

Metro

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



Metro

Agenda - Final

Wednesday, February 19, 2020

13:00

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

Finance, Budget and Audit Committee

*Kathryn Barger, Chair
Ara Najarian, Vice Chair
Jacquelyn Dupont-Walker
Paul Krekorian
Mark Ridley-Thomas
John Bulinski, non-voting member*

Phillip A. Washington, Chief Executive Officer

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

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

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

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

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

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

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

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

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

CALL TO ORDER

ROLL CALL

10. **SUBJECT: FISCAL YEAR 2021 BUDGET DEVELOPMENT UPDATE** [2020-0033](#)

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2021 (FY21) Budget Development Update.

11. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2020 SECOND QUARTER REPORT** [2020-0075](#)

RECOMMENDATION

RECEIVE AND FILE Management Audit Services (MAS) quarterly report for the period ending December 31, 2019.

Attachments: [Attachment A - Management Audit Services Second Quarterly FY2020 Report](#)

12. **SUBJECT: ACCESS SERVICES - QUARTERLY UPDATE** [2020-0091](#)

RECOMMENDATION

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

Attachments: [Presentation](#)

13. **SUBJECT: INVESTMENT POLICY** [2019-0681](#)

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment B; and
- C. DELEGATING to the Treasurer or her designees, the authority to invest funds for a one year period, pursuant to California Government Code ("Code") Section 53607.

Attachments: [2020 Attachment A Investment Policy.pdf](#)

[2020 Attachment B Financial Institutions Resolution.pdf](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2020-0117](#)

RECEIVE General Public Comment

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

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

Adjournment



Board Report

File #: 2020-0033, **File Type:** Informational Report

Agenda Number: 10.

FINANCE, BUDGET, AND AUDIT COMMITTEE FEBRUARY 19, 2020

SUBJECT: FISCAL YEAR 2021 BUDGET DEVELOPMENT UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2021 (FY21) Budget Development Update.

ISSUE

This report is the second in a series of budget development updates leading up to the FY21 Budget adoption for Board consideration in May 2020. This update will highlight the FY21 preliminary budget to achieve Metro Vision 2028 of the Transportation Infrastructure Development Program, which includes Transit Expansion, Highways, and Regional Rail.

DISCUSSION

With the passage of Measure M in Fall 2016, Los Angeles County voters secured long term funding for transportation infrastructure development to improve transportation and ease traffic congestion. Since then, Metro's budget has continually grown to expand and improve Transit and Highway systems throughout the County.

The preliminary FY21 Transportation Infrastructure Development Program budget is projected at \$2.4 billion, and is reported under three major groups:

- 1) Transit Expansion: includes Light Rail, Heavy Rail, Bus Rapid Transit Construction and early planning efforts before construction;
- 2) Highways: includes the frontend planning, preliminary engineering and project implementation support for Highway Improvement as approved in Measure M, Measure R, as well as non-Measure R/ Measure M highway related projects;
- 3) Regional Rail: includes Metro Regional Rail projects and Metrolink Operations / Capital Program funding.

Figure 1: FY20 vs FY21 Transportation Infrastructure Development Budget

| Transportation Infrastructure Development (\$ in millions) | | FY20 Adopted | FY21 Preliminary | Difference |
|---|--|-------------------------|-----------------------------|-------------------|
| 1 | Measure R/M Transit Construction | \$ 1,878.1 | \$ 1,637.4 | \$ (240.7) |
| 2 | Measure R/M Transit Planning | 88.6 | 148.6 | 60.0 |
| 3 | Program Control & Support | 12.0 | 15.5 | 3.5 |
| 4 | Transit Expansion Program Total | \$ 1,978.6 | \$ 1,801.5 | \$ (177.1) |
| 5 | Measure R/M Highway Projects | \$ 307.4 | \$ 394.5 | \$ 87.1 |
| 6 | Non-Measure R/M Highway Projects | 16.4 | 17.5 | 1.1 |
| 7 | Highways Program Total | \$ 323.8 | \$ 412.0 | \$ 88.2 |
| 8 | Metro Regional Rail | \$ 66.8 | \$ 67.9 | \$ 1.1 |
| 9 | Metrolink Operating & Capital Projects | 111.3 | 115.5 | 4.2 |
| 10 | Regional Rail Program Total | \$ 178.1 | \$ 183.4 | \$ 5.3 |
| 11 | Grand Total | \$ 2,480.5 | \$ 2,396.9 | \$ (83.6) |

1) Transit Expansion

Metro continues to expand LA County’s rail network, and a full slate of transformational rail projects are advancing in the construction and planning pipelines across multiple years. The cash flow need for transit construction in FY21 is proposed at \$1.6 billion (Figure 2).

The Transit Planning budget line of \$149 million encompasses the first decade and beyond of Measure R and Measure M Projects per Ordinance. These studies will advance transit projects through the early conceptual planning and environmental clearance stages to a state of readiness for future construction activities. In doing so, Metro leverages Measure R and Measure M funds to maximize the potential for additional funding sources.

Figure 2: Transit Expansion Projects

| Transit Expansion (\$ in millions) | | FY20 Adopted | FY21 Preliminary | Difference |
|---------------------------------------|--|-------------------|---------------------|-------------------|
| 1 | Measure R/M Transit Construction | | | |
| 2 | Westside Purple Line Extension Section 1 | \$ 283.5 | \$ 236.3 | \$ (47.2) |
| 3 | Westside Purple Line Extension Section 2 | 312.3 | 192.8 | (119.5) |
| 4 | Westside Purple Line Extension Section 3 | 457.3 | 410.2 | (47.1) |
| 5 | Division 20 Portal Widening & Turnback | 85.0 | 119.3 | 34.4 |
| 6 | Westside Purple Line Extension Subtotal | \$ 1,138.0 | \$ 958.6 | \$ (179.4) |
| 7 | Regional Connector Light Rail Transit | \$ 220.2 | \$ 208.2 | \$ (12.0) |
| 8 | Crenshaw/LAX Light Rail Transit | 224.5 | 108.8 | (115.7) |
| 9 | Gold Line Foothill Extension Phase 2 | 163.2 | 132.8 | (30.4) |
| 10 | East San Fernando Valley Light Rail Transit | 27.2 | 67.4 | 40.2 |
| 11 | Airport Metro Connector | 68.8 | 112.5 | 43.7 |
| 12 | Expo Light Rail Transit Close Out | 3.0 | 1.9 | (1.1) |
| 13 | Metro Orange Line Improvements | 21.3 | 32.5 | 11.2 |
| 14 | Inerstate 105 Express Lanes | 2.5 | 4.4 | 2.0 |
| 15 | Interstate 405 Sepulveda Express Lanes | 2.3 | 2.3 | (0.0) |
| 16 | Business Interruption Fund | 7.0 | 8.0 | 1.0 |
| 17 | Measure R/M Transit Construction Total | \$ 1,878.1 | \$ 1,637.4 | \$ (240.7) |
| 18 | Measure R/M Transit Planning | | | |
| 19 | West Santa Ana Branch Transit Expansion | \$ 53.7 | \$ 47.8 | \$ (5.8) |
| 20 | Sepulveda Transit Corridor | 3.7 | 19.9 | 16.2 |
| 21 | Eastside Light Rail Access | 9.0 | 17.8 | 8.8 |
| 22 | Red Line / Orange Line Bus Rapid Transit Connector | 3.2 | 16.4 | 13.2 |
| 23 | Eastside Light Rail Transit Extension Phase 2 | 9.2 | 15.0 | 5.8 |
| 24 | Green Line Extension to Redondo Beach South Bay | 3.2 | 13.4 | 10.2 |
| 25 | Vermont Transit Corridor | 1.2 | 8.1 | 6.9 |
| 26 | Crenshaw Northern Extension | 2.0 | 7.7 | 5.7 |
| 27 | North San Fernando Valley Bus Rapid Transit | 3.4 | 2.4 | (1.0) |
| 28 | Measure R/M Transit Planning Total | \$ 88.6 | \$ 148.6 | \$ 60.0 |
| 29 | Program Control & Support Total | \$ 12.0 | \$ 15.5 | \$ 3.5 |
| 30 | Transit Expansion Grand Total | \$ 1,978.6 | \$ 1,801.5 | \$ (177.1) |

Westside Purple Line Extension Section 1 (WSE PLE1)

The WSE PLE1 FY21 preliminary budget of \$236 million supports the continued advancement of tunneling and station construction activities for the 3.92 mile section alignment through Mid-Wilshire. Overall Section 1 completion is around 56% with a planned Revenue Service Date in 2023.

Westside Purple Line Extension Section 2 (WSE PLE2)

The WSE PLE2 FY21 preliminary budget of \$193 million supports station construction activities, launching of the tunneling boring machine (TBM) for tunneling of the 2.59 mile section alignment through Beverly Hills. Overall Section 2 completion is around 25% with a planned Revenue Service Date in 2025.

Westside Purple Line Extension Section 3 (WSE PLE3)

The WSE PLE3 FY21 preliminary budget of \$410 million supports final design activities, acquisition of vital Right-of-Way parcels and early station construction within the 2.56-mile section alignment through Westwood. Overall Section 3 completion is around 6% with a planned Revenue Service Date in 2027.

Division 20 Portal Widening and Improvements

The Division 20 Portal/Widening Improvements FY21 preliminary budget of \$119 million will advance a critical project needed to meet the headway requirements for the entire Purple Line and extension. FY21 funding will support construction of the portal, site-work and systems components in Downtown LA near the Arts District.

Regional Connector

The Regional Connector FY21 preliminary budget of \$208 million supports station construction and tunneling activities within the 1.9 mile alignment in Downtown LA. Overall project completion is 63% with a planned Revenue Service Date in 2022 (Summer/Fall).

Crenshaw/LAX

The Crenshaw/LAX FY21 preliminary budgets of \$108 million are for critical systems integration testing and Pre-Revenue Operational activities within the 8.5-mile alignment from Crenshaw/Expo to LAX. Overall project completion is 95% with a planned Substantial Completion Date in Fall 2020.

Gold Line Foothill Extension Phase 2B

The Gold Line Foothill Extension Phase 2B FY21 preliminary budget of \$133 million supports the final design effort, early and heavy construction activities beyond Azusa.

Other Significant Transit Projects

The Orange Line BRT Improvements FY21 preliminary budget of \$33 million supports right-of-way acquisitions, final design and advanced utility relocations in the San Fernando Valley.

The East San Fernando Valley Transit Corridor FY21 preliminary budget of \$67 million supports right-of-way acquisitions and advanced utility relocations.

The Airport Metro Connector FY21 preliminary budget of \$113 million supports construction activities to connect the Crenshaw/LAX LRT to LAX at Aviation and 96th street.

Planning Studies for Measure R and Measure M Transit Projects

The Planning Studies preliminary FY21 budget of \$149 million encompasses the first decade and beyond of MR/MM projects. This includes but is not limited to conceptual engineering, environmental clearance, and right-of-way acquisition. Completion of the planning phase supports a state of readiness to advance the project into construction.

2) Highways

The Highway Program continues to grow year over year as a variety of projects enter construction phases. The Highway Program is different from the Transit Construction Program in that completed projects are a non-Metro owned capital asset despite the similarities in delivery and construction installation. For most Highway projects, Metro oversees the planning and early engineering phases, then hands the project over to Caltrans to execute right-of-way acquisitions and construction. Upon completion, Highway projects are capitalized as a Caltrans asset with Caltrans assuming primary responsibility for operations and maintenance.

Total Highway Program FY21 preliminary budget is \$412 million, representing an \$88 million increase from FY20's adopted budget of \$324 million (Figure 3), driven primarily by real-estate acquisition.

Figure 3: Highway Program

| Highway Program (\$ in millions) | | FY20 Adopted | FY21 Preliminary | Difference |
|---|--|-----------------|---------------------|----------------|
| Measure R / M Highway Projects | | | | |
| 1 | Alameda Corridor East Grade Separations Phase 2 | \$ 30.0 | \$ 72.1 | \$ 42.1 |
| 2 | Interstate 605 Corridor "Hot Spot" Improvements | 42.2 | 68.7 | 26.4 |
| 3 | Interstate 5 North Capacity Enhance SR-14 to Kern County Line (Truck Lanes) | 20.7 | 42.0 | 21.3 |
| 4 | SR-57/SR-60 Interchange Improvements | 23.4 | 38.6 | 15.2 |
| 5 | Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improve (South Bay) | 20.7 | 33.4 | 12.7 |
| 6 | Countywide Sound Wall Assessment & Constructions | 25.8 | 25.0 | (0.8) |
| 7 | Interstate 5 Capacity Enhancement from SR-134 to SR-170 | 21.9 | 20.0 | (2.0) |
| 8 | State Route 138 Capacity Enhancements | 27.6 | 19.5 | (8.1) |
| 9 | Interstate 5 Capacity Enhancement from I-605 to Orange County Line | 25.6 | 18.3 | (7.3) |
| 10 | Interstate 710 North Gap* | 0.8 | 15.2 | 14.4 |
| 11 | Interstate 710 South and/or Early Action Projects | 31.6 | 12.8 | (18.8) |
| 12 | Highway Operational Improvements in Las Virgenes/Malibu Subregion | 15.2 | 9.2 | (6.0) |
| 13 | Highway Operational Improvements in Arroyo Verdugo Subregion | 13.7 | 7.7 | (6.0) |
| 14 | Interstate 5 / St. Route 14 Capacity Enhancement | 1.5 | 5.4 | 4.0 |
| 15 | Interstate 5 Corridor Improvements (I-605 to I-710) | 0.5 | 2.7 | 2.2 |
| 16 | Highway Efficiency Program | 1.6 | 1.8 | 0.2 |
| 17 | Transportation System and Mobility Improvement Program | 1.5 | 0.9 | (0.6) |
| 18 | Highway Demand Based Prog. (HOV Ext. & Connect) | 1.6 | 0.5 | (1.1) |
| 19 | Highway Operational Improvements | - | 0.5 | 0.5 |
| 20 | High Desert Corridor (environmental) | 1.5 | 0.4 | (1.1) |
| 21 | Measure R / M Highway Projects Total | \$ 307.4 | \$ 394.5 | \$ 87.1 |
| Non-Measure R / M Highway Projects | | | | |
| 22 | Interstate 210 Barrier Replacement | \$ 7.9 | \$ 14.8 | \$ 6.9 |
| 23 | Highway Planning & Admin | 4.9 | 2.7 | (2.2) |
| 24 | Caltrans Property Maintenance | 3.5 | - | (3.5) |
| 25 | Interstate 405 Car Pool Lane | 0.1 | - | (0.1) |
| 26 | Non-Measure R / M Highway Projects Total | \$ 16.4 | \$ 17.5 | \$ 1.1 |
| 27 | Highway Program Grand Total | \$ 323.8 | \$ 412.0 | \$ 88.2 |

* Budget for this project is for the Transportation System Management/Transportation Demand Management projects.

The preliminary budget is largely comprised of the MR/MM funded projects and includes funding for the Sub-Regional Highway Program. A semi-annual report is also provided by the Highway Department under Program Management to update the Board on the status of Sub-Regional Highway Projects.

3) Regional Rail

Metro’s Regional Rail program consists of Metro’s Operating and Capital support of the Metrolink commuter rail system as well as Metro managed regional rail capital expansion, development, construction, and corridor studies as shown in Figure 4.

Figure 4: Preliminary FY21 Regional Rail Program

| Regional Rail Program (\$ in millions) | | FY20 Adopted | FY21 Preliminary | Difference |
|---|--|-----------------|---------------------|---------------|
| 1 | Metro Regional Rail | | | |
| 2 | Link US | \$ 26.0 | \$ 30.0 | \$ 4.0 |
| 3 | Rosecrans / Marquardt Grade Separation | 25.9 | 25.0 | (0.9) |
| 4 | Brighton to Roxford Double Tracking | 2.6 | 3.5 | 0.9 |
| 5 | Doran Street Grade Separation | 3.4 | 3.0 | (0.4) |
| 6 | Lone Hill to CP White | 0.7 | 2.5 | 1.8 |
| 7 | Other Regional Rail Projects | 8.1 | 3.9 | (4.2) |
| 8 | Metro Regional Rail Total | \$ 66.8 | \$ 67.9 | \$ 1.1 |
| 9 | Metrolink | | | |
| 10 | Metrolink Operating | \$ 81.2 | \$ 85.5 | \$ 4.3 |
| 11 | Metrolink Capital & State of Good Repair | 30.1 | 30.0 | (0.1) |
| 12 | Metrolink Total | \$ 111.3 | \$ 115.5 | \$ 4.2 |
| 13 | Regional Rail Program Grand Total | \$ 178.1 | \$ 183.4 | \$ 5.3 |

Metro Regional Rail - Overview

Metro is responsible for overseeing the planning, programming and implementation of commuter rail projects in LA County that are or will be operated by other agencies such as Southern California Regional Rail Authority (aka “Metrolink”), Amtrak, California High Speed Rail Authority, and freight. Metro also manages and coordinates capital improvement projects along approximately 150 miles of Metro owned and Metrolink operated railroad right-of-way.

