposed Budget document by including 40 additional Transit Security Officers (TSOs) to support rail expansion and increase safety on our transit system;
- C. AMENDING FY24 Proposed Budget document by including 2 Non-Represented positions to support alternative delivery procurements on mega-projects; and
- D. APPROVING the Reimbursement Resolution declaring Metro's intention to issue debt in FY24 for capital projects, as shown in Attachment C, with the provision that actual debt issuance will require separate Board approval.

Attachments: [Attachment A - FY24 Financial Recovery Plan](#)
[Attachment B - FY24 New Capital Projects](#)
[Attachment C - FY24 Reimbursement Resolution](#)
[Attachment D - FY24 Public Outreach \(Public Comments\)](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2023-0318](#)

RECEIVE General Public Comment

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

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

Adjournment



Board Report

File #: 2023-0260, File Type: Plan

Agenda Number: 10.

REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 17, 2023

SUBJECT: FY24 AUDIT PLAN

ACTION: ADOPT RECOMMENDATION

RECOMMENDATION

ADOPT the Fiscal Year 2024 (FY24) Proposed Annual Audit Plan (Attachment A).

ISSUE

Management Audit Services (MAS) is required to complete an annual agency-wide risk assessment and submit an annual audit plan to the Board of Directors for approval.

BACKGROUND

The Board approved Financial Stability Policy requires MAS to develop a risk assessment and an annual audit plan (AAP) each year and present it to the Board. It also requires the Finance, Budget, and Audit Committee to provide input and approve the audit plan.

All priority projects included in the FY23 AAP were either completed or initiated during FY23. Those expected to still be in progress as of June 30, 2023, are included in the FY 24 audit plan as carryovers. In addition, one FY23 discretionary project is expected to be completed by June 30, 2023, and another has been carried over to the FY24 AAP as a priority project. All carryover projects included in the FY23 AAP have either been completed or will be completed by June 30, 2023.

DISCUSSION

The FY24 AAP is developed with consideration to the current state of the agency, which is emerging from the impacts of the COVID-19 pandemic. In addition, the AAP was prepared with consideration of the results of the agency-wide risk assessment. The agency-wide risk assessment incorporated research as well as input received from Metro's senior leadership teams across the agency. MAS leveraged the results of the risk assessment to prepare an AAP that is flexible, relevant, and risk based. The AAP includes audit projects which add value, provide actionable information to support agency risk management efforts, and will lead to the achievement of organizational goals aligned with Metro's Vision 2028 Strategic Plan.

A. Risk Assessment

MAS staff performed an agency-wide risk assessment between January and March 2023. The agency-wide risk assessment is a structured, systematic process consisting of both research and stakeholder engagement. The agency-wide risk assessment is the primary basis for selecting internal audit projects which will add value and support the agency's objectives. The recognized risks varied in nature, the likelihood of occurrence, and their potential impact on the agency. The agency-wide risk assessment also identified areas of potential future opportunity related to the agency's goals and objectives.

To help MAS understand the various risks the agency currently faces and their potential impacts, MAS incorporated the following foundational principles in the development of the FY24 AAP which include:

- Identification of auditable units
- Identification of potential risks, including emerging risks
- Categorization of identified risks
- Assessment of the likelihood of identified risks
- Assessment of the impact of identified risks

The following risk categories were considered in the performance of the agency-wide risk assessment:

- Capital Project
- Financial
- Human Capital
- Information Technology
- Legal / Regulatory
- Operational
- Public Image / Reputational
- Safety / Security.

B. Enterprise Risk Themes

The agency-wide risk assessment process led to the identification of the core enterprise-risk themes summarized below:

- **Staffing:** Metro leadership across all departments expressed concern related to Metro's 20% non-contract vacancy rate, caused by the competitive labor market, and the agency's inability to recruit and retain the critical workforce needed to fulfill the agency's mission, goals, and objectives. The staffing shortage presented as a high-level risk. This includes employees working beyond their capacity, skilled labor, and the professional workforce needed to support the delivery of the agency's capital program. Widespread internal hiring exacerbates staffing vacancies as the issue creates vacancies in other departments and, therefore, additional hiring efforts. Some departments are considering what the proper mix is for the use of consultants, as there is a desire to reduce reliance on external staffing. Other departments indicated that their inability to hire full-time staff has caused a reliance on external staffing to

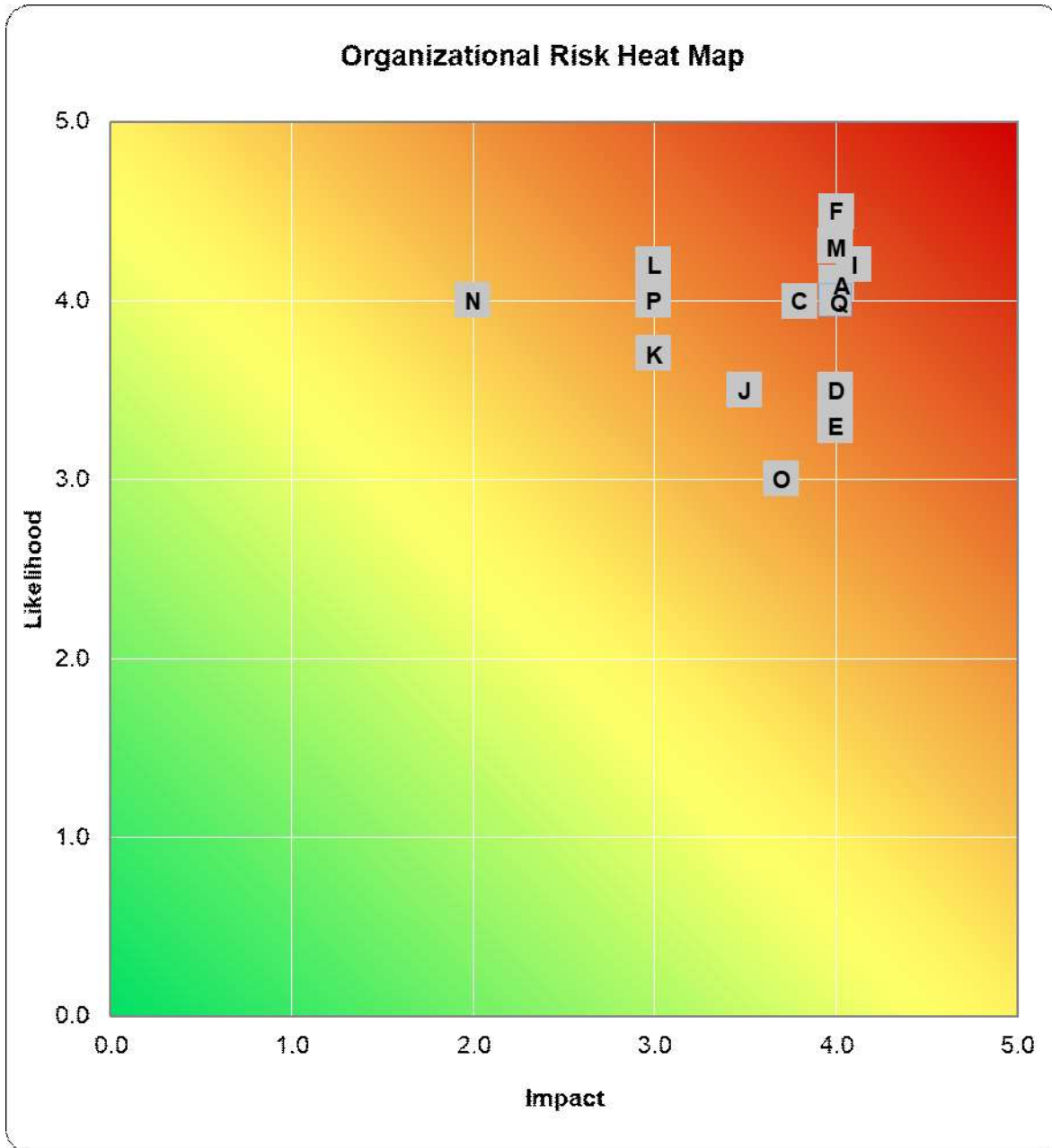
continue to meet goals and priorities. Staff has initiated efforts to resolve the staffing issue, including streamlining the recruitment process and hosting several bus operator hiring events which resulted in hiring approximately 1000 operators. In addition, a study is underway that will identify key pain points across recruiting, the hiring process, and retention driving vacancies.

- **Public Safety:** Risks identified related to the agency's ability to deal effectively with the increase in the unhoused and other crisis populations on Metro buses, trains, and throughout stations. Risks were also identified regarding the public perception of safety while riding Metro buses and trains, the safety of Metro employees, and the potential impact these could have on restoring ridership to pre-pandemic levels. Additionally, there is concern regarding the balance between traditional law enforcement and other public service resources to increase safety on the system.
- **Financial:** The agency's ability to replace lost revenues when one-time large-scale infusions of federal funds are exhausted presented as a concern. This includes funding that was provided as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The impact of inflation on the cost of utilities, fuel, and spare parts inventories continues to be a significant risk. There is concern regarding the agency's fiscal outlook in the coming years.
- **Capital projects:** Risks and opportunities were identified related to alternative project delivery methods such as progressive design build and construction manager/general contractor. In addition, mentoring programs, and training for new project management staff are being pursued to enhance management skills and support succession planning efforts.
- **Global/supply chain:** There have been challenges, which persist, in the supply chain, including material shortages and delays in delivery. The current rate of inflation may exacerbate the effects of supply chain disruptions and in turn remain an enterprise risk to the agency. These impacts on the supply chain presented as a risk, including the ongoing impacts of global factors such as the conflict in Ukraine. As Metro transitions to a fully electrified fleet, it may increasingly rely on overseas suppliers that may increase supply chain risks.
- **Cyber Risks:** There is continued concern about the increased incidents of cyber attacks against not only private sector entities but public sector entities as well. Stakeholders want increased assurance that the Agency's ability to prevent, detect, and respond to cyber incidents is comprehensive and based on the latest tools, techniques, and methods.

There are also unique risks that do not fit clearly into one of the outlined major risk categories, as well as unique risks that may have not been identified and/or presented during the agency-wide risk assessment. MAS will continue to assess emerging risks throughout FY24 and, if necessary, adjust the AAP.

C. Audit Plan

The FY24 AAP is based primarily on the results of the agency-wide risk assessment. The most prominent risks from the risk assessment and the projects associated with those risks are presented in the heat map below:



A.	Continuity of Operations Plan - Bus Operations	J.	Grant Funding Management
B.	Personnel Hiring	K.	Major Construction Contractor Prequal
C.	Westside Purple Line Extension 1	L.	Information Technology Governance
D.	Spare Parts Inventory	M.	State of Good Repair Assessment
E.	Third Party Risk Management	N.	Subrecipient Reporting
F.	Capital Project Inflation Risk	O.	Physical Security Monitoring Equipment
G.	Succession Planning	P.	Supply Chain Ethics Monitoring
H.	Operations KPIs	Q.	Planning Phase Activities Project Management

I.	Division 20 Portal Widening Project		
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The total score assigned to a risk is based on the risk7score, which is a consideration of the assigned likelihood and potential impact. The risk score may place the risk in a low, moderately low, moderate, moderately high, or a high-risk range. Higher risk scores occur when the risk identified is high in likelihood and potential impact. These risks were therefore identified as areas that would benefit from independent audit engagement.

Of note, risk scores were not the only guide used by MAS to select audit projects for the FY24 AAP. Additional factors were considered as part of the agency-wide risks assessment such as:

- Perceived strength of management controls
- Prior audits or reviews
- Subject matter expertise/capacity required by MAS to perform an audit or review
- Complexity of the risk area
- Input from senior leadership

Accordingly, the AAP includes audit projects to address areas of moderate risk that are expected to add value, mitigate potential future risks, and will lead to the advancement of enterprise opportunities.

The FY24 AAP includes ~~17~~ 14 audit projects in three categories: priority, and discretionary carryover.

- Priority: Audit projects that will be given primary focus and initiated during the first part of FY24.
- Discretionary: Audit projects in areas with lower-level risk scores that MAS will perform based on the status of priority and carryover projects throughout the course of the annual audit plan year.
- Carryover: Audit projects that were initiated in FY23 and will be completed in FY24.

A summary of the FY24 priority, carryover, and discretionary audits is provided in Attachment A.

The FY24 AAP also includes the required Contract and Financial Compliance Audits throughout the year. These audits include contract pre-award and incurred cost audits as requested by Vendor/Contract Management, incurred cost audits of various grant projects, and external financial and compliance audits of Metro and sub-recipients.

Professional audit standards and leading practices indicate that the agency is best served if the audit plan is a dynamic plan that can be modified based on changing business conditions, the discovery of new information, or areas being elevated to priority status based upon the needs of the Board of Directors, Chief Executive Officer, and/or senior leadership.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

There are no financial impacts associated with the approval of the FY24 AAP.

EQUITY PLATFORM

In applying an equity lens to the FY24 AAP, MAS will inquire of departments when conducting the audits if any applicable and required Metro equity assessments were completed.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects included in the Audit Plan directly or indirectly support various goals outlined in Metro's Vision 2028 Strategic Plan.

ALTERNATIVES CONSIDERED

An alternative is not to approve the Annual Audit Plan. This is not recommended since the Annual Audit Plan is a management tool to systematically assign resources for the delivery of an agency-wide audit plan in accordance with the Financial Stability Policy. Additionally, the development of an annual internal audit plan is consistent with the MAS' Charter and with Generally Accepted Government Auditing Standards.

NEXT STEPS

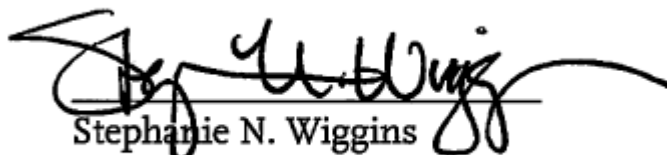
Upon Board approval, MAS will develop the FY24 AAP schedule and deliver quarterly status reports to the Board of Directors.

