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**Agenda - Final**

**Wednesday, September 14, 2022**

**1:30 PM**

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

**Finance, Budget and Audit Committee**

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

## **METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES**

### **(ALSO APPLIES TO BOARD COMMITTEES)**

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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.

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

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**323.466.3876**

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### Live Public Comment Instructions:

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Email: BoardClerk@metro.net

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Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

## CALL TO ORDER

## ROLL CALL

APPROVE Consent Calendar Items: 14, 15, and 16.

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

## CONSENT CALENDAR

### 14. SUBJECT: GROUP INSURANCE PLANS [2022-0530](#)

#### RECOMMENDATION

AUTHORIZE the Chief Executive Officer to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long term disability coverage for Teamster employees, and life insurance for all full time Metro employees, for the one-year period beginning January 1, 2023.

Attachments: [Attachment A - Proposed Monthly Premium Rates](#)  
[Attachment B - Proposed Monthly Employee Contributions](#)

### 15. SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2022 TO MARCH 31, 2022 [2022-0453](#)

#### RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2022 to March 31, 2022.

Attachments: [Attachment A - 23-AUD-01 Final Report on Misc. Expenses Jan-Mar '22 Presentation](#)

### 16. SUBJECT: CRENSHAW/LAX (K LINE) AND REGIONAL CONNECTOR FARE COLLECTION EQUIPMENT MAINTENANCE SUPPORT SERVICES, CUBIC TRANSPORTATION SYSTEMS, INC. [2022-0413](#)

#### RECOMMENDATIONS

AUTHORIZE the Chief Executive Officer to:

- A. EXECUTE Modification No. 155.01 to Contract No. OP02461010-MAINT with Cubic Transportation Systems, Inc., (Cubic) for maintenance support services of fare collection equipment at Metro stations related to the Crenshaw/LAX (K Line) Transit Project and Regional Connector Project, in

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the amount of \$1,054,539 from \$383,998,282 to \$385,052,821; and

- B. NEGOTIATE the contract modification value based on final Revenue Operation Dates of both projects in an amount not-to-exceed \$200,000 above \$1,054,539.

Attachments:      [Attachment A - Procurement Summary](#)  
                             [Attachment B - Contract Modification Change Order Log](#)  
                             [Attachment C - DEOD Summary](#)  
                             [Attachment D - Fare Collection Deployment Locations](#)

## NON-CONSENT

17. **SUBJECT:      MEASURE R SHORT-TERM BORROWING PROGRAM** [2022-0466](#)

### RECOMMENDATION

ADOPT a resolution that authorizes the Chief Executive Officer and/or other Designated Officers to renew and/or replace the existing direct-pay letter of credit ("LOC") with respect to the Measure R Short-Term Borrowing Program, Attachment A.

**(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE BOARD)**

Attachments:      [Attachment A - Authorizing Resolution](#)  
                             [Attachment B - 2015 Finding of Benefit Resolution](#)  
                             [Attachment C - Bank Recommendation Summary](#)

- SUBJECT:      GENERAL PUBLIC COMMENT** [2022-0589](#)

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 #: 2022-0530, File Type: Policy

Agenda Number: 14.

### FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 14, 2022

**SUBJECT: GROUP INSURANCE PLANS**

**ACTION: APPROVE RENEWAL OF GROUP INSURANCE POLICIES**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long term disability coverage for Teamster employees, and life insurance for all full time Metro employees, for the one-year period beginning January 1, 2023.

#### **BACKGROUND**

Our health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees a foundation to maintain or improve their health. Los Angeles County Metropolitan Transportation Authority (Metro), including the Public Transportation Services Corporation (PTSC), seeks to offer benefit plans that promote efficient use of health resources and are cost effective for the company and our employees.

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 99% of the employees covered by the benefit plans are PTSC employees. On an annual basis, employees are encouraged to review their enrollment and may choose medical, dental, vision, supplemental life, long-term disability, and accidental death and dismemberment plans that meet their needs. Alternatively, employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit, provided proof of other medical coverage is submitted, and the employee does not obtain subsidized coverage from an exchange. Employees may also participate in flexible spending accounts, a vehicle to pay for certain out-of-pocket healthcare and dependent care expenses on a pre-tax basis.

#### **DISCUSSION**

This year the life insurance and long-term disability plans were marketed thru the services of our Benefits Consultant, The Unisource Group Inc., and it is recommended to consolidate both plans with The Standard, the current insurer for Metro's long term disability plans. The Standard's total savings with a 3-year rate guarantee is \$686,000 or -21.7% from current rates. Employees and dependents

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will have a one-time opportunity during Open Enrollment to increase their voluntary coverage in amounts up to the Guaranteed Issue with no Evidence of Insurability, provided they were not previously declined. Voya, the current insurer for Metro's life insurance, offered a 2-year rate guarantee with a -13.7% decrease from current rates, and did not offer the opportunity for employees to increase their voluntary life coverage.