Metro Regional Rail - Capital Improvements

The LINK US project at Los Angeles Union Station (LAUS) will expand the overall capacity and operational efficiency of LAUS for rail operations. The FY21 increase is driven by the expected acquisition of real estate parcels adjacent to the station. Other major activities include property acquisition, final design and procurement for the Rosecrans/Marquardt grade crossing project, identified by the State of California as the top priority grade crossing separation project in the state, and design for the Brighton to Roxford double tracking project in the east San Fernando Valley.

Metrolink Commuter Rail

Funding for Metrolink commuter rail operations anticipates maintaining service as current levels, with minor increases in funding to accommodate labor, overhead and contractual increases. Also included in the budget is Metro’s support for the 25% San Bernardino fare discount program, enhanced fare enforcement and security on the Antelope Valley Line, and funds to operate special train service to select events such as Ram/USC games, the annual Women’s March and other events. Funding is also included to ensure the cash flow requirements of previously approved capital and state of good repair projects continue uninterrupted.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The assumptions described above are the budget planning parameters, and will guide the development of the FY21 Budget. They may be adjusted as more specific and updated information becomes available.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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 stated goal of improving transportation in Los Angeles County.

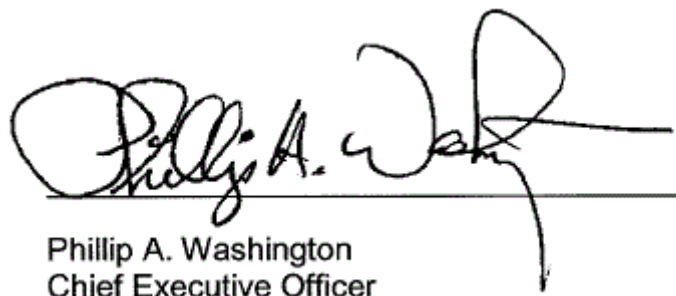
NEXT STEPS

Metro staff will continue to finalize the FY21 Budget Proposal and provide monthly receive-and-file update reports until Budget Adoption. Staff will also conduct outreach to stakeholder groups for in-depth and technical discussions of Transit Services and Transportation Programs included in the FY21 Proposed Budget.

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Phillip A. Washington
Chief Executive Officer

Fiscal Year 2021 Budget Development Update

Finance, Budget and Audit Committee
February 19, 2020

Budget Process & Schedule Timeline

Month Topic

January FY21 Budget Development Process

- Budget Process and Schedule
- Sales Tax Forecast, Resources Assumption
- Cost Inflation Estimate
- Stakeholder Outreach Plan



February Budget Development Process and Schedule New Infrastructure Planning & Construction

- New Transit System: Rail, Rapid Transit
- Highway
- Regional Rail

❖ *Operations will independently provide Bus and Rail Revenue Service Hours (RSH) in the Operations, Safety, and Customer Experience Committee*

March Transit Operations and Metro State of Good Repair (SGR)

- Metro Transit – Operations & Maintenance Expense
- Metro Transit – State of Good Repair

April Regional Subsidy & Other Operating Programs

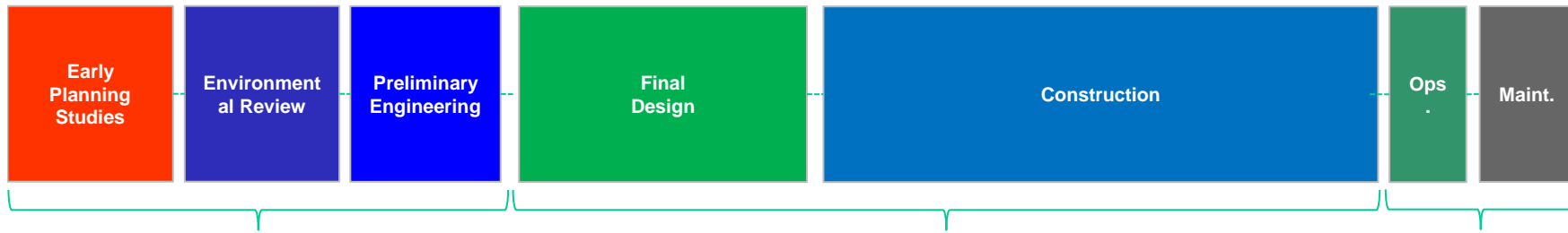
- Subsidy to Regional Partners
- Other Agency-wide Programs

May FY21 Budget Adoption (Planned)

- Consolidated Agency-wide Expenses and FTEs Budget Proposal
- Public Hearing on May 20, 2020
- Summary of Public Comment and Stakeholder Review
- Final Board Adoption on May 28, 2020

Transportation Infrastructure Developments: Transit Expansion

Life of a Project



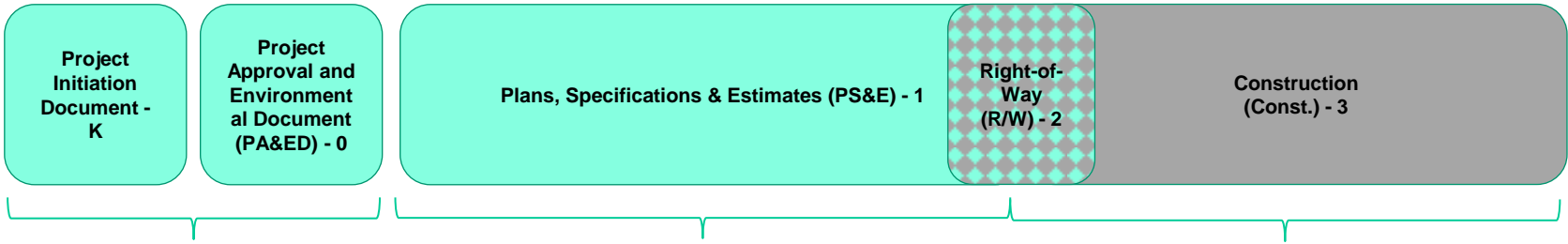
| Transit Expansion - Planning (\$ in millions) | FY21 Preliminary |
|--|---------------------|
| 4 Pillar Projects | |
| 1 West Santa Ana Branch Transit Expansion | \$ 47.8 |
| 2 Sepulveda Transit Corridor | 19.9 |
| 3 Eastside Light Rail Transit Extension Phase 2 | 15.0 |
| 4 Green Line Extension to Redondo Beach South Bay | 13.4 |
| 4 Pillar Projects Subtotal | \$ 96.2 |
| 5 Eastside Light Rail Access | \$ 17.8 |
| 6 Red Line / Orange Line Bus Rapid Transit Connector | 16.4 |
| 7 Vermont Transit Corridor | 8.1 |
| 8 Crenshaw Northern Extension | 7.7 |
| 9 North San Fernando Valley Bus Rapid Transit | 2.4 |
| Other Transit Planning Project Subtotal | \$ 52.5 |
| Transit Planning Total | \$ 148.6 |

| Transit Expansion - Construction (\$ in millions) | FY21 Preliminary |
|--|---------------------|
| Measure R/M Transit Construction | |
| 10 Westside Purple Line Extension | \$ 958.6 |
| 11 Regional Connector Light Rail Transit | 208.2 |
| 12 Crenshaw/LAX Light Rail Transit | 108.8 |
| 13 Gold Line Foothill Extension Phase 2 | 132.8 |
| 14 East San Fernando Valley Light Rail Transit | 67.4 |
| 15 Airport Metro Connector | 112.5 |
| 16 Expo Light Rail Transit Close Out | 1.9 |
| 17 Metro Orange Line Improvements | 32.5 |
| 18 Business Interruption Fund | 8.0 |
| Measure R/M Transit Construction Total | \$ 1,630.6 |

I-105 and I-405 Express Lane projects moved to Highway Program

Transportation Infrastructure Developments: Highway Program

Highway Capital



| Highway Program (\$ in millions) | FY21 Preliminary |
|---|------------------|
| Planning Phase | |
| High Desert Corridor (environmental) | \$ 1.5 |
| Interstate 105 Express Lanes* | 4.4 |
| Interstate 405 Sepulveda Express Lanes* | 2.3 |
| Interstate 5 Corridor Improvements (I-605 to I-710) | 2.7 |
| Interstate 5 / St. Route 14 Capacity Enhancement | 5.4 |
| Interstate 710 North Gap | 15.2 |
| Planning Phase Subtotal | \$ 31.6 |

* Express Lane projects included in Highway Program

| Highway Program (\$ in millions) | FY21 Preliminary |
|---|------------------|
| Plans, Spec & Estimates | |
| Interstate 210 Barrier Replacement | \$ 14.8 |
| State Route 138 Capacity Enhancements | 19.5 |
| SR-57/SR-60 Interchange Improvements | 38.6 |
| Plans, Spec & Estimates Subtotal | \$ 72.9 |

| Highway Program (\$ in millions) | FY21 Preliminary |
|---|------------------|
| Construction | |
| I-5 Capacity Enhancement from I-605 to O.C. | \$ 18.3 |
| I-5 Capacity Enhancement from SR-134 to SR-170 | 20.0 |
| I-5 North Capacity Enhance SR-14 to Kern County | 42.0 |
| Construction Subtotal | \$ 80.2 |

| Highway Program (\$ in millions) | FY21 Preliminary |
|--|------------------|
| Project Segments in Various Phases | |
| Alameda Corridor East Grade Separations Phase 2 | \$ 72.1 |
| Countywide Sound Wall Assess & Constructions | 25.0 |
| Highway Demand Based Prog. (HOV Ext. & Connect) | 0.5 |
| Highway Efficiency Program | 1.8 |
| Highway Operational Improvements | 0.5 |
| Highway Operational Improve in Las Virgenes/Malibu | 9.2 |
| Highway Operational Improve in Arroyo Verdugo | 7.7 |
| Interstate 605 Corridor "Hot Spot" Improvements | 68.7 |
| I-405 I-110 I-105 SR-91 Ramp & Interchange Improve | 33.4 |
| Interstate 710 South and/or Early Action Projects | 12.8 |
| Transportation System and Mobility Improvement | 0.9 |
| Various Phases Subtotal | \$ 232.4 |



Regional Rail

| Regional Rail Program (\$ in millions) | FY20 | FY21 | Difference |
|---|-----------------|-----------------|---------------|
| | Adopted | Preliminary | |
| Metro Regional Rail | | | |
| Link US | \$ 26.0 | \$ 30.0 | \$ 4.0 |
| Rosecrans / Marquardt Grade Separation | 25.9 | 25.0 | (0.9) |
| Brighton to Roxford Double Tracking | 2.6 | 3.5 | 0.9 |
| Doran Street Grade Separation | 3.4 | 3.0 | (0.4) |
| Lone Hill to CP White | 0.7 | 2.5 | 1.8 |
| Other Regional Rail Projects | 8.1 | 3.9 | (4.2) |
| Metro Regional Rail Total | \$ 66.8 | \$ 67.9 | \$ 1.1 |
| Metrolink | | | |
| Metrolink Operating | \$ 81.2 | \$ 85.5 | \$ 4.3 |
| Metrolink Capital & State of Good Repair | 30.1 | 30.0 | (0.1) |
| Metrolink Total | \$ 111.3 | \$ 115.5 | \$ 4.2 |
| Regional Rail Program Grand Total | \$ 178.1 | \$ 183.4 | \$ 5.3 |

- Metro responsible for overseeing the planning, programming and implementing commuter rail projects in L.A. County
- Preliminary FY21 budget for Metro-managed projects at \$68 million
- Preliminary subsidy to Metrolink at \$116 million, includes:
 - San Bernardino's 25% fare discount program
 - Enhanced fare enforcement and security on Antelope Valley Line
 - Train service to select events such as Ram/USC games, annual Women's March, etc

FY21 Budget – Community Outreach

Take Ones/Bus & Rail Cards

February - May

Stakeholder/Public Meetings

- Internal Stakeholders
BOS, LTSS, Streets & Freeways, TAC, CAC
- Service Councils
San Gabriel Valley
San Fernando Valley
Gateway Cities
South Bay
West Side/Central
- Public Hearing
- Other meetings as requested

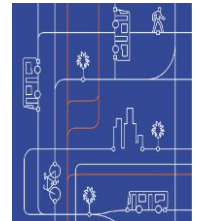
April - May

Telephone Town Hall



- Greater Public Participation

- Partnering with NextGen



- Learn about the FY21 Budget

April 1st

FY21 Budget – Outreach Schedule

| Type | Description | Dates |
|----------------------------|---|--|
| Board Updates | Monthly Board Reports will provide status of budget outreach process and activities | Finance, Budget & Audit Committee Feb/Mar/Apr/May |
| Board Staff Briefings | Meeting will be held on specific budget topics with all departments | Focused Briefings Feb/Mar/Apr/May |
| Stakeholder Meetings | Technical Advisory Committee (TAC) Citizens Advisory Council (CAC) Bus Operator Subcommittee (BOS) Local Transit Systems Subcommittee (LTSS) Streets & Freeways Committee | Apr 1 Apr 3 Apr 7 Apr 16 Apr 16 |
| Public | Service Council Meetings - Los Angeles County Telephone Town Hall Meeting Blog posts on theSource Metro TakeOnes Car Cards - Bus & Rail Public Hearing On-Line Feedback Budget Video Email for public to provide comments Website to provide the latest budget information | Apr 1 - Apr 13 Apr 1 Feb/Mar/Apr/May Feb/Mar/Apr/May Mar/Apr/May May 20 year-round year-round year-round year-round |
| Board and Deputy Briefings | Will be scheduled as requested with each of the Board offices | May as requested |

Next Steps

- **Monthly Board Status Update until Targeted May Budget Adoption**
 - Itemized review of revenues and expenses
 - Detailed program/project listing and operation assumptions
 - Analysis of highlighted programs
 - Highlighting mitigation efforts to address upcoming challenges in order to balance the budget for FY21
- **Upcoming Outreach Events**
 - Stakeholder and Council Meetings starting April 1st
 - Telephone Town Hall: April 1st
- **Public hearing of the proposed budget will take place on May 20th**
- **Final Board adoption expected on May 28th**
 - Board adoption legally required before fiscal year start



Board Report

File #: 2020-0075, **File Type:** Informational Report

Agenda Number:

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 19, 2020**

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2020 SECOND QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Management Audit Services (MAS) quarterly report for the period ending December 31, 2019.

ISSUE

MAS is required to provide a quarterly activity report to Metro's Board of Directors that includes information on audits that have been completed or in progress including information related to audit follow-up activities.

BACKGROUND

It is customary practice for Metro's Management Audit Services to deliver the quarterly audit report. This report covers Q2 of FY2020.

DISCUSSION

MAS provides audit support to Metro's Chief Executive Officer (CEO) and the CEO's senior leadership team in support of the agency's ability to provide responsive, accountable and trustworthy governance. The department performs internal or 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 which are Performance Audit; Contract; Financial and Compliance Audit; and Audit Support. Performance Audit is primarily responsible for all 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 departments. Contract, Financial and Compliance Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. MAS's functional units provide assurance to the public that internal processes are efficiently, economically, ethically, and equitably performed by conducting audits of

program effectiveness; and results in economy and efficiency, internal controls, and compliance. Audit Support is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

The summary of MAS activity for the quarter ending December 31, 2019 is as follows:

Internal Audits: Four internal audits were completed during the second quarter; and 10 internal audits were in progress.

Contract, Financial and Compliance Audits: Four contract, financial and compliance audits with a total value of \$14 million were completed during the second quarter; and 67 contract, financial and compliance audits were in progress.

Other Audits: Seventeen other audits were issued by external CPA firms.

Audit Follow-up and Resolution: Fifteen recommendations were closed during the second quarter.

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG) which two OIG recommendations were closed during the reporting period.

Management Audit Services' Second Quarter FY2020 report is included as Attachment A.

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.

NEXT STEPS

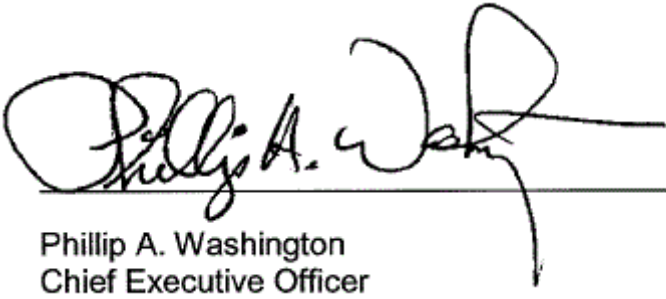
Management Audit Services will submit the Receive and File report for Q3 FY2020 audit activity in May 2020.