ATTACHMENTS

Attachment A - FY24 Proposed Audit Plan

Prepared by: Lauren Choi, Deputy Executive Officer, Administration (Interim), (213) 922-3926
Alfred Rodas, Sr. Director, Audit, (213) 922-4553

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



Stephanie N. Wiggins
Chief Executive Officer

Priority Projects

Project Management of Planning Phase Activities

Office: Planning & Development

Objective: To assess Planning & Development's Mobility Corridors project management processes (including cost and schedule considerations) for major projects during the planning phase including ROW acquisition, environmental, and preliminary design and engineering.

Physical Security Monitoring Equipment

Office: Chief Safety Office / Operations / Chief People Office

Objective: To assess the process used to ensure that physical security monitoring equipment (audio/video and intrusion detection) is in good working order, and that the data it produces is monitored and responded to appropriately, in accordance with established policies and procedures.

Supply Chain Ethics Management

Offices: Strategic Financial Management / Ethics

Objective: To assess actions taken by Metro to address current and future supply-chain reputational and ethical risks previously identified.

Division 20 Portal Widening Project

Office: Program Management

Objective: To evaluate the overall project management processes for the Division 20 Portal Widening project.

Purple (D-Line) Extension 1 (PDLE1)

Office: Program Management

Objective: To evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of the Purple (D-Line) Extension 1 transit project prior to the start of revenue operations.

Priority Projects**Management of Metro Project Grant Funding**

Office: Planning & Development

Objective: To assess the process related to grant funding of major projects, including procedures for identification of funding sources, monitoring grant activity, and communication.

Major Construction Contractor Pre-qualification Process

Office: Program Management / Strategic Financial Management

Objective: To evaluate the pre-qualification process for contractors for major construction projects, including appropriate depth and breadth of experience, safety history, and background checks. Also, examine how teaming structures and joint venture structures are considered in the prequalification and evaluation process.

Information Technology Governance

Office: Chief People Office

Objective: To assess Metro's IT governance effectiveness, including assessing if established practices are followed and working as intended.

Discretionary Projects

State of Good Repair (SGR) Assessment Process

Office: Operations / Chief Safety Office

Objective: To evaluate the process for assessing the condition and maintenance of Metro's inventoried transit assets in compliance with FTA and CPUC requirements. Also examine how forecasting is done for SGR projects, including reviewing if activities are being done in accordance with forecasting schedules.

Metro Sub-recipients' Reporting Portals

Office: Planning & Development / Strategic Financial Management / Chief Safety Office

Objective: To assess the current sub recipient reporting process.

Carry Over Projects

Continuity of Operation Plan (COOP) Bus

Offices: Operations / Chief Safety Office

Objective: To evaluate the adequacy of the Bus Operations' COOP and Standard Operating Procedures (SOPs) to support Bus Operations' mission essential functions in emergency situations.

Spare Parts Inventory

Office: Operations / Strategic Financial Management

Objective: To assess Metro's identification of key spare parts for Rail and Bus Operations, including Metro's reliance on third parties. Also, identification of alternates in the event of supply-chain disruption, and Metro's determination of minimum on-hand and reorder quantities considering both supply-chain and inflation risks.

Capital Project Inflation Risk

Office: Program Management / Strategic Financial Management

Objective: To review Metro's process for projecting and managing inflation risk for construction projects. Review the construction market analyses done by Program Management as well as hedging strategies, estimating and forecasting efforts related to this area.

Third Party (Outsource Service Providers) Risk Management

Office: Chief People Office

Objective: To assess Metro's third-party risk management policy and program.

Contract, Financial and Compliance Audits
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Contract Pre-Award Audits

Office:	Strategic Financial Management
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Objective:	To perform pre-award audits for procurements and modifications
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Incurred Cost Contract and Grant Audits
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Office:	Planning and Development / Program Management
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Objective:	To verify whether costs are reasonable, allowable, and allocable on cost-reimbursable contracts and grants for contractors and grantees, respectively
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Financial and Compliance External Audits

Offices:	Agencywide
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Objective:	To complete legally mandated financial and compliance audits
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Business Interruption Fund

Offices:	Strategic Financial Management
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Objective:	To verify the Business Interruption Fund (BIF) Administrator's compliance with the Los Angeles County Metropolitan Transportation Authority's (Metro) Business Interruption Fund (BIF) Administrative Guidelines and Fund Disbursement Procedures.
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FY24 Proposed Annual Audit Plan

Finance, Budget and Audit Committee

May 17, 2023



MANAGEMENT AUDIT SERVICES

Risk Assessment Results

A risk assessment was done to identify areas of high importance which resulted in a tentative workplan with three project categories:

- *Priority projects* which are deemed to be of high importance and will be worked on first.
- *Discretionary projects* which are less critical but that will be performed as time and resources permit.
- *Carry Over projects* which are projects initiated in FY23 to be completed in FY24.

Category Factors

Relevance

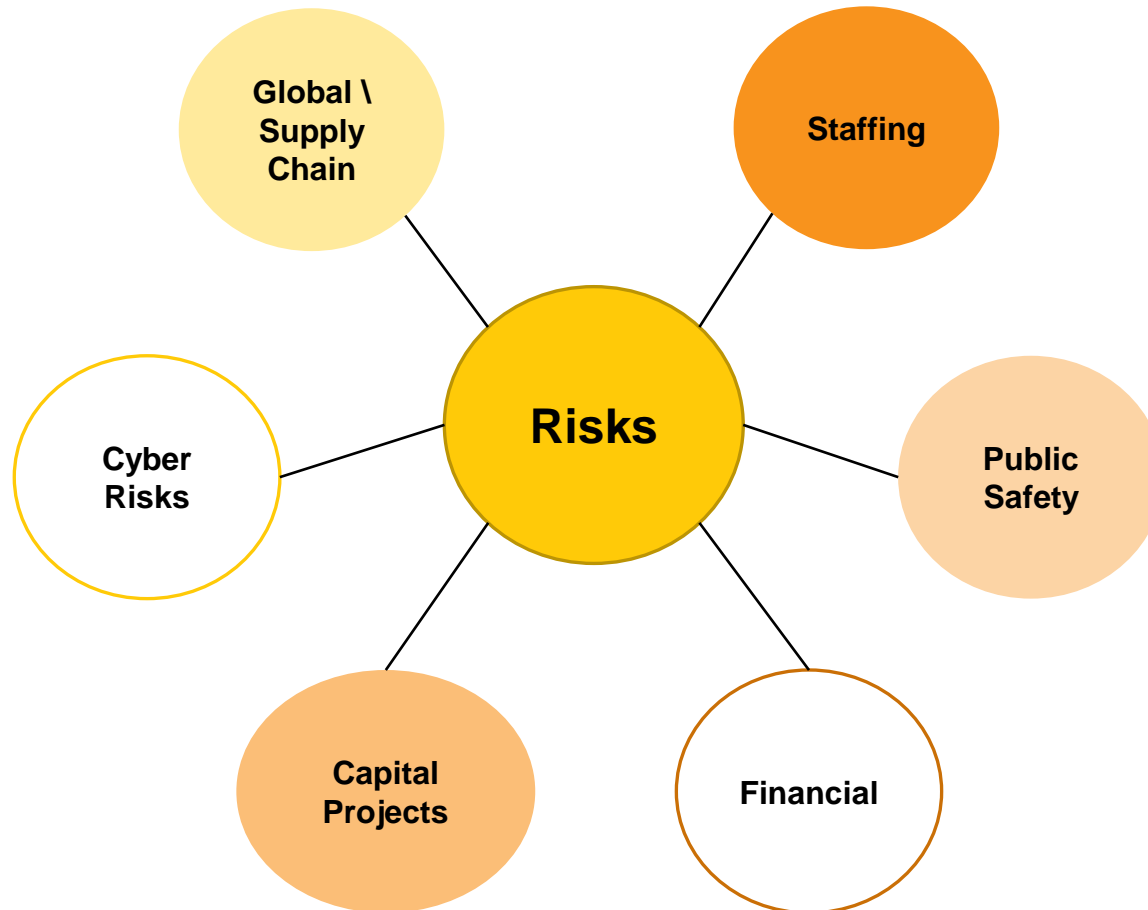
Potential
Value

Timely
Completion

Resource
Balancing

Stakeholder
Feedback

Risk Discussion Themes



Proposed Audit Plan

Priority	Discretionary	Carry Over
Project Management of Planning Phase Activities	State of Good Repair Assessment Process	Continuity of Operation Plan - Bus
Physical Security Monitoring Equipment	Metro Sub-recipient Reporting Portals	Spare Parts Inventory
Supply Chain Ethics Management		Capital Project Inflation Risk
Division 20 Portal Widening		Third-Party Risk Management
Purple (D-Line) Extension 1		
Management of Metro Project Grant Funding		
Major Construction Contractor Pre-qual Process		
IT Governance		

Next Steps

- Initiate kick-off process – July 2023
- Quarterly reporting to the Board – through June 30, 2024

Questions



Board Report

File #: 2023-0274, **File Type:** Informational Report

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE MAY 17, 2023

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2023 THIRD QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services FY 2023 third 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 in progress, including information related to audit follow-up activities.

BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2023 third quarter report covers the period of January 1, 2023, through March 31, 2023.

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, and financial management, including audit support, audit follow-up, and resolution tracking.

DISCUSSION

The following summarizes MAS activity for FY 2023 third quarter:

Performance Audits: One (1) audit project was completed; seven (7) are in progress.

Contract, Financial, and Compliance Audits: Twelve (12) audits with a total value of \$25 million were completed; 57 are in progress.

Financial and Compliance Audits of Metro: 146 audits were issued by external Certified Public Accounting (CPA) firms.

Audit Follow-up and Resolution: Sixteen (16) recommendations were closed.

The FY 2023 Third 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 2023 Third Quarter Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

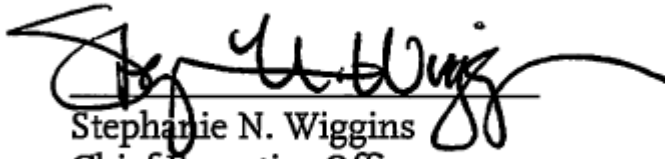
Management Audit Services will continue to report audit activity throughout the current fiscal year.

ATTACHMENT

Attachment A - FY 2023 Third Quarter Report

Prepared by: Lauren Choi, Deputy Executive Officer, Administration (Interim),
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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 2023 Third Quarter



Metro

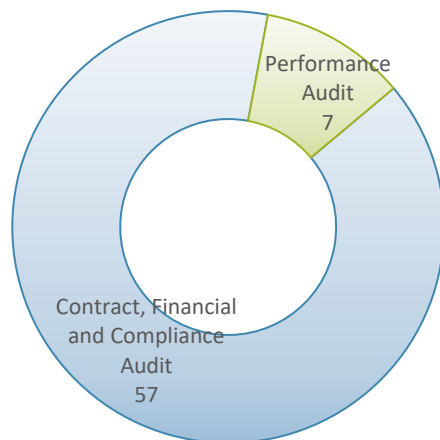
**MANAGEMENT
AUDIT SERVICES**

Table of Contents

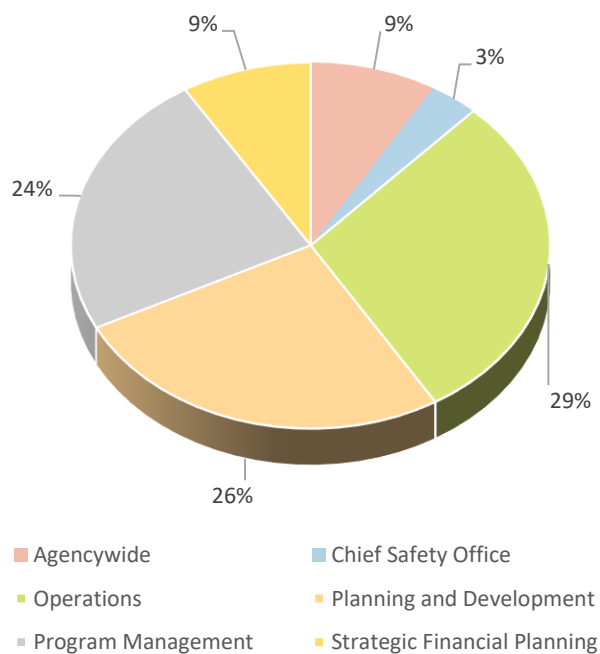
Executive Summary	3
<i>Summary of In Progress Audit Activity</i>	3
<i>Summary of Third Quarter Completed Audit Activity</i>	3
Performance Audits	4
<i>Business Interruption Fund</i>	4
Contract, Financial & Compliance Audits	5
Financial and Compliance Audits of Metro.....	6
Audit Follow-Up and Resolution	9
Summary Tables	
Appendix A – Performance Audits in Progress	10
Appendix B – Contract, Financial and Compliance Audit Completed.....	11
Appendix C – Open Audit Recommendations.....	12
Appendix D – OIG Open Audit Recommendations.....	15

Executive Summary

In Progress Audits
as of March 31, 2023



Summary of Audit Activity by Department
Reporting Period
January 1, 2023 – March 31, 2023



Summary of In Progress Audit Activity

Management Audit Services (MAS) has 64 in progress projects as of March 31, 2023, which include 7 performance audits and 57 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 37 open MAS audit recommendations; and 8 open Office of Inspector General (OIG) audit recommendations.

Summary of Third Quarter Completed Audit Activity

MAS completed 159 audit projects and closed 16 open audit recommendations. The projects are comprised of one (1) performance audit, 12 contract, financial and compliance audits and 146 financial and compliance audits of Metro.