An additional consideration this year is to enhance dental and vision benefits to assist in supporting the health and wellness of our employees and families. The projected cost of enhancements is \$504,000, which would be offset by the \$686,000 savings achieved by the consolidation of life and disability reference above, for a net savings of \$182,000.

The overall premium cost is a 5.1% increase for calendar year 2023, which reflects more than \$3.3 million in negotiated reductions from initial renewal quotes. The recommended medical, dental, and vision premiums are shown in Attachment A. As previously established by the Chief Executive Officer, Non-Contract and AFSCME employees contribute 10% of the actual premium for each medical and dental plan selected. The monthly employee contributions are shown in Attachment B.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on the safety of our patrons or employees.

### **FINANCIAL IMPACT**

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY23 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$66.0 million is within the adopted budget.

### **EQUITY PLATFORM**

Metro's group health insurance plans as discussed in this board report are part of a total compensation package offered by Metro. Employees who work 30 hours or more are eligible to enroll in a medical plan and other benefits. New employees are provided an orientation session and assistance in enrolling in their selected plan(s).

Currently 96% of employees in the Non-Contract and AFSCME classifications enroll in health benefits, with the remaining 4% choosing to waive coverage by providing proof they are covered under another plan. References are provided in the Benefits Enrollment Guide for CoveredCA.com and Healthcare.gov and we provide additional guidance on an individual basis when needed.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports strategic plan goal #5 "Provide responsive, accountable and trustworthy governance within the Metro organization." The responsible administration of Metro's Group Insurance Policies promotes efficient use of health resources and is cost effective for the company and our employees.



### **ALTERNATIVES CONSIDERED**

The Board could decide to self-insure and self-administer health benefits. However, this is not recommended due to the resources required to establish the medical expertise and operational infrastructure required to review and process claims as well as the liability that would be assumed.

### **NEXT STEPS**

- Conduct annual open enrollment for Non-Contract and AFSCME employees during November 2022.
- Implement elections effective January 1, 2023.


### **ATTACHMENTS**

Attachment A - Monthly Premium Rates

Attachment B - Monthly Employee Contributions

Prepared by: Jan Olsen, Deputy Executive Officer (Interim), Pension & Benefits 213-922-7151  
Cristian Leiva, Deputy Chief People Officer, Labor & Employee Services, 213-922-3035

Reviewed by: Robert Bonner, Chief People Officer, Chief People Office  
213-922-3048



Stephanie N. Wiggins  
Chief Executive Officer

## Proposed Monthly Premium Rates

Provider	Coverage Option	CY 2022	CY 2023	%Change	Est # of Employees (1/1/23)
Blue Cross (PPO)	Single	\$1,287.95	\$1,403.82	9.0%	210
	Couple	\$2,592.61	\$2,825.86	9.0%	175
	Family	\$3,477.42	\$3,790.27	9.0%	320
Blue Cross (HMO)	Single	\$825.58	\$899.90	9.0%	80
	Couple	\$1,733.69	\$1,889.76	9.0%	63
	Family	\$2,476.52	\$2,699.45	9.0%	151
Kaiser (HMO)	Single	\$680.53	\$702.53	3.2%	419
	Couple	\$1,361.06	\$1,405.05	3.2%	255
	Family	\$1,925.90	\$1,988.15	3.2%	481
Delta Dental (PPO)	Single	\$54.60	\$65.46	18.9%	469
	Couple	\$94.89	\$113.76	18.9%	422
	Family	\$142.58	\$170.94	18.9%	784
DeltaCare (DHMO)	Single	\$20.21	\$20.21	0.00%	82
	Couple	\$36.71	\$36.71	0.00%	52
	Family	\$54.32	\$54.32	0.00%	92
Dental Health Services (DHMO)	Single	\$16.82	\$17.95	6.7%	62
	Couple	\$32.60	\$34.80	6.7%	35
	Family	\$49.15	\$52.46	6.7%	101
Vision Service Plan	Single	\$9.99	\$11.25	12.6%	279
	Couple	\$14.45	\$16.27	12.6%	263
	Family	\$25.90	\$29.15	12.6%	495
Voluntary Waiver of Coverage:*					
	Medical	\$265.00			115
	Dental	\$38.00			82
* Waiver of Medical coverage requires proof of alternative coverage.					