ATTACHMENT

Attachment A - Management Audit Services Second Quarterly FY2020 Report

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

Reviewed by: Shalonda Baldwin, Chief Auditor, Interim
(213) 418-3265



Phillip A. Washington
Chief Executive Officer

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

**Los Angeles County Metropolitan
Transportation Authority**

***Second Quarter
FY 2020***



Metro™

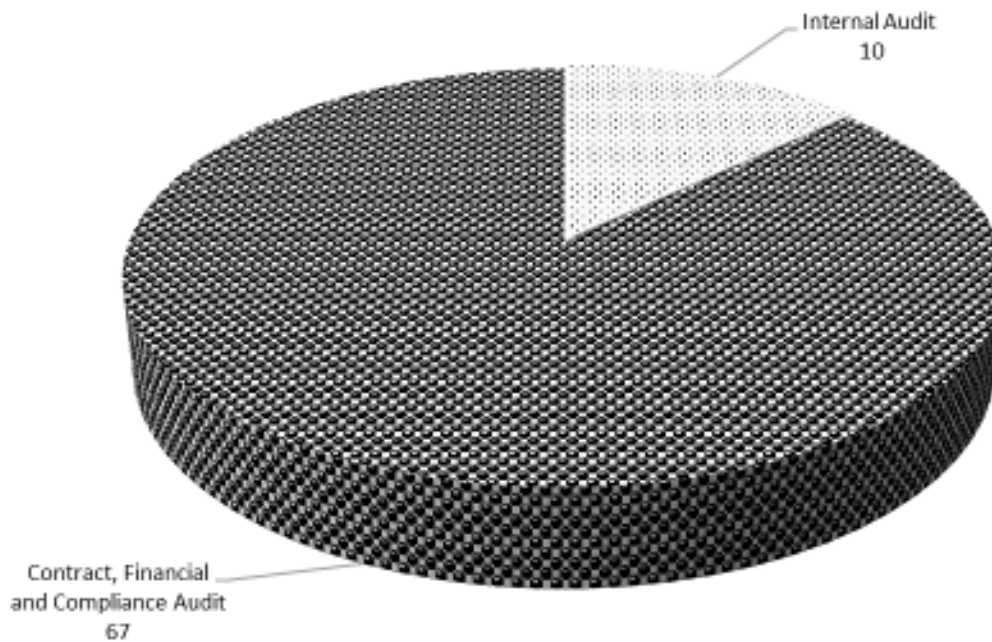
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EXECUTIVE SUMMARY

Summary of In Progress Audit Activity

Management Audit Services (MAS) have seventy-seven in progress projects as of December 31, 2019; which include 10 internal audits and 67 contract, financial and compliance audits. The in progress internal audits are listed in Appendix A.



There are 50 open audit recommendations as of December 31, 2019. In addition, there are 96 open OIG audit recommendations.

EXECUTIVE SUMMARY

Summary of Q2 Completed Audit Activity

MAS completed 25 projects and closed 17 recommendations during Q2 FY 2020, October 1 through December 31, 2020.

The projects comprised of 4 internal audits; 4 contract, financial and compliance audits; 17 other audits and are as follow:

Internal Audits

- Independent Auditor's Compliance Report on Metro's Business Interruption Fund (BIF) Pilot Program;
- Independent Accountant's Report on Agreed-Upon Procedures over Assets Purchased by Metro for Los Angeles County Sheriff's Department (LASD);
- Performance Audit of the Rail Communications Systems; and
- Performance Audit of the Supervisory Control and Data Acquisition (SCADA) Security Controls.

Contract, Financial and Compliance Audits

- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Incurred Cost of Gateway Cities' Goods Movement National Highway System (NHS) Access Design and Implementation Project – Phase II;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Incurred Cost of County of Los Angeles' Del Amo Boulevard Improvements from Vermont Avenue to Western Avenue Project;
- Independent Auditor's Report on Agreed-Upon Procedures of ILF Consultants, Inc.'s final indirect cost rates for fiscal year 2017 for the Division 20 Portal Widening Turnback Project; and
- Independent Auditor's Report on Agreed-Upon Procedures of LKG-CMC, Inc.'s final indirect cost rates for fiscal years ending September 30, 2011 and September 30, 2012 for the Regional Connector Transit Corridor Project.

Other Audits

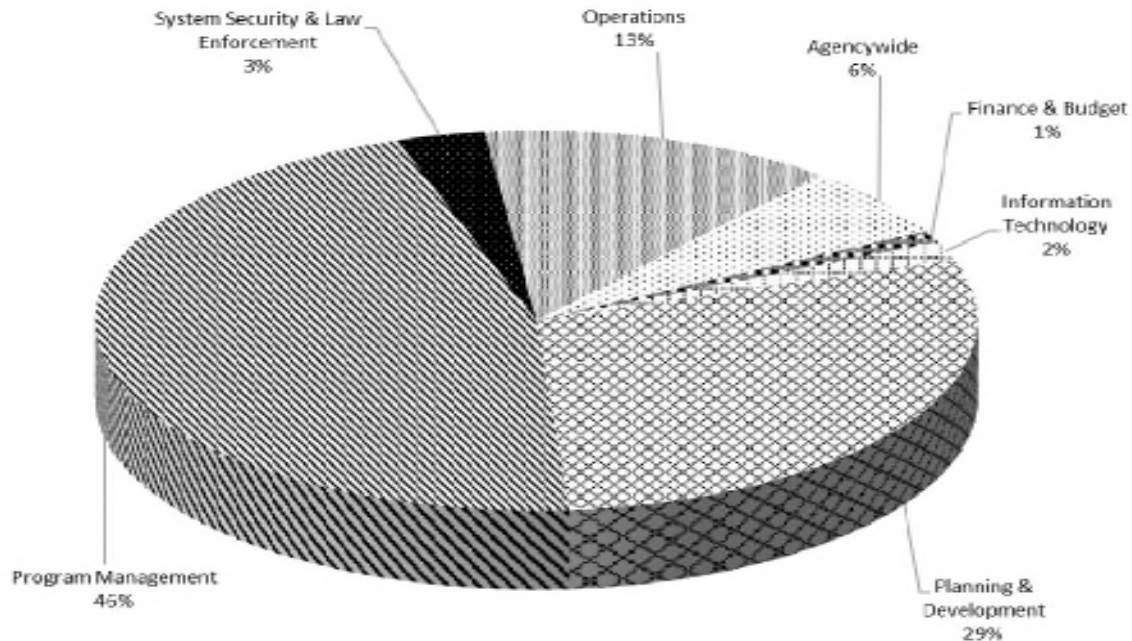
- Seventeen other audits issued by external Certified Public Accountant (CPA) firms.

Audit Follow-Up:

- Fifteen recommendations were closed during the second quarter. In addition, MAS closed two OIG recommendations.

EXECUTIVE SUMMARY

The following chart identifies the functional areas which MAS staff focused efforts during Q2 FY 2020:



The internal audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The other audits issued by external CPA firms are highlighted on page 6. A summary of closed and open audit recommendations for MAS and OIG are included on page 9.

INTERNAL AUDITS

The following four internal audits were issued in Q2 FY 2020:

Performance Audit of the Supervisory Control and Data Acquisition (SCADA) Security Controls

MAS contracted with BCA Watson Rice LLP (BCA), the independent external auditing firm, to conduct a performance audit of Metro's SCADA system. The audit objective was to determine the adequacy of the security for the SCADA system. BCA found that overall the SCADA System has security measures in place and staff go through great lengths to protect the security of the SCADA System. Management concurred with all recommendations and is implementing the corrective actions.

Performance Audit of the Rail Communications Systems

MAS contracted with BCA to conduct a performance audit of the Rail Communications (RailComm) Systems security. The audit objective was to determine the adequacy of the security of the Rail Communications Systems. BCA found that overall the RailComm Systems have security measures in place and the staff go through lengths to protect the security of its system and operations. Management concurred with all recommendations and is implementing the corrective actions.

Independent Accountant's Report on Agreed-Upon Procedures over Assets Purchased by Metro for Los Angeles County Sheriff's Department (LASD)

MAS contracted with BCA to provide a report on agreed-upon procedures over assets purchased by Metro for LASD contracts. The engagement was part of the Board approved FY19 Annual Audit Plan. The scope of engagement was to assist Metro in confirming the existence, condition and current disposition of assets purchased by Metro, but deployed and managed by LASD under security service contracts between Metro and LASD from 2008 through September 2019.

The auditors found that all, but one of 64 assets tested were accounted for, and LASD confirmed possession of the one missing asset. Fifty-seven (57) assets were verified by physical inspection and remain in service. The others were disposed of, reassigned or are in Metro custody. Metro and LASD management will work together to resolve issues noted related to the ownership and disposition of some of the assets.

Independent Auditor's Compliance Report on Metro's Business Interruption Fund (BIF) Pilot Program

MAS contracted with BCA to complete an independent auditor's report on Pacific Coast Regional Small Business Development Corporation's (PCR) annual compliance with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures. The engagement was part of the Board approved FY19 Annual Audit Plan. The auditors found that PCR complied, in all materials respects, with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures during the period March 1, 2018 to February 28, 2019.

CONTRACT, FINANCIAL AND COMPLIANCE AUDITS

MAS' Contract, Financial and Compliance Audit unit conducts audits of Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, including various other transportation related projects and Caltrans projects. The purpose of the Contract, Financial and Compliance Audit is to ensure that funds are expended in accordance with the terms of the grants and/or contracts including federal cost principles.

MAS staff completed four contract, financial and compliance audits during Q2 FY 2020. MAS staff reviewed \$14 million of funds and identified \$2.8 million or 20% of funds that may be reprogrammed.

Details on Contract, Financial and Compliance Audits completed during Q2 FY 2020 are included in Appendix B.

OTHER AUDITS

Other audits completed during Q2 FY 2020 by external CPA firms include:

Gateway Center Basic Financial Statements – Issued November 2019

Metro acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.

We contracted BCA to conduct an audit of the financial statements for this entity for the year ended June 30, 2019. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

Los Angeles Union Station Property Basic Financial Statements – Issued November 2019

Metro acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.

We contracted BCA to conduct an audit of the financial statements for this entity for the year ended June 30, 2019. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

Metro ExpressLanes Fund Financial Statements – Issued November 2019

Metro ExpressLanes started as a one-year demonstration program that tested innovations to improve existing transportation systems in three sub-regions: San Gabriel Valley, Central Los Angeles, and South Bay. The first Metro ExpressLanes commenced revenue operations in November 2012 on the I-110 Harbor Freeway, between Adams Blvd. and the 91 freeway. The second began revenue operations in February 2013 on the I-10 El Monte Freeway between Alameda St. and the 605 Freeway. In April 2014, the Board voted unanimously to make the ExpressLanes on the I-110 and I-10 Freeways permanent. Later that year the California State Legislature approved a motion making the toll lanes permanent in Los Angeles and that the Governor sign it to become official.

An audit of the financial statements of Metro ExpressLanes, an enterprise fund of Metro, was performed by BCA for the fiscal year ended June 30, 2019. BCA found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes Fund as of June 30, 2019.

PTSC-MTA Risk Management Authority (PRMA) Basic Financial Statements – Issued November 2019

In October 1998, the Public Transportation Services Corporation (PTSC) and Metro entered into a joint powers agreement to create the PRMA for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA receives all its funding from Metro and PTSC. As PTSC also receives its funding from Metro, PRMA is a component unit of Metro and is included in its financial statements as a blended component unit.

OTHER AUDITS

An audit of PRMA's financial statements by an independent CPA firm is required annually. We contracted BCA to conduct the audit for the fiscal year ended June 30, 2019. BCA found that the financial statements present fairly, in all material respects, the financial position of PRMA as of June 30, 2019.

Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds – Issued November 2019

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by Metro with the provisions of Propositions A and C.

BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2019. The auditor found that the schedules present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2019. As required by law, BCA presented the results of the audit to the Independent Citizen's Advisory Oversight Committee in February 2020.

Schedule of Revenues and Expenditures for Measure R Special Revenue Fund – Issued November 2019

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Metro complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year.

BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2019. The auditor found that the schedule present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. As required by law, BCA will present their audit report to the Measure R Independent Taxpayers Oversight Committee.

Schedule of Revenues and Expenditures for Measure M Special Revenue Fund – Issued November 2019

The voter approved Measure M Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Metro complies with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year.

BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure M Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2019. The auditor found that the schedule present fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal

OTHER AUDITS

year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. As required by law, BCA will present their audit report to the Measure M Independent Taxpayer Oversight Committee in March 2020.

Regional Transit Access Pass (TAP) Service Center TAP Settlement and Clearing Account – Basic Financial Statements – Issued November 2019

Los Angeles TAP was created by Metro through Board action to implement a region-wide universal fare system which provides a fully integrated, electronic fare collection system that allows seamless multi-modal travel throughout the region using smart card technology. This universal fare system is known today as the Regional TAP Program. The Regional TAP Program is managed by the Regional TAP Service Center utilizing Metro staff resources.

We contracted BCA to conduct an audit of the financial statements for the year ended June 30, 2019. The auditor found that the statement of net position present fairly, in all material respects, the financial position of the Regional TAP Service Center Settlement and Clearing Accounts as of June 30, 2019.

Basic Financial Statements and Component Audits – All parts issued by December 2019

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the year ended June 30, 2019:

- Comprehensive Annual Financial Report;
- Single Audit Report for fiscal year ended June 30, 2019;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2019;
- Transportation Development Act Operations Agency for the fiscal year ended June 30, 2019;
- Transportation Development Act Schedule of Revenues, Expenditures and Changes in Fund Balances for the fiscal year ended June 30, 2019;
- State Transit Assistance Special Revenue Fund's financial statements as of and for the years ended June 30, 2019 and 2018;
- Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements as of June 30, 2019;
- Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements for the year ended June 30, 2019; and
- Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the fiscal year ended June 30, 2019.

Crowe, the independent external auditor, issued unmodified opinions on all audit reports for FY19, meaning that all financial statements for FY19 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements respectively.

AUDIT SUPPORT

Audit Follow-Up and Resolution

The tables below summarize the audit recommendations closed during second quarter and open recommendations as of December 31, 2019. Details of open audit recommendations for MAS and OIG are included in Appendix C and D.