The completed performance audit is highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The financial and compliance audits of Metro issued by the external Certified Public Accounting (CPA) firms are highlighted on page 6.

A summary of closed and open audit recommendations is included on page 9.

Performance Audits

This section includes performance audits completed according to Generally Accepted Government Auditing Standards in addition to other types of projects performed by the Performance Audit team to support Metro. The other types of projects may include independent reviews, analysis, 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.

Business Interruption Fund

MAS contracted with BCA Watson Rice to conduct an audit of the Pilot Business Interruption Fund and Pacific Coast Regional Small Business Development Corporation's (PCR) compliance with the Los Angeles County Metropolitan Transportation Authority's (Metro) Business Interruption Fund (BIF) Administrative Guidelines and Fund Disbursement Procedures. The objective of this audit was to determine PCR's compliance with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures for the fiscal year ended June 30, 2022.

The auditors found that PCR complied, in all material respects, with Metro's Business Interruption Fund Administrative Guidelines and Fund Disbursement Procedures.

Contract, Financial & Compliance Audits

MAS staff completed 12 independent auditor's report on agreed-upon procedures for the following projects:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
Pacifica Services, Inc. – Westside Subway Extension Project	N/A	N/A
City of El Segundo – Park Place Roadway Extension and Railroad Grade Separation Project	\$1,068,895	\$247,769
City of Commerce – Commerce Goods Movement Atlantic Blvd. Project	\$4,324,408	\$48
BA Inc. – Regional Connector Transit Corridor Project	N/A	N/A
BA Inc. – Regional Connector Transit Corridor Project	N/A	N/A
City of Commerce – Atlantic Blvd. Improvements Project	N/A	N/A
City of Palmdale – Rancho Vista Widening Project	\$724,261	\$1,886,399
City of Santa Clarita – Golden Valley Road Widening / Gap Closure over SR14 Project	\$9,333,558	\$568,424
City of Downey – Lakewood/Rosemead at Telegraph Road Intersection Improvements Project	\$2,703,444	\$-
CH2M Hill, Inc. – SR-710 Gap Alternative Analyses Project	\$2,852,230	\$141,103
City of Santa Clarita – ITS Phase IV Interconnect Gap Closure and Signal Synch Project	\$3,742,369	\$289,625
Virtek Company – Airport Metro Connector/96th Street Transit Station	N/A	N/A
Total Amount	\$24,749,165	\$3,133,368

Details on contract, financial and compliance audits completed during FY 2023 third quarter are included in Appendix B.

Financial and Compliance Audits of Metro

The following highlights the financial and compliance audits of Metro completed by the external CPA firms:

Basic Financial Statements and Component Units Audits – Issued Various Dates

MAS contracted with Crowe, LLP to conduct the basic financial statements and component unit audits for the year ended June 30, 2022. The resulting reports include:

- Annual Comprehensive Financial Report (ACFR);
- Single Audit for the Federal Funds;
- Federal Funding Allocation Data for NTD as a Transportation Operating Agency;
- Transportation Development Act (TDA) Operations Agency – 50% Expenditure Limitation Schedule;
- TDA Schedule of Revenue, Expenditure and Changes in Fund Balances;
- State Transit Assistance (STA) Special Revenue Fund Financial Statements;
- Service Authority for Freeway Emergencies (SAFE) Financial Statements; and
- Low Carbon Transit Operations Program (LCTOP) Compliance Audit.

The independent auditor issued unmodified opinions on all audit reports for FY22, which indicates that all financial statements for FY22 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Crowe identified two findings in the Single Audit Report related to internal controls over procurements and compliance with federal wage rate requirements. Management concurred with the recommendations and has implemented corrective action plans to address the findings.

Consolidated Audits – Issued Various Dates

MAS contracted with two firms, Simpson & Simpson, CPAs and Vasquez & Company, to conduct the financial and compliance audits of the following programs for the year ended June 30, 2022:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure M Local Return
 - Measure R Local Return
 - Transportation Development Act (TDA) Article 3, Article 4 and Article 8 Programs
 - Proposition A Discretionary Incentive Program

- Prop A Discretionary Incentive Grant
 - Antelope Valley Transit Authority
 - Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, Torrance
 - Transit System Funds
 - Measure M 20%
 - Measure R 20%
- Proposition A Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena
- Fare Subsidies Programs
 - Low-Income Fare is Easy (LIFE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT

Local Return

Proposition A and C

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinances and Guidelines that are applicable to the Proposition A and Proposition C Local Return program for the fiscal year ended June 30, 2022.

The auditors found 48 instances of non-compliance for Proposition A and C, consisting of 21 minor findings related to untimely form submittals. Twenty (20) findings with questioned costs totaling \$1.6 million for Proposition A and \$1.6 million for Proposition C represent less than 1% of each total fund reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

Measure R

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2022.

The auditors found 18 instances of non-compliance for Measure R, consisting of 11 minor findings related to untimely form submittals. Seven (7) findings with questioned costs totaling \$1.3 million for Measure R represent approximately less than 1% of the total amount reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

Measure M

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2022.

The auditors found 18 instances of non-compliance for Measure M, consisting of 11 minor findings related to untimely form submittals. Seven (7) findings with questioned costs totaling \$1.8 million for Measure M represent 1% of the total amount reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

Non-Local Return

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; sixteen (16) findings for the TDA Article 3 program, five (5) findings for the LIFE program, and one (1) finding for the EZ Pass program. Metro Program Managers are working with the funds recipients to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

A receive and file report with additional details on the Consolidated Audit will be brought to the committee in the coming months.

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of March 31, 2023.

MAS and External Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Chief of Staff			1	
Chief People Office	12		5	
Chief Safety Office	1		5	
Operations			17	
Planning & Development	1			
Program Management	2			
Total	16		28	

OIG Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Operations			1	
Chief Safety Office			7	2
Total			8	2

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

Appendix A

Performance Audit - In Progress Audits as of March 31, 2023				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Operations	22-OPS-P01 - Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit Program.	5/2023
3	Operations	22-OPS-P03 - OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees working in Maintenance and Transportation with applicable Federal, State, and technical requirements. Training records will be assessed for accuracy and completeness.	5/2023
4	Operations	21-SEC-P01 - Business Continuity Plan	Evaluate the adequacy of Rail Operations' Continuity of Operations Plan and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies.	5/2023
5	Strategic Financial Management	23-VCM-P01 - Performance Audit of Contract Price Structures for Professional Services	Assess the process performed by contract administrators and project managers for firm fixed-price professional service contracts, payment structures and performance milestones. Assess the process used to determine the use of firm fixed price professional services contracts.	6/2023
2	Planning & Development	21-PLN-P02 - Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.	6/2023
6	Program Management	23-OMB-C01 - Capital Project Inflation Risk	Review Metro's process for projecting and managing inflation risk for construction projects. Consider the construction market analyses done by Program Management as well any consideration that has been given to hedging strategies, estimating and forecasting efforts related to this area.	8/2023
7	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.	9/2023

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of March 31, 2023				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Program Management	20-CON-A08 - Agreed-upon Procedures	Pacifica Services, Inc.	1/2023
2	Planning & Development	22-HWY-A07 - Agreed-upon Procedures	City of El Segundo	1/2023
3	Planning & Development	20-PLN-A54 - Agreed-upon Procedures	City of Commerce	1/2023
4	Program Management	19-CON-A07 - Agreed-upon Procedures	BA Inc.	2/2023
5	Program Management	19-CON-A08 - Agreed-upon Procedures	BA Inc.	2/2023
6	Planning & Development	20-HWY-A14 - Agreed-upon Procedures	City of Commerce	2/2023
7	Planning & Development	23-PLN-A05 - Agreed-upon Procedures	City of Palmdale	2/2023
8	Planning & Development	22-PLN-A04 - Agreed-upon Procedures	City of Santa Clarita	3/2023
9	Planning & Development	21-HWY-A03 - Agreed-upon Procedures	City of Downey	3/2023
10	Planning & Development	20-PLN-A12 - Agreed-upon Procedures	CH2M Hill, Inc.	3/2023
11	Planning & Development	23-PLN-A06 - Agreed-upon Procedures	City of Santa Clarita	3/2023
12	Program Management	22-CON-A06 - Agreed-upon Procedures	Virtek Inc.	3/2023

Appendix C

Open Audit Recommendations as of March 31, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Chief of Staff	18-RSK-P01 - Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	4	We recommend that the Chief Program Management Officer take the lead role in collaborating with all responsible parties, such as V/CM, Project Delivery Third Party Coordination, County Counsel, etc., to establish agreements with utility companies to guarantee service continuity and restoration in emergency situations. Update: Metro continues to negotiate Essential Use designation with SCE, DWP & CPUC as a basis for utility emergency service agreements. In addition, AB 463, currently awaiting a final hearing from the Assembly, would require the PUC to consider the economic, social equity, and mobility impacts to the customers that rely on electrical service to operate public transit vehicles when establishing priorities for service during electrical or safety-related shortages.	3/31/2020	7/31/2023
2	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	2	We recommend the Deputy Chief Information Technology Officer require Information Security management to: a) Determine whether there is a need for information security awareness training to cover necessary policy requirements related to information security; and b) Incorporate any near-term policy updates related to information security in the information security awareness training material.	12/31/2023	
3	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	7	We recommend that the Deputy Chief Information Technology Officer require Information Security management to establish a formal guideline that guides decisions on who should receive information security awareness training and the type of such training method. This guideline should consider the access levels of users, the cost-benefit associated with training different groups of users, and the risks associated with not providing training to particular users. Training and its frequency may be customized and tailored to provide the education and information applicable and necessary to the group of participants.	6/30/2023	
4	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	
5	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	
6	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	
7	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1a	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. a) Develop a formal process to obtain necessary asset information.	8/31/2023	

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

Appendix C

Open Audit Recommendations as of March 31, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1aii	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. ii. Propose to Accounting a revised Capital Asset Transfer request form to obtain sufficient asset information when assets are acquired and/or placed in service.	8/31/2023	
9	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1b	We recommend the Deputy RSAM officer 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.	11/30/2022	12/31/2024
10	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	2	For existing assets, make use of accounting records to identify all missing assets that should be in the TAM database.	11/30/2022	8/31/2023
11	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.	11/30/2022	12/31/2024
12	Operations	19-OPS-P02 - Performance Audit of the Rail Communications Systems	3 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of June 2022, 9 of 12 recommendations were closed.	On-going	
13	Operations	19-OPS-P03 - Performance Audit of the SCADA Security Controls	7 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of September 2021, 6 of 13 recommendations were closed.	On-going	
14	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	1	Bus and Rail Transportation management should enforce retention of required overtime (OT) related documents for all instances of OT worked, including partial and split shifts. Update: The on-line Overtime Request tool, including retention, retrieval and reporting is live and in use now by those aware of it. General use will expand as training is done and awareness increases at each Division.	12/31/2021	4/30/2023
15	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	3	Bus and Rail Transportation management should train and periodically remind all line management, TOS and RTOS of overtime documentation and retention requirements. Update: Implementation of the on-line Request tool for Recommendation 4 above resolves this issue.	12/31/2021	4/30/2023
16	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	4	Bus and Rail Transportation management should require employees to file copies of system overtime request forms for other divisions at their home division. Update: Implementation of the on-line Request tool for Recommendation 4 above resolves this issue.	9/30/2021	4/30/2023

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

Appendix C

Open Audit Recommendations as of March 31, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
17	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	5	Bus and Rail Transportation management should require employees to bring supporting paperwork back to their home division each time they work at another division. Update: Implementation of the on-line Request tool for Recommendation 4 above resolves this issue.	9/30/2021	4/30/2023
18	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	6	Bus and Rail Transportation management should ensure copies of documentation supporting overtime are retained as required at both divisions when employees transfer permanently from one division to another. Update: Implementation of the on-line Request tool for Recommendation 4 above resolves this issue.	9/30/2021	4/30/2023
19	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	7	Bus and Rail Transportation management should require employees to bring supporting paperwork back to their home division each time they work at another division. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	4/30/2023
20	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	8	Bus and Rail Transportation management should ensure copies of documentation supporting overtime are retained as required at both divisions when employees transfer permanently from one division to another. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	4/30/2023

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

Appendix D

OIG Open Audit Recommendations as of March 31, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	20-AUD-06 - Review of LA Metro's Freeway Service Patrol (FSP) Program	6	LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.	10/1/2020	7/1/2023
2	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	2	SSLE should ensure that future contracts include a contract budget that specifies the amount of funds budgeted for each contract year and develop procedures to help ensure that the annual budgets are adhered to.	6/30/2023	
3	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	3	SSLE should in future contracts, to more effectively control and track the use of contract funds, allocate within the budget a separate reserve amount to be used for special events and enhanced deployments.	6/30/2023	
4	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	4	SSLE should for future contracts, consider the impact that the use of full-time contracted personnel will have on the use of funds over the life of the contract. In addition, specify within the contract the job classifications, and number of positions within each classification that can be charged to the Metro contract on a full-time basis.	6/30/2023	
5	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	10	SSLE should for future contracts, work with each contractor to include language in their respective contracts that more thoroughly and clearly define how services will be billed and what costs will be allowed and/or disallowed.	6/30/2023	
6	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	11	SSLE should continue to work on strengthening controls in the area of monitoring and oversight by addressing the deficiencies cited in areas such as Community Policing and Key Performance Indicators.	Pending	
7	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	15	SSLE should for required reporting, review with input from the law enforcement agencies, the reports and information currently required to determine if changes are necessary. As part of this review determine if different or additional information would be more beneficial.	Pending	

Appendix D

OIG Open Audit Recommendations as of March 31, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	16	SSLE should with input from the three law enforcement agencies, develop baseline performance levels (targets and goals) for key performance indicators.	10/31/2021	1/31/2022
9	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	17	SSLE should develop and update annually a written agency-wide Community Policing Plan.	10/31/2021	1/31/2022
10	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	20	SSLE should include in future contracts the requirement of wearing body cameras by all contracted law enforcement personnel when policing the Metro System.	6/30/2023	