## Proposed Monthly Employee Contributions

<b>Provider</b>	<b>Coverage Option</b>	<b>NC &amp; AFSCME Employee Contribution (Current)</b>	<b>NC &amp; AFSCME Employee Contribution (Proposed) Effective 1/1/23</b>	<b>Change</b>
Blue Cross (PPO)	Single	\$129.00	\$140.00	\$11.00
	Couple	\$259.00	\$283.00	\$24.00
	Family	\$348.00	\$379.00	\$31.00
Blue Cross (HMO)	Single	\$83.00	\$90.00	\$ 7.00
	Couple	\$173.00	\$189.00	\$16.00
	Family	\$248.00	\$270.00	\$22.00
Kaiser (HMO)	Single	\$68.00	\$70.00	\$ 2.00
	Couple	\$136.00	\$141.00	\$ 5.00
	Family	\$193.00	\$199.00	\$ 6.00
Delta Dental (PPO)	Single	\$5.00	\$7.00	\$2.00
	Couple	\$9.00	\$11.00	\$2.00
	Family	\$14.00	\$17.00	\$3.00
DeltaCare (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$4.00	\$4.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$3.00	\$3.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Vision Service Plan	Single	\$1.00	\$1.00	\$0.00
	Couple	\$1.00	\$2.00	\$1.00
	Family	\$3.00	\$3.00	\$0.00

Non-Contract and AFSCME Employees contribute 10% (rounded to whole dollar) towards their individually selected plan's medical and dental premiums



Metro

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

## Board Report

**File #:** 2022-0453, **File Type:** Informational Report

**Agenda Number:** 15.

### FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 14, 2022

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2022  
TO MARCH 31, 2022**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2022 to March 31, 2022.

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2022 to March 31, 2022. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

#### **BACKGROUND**

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

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

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2022 to March 31, 2022. For this period, miscellaneous expenses totaled \$759,388 with 335 transactions. We selected 46 expense transactions totaling \$328,800 for detail testing.

#### **DISCUSSION**

##### **Findings**

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The miscellaneous expenses we reviewed for the period of January 1 to March 31, 2022 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found two instances of non-compliance with the Purchase Card policy: (a) no written pre-approval of purchases and (b) a restricted purchase was made.

The staff explained that their non-compliance was due to the urgency of the transaction where immediate payment was required.

The Office of the Inspector General provided recommendations to address the aforementioned issues.

### **Recommendations**

We recommend that:

#### **Finance and Budget**

1. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.

#### **Operations (Maintenance and Engineering)**

2. Instruct staff to review the Purchase Card policy and ensure that no restricted purchases are made through P-Card.

### **All Cost Centers**

Instruct all employees to use their Metro's email address when they register for seminars or trainings that will be paid by Metro.

### **FINANCIAL IMPACT**

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

### **EQUITY PLATFORM**

It is OIG's opinion that there is no equity consideration or impact in this audit.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

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

### **NEXT STEPS**

Metro management will implement corrective action plans.

### **ATTACHMENTS**

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2022 to March 31, 2022  
(Report No. 23-AUD-01)

Prepared by: Asuncion Dimaculangan, Senior Auditor, (213) 244-7311  
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301  
George Maycott, Senior Director, Special Projects, (213) 244-7310

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

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

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**Statutorily Mandated Audit of  
Miscellaneous Expenses  
January 1, 2022 to March 31, 2022**

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Report No. 23-AUD-01

August 3, 2022



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**DATE:** August 03, 2022

**TO:** Metro Board of Directors  
Metro Chief Executive Officer

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

**E-SIGNED by George Maycott**  
**on 2022-08-30 15:26:43 PDT**

**SUBJECT:** Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses  
January 1, 2022 to March 31, 2022 (Report No. 23-AUD-01)

## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2022 to March 31, 2022. This audit was performed pursuant to Public Utilities Code, Section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

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

- No written pre-approval of cardholder purchases
- Purchase card was used for a restricted purchase

## **OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT**

The objectives of the audit were to determine whether:

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

**Statutorily Mandated Audit of Miscellaneous Expenses**  
**January 1, 2022 to March 31, 2022**  
**Office of the Inspector General** **Report No. 23-AUD-01**

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

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Human Capital and Development, Management Audit Services, Operations, Planning, Program Management, and Vendor/Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2022 to March 31, 2022. For this period, miscellaneous expenses totaled \$759,388<sup>1</sup> with 335 transactions. We selected 46 expense transactions totaling \$328,800 for detail testing. Twenty-nine (29) of the expense transactions were randomly selected, four (4) were selected due to their large dollar amounts, and thirteen (13) were selected to add more samples for Miscellaneous Expenses - Others (Account 50999) and to sample other accounts. See Attachment A for details.

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

## **BACKGROUND**

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

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

## **RESULTS OF AUDIT**

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

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

# Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2022 to March 31, 2022

Office of the Inspector General

Report No. 23-AUD-01

## 1. No Written Pre-Approval of Cardholder Purchases

The P-Card statement for December 2021 of Cost Center 4430, Finance and Budget, included purchases of \$3,960.59 for equipment and materials used in Metro's Low-Income Fare is Easy (LIFE) Pop-Up events. Out of this amount, almost \$2,000 was spent for shirts and sweaters of the volunteers who were from Finance and other departments. We did not find any written approval prior to the purchase.