MAS and External Audit Recommendations

| Executive Area | Closed | Late | Extended | Not Yet Due/Under Review | Total Open |
|--------------------------------------|-----------|------|----------|--------------------------|------------|
| Communications | 1 | | 1 | | 1 |
| Finance & Budget | | | 1 | 3 | 4 |
| Information Technology Services | 2 | | | | |
| Operations | 3 | | 4 | 29 | 33 |
| Planning and Development | | | 1 | 1 | 2 |
| Program Management | | | | 1 | 1 |
| Systems Security and Law Enforcement | | | | 5 | 5 |
| Vendor/Contract Management | 9 | | | 4 | 4 |
| Total | 15 | | 7 | 43 | 50 |

OIG Audit Recommendations

| Executive Area | Closed | Late | Extended | Not Yet Due/Under Review | Total Open |
|--------------------------------------|----------|------|----------|--------------------------|------------|
| Communications | | | | 5 | 5 |
| Operations | 2 | | | 51 | 51 |
| Systems Security and Law Enforcement | | | | 40 | 40 |
| Total | 2 | | | 96 | 96 |

Appendix A

| Internal Audit - In Progress Audits as of December 31, 2019 | | | | | | |
|---|--|--|--|----------------------------------|---------------------|------------------------------|
| No. | Area | Audit Number & Title | Description | Frequency | Requirement | Estimated Date of Completion |
| 1 | Human Capital & Development | 19-BEN-P01 - Performance Audit of Benefit Eligibility | Evaluate adequacy of internal controls over eligibility process for employee dependents for medical benefits. | First Time | Per FY19 Audit Plan | 2/2020 |
| 2 | Systems Security and Law Enforcement | 19-RSK-P01 - Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan (COOP) | Evaluate the adequacy of System Security and Law Enforcement's COOP and Standard Operating Procedures (SOPs) to support mission essential functions during emergencies. | 2nd Time; Last Audit 9 years ago | Per FY18 Audit Plan | 2/2020 |
| 3 | Operations | 16-OPS-P03 - Performance Audit of Accident Prevention Program | To assess progress made in this area since the 2012 MAS audit of bus accident prevention and to identify improvement opportunities that may reduce accidents. | 2nd Time; Last Audit 7 years ago | Per FY16 Audit Plan | 3/2020 |
| 4 | Vendor/Contract Management | 17-VCM-P02 - Performance Audit of Change Order Internal Controls | To evaluate the adequacy and effectiveness of internal controls over the Contract Change Order Process, and to evaluate the utilization of Key Information by VCM. | First Time | Per FY17 Audit Plan | 3/2020 |
| 5 | Human Capital & Development / Finance & Budget | 17-OMB-P04 - Performance Audit of Position Reconciliation Process | To evaluate the adequacy of the Position Reconciliation Process between the cost centers, Human Capital & Development and Office of Management and Budget. | 2nd Time; Last Audit 9 years ago | Per FY17 Audit Plan | 3/2020 |
| 6 | Operations | 19-OPS-P01 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase I | Determine whether existing and newly hired employees of Wayside Systems Engineering & Maintenance completed the required training (technical, safety, and mandated) including required refresher courses; required certification per position is current; and employees have the right certification for the tasks assigned. | First Time | Per FY19 Audit Plan | 3/2020 |
| 7 | Operations / Systems Security and Law Enforcement | 18-AGW-P01 - Performance Audit of Internal Controls over Overtime Payments for AFSCME | Evaluate adequacy of the internal controls over overtime payments for AFSCME union employees for selected positions. | 2nd Time; Last Audit 2 years ago | Per FY18 Audit Plan | 4/2020 |
| 8 | Operations / Risk, Safety / Environmental Compliance | 20-OPS-P01 - Performance Audit of Personal Protective Equipment for Maintenance | Determine adequacy of training and utilization of personal protective equipment by Metro workers performing clean-ups of Metro facilities impacted by activities of homeless individuals. | First Time | Per FY18 Audit Plan | 6/2020 |
| 9 | Communications / Finance & Budget | 20-COM-P01 - Performance Audit of Expanded Discount Programs | Determine the adequacy and effectiveness of internal controls over the expanded discount (special fares for patrons) programs. | 2nd Time; Last Audit 3 years ago | Per FY18 Audit Plan | 6/2020 |
| 10 | Agency-Wide | 20-ITS-P01 - Performance Audit of IT Security Awareness | Evaluate the extent of information technology security awareness for selected business units within the Agency. | First Time | Per FY20 Audit Plan | 6/2020 |

Appendix B

| Contract, Financial and Compliance Audit - Audits Completed During Second Quarter | | | | | | |
|--|------------------------|-------------------------------------|---------------------------------------|------------------|---|-----------------------|
| No. | Area | Audit Number & Type | Auditee | Frequency | Requirement | Date Completed |
| 1 | Planning & Development | 17-PLN-A32 - Closeout | Gateway Cities Council of Governments | Once | Per Project Manager's request and MOU. P0007193 | 10/2019 |
| 2 | Program Management | 18-HWY-A12 - Closeout | County of Los Angeles | Once | Per Project Manager's request and MOU. MR312.16 | 11/2019 |
| 3 | Program Management | 19-CON-A01 - Agreed-Upon Procedures | ILF Consultants, Inc. | Once | V/CM Policy and Contract Terms | 12/2019 |
| 4 | Program Management | 19-CON-A09 - Agreed-Upon Procedures | LKG-CMC, Inc. | Once | V/CM Policy and Contract Terms | 12/2019 |

Appendix C

| Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|--------------------------------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 1 | Communications | 16-COM-P01 Special Fares Programs | 21 | We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement. Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel. | 3/31/2017 | 12/31/2019 |
| 2 | Operations | 17-OPS-P07 Performance Audit of the Track Allocation Process | 4a | We recommend the Chief Operations Officer consider directing Rail Operations to add more fields in the electronic Track Allocation Request Form to assist Rail Operations Controllers in minimizing some of their manual entries. For example, the Track Allocation Request Form could be further configured to include a check box indicating if the schedule was activated or not, as well as the time and date it was activated, and a drop down menu to include reasons for schedule modification. Update: This recommendation is about 30% complete. Operations is developing an electronic Track Allocation Form/Schedule, integrating System Generated Special Events Calendar, generating an electronic Work Permit, and generating System Reports. | 6/30/2019 | 4/30/2020 |
| 3 | Operations | 17-OPS-P07 Performance Audit of the Track Allocation Process | 4b | We recommend the Chief Operations Officer consider directing the Track Allocation Coordinator to measure effectiveness of schedules by periodically assessing whether crews that were scheduled to access the ROW actually accessed the ROW. This will provide visibility to the stakeholders as well as assist the Track Allocation Coordinator in modifying future schedules. This periodic review will only be possible once the data from the newly implemented log has been collected. Update: Pending completion of recommendation 4a. | 6/30/2019 | 4/30/2020 |
| 4 | Finance & Budget | 16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program | 4 | We recommend that Accounts Payable coordinate with Information Technology Systems and the Agency Program Coordinator to automate the approval process to improve processing time of P-Card statements as well as authentication of the approvers. Update: Accounting staff met with ITS to discuss the approval process automation project for P-Card. Based on current workload, approval workflow, testing and user training will be implemented by March 31 2020. | 8/30/2019 | 3/31/2020 |
| 5 | Systems Security and Law Enforcement | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 1a | We recommend that the Emergency Management Unit collaborate with the business units, starting with V/CM, to ensure that the business unit COOPs, and all related documents (e.g., SOPs), include the essential content necessary to support the agency-wide program. | 6/30/2020 | |

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

Appendix C

| Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|----------------------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 6 | Vendor/Contract Management | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 1b | We further recommend that over the next 12 to 18 months, V/CM should consider focusing its efforts on completing and including the following content with Emergency Management's support and guidance: criteria for COOP activation and relocation decisions; flow charts and decision trees; step-by-step instructions applicable to Gateway or agency-wide emergencies; names, titles and contact details such as phone numbers and emails for all continuity personnel (e.g., Advance Team, CMG, and successors); distribution and logistics dependencies, such as MEFs, mission essential systems, records, databases, supplies and equipment; mission essential records and database storage locations. | 10/30/2020 | |
| 7 | Vendor/Contract Management | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 2 | We recommend that V/CM management review and reassess the COOP and SOPs periodically to verify that any resulting updates are implemented, including updating V/CM's COOP contact details in the event of key personnel changes. | 4/30/2020 | |
| 8 | Vendor/Contract Management | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 3 | We recommend that V/CM management work with Emergency Management to arrange for COOP execution training by an emergency management expert concurrently with each annual update. | 7/31/2020 | |
| 9 | Program Management | 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. | 3/31/2020 | |
| 10 | Vendor/Contract Management | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 5 | We recommend that V/CM management consider referencing all the existing COOP-related SOPs to the COOP and/or attaching them as appendices to the COOP, doing the same to the SOPs under development as they are completed. | 10/30/2020 | |
| 11 | Planning & Development | 18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project | 2 | We recommend Metro's Countywide and Planning Development Management to conduct Fiscal Stability Overview and Funding Commitment Inventory analyses annually for the planned capital programs. Update: Closed as of January 2020. | 12/31/2019 | |

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

Appendix C

| Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|------------------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 12 | Planning & Development | 18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project | 3 | We recommend Grants Management and Oversight Unit Strategic Management to review if existing procedures are in-place to corroborate or document the allocation and changes in project revenue streams such as the Lease Revenue and FAST/CMAQ funds in fiscal years, 2020/2021 and 2021/2022. Update: Closed as of January 2020. | 6/30/2019 | 12/31/2019 |
| 13 | Operations | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Change | 2 | We recommend Operations management ensure that Division Staff require Operators to provide a signed VCB request form to prevent the VCB from being erroneously recorded as OCB. Update: Management responded that this will be resolved by the fix to resolve recommendation #4, but the underlying problem requires a change in manual procedures. MAS is following up with Operations to determine whether and how this has been resolved. | 9/30/2019 | 12/31/2019 |
| 14 | Operations | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Change | 5 | We recommend Operations management immediately perform all the needed corrections for underpayments and overpayments for all LIP eligible hours from July 1, 2017 to date. | 12/31/2019 | |
| 15 | Operations | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Change | 6 | We recommend Operations management, after completing recommendation number 5 above, partner with ITS to perform periodic true ups to determine any over/underpayment, and submit required corrections to Payroll regularly and in a timely manner until calculations can be automated. | 12/31/2019 | |
| 16 | Operations | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Change | 7 | We recommend Operations management reinforce the training with the Division Staff to properly record all LIP eligible hours and pay codes including special conditions for non-certified Line Instructors. | 12/31/2019 | |
| 17 | Operations | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Change | 8 | We recommend Operations management collaborate with ITS, in consultation with Employee and Labor Relations, to assess possibilities to automate LIP calculations and reporting as practical in either HASTUS or the Payroll system. | 12/31/2019 | |

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

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| Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|--------------------------------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 18 | Operations | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Change | 12 | We recommend Operations management immediately partner with ITS department in determining any underpayments due to fallback hours, and make timely corrections necessary for all holidays starting May 2018 to date. Update: Management prepared a worksheet of underpayment corrections and provided it to MAS for review in October 2019. MAS review is pending receipt of reference data to confirm this. These corrections are expected to be finalized and submitted to Payroll. | 9/30/2019 | 12/31/2019 |
| 19 | Systems Security and Law Enforcement | 18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan | 1 | We recommend that Emergency Management should coordinate with Payroll to facilitate training and add the additional details to Finance (Payroll)'s COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions. | 2/28/2021 | |
| 20 | Systems Security and Law Enforcement | 18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan | 2 | We recommend that Emergency Management should coordinate with Payroll to create an SOP template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors. Advance team references should state "provided by ITS". | 7/31/2020 | |
| 21 | Systems Security and Law Enforcement | 18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan | 3 | We recommend that Emergency Management should coordinate with Payroll to review and assess the COOP and SOPs annually and verify that any resulting updates are implemented. | 7/31/2020 | |
| 22 | Systems Security and Law Enforcement | 18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan | 4 | We recommend that Emergency Management should coordinate with Payroll to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update. | 7/31/2020 | |
| 23 | Finance & Budget | 18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan | 5 | We recommend that Payroll management update the SOP contact details as requested by Emergency Management on a periodic basis, e.g., quarterly or semi-annually, or when Accounting Administration issues a revised organization chart with changes to Payroll key personnel. | 7/31/2020 | |
| 24 | Finance & Budget | 18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan | 6 | We recommend that Payroll management add language for the roster of trained personnel (Appendix E): "ITS will assign personnel at the backup site". | 8/30/2020 | |

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| Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|------------------|---|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 25 | Finance & Budget | 18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan | 7 | We recommend that Payroll management consolidate all the COOP-related SOP information into one document. The existing COOP-related SOPs should be referenced and attached as appendices to Finance (Payroll)'s COOP, and SOPs under development should be referenced to and attached as they are completed. | 7/31/2020 | |
| 26 | Operations | 19-OPS-P02 Performance Audit of the Rail Communications Systems | 12 Total | The recommendations included in this report address findings in Metro's Operational System. | | |
| 27 | Operations | 19-OPS-P03 Performance Audit of the SCADA Security Controls | 13 Total | The recommendations included in this report address findings in Metro's Operational System. | | |

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

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| OIG Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|----------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 1 | Operations | 17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety | 13 Total | The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. Update: As of January 2020, 108 of 117 recommendations were closed. | Pending | |
| 2 | Operations | 18-AUD-03 Review of Metro Rail Service Disruptions | 9 | Set priorities based on Metro's asset assessment as soon as it is completed to reduce delay incidents. | 6/30/2019 | 12/31/2019 |
| 3 | Operations | 18-AUD-03 Review of Metro Rail Service Disruptions | 25 | Consider converting some P2000 cars running on the MBL/Expo lines back to the MGL operation if the ATO/ATP packages removed earlier are still available. The critical float will be the P2000 MGL cars with their line specific ATO/ATP equipment. | 12/31/2020 | |
| 4 | Operations | 18-AUD-03 Review of Metro Rail Service Disruptions | 52 | Establish a process and a criterion for replacement of existing signal installations that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource to this end when it is finished, this system of prioritization should be formalized and implemented in current signal procedures. | 6/30/2019 | 4/30/2020 |
| 5 | Operations | 18-AUD-03 Review of Metro Rail Service Disruptions | 57 | Establish a process and a criterion for replacement of existing traction power equipment that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource when it is finished, this system of prioritization should be formalized and implemented in current signal procedures. | 6/30/2019 | 4/30/2020 |
| 6 | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study | 1 | Increase marketing to specific audience groups to increase ridership by developing additional marketing programs directly aimed at user groups such as students, business and government entities, and employees "Live Near Your Work" campaigns. | 12/31/2019 | |
| 7 | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study | 2a | Coordinate with other LA County public agencies to encourage additional use of public transit and participation in rideshare programs, including maximizing allowable transit subsidies over parking subsidies. For example, the City of LA could increase its monthly transit subsidy to be more in line with monthly transit costs. | 12/31/2019 | |

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| OIG Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|----------------|---|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 8 | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study | 2b | Coordinate with other LA County public agencies to encourage additional use of public transit and participation in rideshare programs, including maximizing allowable transit subsidies over parking subsidies. For example, the County of LA could expand its current commuter programs to provide employees subsidies for using public transit/rideshare for commute trips for all County work locations at a monthly rate closer to actual costs. | 12/31/2019 | |
| 9 | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study | 3 | Explore modifications to Metro's Employer Annual Pass Program to further encourage transit usage, such as the addition of a monthly pass option. | 12/31/2019 | |
| 10 | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study | 5 | Encourage use of public transit at meetings and events where contractors will be present. | 12/31/2019 | |
| 11 | Operations | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 1 | We recommend that Operations Management continue to communicate to bus operators and controllers on a regular basis that the practice of bus operators performing battery shutdowns has ceased. | 11/30/2019 | |
| 12 | Operations | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 2 | We recommend that Operations Management continue to assess and provide the resources required to minimize transit customer delay time given that the battery reset process did fix some operational problems. | 11/30/2019 | |
| 13 | Operations | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 3 | We recommend that Operations Management continue to study what circumstances cause bus field repairs and what specifications might be included in future procurements for systems and devices used in buses to reduce breakdowns and improve bus performance. | 11/30/2019 | |
| 14 | Operations | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 4 | We recommend that Operations Management consider the engineering adjustments necessary for improved safety of operators or others associated with battery resets that might occur by operators regardless of the new guidelines to cease operator battery resets. | 11/30/2019 | |
| 15 | Operations | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 5 | We recommend that Operations Management consider if battery hatches should be locked the way hatches inside the buses are to prevent unauthorized access. | 11/30/2019 | |
| 16 | Operations | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 6 | We recommend that Operations Management consider if further research on what circumstances or problems are corrected by a soft software reset versus a full battery reset, if it is possible to mitigate risks for software diagnostic damages in the event of a battery reset, and if considering the time it takes for a mechanic to arrive, it might be more efficient to allow the performance of the appropriate reset in those cases. | 11/30/2019 | |

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| OIG Open Audit Recommendations as of December 31, 2019 | | | | | | |
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| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 17 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 1 | Metro should continue to install the bus operator safety barriers and onboard camera and monitor systems throughout its bus fleet and continue to monitor incident data to further verify the effectiveness of both systems in preventing assaults on bus operators. | 10/31/2019 | |
| 18 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 2a | Metro should ensure data collection is standardized by Metro and all transit security providers and investigators to consistently identify the types of assaults that have occurred, if the bus was equipped with a safety barrier, if the barrier was in use at the time of the assault, and if in use, how it was being used (i.e., top portion only, bottom portion only, or both portions). Standardizing the data in this manner will result in more accurate and consistent data that can be more easily analyzed to identify trends and to measure performance. | 10/31/2019 | |
| 19 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 2b | Metro should ensure data is collected on the type and extent of injuries incurred by bus operators when the safety barriers are in use. This will further aid in determining the effectiveness of the safety barriers (i.e., if bus operator injuries are lessened as a result of the barriers being used) and if design changes or modifications are necessary. | 10/31/2019 | |
| 20 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 3 | Metro should ensure that assault trend analysis results are used to review current policing and fare enforcement strategies to determine if law enforcement, Supervisors, and fare enforcement personnel and strategies are being appropriately deployed toward the routes and times of day in most need of Police, Supervisory, or fare enforcement presence. | 10/31/2019 | |
| 21 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 4a | Metro should make the use of the barriers mandatory until Metro can determine if their use contributes to or causes accidents or increases accident frequency. Mandatory use of the barriers is the best way to evaluate their true effectiveness in reducing assaults on bus operators. | 10/31/2019 | |
| 22 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 4b | If the use of the barriers is made mandatory, Metro should collect data to substantiate and study the issues identified by operators as to why they do not use the barriers. Metro can then take corrective action, such as design changes and modifications to the barriers, if accident/incident data substantiate operator concerns. | 10/31/2019 | |
| 23 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 5a | Metro should further study why bus operators feel the bus safety barriers do not provide the protection needed to make them feel more secure and the other measures bus operators would like to see implemented. | 10/31/2019 | |
| 24 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 5b | Evaluate the current design of the safety barriers to determine if bus operators' concerns can be addressed through design changes and modifications made to the safety barriers. | 10/31/2019 | |