Management Audit Services

FY 2023 Third Quarter Report

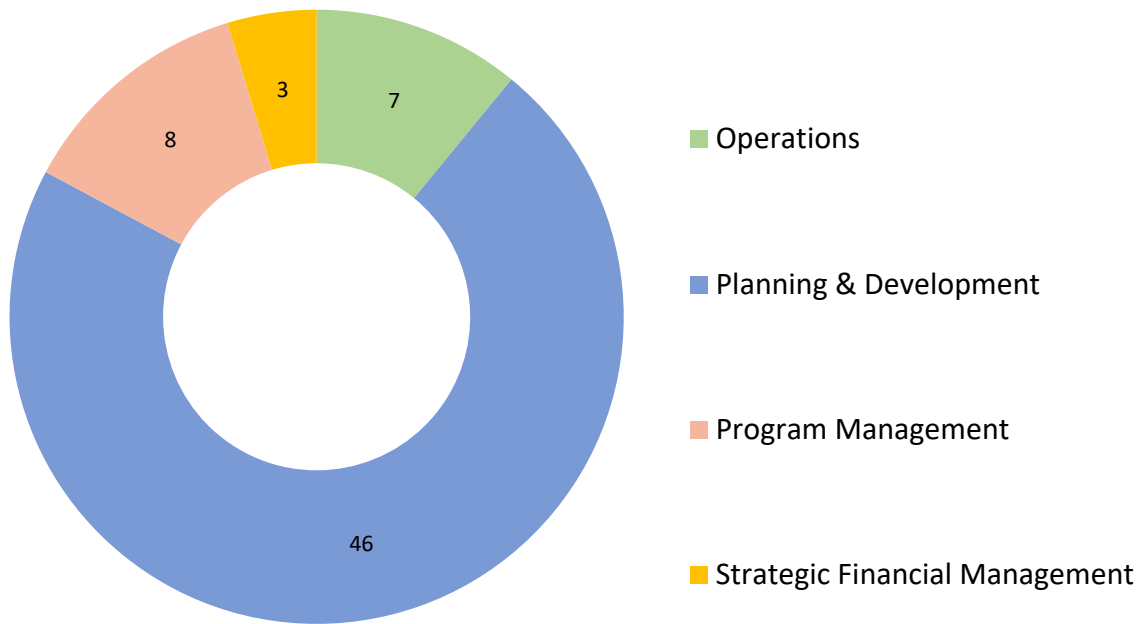
Finance, Budget & Audit Committee
May 17, 2023



MANAGEMENT
AUDIT SERVICES








In Progress: MAS Audit Activity

Agency Representation



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

In Progress: Performance Audits

	Audit Title	Description	Estimated Completion	
			FY23 Q4 Apr - Jun	FY24 Q1 Jul - Sep
1	Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit program		
2	Business Continuity of Operations Plan (COOP)	Evaluate the adequacy of Rail Operations' COOP and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies.		
3	OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees with applicable requirements, completeness and accuracy.		
4	Contract Price Structures	Assess the process performed for firm fixed price professional service contracts.		
5	Real Estate Management System	Determine if prior audit findings have been considered as part of the upcoming implementation of the new system.		
6	Capital Project Inflation Risk	Review Metro's process for projecting and managing inflation risk for construction projects.		
7	Third Party Risk Management	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.		

Completed: Business Interruption Fund (BIF)

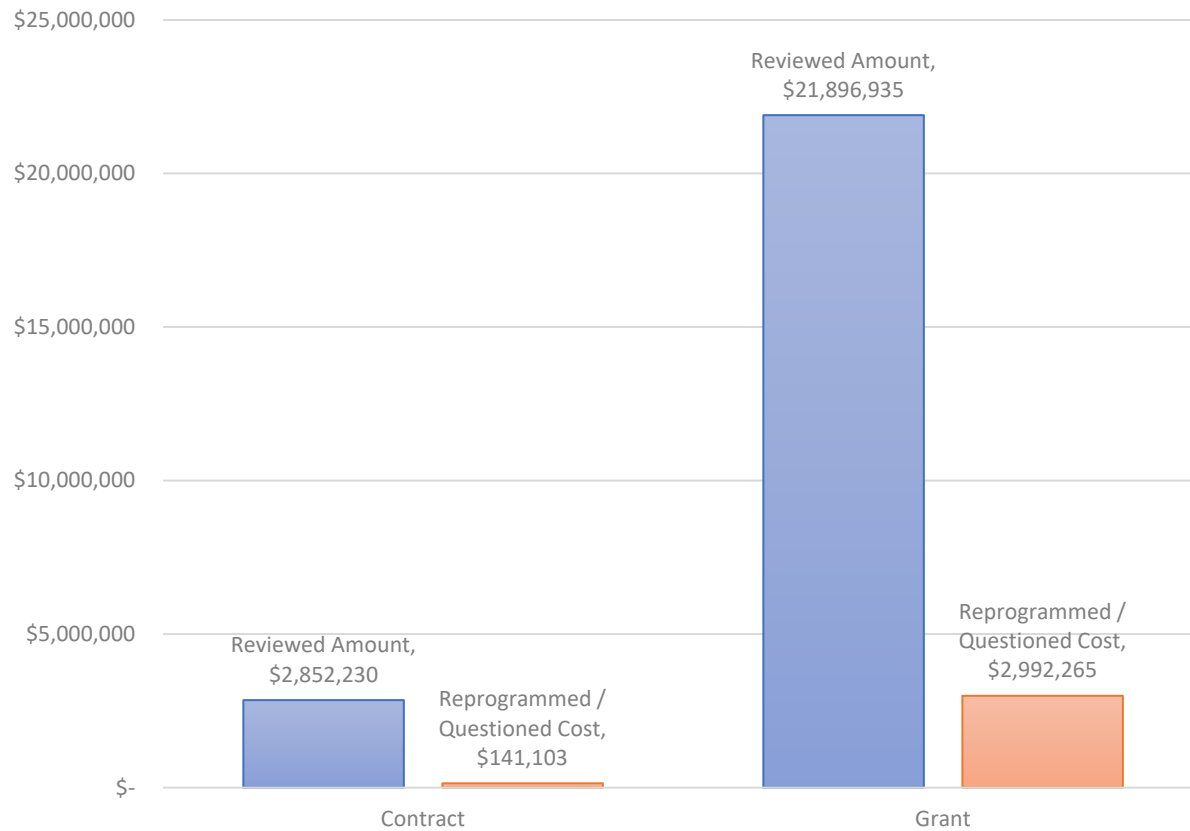
Objective

Determine Pacific Coast Regional Small Business Development Corporation's (PCR) compliance with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures for the fiscal year ended June 30, 2022.

Audit Results

The auditors found that PCR complied, in all material respects, with Metro's Business Interruption Fund Administrative Guidelines and Fund Disbursement Procedures.

Completed: Contract, Financial & Compliance Audits



- Delivered financial audits that reviewed \$25M of funding; and identified \$3M (10%) for reprogramming

Thank you



Board Report

File #: 2023-0223, File Type: Public Hearing

Agenda Number: 2.

**BUDGET PUBLIC HEARING
FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 17, 2023**

SUBJECT: FISCAL YEAR 2024 (FY24) BUDGET

ACTION: ADOPT THE FY24 BUDGET

RECOMMENDATION

CONSIDER:

- A. ADOPTING the proposed FY24 Budget as presented in the budget document (provided in a separate transmittal and posted on [metro.net <https://www.metro.net/about/financebudget/>](https://www.metro.net/about/financebudget/));
 - 1. AUTHORIZING \$9.0 billion annual consolidated expenditures to achieve goals and objectives set forth by the Board adopted mission and goals;
 - 2. AUTHORIZING a total of 10,842 FTEs, with 8,943 Represented FTEs and 1,899 Non-Represented FTEs;
 - 3. AUTHORIZING an average 3.5% performance-based merit increase and a cost-of-living adjustment (COLA) of 2.5% on July 1st, 2023, and 2.5% on January 1st, 2024, for Non-Represented employees. The COLA will adjust the Non-Represented salary pay grade bands accordingly. The wage increases for Represented employees, in accordance with the pre-negotiated Collective Bargaining Agreements, is 3.5% plus step progression increases;
 - 4. APPROVING the Life of Project (LOP) budgets for new capital projects; new capital projects with LOP exceeding \$5.0 million are presented in Attachment B;
 - 5. AMENDING the proposed budget to include any Board approved actions currently under consideration from now to the end of the fiscal year (June 30, 2023);
- B. AMENDING FY24 Proposed Budget document by including 40 additional Transit Security Officers (TSOs) to support rail expansion and increase safety on our transit system;
- C. AMENDING FY24 Proposed Budget document by including 2 Non-Represented positions to support alternative delivery procurements on mega-projects; and

-
- D. APPROVING the Reimbursement Resolution declaring Metro's intention to issue debt in FY24 for capital projects, as shown in Attachment C, with the provision that actual debt issuance will require separate Board approval.

ISSUE

California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the Agency's projects and programs. The budget is the legal authorization to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board at the fund level except for capital expenditures, which are authorized on a life of project basis.

Since January 2023, staff has provided the Board with status updates on the FY24 Budget development process. Before the kickoff of the budget development process, an extensive public outreach process was launched in October 2022 with the first of three telephone town halls to communicate the budget proposal and collect public comments for consideration in the budget development. On May 2, 2023, the FY24 Proposed Budget was made available to the public at www.metro.net <<http://www.metro.net>>, in printed copies through the Records Management Center (RMC) at RMC@metro.net <<mailto:RMC@metro.net>>, and on the plaza level of the Gateway building. The public hearing is scheduled for May 17, 2023. On April 17, 2023, advanced public notifications of the Budget Public Hearing were issued through advertisements posted in more than ten news publications and in various languages.

BACKGROUND

The FY24 Budget development started in January 2023, utilizing the Equitable Zero-Based Budget (EZBB) process as a cost control tool to generate a fiscally responsible budget. Beginning February 2023, Metro staff has provided monthly updates to the Finance, Budget, & Audit Committee as well as multiple budget briefings to Board staff and responded to their follow up questions. Additionally, Metro staff has met with a variety of stakeholders, including the Community Advisory Council, Regional Service Councils, Technical Advisory Committee, Policy Advisory Committee, Accessibility Advisory Committee, etc., and the public via three (3) Telephone Town Halls to collect public comments and feedback.

This is the final series of monthly updates to the Board on the FY24 Budget development process, culminating with our FY24 Budget recommendation for Board Adoption. This report wraps up the framework for the annual budget development, with the primary objective to advance Metro's transit and transportation goals, with an equity lens, in a fiscally sound and financially responsible manner. The FY24 EFC Budget Assessment showed a 4.7% (\$567M) increase as a total percent of the budget (26.1% in FY23 vs. 30.8% in FY24) in targeted benefits; and an overall 6.6% (\$938M) increase in all benefits.

DISCUSSION

Post Pandemic Financial Stability

Metro continues recognizing the importance of sound financial planning to execute transit capital investments and operating plans. The overall metro transit program deficit/gap, referred to as the 'fiscal cliff,' and the challenges of major infrastructure capital projects are two distinct concerns impacting Metro. The Agency recognizes the additional financial risks stemming from Transportation Infrastructure Development (TID) and will continue to build out the ordinance approved major construction projects.

Growing operating transit costs are also expected in the next three years, driven by the rail system expanding service and implementation of zero-emission buses to get ahead of the State's mandate for eliminating the use of hydrocarbon-fueled buses. At the same time, Metro is continuing to invest in new initiatives to make the system clean, safe, and reliable without additional American Rescue Plan Act (ARPA) assistance.

In doing so, Metro faces financial pressures and challenges, making it imperative that every dollar is budgeted and spent wisely. Under the CEO's direction, Metro will continue to identify cost mitigation strategies to help address current and future challenges while strengthening cost controls through the Equitable Zero-Based Budgeting (EZBB) process using the Early Intervention Team and other task force efforts.

See Attachment A for the Financial Recovery Plan and the Agency's efforts.

Budget Summary

The proposed \$9.0 billion budget for FY24 is balanced and focused on a service plan to include system expansion integration, customer experience enhancements, safety, cleanliness, maintaining assets in a state of good repair, employee safety, retention, and engagement. This year's budget continues improving the customer experience and resuming Metro's core business of planning, operations, and construction activities through an equity lens. This year's budget started with an enhanced and expanded public engagement incorporating comments received throughout this process, including the My Metro Budget interactive tool developed in 2022. Metro's proposed budget, representing a 2.6% increase over FY23, is focused on more investments in core businesses.

Transit Service Delivery and Transit Construction Programs

Metro strives to redefine daily travel habits with legacy transit investments to improve ease of use, accessibility, and travel experiences for regional patrons. This year's multi-phased budgeting process provides a balanced budget emphasizing our commitment to a clean, safe, and reliable transit system. By doing so, we hope to restore the core services Los Angeles County residents entrusted to Metro.

The FY24 Proposed Budget plan includes the full year service operation for the Regional Connector and K Line (Crenshaw/LAX Line). The budget also includes pilot intervention programs to deter non-transit loitering and restore safe and reliable transit to the Westlake/MacArthur Park Station, served

by Metro B and D Lines (Red/Purple) and nearby NextGen Tier 1 bus. These interventions include upgrades to fare gates, station lighting, CCTV cameras, alarms, bench seating, signage, and new station kiosks to improve the customer experience and public safety. There are also additional investments throughout the system supporting the multi-layered public safety approach and enhancing cleanliness with a 13% increase in budget from adding custodial staff.