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| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 25 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 5c | Create a committee comprised of bus operators, Supervisors and Managers, Safety Department, and Bus Operations and Bus Maintenance personnel to investigate these issues and to determine appropriate mitigations. The focus of the committee should include an effort to increase barrier use, identify ways to make the barriers more effective, and evaluate training, and improve data collection and accuracy. Metro could also consider utilizing an existing committee to take on this action, if one has already been established for investigating possible safety issues with systems and equipment. | 10/31/2019 | |
| 26 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 6a | Metro should review safety barrier and de-escalation training to evaluate scope of attendees, frequency, content, method of delivery, consistency of delivery, and employee engagement and understanding. Results from these evaluations should be used to modify training programs as necessary. | 10/31/2019 | |
| 27 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 6b | Consider adding both training classes as part of the new hire training course and periodic refresher training for current operators along with any other ongoing training requirements. | 10/31/2019 | |
| 28 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 7a | Metro should continue to follow its current strategies and implement its current programs to prevent assaults on bus operators. These programs are consistent with industry best practices. | 10/31/2019 | |
| 29 | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 7b | Consider using some of the evaluation tools developed by TCRP to identify in more detail where its greatest risks reside and employ tactics such as targeted fare enforcement and policing patrols to address problem areas using existing resources. | 10/31/2019 | |
| 30 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 1 | The Metro SSLE Department should continue to work with contract law enforcement agencies to improve the complete and accurate reporting of crime that occurs on the Metro System. | Pending | |
| 31 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 2 | The Metro SSLE Department should continue to work to develop a more macro approach to oversight and monitoring of contracted law enforcement resources using the GPS function of the Mobile Phone Validators (MPV) assigned to contracted law enforcement personnel and the data generated from them. | Pending | |
| 32 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 3 | The Metro SSLE Department should consider providing more detailed information on reported crime to distinguish between violent crime and property and petty crime. | Pending | |

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| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 33 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 4 | The Metro SSLE Department should collect and report response time information for all three categories of calls for service. | Pending | |
| 34 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 5 | The Metro SSLE Department should use the GPS function and data generated to provide reliable and meaningful information on the amount of time contracted law enforcement officers spend on various parts of the Metro System. | Pending | |
| 35 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 6 | The Metro SSLE Department should work with the contract law enforcement agencies to review, revise and adopt Key Performance Indicators (KPI) including baseline or target levels of performance for each KPI. | Pending | |
| 36 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 7 | The Metro SSLE Department should continue to develop the Metro Community Policing plan and ensure it includes: Specific training in Problem Oriented Policing for law enforcement personnel to assist Metro in addressing matters related to crime and disorder, Attendance at community meetings and other events designed to foster Metro's relationship with the community Protocols to obtain feedback from bus and rail managers that will be used in the overall policing strategy. | Pending | |
| 37 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 8a | LAPD should continue monitoring the contract requirements to ensure all personnel meet the required certification and complete the transit policing training before working on any Metro assignments. | Pending | |
| 38 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 8b | Metro SSLE Department should continue monitoring the contract requirements for qualifications and training of personnel to ensure compliance. | Pending | |
| 39 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 9a | LAPD should submit the required payroll records with the monthly invoice. | Pending | |
| 40 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 9b | Metro should continue to monitor LAPD's billings to ensure all the required supporting documents are submitted with the invoices. | Pending | |
| 41 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 10a | LAPD should submit the list of maximum fully burdened hourly rates for each labor classification for overtime in accordance with the contract requirements. Also, the escalation rate included in the calculation of the maximum fully burdened hourly rates should not exceed the maximum escalation rate stipulated in the contract. | Pending | |

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| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 42 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 10b | Metro SSLE Department should work with LAPD to ensure that the list of maximum fully burdened hourly rates complied with the contract requirements. Metro should also review the billing rates for overtime for all invoices to determine the extent of overbillings for FY 2018. | Pending | |
| 43 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 11a | LAPD should submit the list of maximum fully burdened hourly rates for all labor classifications in accordance with the contract requirements. For any additional labor classifications not identified in the list of maximum fully burdened hourly rate, LAPD should submit a revised list to Metro for approval prior to incurring the cost. | Pending | |
| 44 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 11b | Metro SSLE Department should continue to monitor LAPD's billings to ensure only the approved labor classifications are billed and included in the list of maximum fully burdened hourly rates. Metro should also review the billing rates for straight time for all invoices to determine the extent of overbillings. | Pending | |
| 45 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 12a | LAPD should return the overbilled and overpaid amount of \$3,874.99 to Metro. | Pending | |
| 46 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 12b | Metro SSLE Department should continue monitoring LAPD's billings to identify and resolve billing discrepancies. | Pending | |
| 47 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 13a | LAPD should submit the prevailing Cost Allocation Plan (CAP) rate together with the list of maximum fully burdened hourly rates for overtime. | Pending | |
| 48 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 13b | Metro SSLE Department should continue to monitor LAPD's billings to ensure the overtime overhead rate billed was based on the CAP overhead rate approved by the Federal Government in effect at the time the work was performed. | Pending | |
| 49 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 14a | LAPD should submit to Metro in a timely manner the monthly Summary of Problem-Oriented Policing projects. | Pending | |
| 50 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 14b | Metro's SSLE Department should continue to monitor LAPD's submission of reports and stamp the date received on reports to ensure all the required reports are submitted in a timely manner and with complete information to allow Metro to determine the calculation of the reported figures. | Pending | |

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| OIG Open Audit Recommendations as of December 31, 2019 | | | | | | |
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| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 51 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 15a | LAPD should provide the equipment in the quantities listed in Exhibit E of the contract. | Pending | |
| 52 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 15b | Metro SSLE Department should continue to monitor LAPD's equipment to ensure the quantities listed in Exhibit E of the contract are properly provided and in a timely manner. | Pending | |
| 53 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 16a | LASD should continue monitoring the contract requirements to ensure all personnel complete the safety training and transit policing training before working on any Metro assignments. | Pending | |
| 54 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 16b | Metro SSLE Department should continue monitoring the contract requirements for qualifications and training of personnel to ensure compliance with the contract. | Pending | |
| 55 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 17a | LASD should issue an additional credit amount of \$1,699.68 to Metro. | Pending | |
| 56 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 17b | Metro SSLE Department should continue monitoring LASD's billings to ensure each job position meet the service levels promised on Form 575 and the billing rates are in compliance with the contract. | Pending | |
| 57 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 18a | LASD should submit to Metro in a timely manner the report for number of cases referred for follow-up investigation and the subsequent disposition. | Pending | |
| 58 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 18b | Metro SSLE Department should work with LASD to resolve any issues regarding the required reports. Also, Metro should continue monitoring LASD's submission of reports to ensure all the required reports were submitted in a timely manner and with complete information to allow Metro to determine the calculation of the reported figures. | Pending | |
| 59 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 19a | LAPD should continue monitoring the contract requirements to ensure all personnel have completed the transit policing training before working on any Metro assignments. | Pending | |
| 60 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 19b | Metro SSLE Department should continue monitoring the contract requirements for qualifications and training of personnel to ensure compliance. | 1/31/2020 | |
| 61 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 20a | LAPD should inform Metro the amount expected to exceed the estimated cost specified in the contract for each year before incurring the costs. | Pending | |

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| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 62 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 20b | Metro SSLE Department should continue monitoring LBPD's billings, payments and contract amount to ensure that costs do not exceed the contract amount. | Pending | |
| 63 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 21a | LBPD should submit the daily summary of assignments for all hours worked and payroll records with the invoices. | Pending | |
| 64 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 21b | Metro SSLE Department should continue monitoring LBPD's billings to ensure all the required supporting documents were submitted with the invoices. | Pending | |
| 65 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 22a | LBPD should return to Metro the overbilled and overpaid amount of \$14,643.89. | Pending | |
| 66 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 22b | Metro SSLE Department should continue to monitor LBPD's billings to ensure only the approved labor classifications are billed and included in the list of maximum fully burdened hourly rates. Metro should also review the billing rates for all invoices to determine the extent of overbillings for FY2018. | Pending | |
| 67 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 23 | Metro SSLE Department should review the billing methodology specified in the contract for equipment cost and determine whether the contract should be revised. | Pending | |
| 68 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 24 | Metro SSLE Department should continue monitoring LBPD's submission of reports to ensure all the required reports are submitted in a timely manner and with complete information to allow Metro to determine the calculation of the reported figures. | Pending | |
| 69 | Systems Security and Law Enforcement | 19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report | 25 | The SSLE Department should continue and complete efforts to develop key performance indicators for Metro Security during FY 2019. | Pending | |
| 70 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 1 | Ensure the Gold Line Contractor only bills Metro for actual hours worked and require them to provide support for their invoiced hours for trash/vegetation and graffiti abatement services with their monthly invoices. | Pending | |

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| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 71 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 2 | Require the Gold Line Metro PM to perform periodic spot checks to verify the crew members providing trash/vegetation and graffiti abatement services. | Pending | |
| 72 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 3 | Remind the Gold Line and Orange Line Contractors to request authorization from the Metro PMs before allowing crews to work holidays, as required by the contract, and instruct Metro PMs to only authorize payment for holidays if they had given pre approval. | Pending | |
| 73 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 4 | Consider working with the Procurement Department to modify the Gold and Orange Line contracts to include the Day After Thanksgiving as a Metro-observed holiday to the requirements and ensuring any future contracts address this issue. | Pending | |
| 74 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 5 | Require the Gold Line Contractor to cease the practice of using landscaping/irrigation staff assigned to Metro contracts to make up missed hours for the trash/vegetation and graffiti abatement staff at later dates. | Pending | |
| 75 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 6 | Request a refund from the Contractors for overpayments and unauthorized charges discussed in this report. | Pending | |
| 76 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 7 | Consider auditing invoices for the time before and after the three-month period covered by the OIG audit to determine if additional refunds are owed from the Gold Line Contractor for any overcharges or unauthorized charges. | Pending | |
| 77 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 8 | Instruct the Metro PM to periodically verify that the Gold Line Contractor is using TAGRS. | Pending | |

Appendix D

| OIG Open Audit Recommendations as of December 31, 2019 | | | | | | |
|--|------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 78 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 9 | Consider working with the Procurement Department to modify the Gold Line contract to change the frequency of service for Gold Line's graffiti abatement services and trash/vegetation services. | Pending | |
| 79 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 10 | Ensure that the Gold Line Contractor submits a Payment Certification with their monthly invoice as required by the contract. | Pending | |
| 80 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 11 | Require the Gold Line Contractor's weekly/monthly reports to include the level of detail required by the contract. | Pending | |
| 81 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 12 | Require the Gold Line and Orange Line Contractors to submit monthly Efficiency and Compliance evaluations for the work crews as required by the contract. | Pending | |
| 82 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 13 | Request the Gold Line Contractor to remind their graffiti abatement team members to be diligent in looking for bulky items and graffiti paint-out jobs. | Pending | |
| 83 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 14 | Consider working with the appropriate department in charge of making decisions about signage on Metro properties and post a hotline number at the stations that the public can use to report graffiti or bulky items. | Pending | |
| 84 | Operations | 20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways | 15 | On future requests for proposals, clarify whether supervision cost should be included as part of the fully burdened hourly rate for work crew members or require that proposals specify the number of hours and related hourly cost for supervision. | Pending | |



Board Report

File #: 2020-0091, **File Type:** Informational Report

Agenda Number: 12.

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 19, 2020**

SUBJECT: ACCESS SERVICES - QUARTERLY UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

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

ISSUE

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

BACKGROUND

Access is the Los Angeles County transit agency that provides paratransit services on behalf of Metro and 44 other fixed route operators, as mandated by the Americans with Disabilities Act (ADA). Eligibility for Access is based on a person’s ability to use accessible fixed-route buses and trains in Los Angeles County; Access currently has 147,000 registered riders. Access’ paratransit service is a next-day, shared-ride, curb-to-curb service with additional assistance available to qualified individuals. The service operates throughout most of the County of Los Angeles and is operated by six contractors in the following regions: Eastern, Southern, West Central, Northern, Santa Clarita and Antelope Valley. Access provides service to customers who are traveling between locations that are located within 3/4 of a mile of local bus routes and rail lines. Customers call Access’ service providers directly to make trip reservations or book a trip online.

DISCUSSION

FY 20 Operational Performance

| Key Performance Indicator | Target | FY 2019 | *FY 2020 |
|------------------------------------|---------------|----------------|-----------------|
| On Time Performance | ≥ 91% | 92.0% | 91.4% |
| Excessively Late Trips | ≤ 0.10% | 0.08% | 0.12% |
| Excessively Long Trips | ≤ 5% | 3.8% | 3.3% |
| Missed Trips | ≤ 0.75% | 0.52% | 0.49% |
| Trip Denials | ≤ 0 | 10 | 11 |
| Access to Work On Time Performance | ≥ 94% | 95.8% | 94.8% |

| | | | |
|--------------------------------------|----------|--------|--------|
| Average Hold Time (Reservations) | ≤ 120 | 80 | 79 |
| Calls On Hold > 5 Min (Reservations) | ≤ 5% | 4.5% | 4.0% |
| Calls On Hold > 5 Min (ETA) | ≤ 10% | 5.5% | 4.9% |
| Complaints Per 1,000 Trips | ≤ 4.0 | 3.3 | 2.5 |
| Preventable Incidents | ≤ 0.25 | 0.21 | 0.22 |
| Preventable Collisions (Weighted) | ≤ 0.50 | 0.64 | 0.72 |
| Miles Between Road Calls | ≥ 25,000 | 54,878 | 59,558 |

*as of 12/31/19

On-time performance (OTP) remains strong and most KPIs are being met or are close to being met system-wide. Of particular note, customer complaints, one of the most direct measures of service quality, have improved 24 percent from the prior fiscal year to a historic low.

Preventable Collision Rate and Denials are not being met. Regarding preventable collisions, Access counts any contact as a collision (even if there is no damage), regardless of dollar value, to emphasize the importance of safety and has a standard that is much lower than peer agencies. Denials occur when a rider has made a trip request for a specific time and the transit contractor does not offer, as required, a time up to an hour before or an hour after that request. As part of its oversight and audit program, Access learned that the denial statistics do not reflect true denials and that they are a result of reservationist error where the reservationist mishears the requested time from the rider and uses that time as a starting point for the reservation. Even though this is a rare event (11 denials out of 2 million reservation calls), Access expects its contractor to retrain the reservationist.

For providers that do not meet established KPIs, staff requests corrective action plans and assesses liquidated damages as allowed under Access’ contracts.

FY 20 Ridership Increase and Budget Impacts

Through the first six months of FY 2020, Access has provided nearly 1.9 million passenger trips, a 10.6% increase over projections in the FY 20 budget. This increase in demand is due, in large part, to an overall improvement in service quality driven by the implementation of an improved suite of KPIs, technology improvements and other factors, which is reflected in significantly lower customer complaints. There has also been a significant improvement in performance in Access’ Southern service area (which provides 40 percent of Access’ trips) due to the implementation of enhanced KPIs and a transition to a new paratransit software package in early 2019. The Southern Region has seen a 63 percent decrease in customer complaints.

Because of this significant increase in trip demand, Access is projecting it will need an additional \$10-12 million in FY 20 and will work with Metro staff to identify additional funding.

Working with Agency and Community Partners

Mobility on Demand and Microtransit Projects: Access continues to work cooperatively with Metro’s Office of Extraordinary Innovation (OEI) to increase the number of Wheelchair Accessible Vehicle

(WAV) requests for the Mobility on Demand (MOD) Pilot Project with Via which launched on January 28, 2019. In addition, Access is working with Metro staff on the Microtransit project to ensure Access customers, particularly those in mobility devices, are informed about this program. Access believes these projects offer a more convenient, lower-cost option than traditional next-day paratransit.

Metro's NextGen Project: Access has met several times with Metro Operations staff to discuss Metro's Next Gen project. Metro staff has shared their proposed maps with Access and understand that the paratransit service area is based on local fixed-route bus and rail lines. It is likely that there will be changes to the Los Angeles County service area and Metro staff and Access will work collaboratively to minimize any impact on paratransit customers.

Aging and Disability Transportation Network (Network): In response to a June 2016 Metro Board motion ("Countywide Services for Older Adults and People with Disabilities"), Metro and Access staff have met with Network representatives to discuss and study enhancements to the service. In addition, many of these items are now being discussed and studied by Access' Community Advisory Committee, which is comprised of Access customers.