Metro continues to advance transportation by following industry prescribed maintenance schedules. Also, Measure R and M projects continue to progress, moving from the planning phase toward shovel readiness for several new transportation infrastructure and highway projects. The annual budget for these projects reflects the cash flow requirement for the activities in each respective project development phase. While the transit construction phase is decreasing with the opening of the Regional Connector, the transit planning phase is ramping up for Sepulveda Corridor, West Santa Ana Branch, and Eastside Transit Corridor Phase 2 projects.

Regional Allocations and Pass-Through Programs

The Regional Allocations and Pass-Through programs will continue the allocation of resources to local jurisdictions, municipal and community operators, Access Services, and funding for other programs such as the Congestion Reduction Demonstration (CRD) Toll Revenue grant programs, Open streets, Active Transportation, Transit-Oriented Development (TOD) Planning grants, Federal Pass-Through programs, and other transit investment projects. Metro will continue various discounted and free fare programs to attract and retain ridership (i.e., GoPass for K-12 and Community College Students and Low-Income Fair is Easy (LIFE) Programs and fare capping).

FY24 Budget Summary and Document can be accessed at:

<https://www.metro.net/about/financebudget/>

Resources Summary

The FY24 Proposed Budget ensures that resources are available to meet the planned Metro program and project delivery schedules for the upcoming fiscal year. Revenue projections are based on the current socio-economic conditions, such as the continuing impacts of decades-high inflation, economic growth projections in FY24, leading regional forecasting sources, and recent transit system usage.

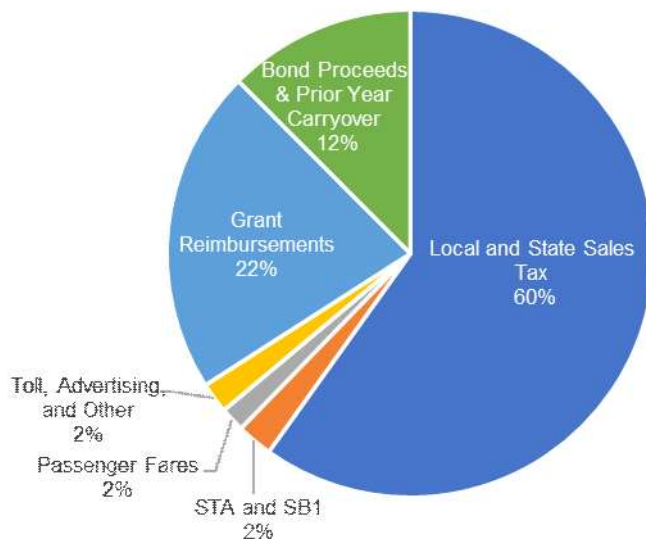
The total FY24 Proposed Budget planned resources are \$9.0 billion, which is 2.6% more than the FY23 Budget. The increase in sales tax revenues is based on the positive FY23 year to date actual receipt. Strong economic growth continues to respond correspondingly and stabilize from rapid pandemic recovery growth rates. The 16.3% projected growth in sales tax and TDA revenues are offset by the decrease in federal stimulus funding related to the pandemic. The American Rescue Plan Act (ARPA) is ending in FY23, and no additional federal stimulus funding is assumed in FY24.

Resources (\$ in millions)		FY23 Budget	FY24 Proposed	\$ Change	% Change
1	Local and State Sales Tax	\$ 4,643.1	\$ 5,400.0	\$ 756.9	16.3%
2	STA and SB1	225.6	214.7	(10.9)	-4.8%
3	Sales Tax and STA/SB1 Revenues Subtotal	\$ 4,868.7	\$ 5,614.7	\$ 746.0	15.3%
4	Passenger Fares	106.5	146.8	40.3	37.8%
5	Toll, Advertising, and Other	169.3	184.0	14.7	8.7%
6	Operating & Other Revenues Subtotal	\$ 275.8	\$ 330.8	\$ 55.0	19.9%
7	ARPA	1,239.5	-	(1,239.5)	-100.0%
8	Grant Reimbursements	1,180.7	1,946.7	766.0	64.9%
9	Bond Proceeds & Prior Year Carryover ⁽¹⁾	1,220.7	1,125.7	(95.1)	-7.8%
10	Capital & Bond Resources Subtotal	\$ 3,640.9	\$ 3,072.4	\$ (568.6)	-15.6%
11	Resources Total	\$ 8,785.5	\$ 9,017.9	\$ 232.4	2.6%

⁽¹⁾ Represents use of Bond Proceeds and sales tax revenues received and unspent in prior years.

Note: Totals may not add up due to rounding.

Resources % of FY24 Budget



Expenditure Summary

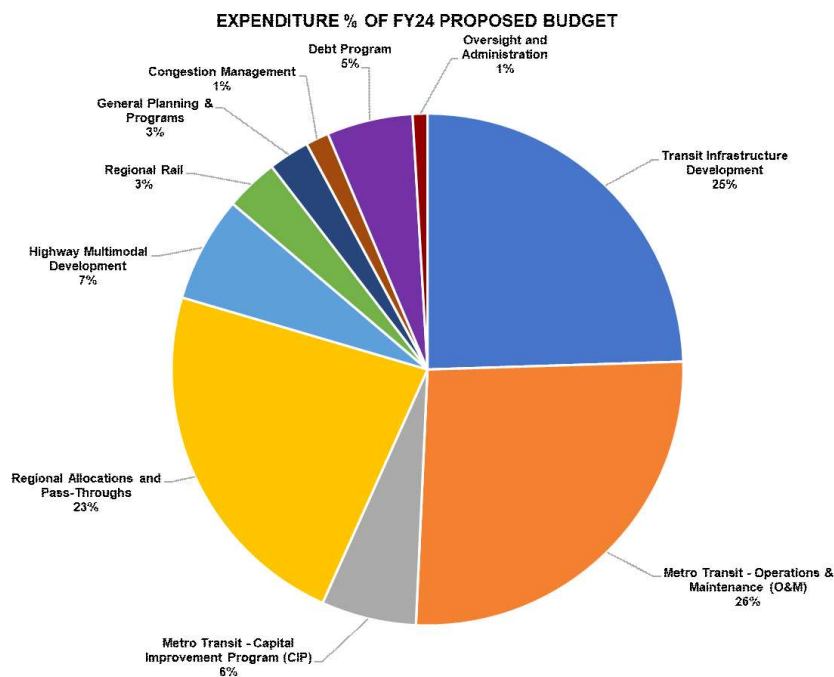
The proposed budget of \$9.0 billion is aligned with Board priorities of improved customer experience and service, as well as providing reliable daily service and public safety through an equity lens. Each program, function, and department budget was developed accordingly to reflect the new economic realities and progress on projects. The table below illustrates the expenditures by program type in

FY24 Proposed Budget.

Expenditures by Program Type (\$ in millions)	FY23 Budget	FY24 Proposed	\$ Change	% Change
1 Transit Infrastructure Development	\$ 2,327.6	\$ 2,210.3	\$ (117.3)	-5.0%
2 Metro Transit	2,755.6	2,905.1	149.4	5.4%
3 Metro Transit - Operations & Maintenance (O&M)	2,251.0	2,363.7	112.7	5.0%
4 Metro Transit - Capital Improvement Program (CIP)	504.7	541.4	36.7	7.3%
5 Regional Allocations and Pass-Throughs	1,905.8	2,057.7	151.9	8.0%
6 Highway Multimodal Development	575.7	602.3	26.7	4.6%
7 Regional Rail ⁽¹⁾	292.3	302.9	10.6	3.6%
8 General Planning & Programs	220.6	233.7	13.1	5.9%
9 Congestion Management	137.0	131.9	(5.1)	-3.7%
10 Debt Program	489.2	489.8	0.6	0.1%
11 Oversight and Administration	81.7	84.3	2.6	3.1%
12 Total Proposed Budget	\$ 8,785.5	\$ 9,017.9	\$ 232.4	2.6%

Note: Totals may not add up because of rounding.

⁽¹⁾Metrolink's FY24 Proposed Budget is preliminary, pending the transmittal of Metrolink's official budget request.



Full-Time Equivalent (FTE) Summary

The FY24 Proposed FTE Budget includes 10,842 FTEs, an increase of 198 FTEs from FY23. The new additions consist of 80 Non-Represented FTEs and 118 Represented FTEs.

Non-Represented FTEs for FY24 total 1,899, which includes an additional 80 new positions to serve

the following areas:

- Enhance the Transit Rider Experience
- Mega Project Management Model
- Valuing the Workforce
- Capital Support Functions
- Financially Sustainable and DEI-Driven Future
- Administration & Process Support
- Joint Development & Goods Movement.

Of the 80 new Non-Represented FTEs, 30 FTEs are cost neutral, transitioning from external services to internal expertise while continuing to build our in-house knowledge base. See the table below.

	Enhance the Transit Rider Experience	Mega Project Mgmt Model	Valuing the Workforce	Financially Sustainable & DEI Driven Future	Capital Support Functions	Admin & Process Support	Joint Development & Goods Movement	New Positions
Agencywide FTEs: Non-Represented								
1 Chief Executive Office & Chief of Staff	1		2	2	2	1		8
2 Chief People Office			7			1		8
3 Chief Safety Office	5							5
4 Customer Experience Office	3				1	1		5
5 Operations	9						1	10
6 Planning And Development	1			1	3		3	8
7 Program Management		20						20
8 Strategic Financial Management	8			4				12
9 Board Of Directors: Ethics, Inspector General, & Office of the Board Administration	1		2			1		4
Grand Total	28	20	11	7	6	4	4	80

* Cost Neutral FTEs: Enhance the Transit Rider Experience (7 FTEs); Mega Project Management Model (20 FTEs), Capital Support Functions (1 FTE), and Administrative & Process Support (2 FTEs)

Represented FTEs for FY24 total 8,943, which includes 118 new positions for the following: pre-revenue testing for the Purple Line Extension 1 & 2, cleaning programs, increased service support, customer transit experience, public safety resource deployment, and facilities maintenance.

Agencywide FTEs: Represented	PLE Pre-Rev	Cleaning	Increased Service Support	Customer Transit Experience	Public Safety Resource Deployment	Facilities Maintenance	New Positions
1 Chief Safety Office					8		8
2 Customer Experience Office				9			9
3 Operations	60	22	11			6	99
4 Strategic Financial Management			2				2
Grand Total	60	22	13	9	8	6	118

* Pre-Revenue: Purple Line Extension Section 1 (53 FTEs) and preparation for Purple Line Section 2 (7 FTEs)

The need for the following additional FTEs were recently identified and therefore includes an amendment for 40 additional Transit Security Officers (TSOs) to support rail expansion and increase

safety on our transit system and two Non-Represented positions to support alternative delivery procurements on mega-projects per recommendations B and C.

Labor Summary

High inflationary period, high turnover rates, and labor shortages have public agencies across California implementing cost-of-living adjustments (COLA), creating performance incentive programs, as well as increasing salary and pay bands to stay competitive in the current economy. As a result of this pandemic induced tight labor market, Metro needs to remain competitive in the current market to retain and attract talent. During the pandemic, Metro's Non-Represented FTEs did not receive a performance-based merit increase in FY21 and have not received a COLA adjustment since 2008. The FY24 budget proposes a Non-Represented employee cost-of-living adjustment (COLA) of 2.5% on July 1st, 2023, and a 2.5% on January 1st, 2024, to keep pace with inflation, align with other peer agencies, and aid employee retention.

The FY24 Proposed Budget includes an average contract wage increase of 3.5%, plus Step Progression increases, according to the pre-negotiated Collective Bargaining Agreements with the Represented union groups AFSCME, ATU, TCU, SMART, and Teamsters. For Non-Represented employees, an average 3.5% performance increase is included, which will be distributed on a merit-based system. Health and welfare benefits for Represented employees are based on Collective Bargaining Agreements. Non-Represented medical and dental benefits reflect the carrier contract rates previously approved by the Board.

Budget Amendments though June 30, 2023

The proposed budget to include any Board approved actions currently under consideration, from now to the end of the fiscal year (June 30, 2023).

Life of Project (LOP) Budgets

The Board must approve new capital projects with LOP budgets exceeding \$5.0 million as separate Board actions.

Attachment B includes a detailed listing of new capital projects for FY24 with LOP budgets over \$5.0 million. These new capital projects in the FY24 Proposed Budget include Division 20 Bungalow A Replacement, Metro C (Green) Line Mainline Fastener Replacement, L.A. Union Station South Patio Plumbing and Pavers, Metro A (Blue), E (Expo) and L (Gold) Line Led Tunnel Lights, Metro A (Blue) Line Gate Mechanism Replacement, PLE Section 1 Systems Integration Testing & Training, and PLE Section 2 Systems Integration Testing & Training.

Reimbursement Resolution

Per Federal tax law, bond proceeds can only be used for capital expenditures incurred after the issuance of bonds. Metro must pass a resolution indicating the intent to issue bonds at a later date in order to reimburse expenditures incurred prior to the bond issuance. See Attachment C for Reimbursement Resolution.

Debt Program

Debt financing is a cash management and budget tool Metro uses to help deliver projects. Debt issuance is authorized by applicable state and federal legislation and the local sales tax ordinances. The Board-adopted Debt Policy establishes prudent guidelines for the issuance and management of debt following industry best practices and ordinance-specific affordability limits.

Debt is not an additional source of revenue. It must be paid back with interest using existing and predetermined funding sources, in most cases, local sales tax revenues. However, it is a way to spread out the impact of large spikes in capital costs over multiple years. For this reason, most of Metro's large projects have utilized or are expected to use debt financing to facilitate project delivery.

As of July 2023, Metro has approximately \$5,199.6 million of outstanding long-term debt. The annual debt service cost in FY24 is estimated at \$486.1 million, a decrease of 0.04% over the FY23 Budget of \$485.9 million, according to the debt service schedule. In FY24, it is anticipated that Airport Metro Connector, Westside D Line (Purple) Sections 1, 2, & system integration, Division 20 Portal Widening, Gold Line Foothill Extension, Infrastructure for Silver Line and new bus procurement, East San Fernando Transit Corridor, Regional Surface Transportation and Local Traffic System, and various other projects will utilize bond proceeds from the issued debt.

Early, Improved & Expanded Public Engagement

Metro understands that transparency and education about the annual budget and process are important to Los Angeles County residents. Public feedback is integral in prioritizing limited resources. While OMB makes many efforts to engage the public about the budget, other departments within the organization also work to engage with the public throughout the year. OMB worked closely with the Communications department to develop a marketing strategy that engaged with EFCs and all other areas of LA County to provide an equitable transportation system.

The FY24 budget development process kicked off early, with the first of three Telephone Town Hall (TTH) meetings held on October 2022 and followed by two more in January and March of 2023. To solicit feedback early for the FY24 budget, OMB launched the new interactive and educational My Metro Budget tool in October 2022. Stakeholder and public meetings continued to be held and engaged a wide audience of riders to learn more about their concerns and priorities. We continue to update the budget portal at budget.metro.net with current budgetary information.

The budget public hearing scheduled on May 17 is legally required, pursuant to California PUC code 130106 which states, "Notice of time and place of the public hearing for the adoption of the annual budget shall be published pursuant to Section 6061 of the Government Code and shall be published not later than the 15th day prior to the date of the hearing."

A summary of the public comments, stakeholder meetings, as well as all other outreach efforts are described in Attachment D.

DETERMINATION OF SAFETY IMPACT

This recommendation will not have an impact on safety standards at Metro.

FINANCIAL IMPACT

The FY24 Proposed Budget (provided in a separate submittal) at \$9.0 billion is balanced. The proposed budget demonstrates Metro’s ongoing commitment to meeting its capital and operating obligations, which is essential in receiving subsidies from federal and state governments and to administer regional transportation funding to local cities and municipal operators.

EQUITY PLATFORM

Per Board direction, Metro has annually applied the Metro Budget Equity Assessment Tool (MBEAT) to its budget requests for operations costs and capital projects since the FY21 budget process. The FY24 MBEAT augmented the FY24 Equitable Zero-Based Budgeting (EZBB) process and was applied to 238 capital projects and 217 operating expense budgets.

The FY24 EZBB MBEAT identified impacts on marginalized communities and highlighted budget requests that advanced equitable outcomes for each Metro department. The MBEAT shows that Metro continues to show stronger equity benefits for physical projects in marginalized and Equity Focus Communities (EFC) and fewer equity benefits for countywide or systemwide programs without intentional prioritization for those communities. With this data, staff is better equipped to identify opportunities to incorporate equity iteratively and intentionally into broader programs and services.

The EZBB process also utilized Metro’s new EFC Budget Assessment process, a geographic equity analysis. In 2022, Metro conducted the FY23 EFC Baseline Assessment to identify whether Metro’s budget was proportionately investing in benefits to EFCs, which comprise approximately 40% of Los Angeles County. The FY23 EFC Baseline showed approximately 67.3 percent of Metro’s FY23 approved budget provided targeted and indirect benefits to EFCs (26.1 percent targeted benefits and 41.2 percent indirect benefits). In year two of this assessment, the FY24 EFC Assessment showed increases in the proportion of Metro’s budget investing in benefits to EFCs (30.8 percent targeted benefits and 43.1 percent indirect benefits). These increases amounted to a 4.7 percent increase in targeted benefits, 1.9 percent increase in indirect benefits, and a total of 6.6 percent increases in all benefits, as illustrated by the table below:

	FY23 EFC Baseline Assessment	FY24 EFC Assessment (Year 2)	% Change FY23 vs. FY24
Targeted Benefits	26.1%	30.8%	4.7%
Indirect Benefits	41.2%	43.1%	1.9%
Total EFC Benefits	67.3%	73.9%	6.6%

Staff also aligned their FY24 department budgets towards budget Equity Principles that support Metro’s Equity Platform framework. Budget highlights that support these four principles were included in the FY24 Proposed Budget (pg. 9 - 11) earlier this month.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the following Metro Strategic Plan Goal:

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

ALTERNATIVES CONSIDERED

The annual budget serves as the legal authority to obligate and spend funds. Failure to adopt the budget would severely impact Metro's goal of improving transportation in Los Angeles County.

NEXT STEPS

Upon Board authorization and adoption of the FY24 Proposed Budget, Metro will make funds available for the planned transit and transportation programs outlined in this document and program funding to regional transit/transportation partnering agencies, cities, and recipients.

Staff will closely monitor the financial situation and provide regular performance updates to the Board.

ATTACHMENTS

FY24 Budget Summary and Document can be accessed at:

<https://www.metro.net/about/financebudget/>

Attachment A - FY24 Financial Recovery Plan

Attachment B - FY24 New Capital Projects

Attachment C - FY24 Reimbursement Resolution

Attachment D - FY24 Public Outreach (Public Comments)

Prepared by:

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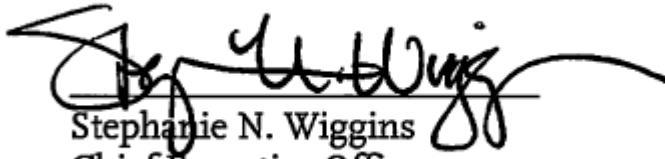
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Stephanie N. Wiggins
Chief Executive Officer

Financial Recovery Plan

Mitigation Efforts

To help address post-pandemic financial challenges, the Agency is considering the following mitigation strategies:

- **Performance Management:** evaluate pilots and set up KPIs that can help measure the achievement of performance goals that illustrate the effectiveness of the pilot
- **Dedicated Funding:** advocate for dedicated transit operations funding from Federal and State sources
- **Use of Operating Eligible Funding:** evaluate resources, cost impacts, and prioritize projects and initiatives that support agency priorities within available funding

Equitable Zero-Based Budgeting (EZBB)

Metro will continue to identify cost mitigation strategies to help address current and future challenges while strengthening cost controls through the Equitable Zero-Based Budgeting (EZBB) process, focusing on:

- Near Term Outlook and education
- Cabinet Workshops on priority alignment
- Cost control task forces and mitigation
- Financial accountability through quarterly financial and KPI reviews
- Holistic Program reviews to promote collaboration on prioritization and trade-offs
- Equity process through EFC assessment and MBEAT
- Comprehensive and thorough outreach plan
- Board staff and board briefings and feedback

Under our CEO's leadership, Metro planned early and partnered with an outside consulting company to facilitate structured reflection and planning sessions to maximize the impact of four (4) strategic workshops. The objective of each workshop was to:

1. Align on the shared strategic vision and aspiration across the entire LA Metro Leadership team.
2. Define Practices and "ways of working: models that must change - and how those must shift."
3. Create action plans for each department along with metrics for success; and

4. Assess progress against action plans, adjusting plans as necessary.

Cost Control Task Forces

Under the CEO's direction, Cost Control Task Forces were also created and tasked with the following action plans:

- **Bus and Rail Cost:** Review cost allocation approach; conduct Peer reviews, explore cost control and savings opportunities from Insourcing/Outsourcing.
- **Optimal Service Design:** More than focusing on quantity of service, explore solutions to provide optimal service level and quality customer experience.
- **Program Management Mitigation Measures:** Implemented strategic initiatives to evaluate organization including staff to consultant ratio, streamlined processes, alternative project delivery, risk & scope issues, and schedule delay.

Early Intervention Team (EIT)

As a component of the Capital Cost Mitigation strategies advanced by the Task Force, an Early Intervention Team (EIT) was formed and kicked off in FY23. The EIT has conducted four Project Reviews focusing on understanding the project's objectives, the shared purpose, and challenges, creating more awareness on scheduling and financial ramifications.

Federal & State Advocacy

Metro Government Relations are working at both the Federal and State level to advocate for transit funding. At the Federal level, Metro is working to maximize flexibility of transit grants. At the State level, Metro is working with transit agencies across the state through the California Transit Association to implement structural reforms and develop long-term permanent funding solutions.

FY24 New Capital Projects

Table of Contents

Project	Page
Metro C (Green) Line Mainline Fastener Replacement	1
Division 20 Bungalow A Replacement.....	1
L.A. Union Station South Patio Plumbing and Pavers	1
Metro A (Blue), E (Expo), and L (Gold) Line Led Tunnel Lights.....	2
Metro C (Green) Line Mainline Turnout Tie Replacement	2
Metro A (Blue) Line Gate Mechanism Replacement.....	2
PLE Section 1 Systems Integration Testing & Training	3
PLE Section 2 Systems Integration Testing & Training	3

FY24 New Capital Projects

Capital Improvement Program (CIP)

1	PROJECT: Metro C (Green) Line Mainline Fastener Replacement
	PROJECT OWNER: Operations - Rail - Wayside Systems
	LOP: \$17,100,000 Budget Request: \$195,000
	SCOPE: Replace approximately 52,200 mainline fasteners on Metro C line.
	JUSTIFICATION: C Line has been in service 25 years and the fasteners are showing signs of wear. The fasteners need to be replaced in order to keep the system in a state of good repair, which will mitigate the likelihood of future service delays.
	ELIGIBLE FUNDING SOURCE: PA 35%
2	PROJECT: Division 20 Bungalow A Replacement
	PROJECT OWNER: Operations - Rail - Wayside Systems
	LOP: \$15,000,000 Budget Request: \$1,000,000
	SCOPE: Acquisition and installation of a new bungalow at Division 20 with associated equipment and systems.
	JUSTIFICATION: In order to ensure the new bungalow complies with regulatory requirements, new storage racks and equipment must also be installed. The new, regulatory compliant racks and equipment, are a necessary component of the of the yard expansion and tunnel widening project.
	ELIGIBLE FUNDING SOURCE: MR 35% / Bond Proceeds
3	PROJECT: L.A. Union Station South Patio Plumbing and Pavers
	PROJECT OWNER: Planning
	LOP: \$13,500,000 Budget Request: \$3,550,000
	SCOPE: Replacement of deteriorated and non-functional underground plumbing systems in South Patio; Replacement of subterranean waterproofing systems along building substructure to prevent water intrusion; Repair and or replacement of damaged pavers throughout to achieve level and compliant walking surfaces; Replacement of root bound trees impacting drainage functionality; Installation of surface drainage to pull water away from walking surfaces and prevent long term deterioration of historic paver surfaces.
	JUSTIFICATION: Union Station South Patio has uneven pavers causing trip/fall safety hazards which increase liability for claims. The hazard is increased due to rain spout drainage from roof, tree roots and non-functional plumbing systems that flood.
	ELIGIBLE FUNDING SOURCE: PC 40%

4	PROJECT: Metro A (Blue), E (Expo) and L (Gold) Line Led Tunnel Lights
	PROJECT OWNER: Operations - Rail - Wayside Systems
	LOP: \$6,800,000 Budget Request: \$300,000
	SCOPE: Hire a contractor to decommission the original tunnel lighting systems on the L, E, and A Lines, and install a new tunnel lighting system with low-wattage LED fixtures.
	JUSTIFICATION: Metro received an Unsolicited Proposal to replace the lighting systems for the L, E and A line tunnel sections. The proposal was advanced to implementation and the project direction was approved by the CEO. By replacing the existing systems with energy efficient LED lighting systems, it will reduce Metro's lighting-related energy use as much as 67%. Modernizing the lighting system will improve the reliability, resilience, and safety of Metro's tunnels.
ELIGIBLE FUNDING SOURCE: PA 35%	
5	PROJECT: Metro C (Green) Line Mainline Turnout Tie Replacement
	PROJECT OWNER: Operations - Rail - Wayside Systems
	LOP: \$6,000,000 Budget Request: \$350,001
	SCOPE: Remove old wood ties at all C Line mainline turnouts and replace with composite turnout ties.
	JUSTIFICATION: C Line has been in service for 25 years and the wood turnout ties are rotting and need to be replaced. These old timber trackwork ties hold the switch and turnout components together and Metro has required that all new rail projects include concrete ties for critical trackwork and turnout areas. Timber ties in special trackwork areas are deteriorating due to environmental exposure. Installation of composite turnout ties is a cost-effective alternative to wood ties.
ELIGIBLE FUNDING SOURCE: PA 35%	
6	PROJECT: Metro A (Blue) Line Gate Mechanism Replacement
	PROJECT OWNER: Operations - Rail - Wayside Systems
	LOP: \$5,950,000 Budget Request: \$699,999
	SCOPE: Replace crossing gate mechanism system on A Line with like equipment.
	JUSTIFICATION: The gate mechanism systems are at the end of their useful life and need replacement. Safe and reliable at-grade crossing equipment is a California Public Utilities Commission (CPUC) required safety mechanism that controls pedestrians and motor vehicles and keeps them from the path of an on coming train.
ELIGIBLE FUNDING SOURCE: PC 25% / Bond Proceeds	

Transportation Infrastructure Development (TID)

1	PROJECT: PLE Section 1 Systems Integration Testing & Training
	PROJECT OWNER: Operations – Central Oversight and Analysis
	LOP: \$22,200,000 Budget Request: \$13,576,509
	SCOPE: Pre-revenue system integration, inspection, testing, professional services, equipment, and staff training necessary to ensure the Purple Line Extension Section 1 project will be operational and compatible with the rest of the rest of the network.
	JUSTIFICATION: These activities are required for the Operations Department to ensure the project is ready for revenue service.
	ELIGIBLE FUNDING SOURCE: MR 35%

2	PROJECT: PLE Section 2 Systems Integration Testing & Training
	PROJECT OWNER: Operations – Central Oversight and Analysis
	LOP: \$14,700,000 LOP: \$1,392,465
	SCOPE: Pre-revenue system integration, inspection, testing, professional services, equipment and staff training necessary to ensure the Purple Line Extension Section 2 project will be operational and compatible with rest of the network.
	JUSTIFICATION: These activities are required for the Operations Department to ensure the project is ready for revenue service.
	ELIGIBLE FUNDING SOURCE: MR 35%

Note: Funding sources can change based on eligibility and availability at the time of expenditure.