The first enhancement to emerge from this collaboration is an expansion of transfer service between the North County and the Los Angeles Basin. Transfer trip service based at Olive View Medical Center in Sylmar was expanded effective July 1, 2019. The expansion was aimed at Access riders who need to travel between the Antelope Valley, Santa Clarita and the rest of Los Angeles County. After six months of enhanced service, weekday ridership to/from the Antelope Valley is up 89%. Trips to/from Santa Clarita have increased by 98%. Access staff will continue to monitor usage and consider appropriate changes as necessary.

As discussed in prior reports, Access staff and community partners will continue to discuss additional improvements. The Network and Access have also been working together on strategies to expand the Parents with Disabilities (PWD) program, which provides additional assistance to Access customers with school-age children. Access released a Request for Proposals (RFP) to solicit proposals from vendors that would implement the program countywide. A recommendation based on responses to the RFP was brought to the Access Board of Directors in December for discussion. The Board directed staff to confirm funding for the program with Metro and, subsequently, Metro staff confirmed funding of \$3 million per year for the first 5 years of the expanded PWD program. Staff will, again, bring a recommendation for program expansion to the Access Board in February.

Rancho Los Amigos National Rehabilitation Center (Rancho): Access completed 21,924 trips to and from Rancho in the first six months of the year, with an on-time performance of nearly 92% and continued high customer satisfaction. Access' Southern Region service provider, Global Paratransit, continues to staff a booth on-site to facilitate coordination between riders and drivers. Access continues to collaborate with Rancho's Patient Advisory Committee and recently assisted Rancho volunteers in applying for the Access to Work program, which offers a lower fare and more scheduling flexibility than standard ADA paratransit.

Technology Update

Where's My Ride (WMR) App: Nearly 10,000 customers have registered to use the WMR application. The app allows customers to obtain an estimated time of arrival (ETA), vehicle location for their trips, and provide feedback and comments after the trip is completed. The app has now been enhanced to provide alerts and updates via push notifications regarding emergency events and potential service delays. In order to continue to improve the app, Access has applied for a \$350,000 grant under the FTA's recent Mobility for All grant application program proposing to integrate the Metro Trip Planner as well as implementing trip booking and cancellation as well as mobile fare payment capabilities.

Online Reservations: Since its launch in May 2019, 2,650 customers have booked a trip using Online Reservations, with 87% booking multiple trips. On average, 711 trips are booked per day, which represents 9.3% of total trip volume. The platform is currently available for Eastern, Southern and West Central region customers. The remaining Access regions (Northern, Santa Clarita and Antelope Valley) are on different software platforms and are scheduled to have online reservations in the near future.

All of the above initiatives, as well as the expanded suite of KPIs that have provided improved service to Access customers, receive funding from Measure M 2%.

FINANCIAL IMPACT

There will be a need for additional funding in FY20. A separate item will be brought to the Metro Board.

Impact to Budget

As discussed above, Access is projecting it will need an additional \$10-12 million for FY 20.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

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

NEXT STEPS

Access is in the process of completing the following:

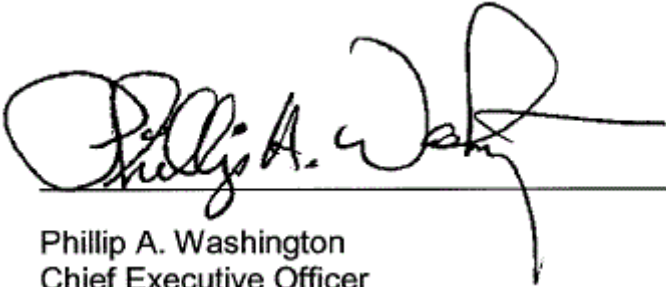
- Continue development and implementation of an online reservations platform to additional service areas;
- Work on integrating online reservations into the WMR application for a more seamless experience;
- Work with Metro government affairs staff and other stakeholders on issues relating to the

implementation of Assembly Bill 5;

- Staff will return to the Board to amend Access' FY20 budget.

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

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



Phillip A. Washington
Chief Executive Officer

Item #



Access Services Quarterly Update

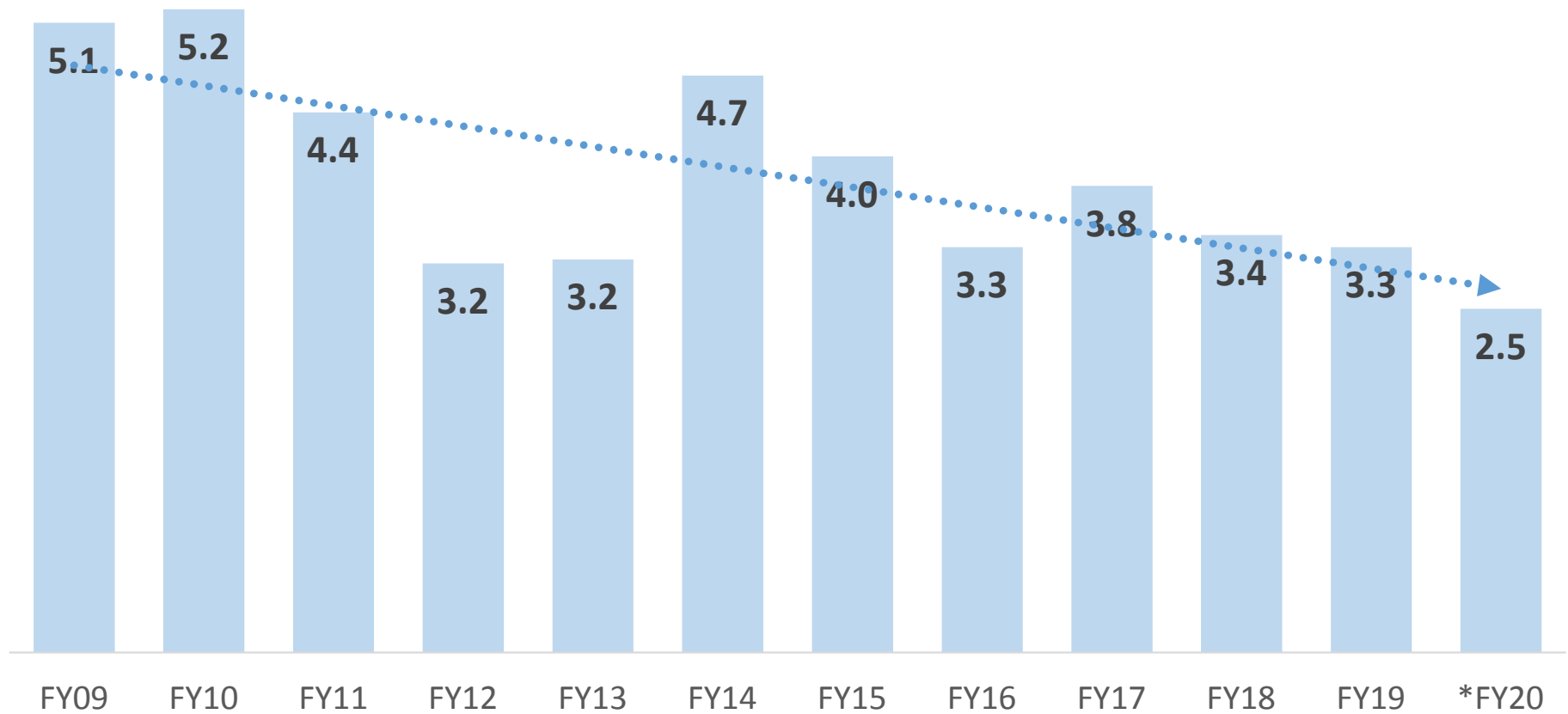
Finance, Budget & Audit Committee
February 19, 2020

access

Agency Performance Goals

| Key Performance Indicator | Target | FY 2019 | *FY 2020 |
|--|----------|---------|----------|
| On Time Performance | ≥ 91% | 92.0% | 91.4% |
| Excessively Late Trips | ≤ 0.10% | 0.08% | 0.12% |
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| Preventable Collisions (Weighted) | ≤ 0.50 | 0.64 | 0.72 |
| Miles Between Road Calls | ≥ 25,000 | 54,878 | 59,558 |
| *as of 12/31/19 | | | |

Service Complaints per 1,000 Trips



Draft Financials – First Half FY20

| Expenses | Actuals Total | Budget Total | YTD B/(W) |
|--|---------------------|---------------------|----------------------|
| OPERATIONS-DIRECT Sub-Total | \$85,647,026 | \$79,646,253 | (\$6,000,773) |
| OPERATIONS-INDIRECT Sub-Total | \$1,842,939 | \$1,911,019 | \$68,080 |
| OPERATIONS TOTAL: | \$87,489,965 | \$81,557,272 | (\$5,932,693) |
| ELIGIBILITY Total: | \$5,011,568 | \$5,371,705 | \$360,137 |
| CTSA / Ride-Info Total: | \$226,440 | \$233,452 | \$7,012 |
| ADMINISTRATION Total: | \$3,703,544 | \$3,703,370 | (\$174) |
| Total Expenses for First Half FY20: | \$96,431,518 | \$90,865,799 | (\$5,565,719) |



Working with Agency and Community Partners

- **Metro**

- Office of Extraordinary Innovation (OEI) - Mobility on Demand and Microtransit Projects
- Metro Operations - NextGen Project

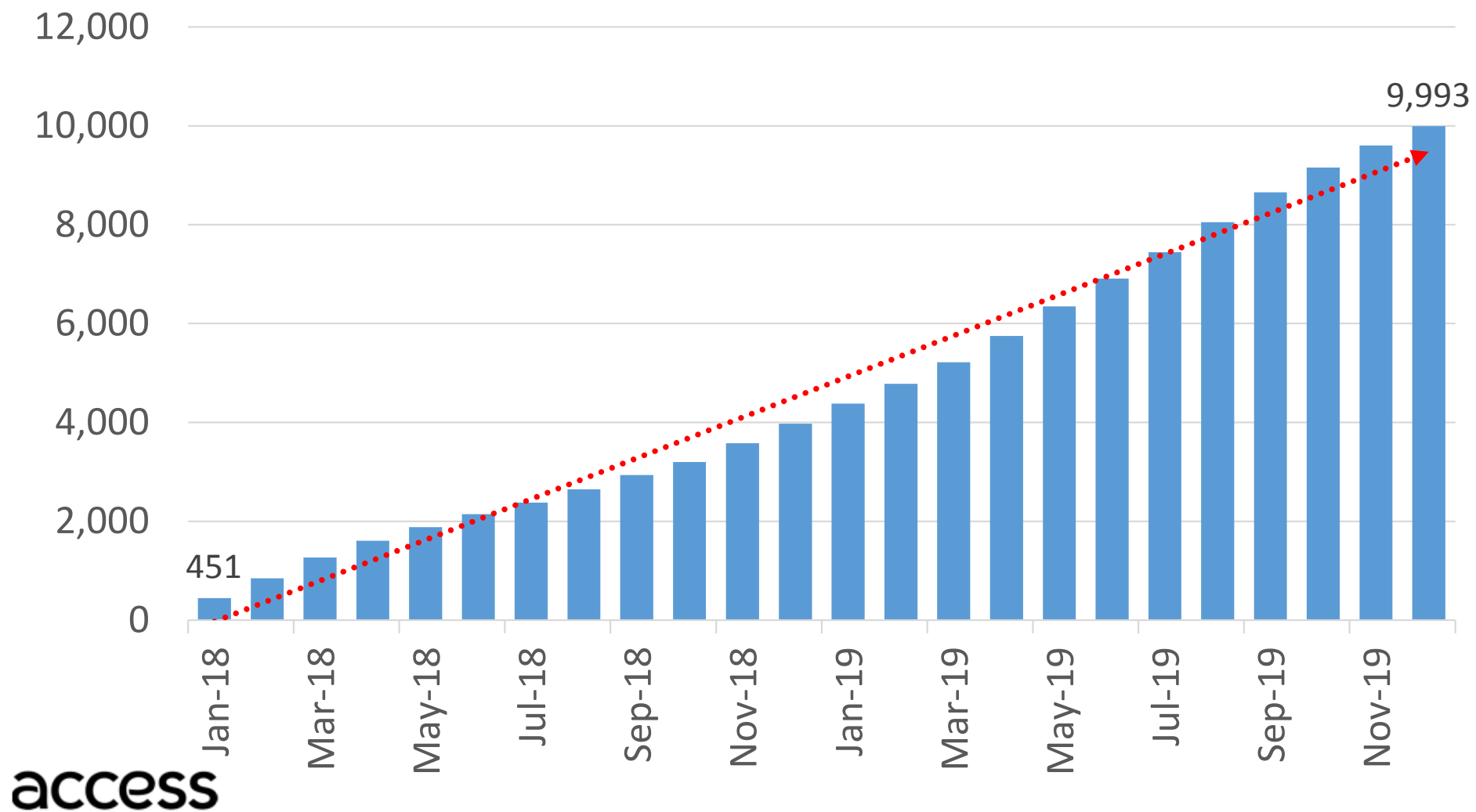
- **Aging and Disability Transportation Network (ADTN)**

- North County/Los Angeles Basin transfer service expansion
 - Weekday service up 89% to/from Antelope Valley
 - Up 98% to/from Santa Clarita
- Parents with Disabilities Program (PWD)
 - Expands service county-wide with \$3,000,000 in funding per year for 5 years from Metro

- **Rancho Los Amigos:**

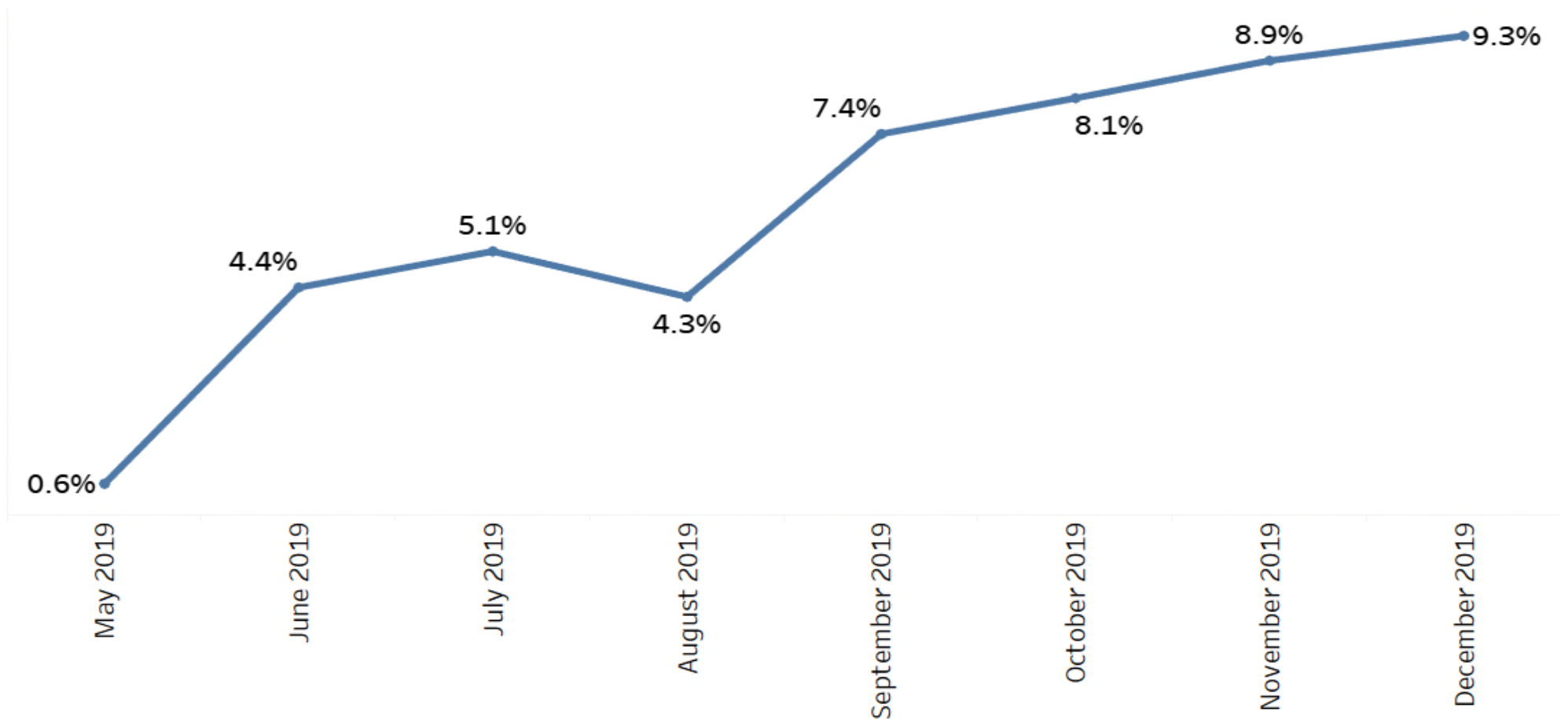
- Assist Rancho volunteers applying for Access to Work program

Technology - Where's My Ride (WMR)



Technology - Web Booking

Percent of Total Trips Booked in Online Reservations





Agency Update/Next Steps

- Continue development and implementation of an online reservations platform to additional service areas;
- Work on integrating online reservations into the WMR application for a more seamless experience;
- Work with Metro government affairs staff and other stakeholders on issues relating to the implementation of Assembly Bill 5;
- Staff will return to the Board to amend Access' FY20 budget.