ATTACHMENT C

**REIMBURSEMENT RESOLUTION
OF THE
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
FOR FISCAL YEAR 2024**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “Metro”) desires and intends to finance certain costs relating to (i) the design, engineering, construction, equipage and acquisition of light rail lines such as the Crenshaw/LAX Transit Corridor project ; (ii) the design, engineering, construction, equipage and acquisitions for the Rail and Bus State of Good Repair Program including station improvements and rail gating installations; (iii) the design, engineering, construction, equipage of heavy rail lines such as Purple Line Extension Sections 1, 2, and 3; (iv) the engineering, construction, renovation, maintenance, and/or acquisition of various capital facilities and equipment, including buses and rail cars, related to service operation; (v) the engineering, construction, renovation, maintenance, and/or acquisition of various highway/surface transportation assets; and (vi) other transit related projects (each a “Project” and collectively, the “Projects”);

WHEREAS, to the extent that federal and/or state grant funding budgeted to be received during FY22 is delayed or reduced, the Los Angeles County Metropolitan Transportation Authority desires and intends to finance certain costs relating to the Projects;

WHEREAS, Metro expects to issue debt through the issuance of tax-exempt bonds to pay for these expenditures, each bond issue will have its own separate security source, Proposition A, Proposition C, Measure R and Measure M sales tax revenues, respectively, grant revenues, or toll revenues to finance the costs of the Projects on a permanent basis (the “Debt”);

WHEREAS, Metro expects to expend moneys of the Enterprise Fund (other than moneys derived from the issuance of bonds) on expenditures relating to the costs of the Projects prior to the issuance of the Debt, which expenditures will be properly chargeable to a capital account under general federal income tax principles;

WHEREAS, Metro reasonably expects to reimburse certain of such capital expenditures with the proceeds of the Debt;

WHEREAS, Metro expects that the amount of Debt that will be issued to pay for the costs of the Projects will not exceed \$100.0 million for Proposition A, \$100.0 million for Proposition C, \$500.0 million for Measure R, \$350.0 million for Measure M, \$100 million for grant revenues, and \$200.0 million for toll revenues.

WHEREAS, at the time of each reimbursement, Metro will evidence the reimbursement in writing, which identifies the allocation of the proceeds of the Debt to Metro, for the purpose of reimbursing Metro for the capital expenditures made prior to the issuance of the Debt;

WHEREAS, Metro expects to make reimbursement allocations no later than eighteen (18) months after the later of (i) the date on which the earliest original expenditure for the Project is paid or (ii) the date on which the Project is placed in service (or abandoned), but in no event later than three (3) years after the date on which the earliest original expenditure for the Project is paid;

WHEREAS, Metro will not, within one (1) year of the reimbursement allocation, use the proceeds of the Debt received by way of a reimbursement allocation in a manner that will result in the creation of replacement proceeds of the Debt or another issue (e.g., Metro will not pledge or use the proceeds received as reimbursement for the payment of debt service on the Debt or another issue, except that the proceeds of the Debt can be deposited in a bona fide debt service fund); and

WHEREAS, this Resolution is intended to be a "declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations.

NOW THEREFORE, BE IT RESOLVED, that (i) all of the foregoing recitals are true and correct and (ii) in accordance with Section 1.150-2 of the Treasury Regulations, Metro declares its intention to issue Debt in an amount not to exceed \$100.0 million for Proposition A, \$100.0 million for Proposition C, \$500.0 million for Measure R, \$350.0 million for Measure M, \$100 million for grant revenues and \$200.0 million for toll revenues; the proceeds of which will be used to pay for the costs of the Projects, including the reimbursement to Metro for certain capital expenditures relating to the Projects made prior to the issuance of the Debt.

Public Engagement Strategy

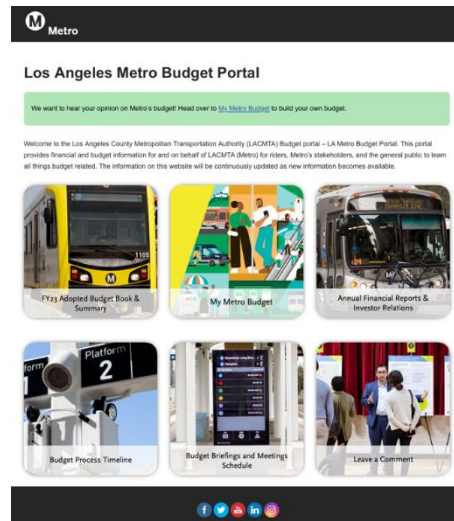
The FY24 Proposed Budget Outreach campaign was launched in October 2022 with a Telephone Town Hall. This timing was intentional, starting early to gather as much feedback as possible before the beginning of the budget development process. Metro used the following to engage with the public: Telephone Town Hall (TTH) meetings, the new My Metro Budget tool, the Budget Portal (budget.metro.net), and the budgetcomments@metro.net email.

Public Engagement	Participation
Telephone Town Hall - October 2022, January 2023, & March 2023	>16,029
Budget Tool Responses	>1,150
Budget Tool Comments	>2,200
Budget Portal Visits – budget.metro.net	>15,294 (January 2023 – May 1, 2023)
Email Blasts – 5 emails sent	>300,000
The Source/El Pasajero Posts	6
Social Media Platforms	4
Newsprint Publications	20
Stakeholder & Public Engagement Meetings	25

Metro targeted communities on social media platforms (Facebook, Instagram, NextDoor, Twitter, Email, etc.) and with physical marketing flyers with QR codes to inform about the budget development process on Metro Micro vehicles. This year, special efforts were made to ensure that a diverse representation of LA County was achieved to continue to assess equity in the annual budget and to create a diverse, equitable, and inclusive budget process. Below are the strategies for the FY24 budget outreach.

Metro Budget Portal

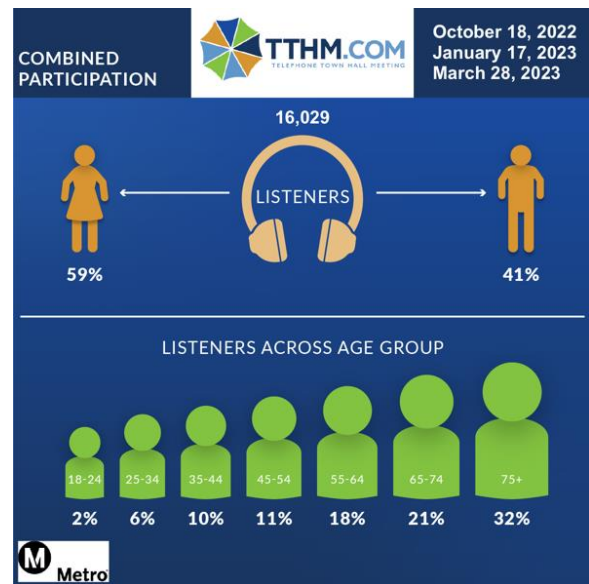
The budget portal continues to be updated with recent information, documents, timelines, notifications, and more about the budget process. OMB continues to make the portal more accessible to the public, and there is an option to leave a comment and join the subscribers' list for budget related content via email.



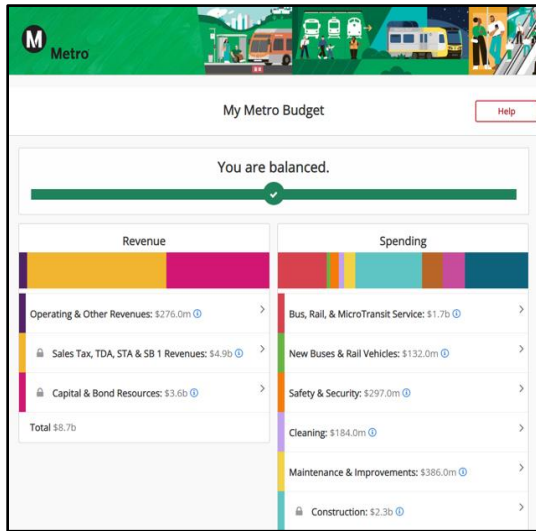
Telephone Town Hall

The budget outreach was kicked off with three TTH meetings hosted by the chair of the Finance, Budget & Audit Committee and CEO in October 2022, January 2023, and March 2023. More than 16,000 callers, including Spanish callers, participated, and provided feedback to Metro leaders. Callers voiced their opinions and asked question about safety and security, frequency and reliability, and cleanliness on the bus and rail system. Metro leaders attended to hear and engage with the public on these very important topics. The Telephone Town Hall events have proven to be a useful tool among many in reaching out to our Equity Focus Communities (EFCs).

Recordings of the Telephone Town Halls are available on the Budget Portal. To the right are the combined participation and demographics of the three Telephone Town Hall meetings.

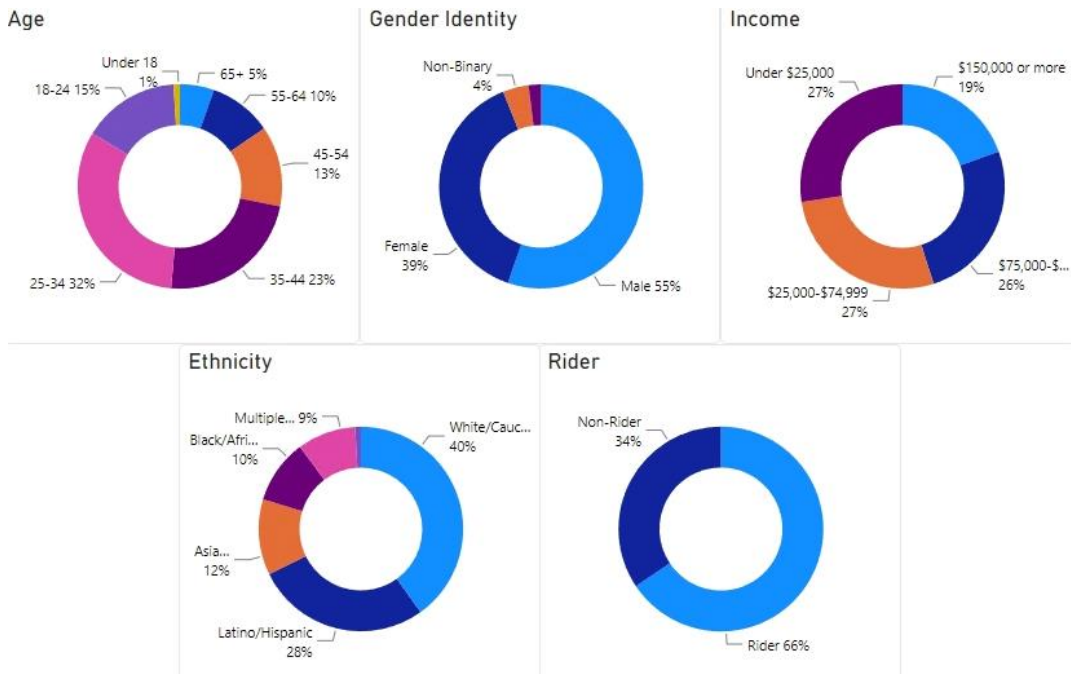


My Metro Budget Tool



We invited the public to learn and participate in the budget development process and make tradeoff decisions on how funds are allocated with My Metro Budget. OMB staff worked with cabinet members to formulate questions that were used by departments to derive meaningful insights that helped shape the FY24 budget. The responses received were integral to identifying the key initiatives for the FY24 budget.

My Metro Budget received over 1,100 responses and 2,200 written comments, and an average engagement time of almost 20 minutes per user. This year, 44 percent of the responses were from EFCs. My Metro Budget results, and other budgetary information are available on the Metro budget portal at budget.metro.net. Below are My Metro Budget demographic results:



Stakeholder and Public Meetings

The budget public hearing is legally required, pursuant to California PUC codes 130106 which states “*Notice of time and place of the public hearing for the adoption of the annual budget shall be published pursuant to Section 6061 of the Government Code, and shall be published not later than the 15th day prior to the date of the hearing.*” This year, 20 newspaper publications were published announcing the budget public hearing in 10 different languages.

FY24 Budget - Outreach Meeting Schedule			
Meeting	Date	Time	Completed
Telephone Town Hall	Oct 28, 2022	6-7 p.m.	X
Telephone Town Hall	Jan 17	6-7 p.m.	X
Regional Service Councils - Budget Briefing	Jan 31	6-7 p.m.	X
Community Advisory Committee - General Assembly	Mar 22	TBD	X
Telephone Town Hall	Mar 28	6-7pm	X
Technical Advisory Committee	Apr 5	9:30-11:00 a.m.	X
Street & Freeways Committee	Apr 20	9:30 a.m.	X
Regional Service Councils - Budget Briefing	Apr 25	6-8 p.m.	X
Policy Advisory Council	Apr 26	1:30 p.m.	X
Community Advisory Committee - General Assembly	April 26	6 p.m.	X
Technical Advisory Committee	May 3	9:30 a.m.	X
Local Transit Systems Subcommittee	May 3	1-3 p.m.	X
Gateway COG	May 3	4:00 p.m.	X
San Gabriel Valley COG	May 3	4 p.m.	X
South Bay COG	May 8	10:30am	X
VICA	May 9	8:30-10:30 a.m.	X
Accessibility Advisory Committee	May 11	1-3 p.m.	
Bus Operators Subcommittee	May 16	9 a.m.	
Public Hearing	May 17	1 p.m.	
Board Adoption	May 25	9:30 a.m.	