Board Report

File #: 2019-0681, File Type: Policy

Agenda Number: 13.

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 19, 2020

SUBJECT: INVESTMENT POLICY

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment B; and
- C. DELEGATING to the Treasurer or her designees, the authority to invest funds for a one year period, pursuant to California Government Code ("Code") Section 53607.

ISSUE

Section 53646 of the Code, requires that the Board, on an annual basis and at a public meeting, review and approve the Investment Policy. Section 53607 of the Code, requires that the Board delegate investment authority to the Treasurer on an annual basis.

Section 10.8 of the Investment Policy requires that the Treasurer submit the Financial Institutions Resolutions to the Board annually for approval.

BACKGROUND

Metro's investment policy allows for temporary idle funds to be invested consistent with Board approved investment policy guidelines. The policy is updated on an annual basis and was last updated February 28, 2019.

DISCUSSION

California Government Code sections relevant to Metro's Investment Policy were not amended during the 2019 California Legislative session. Therefore, the Investment Policy presented in Attachment A for Board approval is unchanged from the prior year. The Board approves the

objectives and guidelines that direct the investment of operating funds.

Financial Institutions require Board authorization to establish custody, trustee and commercial bank accounts. The Financial Institutions resolution is presented as Attachment B.

To streamline this board report, the following reference materials may be found on the Internet:

Current Investment Policy:

[<http://media.metro.net/about_us/finance/images/investment_policy.pdf>](http://media.metro.net/about_us/finance/images/investment_policy.pdf)

California Government Code: Section 53600 to 53609, Section 53646, Section 53652, Section 16429.1 to 16429.4:

[http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1)

FINANCIAL IMPACT

The funds required to update the Investment Policy are included in the FY20 budget in cost center 5210 and project number 610340.

Impact to Budget

The sources of funds budgeted to manage assets in accordance with the Investment Policy are Proposition A, Proposition C, Measure R, Measure M and TDA administration funds. These funds are not eligible for bus and rail operating and capital expenses.

ALTERNATIVES CONSIDERED

The Investment Policy and California Government Code require an annual review and adoption of the Investment Policy, delegation of investment authority, and approval of Attachment B - Financial Institutions Resolution. Should the Board elect not to delegate the investment authority annually or approve the resolution, the Board would assume daily responsibility for the investment of working capital funds and for the approval of routine administrative actions.

NEXT STEPS

Upon Board approval, distribute the Investment Policy to external investment managers and broker-dealers. Issue copies of the Investment Policy and the Financial Institutions Resolution to our financial institutions.

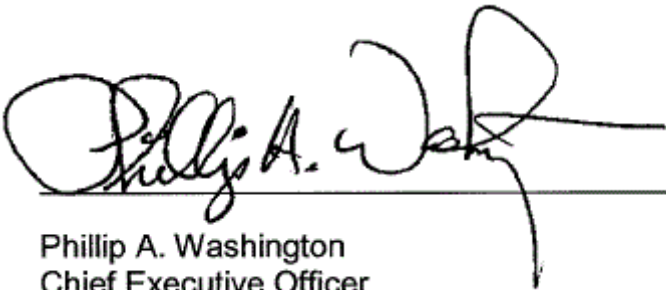
ATTACHMENTS

Attachment A - Investment Policy

Attachment B - Financial Institutions Resolution

Prepared by: Marshall M. Liu, Sr. Investment Manager, (213) 922-4285
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Donna R. Mills, Treasurer, (213) 922-4047

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



Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

Los Angeles County Metropolitan Transportation Authority

INVESTMENT POLICY

Approved on February 27, 2020

INVESTMENT POLICY

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1.0 Policy

It is the policy of the Los Angeles County Metropolitan Transportation Authority (LACMTA) to ensure that the temporarily idle funds of the agency are prudently invested to preserve capital and provide necessary liquidity, while maximizing earnings, and conforming to state and local statutes governing the investment of public funds.

This investment policy conforms to the California Government Code ("Code") as well as to customary standards of prudent investment management. Investments may only be made as authorized by the Code, Section 53600 et seq., Sections 16429.1 through 16429.4 and this investment policy. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this investment policy. Changes to the Code that are less restrictive than this investment policy may be adopted by the Board of Directors (Board).

2.0 Scope

- 2.1 This investment policy sets forth the guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and any new fund created by the Board, unless specifically exempted. Excluded from this investment policy are guidelines for the investment of proceeds related to debt financing, defeased lease transactions, Agency (Deferred Compensation, 401K, and Benefit Assessment District), Other Post Employment Benefit (OPEB) Trust funds and Pension Trust Funds.
- 2.2 Internal and external portfolio managers may be governed by Portfolio Guidelines that may on an individual basis differ from the total fund guidelines outlined herein. The Treasurer is responsible for monitoring and ensuring that the total funds subject to this investment policy remain in compliance with this investment policy, and shall report to the Board regularly on compliance.

3.0 Investment Objectives

- 3.1 The primary objectives, in priority order, of investment activities shall be:
 - A. Safety: Safety of principal is the foremost objective of the investment program. The investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The LACMTA shall seek to ensure that capital losses are avoided whether from institutional default, broker-dealer default, or erosion of market value. Diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - B. Liquidity: The investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.
 - C. Return on Investments: The LACMTA shall manage its funds to maximize the return on investments consistent with the two objectives above, with the goal of exceeding the performance benchmarks (Section 12.0) over a market cycle (typically a three to five year period).
- 3.2 It is policy to hold investments to maturity. However, a security may be sold prior to its maturity and a capital gain or loss recorded if liquidity needs arise, or in order to improve the quality, or rate of return of the portfolio in response to market conditions and/or LACMTA risk preferences.

Internal and external investment managers shall report such losses to the Treasurer and Chief Financial Officer immediately.

3.3

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing LACMTA funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

3.4

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this investment policy, written portfolio guidelines and procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in the quarterly investment report to the Board, and appropriate action is taken to control adverse developments.

4.0 Delegation of Authority

4.1

The Board shall be the trustee of funds received by the LACMTA. In accordance with Code Section 53607, the Board hereby delegates the authority to invest or reinvest the funds, to sell or exchange securities so purchased and to deposit securities for safekeeping to the Treasurer for a one year period, who thereafter assumes full responsibility for such transactions and shall make a monthly report of those transactions to the Board. Subject to review by the Board, the Board may renew the delegation of authority each year.

4.2

The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy, including establishment of appropriate written agreements with financial institutions. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The Treasurer may engage independent investment managers to assist in the investment of its financial assets.

4.3

No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the Treasurer.

4.4

Officers and employees involved in the investment process shall be governed by the standards regarding ethical behavior and conflicts of interest established in the Los Angeles County Metropolitan Transportation Authority Ethics Policy and annually shall file a Statement of Economic Disclosure with the Ethics Office.

5.0 Permitted Investments

5.1

All funds which are not required for immediate cash expenditures shall be invested in income producing investments or accounts, in conformance with the provisions and restrictions of this investment policy as defined in Section 5.1A and as specifically authorized by the Code, (Sections 53600, et seq.). Securities held by the LACMTA's custodial bank must be in compliance with Section 5.0 Permitted Investments at the time of purchase.

- 5.2 In order to reduce overall portfolio risk, investments shall be diversified among security type, maturity, issuer and depository institutions. See Section 5.1A for specific concentration limits by type of investment.
- A. Percentage limitations where listed are only applicable at the date of purchase.
 - B. In calculating per issuer concentration limits commercial paper, bankers' acceptances, medium term notes, asset-backed securities, placement service assisted deposits, and negotiable certificates of deposit shall be included; deposits collateralized per Section 7.3 of this investment policy are excluded from this calculation.
 - C. Credit requirements listed in this investment policy indicate the minimum credit rating (or its equivalent by any nationally recognized statistical rating organization) required at the time of purchase without regard to modifiers (e.g., +/- or 1,2,3), if any.
- 5.3 Maturities of individual investments shall be diversified to meet the following objectives:
- A. Investment maturities will be first and foremost determined by anticipated cash flow requirements.
 - B. Where this investment policy does not state a maximum maturity in Section 5.1A, no investment instrument shall be purchased which has a stated maturity of more than five years from the date of purchase, unless the instrument is specifically approved by the Board or is approved by the Board as part of an investment program and such approval must be granted no less than three months prior to the investment. The Board hereby grants express authority for the purchase of new issue securities with a 5 year stated maturity with extended settlement of up to 30 days from date of purchase.
 - C. The average duration of the externally managed funds subject to this investment policy shall not exceed 150% of the benchmark duration. The weighted average duration of the internal portfolios shall not exceed three (3) years.
- 5.4 State and local government sponsored Investment Pools and money market mutual funds as authorized by this investment policy are subject to due diligence review prior to investing and on a continual basis as established in Section 5.1A, #11 and #12.
- 5.5 This investment policy specifically prohibits the investment of any funds subject to this investment policy in the following securities:
- A. Derivative securities, defined as any security that derives its value from an underlying instrument, index, or formula, are prohibited. The derivative universe includes, but is not limited to, structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments, financial futures and options, and mortgage derived interest or principal only strips. Callable or putable securities with no other option features, securities with one interest rate step-up feature, and inflation indexed securities meeting all other requirements of this investment policy are excluded from this prohibition, as are fixed rate mortgage-backed securities and asset-backed securities.
 - B. Reverse repurchase agreements and securities lending agreements.

6.0 Selection of Depository Institutions, Investment Managers and Broker-Dealers

- 6.1 To minimize the risk to the overall cash and investment portfolio, prudence and due diligence as outlined below shall be exercised with respect to the selection of Financial Institutions in which funds are deposited or invested. The LACMTA's Financial Advisor (FA) will conduct competitive processes to recommend providers of financial services including commercial banking, investment management, investment measurement and custody services.
- A. In selecting Depositories pursuant to Code Sections 53630 (et seq.), the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency. The main depository institutions will be selected on a periodic and timely basis.
 - B. Deposits which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the collateralization requirements of Section 7.3 of this investment policy, at the Treasurer's discretion. A written waiver of securitization shall be executed, provided to the Depository Institution, and kept on file in the Treasury Department.
 - C. The Treasurer shall seek opportunities to deposit funds with disadvantaged business enterprises, provided that those institutions have met the requirements for safety and reliability and provide terms that are competitive with other institutions.
- 6.2 In selecting external investment managers and brokers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost within the parameters of this investment policy and the Code shall be considered. External investment managers must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor Act of 1940.
- 6.3 Pursuant to Code Section 53601.5, the LACMTA and its investment managers shall only purchase statutorily authorized investments either from the issuer, from a broker-dealer licensed by the state, as defined in Section 25004 of the Corporations Code, from a member of a federally regulated securities exchange, a national or state-chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank.
- A. Internal investment manager will only purchase or sell securities from broker-dealers that are Primary Dealers in U.S. Government Securities or are a direct affiliate of a Primary Dealer. Internal investment manager will only purchase securities from broker-dealers who have returned a signed Receipt of Investment Policy and completed the Broker-Dealer Questionnaire, and have been approved by the Treasurer (see Appendices B and C). A current copy of the Broker-Dealer's financial statements will be kept on file in the Treasury Department. Should market conditions limit access to inventory, the Treasurer may approve executing transactions through non-Primary Dealers who meet all of the criteria listed below:
 - a. The broker dealer must qualify under Securities Exchange Commission rule 15C3-1 (Uniform Net Capital Rule);

- b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. FINRA, SEC, MSRB);
 - c. Have been in operation for more than five years; and
 - d. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in U.S. Treasuries and Agencies.
- B. In addition to Primary Dealers in U.S. Government Securities and direct affiliates of a Primary Dealer, external investment managers may purchase or sell securities from non-Primary Dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and provided that the dealer is a member of the Financial Industry Regulatory Authority. External investment managers shall submit, at least quarterly, a list of the non-Primary Dealers used during the period.
- C. External investment managers must certify in writing that they will purchase securities in compliance with this investment policy, LACMTA Procedures, and applicable State and Federal laws.

6.4 Financial institutions and external investment managers conducting investment transactions with or for LACMTA shall sign a Certification of Understanding. The Certification of Understanding (see Appendix A) states that the entity:

- A. Has read and is familiar with the Investment Policy and Guidelines as well as applicable Federal and State Law;
- B. Meets the requirements as outlined in this investment policy;
- C. Agrees to make every reasonable effort to protect the assets from loss;
- D. Agrees to notify the LACMTA in writing of any potential conflicts of interest.

Completed certifications shall be filed in the Treasurer's Office. Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by that financial institution, or investment manager and/or the rescission of any and all authority to act as an agent to purchase or invest funds.

6.5 All broker-dealers who do business with the LACMTA's internal investment managers shall sign a Receipt of Investment Policy. The Receipt of Investment Policy (see Appendix B) states that the broker dealer:

- A. Has received, read, and understands this investment policy;
- B. Has communicated the requirements of this investment policy to all personnel who may select investment opportunities for presentation.

Failure to submit a Receipt of Investment Policy shall preclude the LACMTA from purchasing or selling securities from such broker-dealer. Completed receipts shall be filed in the Treasurer's Office.

7.0 Custody and Safekeeping of Securities and LACMTA Funds

- 7.1 A Master Repurchase Agreement must be signed with the bank or dealer before any securities and collateral for repurchase agreements shall be purchased and maintained for the benefit of the LACMTA in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the LACMTA and the bank. Specific collateralization levels are defined in Section 5.1A.
- 7.2 All investment transactions shall be settled "delivery vs. payment", with the exception of deposits, money market mutual fund investments, and Local Agency Investment Fund or other Local Government Investment Pools. Delivery may be physical, via a nationally recognized securities depository such as the Depository Trust Company, or through the Federal Reserve Book Entry system.
- 7.3 Funds deposited shall be secured by a Depository in compliance with the requirements of Code Section 53652. Such collateralization shall be designated and agreed to in writing.

8.0 Reports and Communications

- 8.1 The Treasurer is responsible for ensuring compliance with all applicable Local, State, and Federal laws governing the reporting of investments made with public funds. All investment portfolios will be monitored for compliance. Non-compliance issues will be included in the quarterly Board report as stated in Section 8.3 of this investment policy.
- 8.2 The Treasurer shall annually submit a statement of investment policy to the Board for approval. The existing approved investment policy will remain in effect until the Board approves the recommended statement of investment policy.
- 8.3 The Treasurer shall render a quarterly cash, investment, and transaction report to the CEO and Board, and quarterly to the Internal Auditor within 30 days following the end of the quarter covered by the report. The report shall include a description of LACMTA's funds, investments, or programs that are under the management of contracted parties, including lending programs. The report shall include as a minimum:
 - A. Portfolio Holdings by Type of Investment and Issuer
 - B. Maturity Schedule and Weighted Average Maturity (at market)
 - C. Weighted Average Yield to Maturity
 - D. Return on Investments versus Performance Benchmarks on a quarterly basis
 - E. Par, Book and Market Value of Portfolio for current and prior quarter-end
 - F. Percentage of the portfolio represented by each investment category
 - G. Total Interest Earned
 - H. Total Interest Received
 - I. A statement of compliance with this investment policy, or notations of non-compliance.

- J. At each calendar quarter-end a subsidiary ledger of investments will be submitted with the exception listed in 8.3K.
- K. For investments that have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in National Credit Union Administration insured accounts in a credit union, in a county investment pool, or in shares of beneficial interest issued by a diversified management company that invest in the securities and obligations as authorized by this investment policy and the Code, the most recent statement received from these institutions may be used in lieu of the information required in 8.3 J.
- L. At each calendar quarter-end the report shall include a statement of the ability to meet expenditure requirements for the next six months.
- M. A quarterly gain or loss report on the sale or disposition of securities in the portfolio.

8.4 Internal and external investment managers shall monitor investments and market conditions and report on a regular and timely basis to the Treasurer.

- A. Internal and external investment managers shall submit monthly reports to the Treasurer, such reports to include all of the information referenced in Section 8.3, items A-J of this investment policy. Portfolios shall be marked-to-market monthly and the comparison between historical cost (or book value) and market value shall be reported as part of this monthly report.
- B. Internal and external investment managers shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Treasurer in writing within 24 hours of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this investment policy, the investment manager shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.
- C. External and internal investment managers shall immediately inform the Treasurer, or the Chief Financial Officer in writing of any major adverse market condition changes and/or major portfolio changes. The Chief Financial Officer or the Treasurer shall immediately inform the Board in writing of any such changes.
- D. External investment managers shall notify the LACMTA internal managers daily of all trades promptly, via fax or via email.
- E. Internal investment managers will maintain a file of all trades.

9.0 Portfolio Guidelines

Portfolio Guidelines are the operating procedures used to implement this investment policy approved by the Board. The Treasurer may impose additional requirements or constraints within the parameters set by this investment policy.

10.0 Internal Control

10.1 The Treasurer shall establish a system of internal controls designed to prevent losses of public funds arising from fraud, employee or third party error, misrepresentation of third parties, unanticipated

changes in financial markets, or imprudent actions by employees or agents. Such internal controls shall be approved by the Chief Financial Officer and shall include authorizations and procedures for investment transactions, custody/safekeeping transactions, opening and dosing accounts, wire transfers, and clearly delineate reporting responsibilities.

- 10.2 Treasury personnel and LACMTA officials with signature authority shall be bonded to protect against possible embezzlement and malfeasance, or at the option of the governing board self-insured.
- 10.3 Electronic transfer of funds shall be executed upon the authorization of two official signatories.
- 10.4 Transaction authority shall be separated from accounting and record keeping responsibilities.
- 10.5 All investment accounts shall be reconciled monthly with custodian reports and broker confirmations by a party that is independent of the investment management function. Discrepancies shall be brought to the attention of the investment manager, the Treasurer and Deputy Executive Officer, Finance in the Treasury Department, the Controller, and if not resolved promptly, to the Chief Financial Officer.
- 10.6 The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide independent confirmation of compliance with policies and procedures.
- 10.7 The Treasurer is responsible for the preparation of the cash flow model. The cash flow model shall be updated monthly based upon the actual and projected cash flow.

Annually, the Treasurer shall notify the external investment managers of the cash flow requirements for the next twelve months. The Treasurer shall monitor actual to maximum maturities within the parameters of this investment policy.

- 10.8 The Treasurer shall annually submit the Financial Institutions Resolution to the Board for approval. The existing resolution will remain in effect until the Board approves the recommended resolution.

11.0 Purchasing Guidelines

- 11.1 Investment managers shall purchase and sell securities at the price and execution that is most beneficial to the LACMTA. The liquidity requirements shall be analyzed and an interest rate analysis shall be conducted to determine the optimal investment maturities prior to requesting bids or offers. Investments shall be purchased and sold through a competitive bid/offer process. Bids/offers for securities of comparable maturity, credit and liquidity shall be received from at least three financial institutions, if possible.
- 11.2 Such competitive bids/offers shall be documented on the investment managers' trade documentation. Supporting documentation from the Wall Street Journal, Bloomberg or other financial information system shall be filed with the trade documentation as evidence of general market prices when the purchase or sale was effected.

12.0 Benchmarks

Internal and external investment managers' performance shall be evaluated against the following agreed upon benchmarks. If the investment manager does not meet its benchmark over a market cycle (3 to 5 years), the Treasurer shall determine and set forth in writing reasons why it is in the best interests of the LACMTA to replace or retain the investment manager.

Portfolio
Intermediate Duration Portfolios

Investment Benchmarks
ICE Bank of America/Merrill Lynch AAA-A
1-5 year Government & Corporate Index
(BV10)

Short Duration Portfolios

Three month Treasury

Los Angeles County Metropolitan Transportation Authority
Section 5.1A
Statement of Investment Policy ^a

* The percentage of portfolio authorized is based on market value.

| Investment Type | Maximum Maturity | Maximum Allowable Percentage of Portfolio * | Minimum Quality and Other Requirements |
|--|----------------------|---|---|
| Bonds Issued by the LACMTA | 5 years ^b | 100% | None |
| U.S. Treasury notes, bonds, bills or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for payment of principal and interest | 5 years ^b | 100% | None |
| Registered state warrants or treasury notes or bonds of the other 49 states in addition to California. | 5 years ^b | 25% | Such obligations must be rated “A1” or better short term; or “AA” or better long term, by a nationally recognized statistical rating organization |
| Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California | 5 years ^b | 25% | Such obligations must be rated “A1” or better short term; or “AA” or better long term, by a nationally recognized statistical rating organization |
| Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government –sponsored enterprises | 5 years ^b | 50% ^d | See Footnote d |
| Bills of exchanges or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances | 180 days | 40% ^c | The issuer’s short-term debt must have the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization |
| Commercial paper or “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization | 270 days | 25% ^c | See Footnote e |
| Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a state licensed branch of a foreign bank, or a federally licensed branch of a foreign bank. | 5 years ^b | 30% ^c | See Footnote f |

| | | | |
|---|------------------|--|--|
| Placement Service Assisted Deposits | 5 years b | 30% c | See Footnote g |
| Investments in repurchase agreements | 90 days | 20% | Limited to no more than 90 days. See Footnote h |
| United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank. | 5 years b | 30% c | Maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments shall be rated "AA" or better by a nationally recognized statistical rating organization and shall not exceed 30% of the portfolio. |
| Medium-term notes issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States | 5 years b | 30% c | Must be rated "A" or better by a nationally recognized statistical rating organization. If rated by more than one rating agency, both ratings must meet the minimum credit standards. |
| Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission, as authorized by Code Section 53601 | Not applicable | 20% c | See Footnote i |
| State of California Local Agency Investment fund (LAIF) Code Section 16429.1 through 16429.4 or other Local Government Investment Pool (LGIP) established by public California entities pursuant to Section 53684 | Not applicable | Set by LAIF and LGIP | See Footnote j |
| Asset-backed Securities | 5 years b | 15% combined with mortgage-backed securities | See Footnote k |
| Mortgage-backed Securities | 5 years b | 15% combined with asset-backed securities | See Footnote l |

**Los Angeles County Metropolitan Transportation Authority
Statement of Investment Policy**

| Footnotes for Section 5.1A Statement of Investment Policy | |
|--|--|
| A | Sources: California Government Code Sections 16429.1, 53601, 53601.8, 53635 and 53638 |
| B | Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to the purchase. New issue securities with a stated 5 year maturity can be purchased in the primary market with extended settlements of up to 30 days from the date of purchase. |
| C | Limited to no more than 10% of the portfolio in any one issue (i.e. bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, and money market funds) |
| D | No more than 15% of portfolio in any one Federal Agency or government-sponsored issue |
| E | Eligible paper is further limited to 10% of the outstanding paper of an issuing corporation, the issuing corporation must be organized and operating within the United States and having total assets in excess of \$500,000,000 and have an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided for by a nationally recognized statistical rating organization. Issuing corporations that are organized and operating within the United States and have total assets in excess of \$500 million dollars and having an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided by a nationally recognized statistical rating organization |
| F | The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any other specified city officer or employee also serves on the board of directors or certain committees of that credit union |
| G | Investments in placement services assisted deposits is authorized under Sections 53601.8, 53635.8, and 53601 (i) of the California Government Code. |
| H | Repurchase agreements shall be executed through Primary Broker-Dealers. The repurchase agreement must be covered by a master repurchase agreement. Repurchase agreements shall be collateralized at all times. Collateral shall be limited to obligations of the United States and Federal Agencies with an initial margin of at least 102% of the value of the investment, and shall be in compliance if brought back up to 102% no later than the next business day. Collateral shall be delivered to a third party custodian in all cases. Collateral for term repurchase agreements shall be valued daily by the LACMTA's investment manager (for internal funds) or external investment manager. Investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. The LACMTA shall obtain a first lien and security interest in all collateral |
| I | Companies must have either 1) the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized statistical rating organizations, or (2) retained an investment advisor registered or exempt with the Securities and-Exchange Commission, with no less than five years experience investing in the securities and obligations authorized by California Government Code 53601 a-k inclusive and m-o inclusive and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price may not include any commissions charged by these companies |

| | |
|---|---|
| J | <p>Maximum investment per individual pool limited to the amount for LAIF as set by the State Treasurer’s Office. Limit does not include funds required by law, ordinance, or statute to be invested in pool. Each pool must be evaluated and approved by the Treasurer, as to credit worthiness, security, and conformity to state and local laws. An evaluation should cover, but is not limited to establishing, a description of who may invest in the program, how often, what size deposit and withdrawal; the pool’s eligible investment securities, obtaining a written statement of investment policy and objectives, a description of interest calculations and how it is distributed; how gains and losses are treated; a description of how the securities are safeguarded and how often the securities are priced and the program audited. A schedule for receiving statements and portfolio listings. A fee schedule, when and how fees are assessed</p> |
| K | <p>Limited to senior class securities with stated maturities of no more than 5 years. Further limited to securities rated in a rating category of "AA" or its equivalent or better as provided for by a nationally recognized statistical rating organization. Further limited to fixed rate, publicly offered, generic credit card, automobile receivables, and equipment receivables only. Deal size must be at least \$250 million, and tranche size must be at least \$25 million</p> |
| L | <p>Pass-Through securities: Limited to Government Agency or Government Sponsored issuers, fixed rate, stated maturity no more than 5 years. CMOS: Limited to Government Agency or Government Sponsored Issuers and Planned Amortization Classes (PAC) only. Securities eligible for investment under this category shall be rated “AA” or its equivalent or better by a nationally recognized statistical rating organization. The following are prohibited: ARMS, floaters, interest or principal (IOs, POs), Targeted Amortization Classes, companion, subordinated, collateral classes, or zero accrual structures</p> |

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION
AUTHORITY

CERTIFICATION OF UNDERSTANDING

The Los Angeles County Metropolitan Transportation Authority (LACMTA) Investment Policy as approved by the Board of Directors requires that all Financial Institutions and Investment Managers' conducting investment transactions with or for LACMTA sign a Certification of Understanding acknowledging that:

1. *You have read and are familiar with the LACMTA's Investment Policy as well as applicable Federal and State laws.*
2. *You meet the requirements as outlined in Investment Policy.*
3. *You agree to make every reasonable effort to protect the assets from loss.*
4. *You agree to notify the LACMTA in writing of any potential conflicts of interest.*
5. *You agree to notify the LACMTA in writing of any changes in personnel with decision-making authority over funds within 24 hours of such event.*

Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by the financial institution or investment manager and the immediate revocation of any rights to act as an agent of the LACMTA for the purchase of securities or investment of funds on behalf of LACMTA.

The Board of Directors is committed to the goals of the Community Reinvestment Act (CRA). As part of the certification process for depository institutions, it is requested that you remit evidence of your most recent CRA rating.

SIGNED: _____ DATE: _____
Print Name and Title _____

After reading and signing this Certification of Understanding please return with *any* supporting documentation to:

LACMTA
Treasury Department
Attention: Treasurer
One Gateway Plaza
Los Angeles, CA 90012-2932

LACMTA use only:

Approved: _____ Disapproved: _____ Date: _____

Signature: _____

LACMTA Treasurer

APPENDIX B

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

BROKER-DEALER RECEIPT OF INVESTMENT POLICY

We are in receipt of the Los Angeles County Metropolitan Transportation Authority's (LACMTA) Investment Policy.

We have read the policy and understand the provisions and guidelines of the policy. All salespersons covering LACMTA's account will be made aware of this policy and will be directed to give consideration to its provisions and constraints in selecting investment opportunities to present to LACMTA.

Signed _____
Name Name

Title Title

Firm Name

Date Date

After reading and signing this Receipt of Investment Policy, please return with supporting documentation to:

LACMTA
Treasury Department
Attention: Treasurer
One Gateway Plaza
Los Angeles, CA 90012-2932

LACMTA use only:

Approved: _____ Disapproved: _____ Date: _____
Signature: _____
LACMTA Treasurer

APPENDIX C

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION
AUTHORITY

BROKER/DEALER QUESTIONNAIRE

1. Name of Firm _____

2. Address _____
(Local) (National Headquarters)

3. Telephone No. () _____ Telephone No. () _____
(Local) (National Headquarters)

| | |
|--|--|
| 4. Primary Representative | Manager/Partner-in-Charge |
| Name _____ | Name _____ |
| Title _____ | Title _____ |
| Telephone No. _____ | Telephone No. _____ |
| No. of Yrs. in Institutional Sales _____ | No. of Yrs. in Institutional Sales _____ |
| Number of Years with Firm _____ | Number of Years with Firm _____ |

5. Are you a Primary Dealer in U.S. Government Securities? [] YES [] NO

If NO, Is the parent company or its subsidiary a Primary Dealer in U.S. Government Securities? Provide proof of certification.

[] YES [] NO

Please explain your firm's relationship to the Primary Dealer below:

Please provide proof certification from the National Association of Securities Dealer.

6. Are you a Broker instead of Dealer, i.e., you DO NOT own positions of Securities?
[] YES [] NO

7. What is the net capitalization of your Firm? _____

8. What is the date of your Firm's fiscal year-end? _____

9. Is your Firm owned by a Holding Company? If so, what is its name and net capitalization?

10. Please provide your Wiring and Delivery Instructions.

11. Which of the following instruments are offered regularly by your local desk?

- T-Bills Treasury Notes/Bonds Discount Notes NCD's
 Agencies (specify) _____
 BA's (Domestic) BA's (Foreign) Commercial Paper
 Med-Term Notes Repurchase Agreements

12. Does your Firm specialize in any of the instruments listed above?

13. Please identify your comparable government agency clients in the LACMTA's geographical area.

| <u>Entity</u> | <u>Contact Person</u> | <u>Telephone No.</u> | <u>Client Since</u> |
|---------------|-----------------------|----------------------|---------------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

14. What reports, confirmations, and other documentation would LACMTA receive? Please include samples of research reports or market information that your firm regularly provides to government agency clients.

15. What precautions are taken by your Firm to protect the interests of the public when dealing with government agencies as investors?

16. Have you or your Firm been censored, sanctioned or disciplined by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities within the past five years? YES NO

17. If yes, please explain

18. Please provide your most recent audited financial statements within 120 days of your fiscal year-end.

19. Please indicate the current licenses of the LACMTA representatives:

Agent: _____ License or registration: _____

APPENDIX D
LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
INVESTMENT POLICY GLOSSARY

ASKED: The price at which securities are offered from a seller.

BANKERS' ACCEPTANCE (BA): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (or issuer - the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BID: The price offered by a buyer of securities.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable (marketable or transferable).

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

CUSTODY or SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: Delivery of securities with a simultaneous exchange of money for the securities.

FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES (AGENCIES): U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). They include:

- ◆ Federal Home Loan Banks (FHLB)
- ◆ Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
- ◆ Federal National Mortgage Association (FNMA or "Fannie Mae")
- ◆ Federal Farm Credit Banks (FFCB)
- ◆ Tennessee Valley Authority (TVA)

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Interest bearing, continuously offered debt, issued in the 9 month to ten year maturity range. Deposit notes, like Certificates of Deposit, actually represent an interest bearing deposit at a bank or other depository institution.

OFFER: The price asked by a seller of securities.

PAR VALUE: The face value, or principal amount payable at maturity.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

REPURCHASE AGREEMENT (RP OR REPO): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, whereby the security "buyer" in effect lends the "seller" money for the period of the agreement, and the difference between the purchase price and sale price determining the earnings. Dealers use RP extensively to finance their positions.

SECURITIES & EXCHANGE COMMISSION (SEC): An agency created by Congress to protect investors in securities transactions by administering securities legislation.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY NOTES AND BONDS: Long-term U.S. Treasury securities having initial maturities of 2 to 30 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

FINANCIAL INSTITUTIONS RESOLUTION

RESOLVED, that any financial institutions, including all banks and their correspondent banks doing business with the Los Angeles County Metropolitan Transportation Authority (LACMTA), are hereby authorized, requested and directed to honor all checks, drafts, wires, or other orders for payment of money drawn in the LACMTA’s name on its account(s) (including those drawn on the individual order of any person or persons whose names appear thereon as a signer or signers thereof) when bearing the original and/or facsimile signature of the Chair; Chief Executive Officer; Chief Financial Officer; Treasurer; Deputy Executive Officer, Finance in Treasury Department; or Assistant Treasurer (collectively, LACMTA Officials). LACMTA Officials are the only representatives empowered to open, close or authorize changes to accounts on behalf of LACMTA. LACMTA Officials may designate individuals as Official Signatories for financial accounts. The duties of Official Signatories shall be limited to check signing, wire or fund transfers, balance reporting and/or monitoring of bank processes.

And, those financial institutions, including correspondent banks, currently doing business with LACMTA shall be entitled to honor and charge LACMTA for all such checks, drafts, wires, or other orders for the payment of money, regardless of by whom or by what means when the actual or facsimile signature or signatures resemble the specimens filed with those financial institutions by the Secretary or other officer of LACMTA.

CERTIFICATION

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

Dated: _____

Michele Jackson
Board Secretary

(SEAL)