Item # 12

Metro Fiscal Year 2024 Proposed Budget

**Board Meeting
May 25, 2023**

FY24 Proposed Budget – \$9.0B



Revenues vs Expenditures

Sales Tax, TDA and STA/SB1: \$5.6B

Capital & Bond Resources: \$3.1BM

Operating & Other Revenues: \$330.8M



Metro Transit - Operations: \$2.3B

Transportation Infrastructure Development (TID): \$2.2B

Regional Allocations & Pass-Throughs: \$2.1B

Highway Multimodal Development: \$602.3M

Metro Transit – Capital Improvement Program (CIP): \$541.4M

Debt Program: \$489.8M

Regional Rail: \$302.9M

General Planning & Programs: \$233.7M

Congestion Management: \$131.9M

Oversight and Administration: \$84.3M

Budget Summary		FY24 Proposed	
1	Operating	\$	3,037.0
2	Capital		3,115.5
3	Subsidy		2,057.7
4	Planning & Admin		807.7
5	Total Proposed Budget	\$	9,017.9



Key Initiatives



Fare Programs

- LIFE

Save on fares with LIFE.



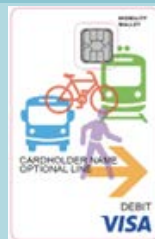
- GoPass



- Mobility Wallet Pilot



- Fare Capping



NextGen - \$52.9M

- Transit signal priority



- Bus mobile validators



- Camera bus lane enforcement



- NSFV BRT network improvements



Key Initiatives (continued)

Reimagining Public Safety: Multi-layered Strategy \$290.5M

- Transit Ambassadors



- Homeless & Mental Health Outreach



- Transit Security Officers



- Law Enforcement Contracts

Other Initiatives

- Room To Work

- Westlake/MacArthur Park Program



Cleaning - \$201.0M

- 13 Hot Spots

- Station & Facilities Cleaning

- Bus & Rail Vehicles Cleaning

- Vinyl Seat Replacements



Law Enforcement Negotiations Update

- Negotiations are in progress with all three law enforcement agencies
- All three agencies have conceptually agreed to the following additional terms:
 - Compliance with the principles of Metro's Bias-Free Policing and Public Safety Data Policy
 - Reporting Requirements requiring Metro the ability to identify, track and log mobile assets in real time
 - Shall not assign personnel with sustained misconduct complaints to the Metro contract
 - Resources may be adjusted (reduced or increased) at any time as Metro approaches and implements new public safety programs
 - Shall provide needed support in the transition from a multi-agency law enforcement approach to an independent Metro Public Safety Department and assist in the assimilation of new personnel, in a manner to be mutually agreed upon



Transit Infrastructure Development (TID) – \$2.2B

Life of a Project

Initiation

Planning

Engineering

Procurement

Construction / Integration

Operations / Activation / Integration

Transit Planning - \$291M (69% over FY23)

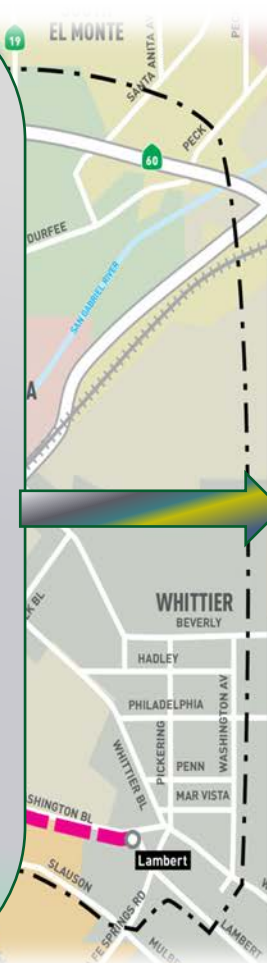
Broadway BRT	\$ 4.0
BRT Connector B/G Line to L Line	59.7
C (Green) Line South Bay	43.8
Crenshaw Northern	18.5
Eastside Access	5.3
Eastside Extension	22.1
North San Fernando Valley BRT	20.9
Sepulveda Corridor	71.2
SGV Feasibility Study	1.9
Vermont Transit Corridor	6.4
West Santa Ana Branch Corridor	37.4

- Increased funding for planning projects in the environmental and design phase

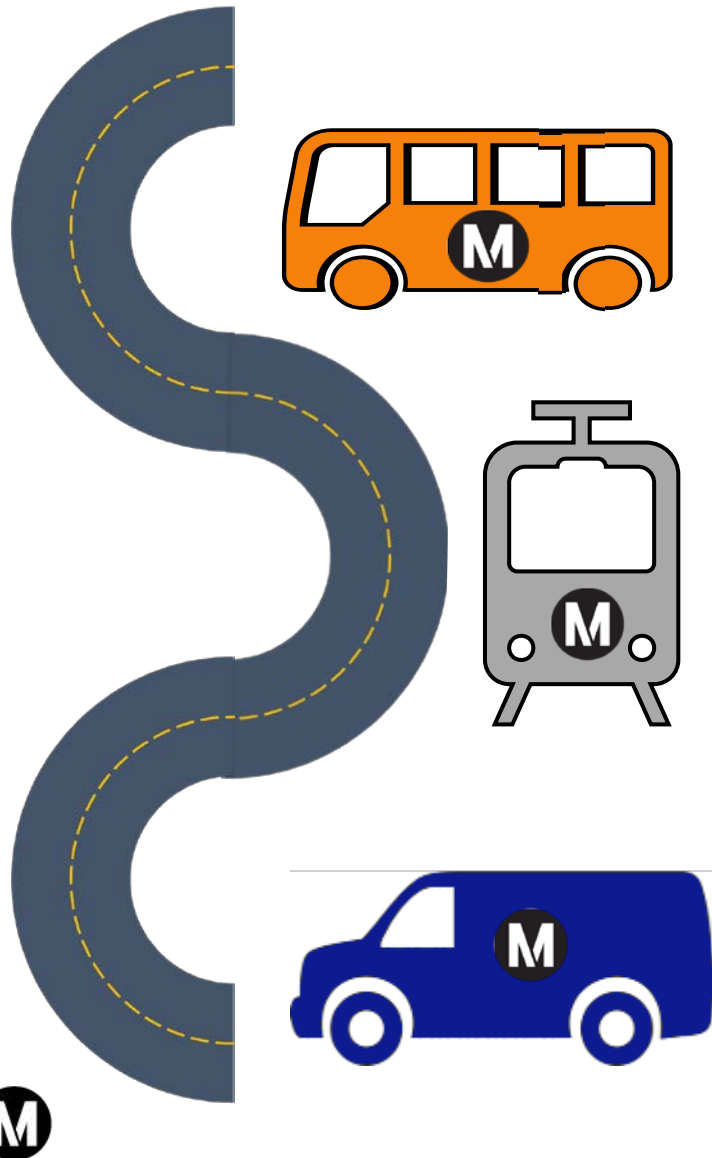
Transit Construction - \$1,919M (11% under FY23)

Airport Metro Connector	\$ 174.7
D (Purple) Line Extension	1,059.3
East San Ferando	285.7
Expo Closeout	3.0
G (Orange) Line BRT	74.5
K Line (Crenshaw/LAX) Light Rail Transit	43.0
L (Gold) Line Foothill Ext 2A & 2B	214.8
Regional Connector	18.8
Systemwide / Program Support	45.4

- Continue to progress all major construction projects
- Substantial completion of Regional Connector in FY23



Metro Transit - Operations – \$2.4B



Bus Service - \$1.5B

.4% planned increase in RSHs (7.12M)

NextGen Bus Plan

- Traffic signal sync
- Bus priority lanes
- All-door-boarding
- Speed & reliability improvements



Rail Service - \$795M

12.3% planned increase in RSHs
Improved headways
(1.51M)

New Lines

- Full operation of Crenshaw/LAX
- K Line & Regional Connector



Metro Micro - \$40M

- 2.1% planned increase in RSHs (272,000)
- Pilot program extended through September 2023

Metro Transit - CIP – \$541.4M

Bus

Total: \$136.2M



Procurement of Electric buses and charging infrastructure



Refurbishments & overhauls to improve reliability and CX



NextGen bus mobile validators for all-door-boarding and transit signal priority technologies

Rail

Total: \$229.9M



Heavy and light rail vehicle procurements



Refurbishments and overhauls to improve reliability and CX



Facilities and wayside improvements: rail fasteners, resignaling, roof repairs, etc.

Other Asset Improvements

Total: \$175.3M



Rail to Rail Segment A

Connects A Line & Crenshaw/LAX Line via bike path & walkway



Metro Center Street Project

Centralize security, dispatch, and emergency ops



Technology

Payroll system replacement, software, computer equipment, etc.

- \$541.4M is allocated for maintaining the capital assets in a state of good repair, for improvements, and modernization
 - \$72.3M in investments in electric buses and charging station infrastructure
 - \$169.0M for a major investment in new rail vehicles and refurbishment of existing vehicles
 - \$64.9M will be invested in safety, NextGen and Customer Experience (CX) related projects

Regional Allocations & Pass-throughs – \$2.1B

Local Return,
TDA 3 & 8:
\$962.2M



Local Return -
88 cities &
LA County for
transit & mobility
improvements.
Prop A & C,
Measure R & M,
TDA 3&8

Regional Transit
\$781.2



Municipal & Local
Operators, and
Access Services



Major Projects
\$164.3M



Alameda Corridor
East Phase II,
(New) AV Line-
Metrolink,
Inglewood Transit
Connector, Sankofa
Park Project

Other Local
Programs
\$87.1M



Call For Projects,
ATP, Transit Projects
& Programs,
Congestion
Reduction Demo Toll
Revs, Federal Pass-
Throughs, TOD
Planning Grants

Fare Assistance
(LIFE Program)
\$32.5



LIFE Program
provides
transportation
assistance to low-
income
individuals of LA
County

Regional
Federal Grants
\$30.4M



JARC, New
Freedom
Program, Senior
and Disability
Activities

- 91% of funding passed through to transit operators & local jurisdictions per formula, federal guidelines, State law & Board policy
- Estimated 8% increase due to higher projected sales tax
- Greatest increase within Local Agency Programs (17%) & Regional Transit (14%) - represents 85% of program budget

Other Programs – \$1.8B



Highway Multimodal Development

- Increase in ExpressLanes investments driven by I-105 ExpressLanes project
- Increase in dedicated bus lane and noise reduction investments
- Mobility Improvement Projects

\$602.3M

+\$26.7m (4.6%)



Regional Rail

- LINK Union Station
- Grade Separation
- Double Tracking
- High Desert Corridor Rail Service Plan and Other Metro Regional Rail Projects
- Metrolink

\$302.9M

+\$10.6m (3.6%)



General Planning & Programs

- Active Transportation Bike, Other
- Property Management
- Financial, Grants Mgmt, & Admin
- Unsolicited Proposals, P3, & Other

\$233.7M

+\$13.1m (5.9%)



Congestion Management

- ExpressLanes
- Freeway Service Patrol
- Motorist Services
- Rideshare Services

\$131.9M

-\$5.1m (-3.7%)



Oversight and Administration & Debt Program

- Recurring Activities
- Valuing Workforce
- Improved Performance Management
- Customer Experience
- Diversity, Inclusion, & Equity
- Bus & Rail Infrastructure and Replacement
- East San Fernando Rapid Way & Airport Connector Construction

\$574.1M

+\$3.1m (0.5%)



- These six (6) programs make up 20% of the FY24 Proposed Budget

Public Outreach & Stakeholder Engagement



October 2022



- **Telephone Town Hall**
- Launch My Budget Tool: distributed via social media, e-blast, QR codes, flyers

November 2022

- Social Media launch My Metro Budget Marketing



December 2022

- **EFC engagement** for My Metro Budget – physical marketing cards



January 2023

- **Telephone Town Hall**
- Regional Service Council Budget Briefing



February 2023

- Finalization of My Metro Budget data, feedback solicited from departments



March 2023

- Community Advisory Council
- **Telephone Town Hall – Mar 28**



April 2023

- San Gabriel Valley COG
- Gateway COG
- Policy Advisory Council
- Bus Operators Subcommittee
- Regional Service Council, Budget Briefing
- Streets & Freeways
- Community Advisory Council – General

May 2022



- Technical Advisory Committee
- Valley Industry and Commerce Association
- Local Transit Systems Subcommittee
- San Gabriel Valley COG
- **South Bay COG (added)**
- Bus Operators Subcommittee
- Accessibility Advisory Committee
- **Budget Public Hearing**
- **Board Adoption**



Note: Updated as additional meetings are scheduled.



ONGOING PUBLIC PARTICIPATION

MAY BOARD REPORT FY24 BUDGET ADOPTION

- A. ADOPTING the proposed FY24 Budget as presented in the budget document (provided in a separate transmittal and posted on metro.net);
1. AUTHORIZING \$9.0 billion annual consolidated expenditures to achieve goals and objectives set forth by the Board adopted mission and goals; and
 2. AUTHORIZING a total of 10,842 FTEs with 8,943 Represented FTEs and 1,899 Non-Represented FTEs; and
 3. AUTHORIZING an average 3.5% performance-based merit increase and a cost-of-living adjustment (COLA) of 2.5% on July 1st, 2023, and 2.5% on January 1st, 2024, for Non-Represented employees. The COLA will adjust the Non-Represented salary pay grade bands accordingly. The wage increases for Represented employees, in accordance with the pre-negotiated Collective Bargaining Agreements, is 3.5% plus step progression increases; and
 4. APPROVING the Life of Project (LOP) budgets for new capital projects; new capital projects with LOP exceeding \$5.0 million are presented in Attachment B; and
 5. AMENDING the proposed budget to include any Board approved actions currently under consideration, from now to the end of the fiscal year (June 30, 2023); and
- B. AMENDING FY24 Proposed Budget document by including 40 additional Transit Security Officers (TSOs) to support rail expansion and increase safety on our transit system; and
- C. AMENDING FY24 Proposed Budget document by including 2 Non-Represented positions to support alternative delivery procurements on mega-projects; and
- D. APPROVING the Reimbursement Resolution declaring Metro's intention to issue debt in FY24 for capital projects, as shown in Attachment C, with the provision that actual debt issuance will require separate Board approval.