Metro P-Card policy requires that *"the Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc."*

The P-Cardholder explained that they were not able to get a pre-approval for these purchases since *"these events were put together very quickly [...] to double the enrollment of the LIFE program and put a big emphasis on public outreach during the Covid-19 pandemic. We were having a difficult time obtaining these supplies from the Metro Facilities Department, so we took the initiative to order the required equipment."* The P-Cardholder added that he was given verbal authority by the P-Card Approving Official to order the equipment, shirts and sweaters for the teams working at these events.

The Approving Official who has since retired explained: *"Many of my approvals were more in the form of directives while we were at the events themselves and I recognized an immediate need and I directed the P-Cardholder to move forward."*

It is important and Metro's policy to obtain a written pre-approval to ensure that all purchases are authorized and valid. If a verbal directive is given in exigent circumstances, immediate follow up in writing should occur.

## 2. Purchase Card Was Used for a Restricted Purchase

On January 20, 2022, Cost Center 3910, Executive Director, Maintenance & Engineering, paid Safety LMS \$6,870 through its P-Card; the payment consisted of \$5,370 for training on tower climbing (6 staff at \$895 per head) and \$1,500 for the Training Instructor's travel fee. This was a restricted purchase, as indicated in the P-Card policy.

The P-Card policy lists all restricted commodities which includes, among others, payments to "consultants, instructors, speakers."

The documents we obtained showed that the Deputy Executive Officer, Wayside Systems Engineering and Maintenance, informed the Director, Wayside Systems Rail Communications that a Purchase Order should be generated first before the training. However, no Purchase Order was obtained, but instead, the payment was made through use of a P-Card.

## Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2022 to March 31, 2022

Office of the Inspector General

Report No. 23-AUD-01

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The P-Card Approving Official explained that the Director (who is no longer with Metro) informed her on 1/12/2022 that there was an urgent need for the instructor lead training. She stated that *“On the same day, the P-Cardholder requested the Director to provide the necessary documents (Statement of Work, Independent Cost Estimate, etc.) to be able to submit the requisition. We never received the documentation and therefore, was unable to get a requisition in the system. Given that they had to secure the training dates of 2/16 & 2/17, payment to vendor was required.”*

The P-Card Approving Official added that they did not realize that this training was a restricted purchase with a P-Card.

This type and amount of training is not allowed on a P-Card and should be covered by a Purchase Order since it is subject to the procurement processes that are the sole responsibility of Metro’s Contracting Officers. A Purchase Order protects both Metro and its vendors and it ensures that Metro obtains the best possible price and services/commodities.

## OBSERVATIONS

### 1. Personal Email Address Used in Registration for Seminar

We noted that an employee used his personal email address in the registration for seminar/conference paid through Metro’s P-Card. He explained that it was the same email address he used when he became a member of the professional group which organized the seminar. He added that because of the volume of emails coming from this organization, he prefers to have the emails directed to his personal email address to keep his Metro’s email account cleaner and not cluttered with these types of email messages.

For security reason, we recommend that all employees use their Metro email address when they register for any seminar or training that will be paid by Metro. Arrangements may need to be made for this with the seminar provider.

### 2. Comparison of Miscellaneous Expenses for the Current Period with Prior Period/Year

In the course of our audit, we noted the following when comparing the miscellaneous expenses for this quarter with the prior period. (Note: All amounts were based on audit population.)

#### a. **Current Quarter (FY22 Q3) vs. Prior Quarter (FY22 Q2) Miscellaneous Expenses**

Miscellaneous expenses this quarter decreased by \$51,841 or 6% as compared to the prior quarter. This was mainly attributed to the decrease in advertising and in account # 50999 (Miscellaneous - Others) which is also a component of Miscellaneous expenses.

Last quarter’s advertising of \$226,125 consisted of payments for Metro’s NextGen media plan and Request for Proposals and Public Notices. Also, account number 50999

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(Miscellaneous - Others) was higher last quarter due to payments made for community outreach and sponsorship in various organizations. See Table 1.

**Table 1: Current Quarter vs. Prior Quarter**

Account	Jan-Mar 2022	Oct-Dec 2021	Increase (Decrease)
Advertising	\$ 172,558	\$ 226,125	\$ (53,567)
Business Meals	18,883	33,914	(15,031)
Business Travel	22,014	28,098	(6,084)
Corporate Membership	192,334	145,346	46,988
Professional Membership	12,483	13,626	(1,143)
Seminar and Conference Fee	64,788	34,433	30,355
Miscellaneous (50999) *	256,790	315,690	(58,900)
Others (Mileage and Parking, etc.)	19,538	13,997	5,541
<b>Total</b>	<b>\$ 759,388</b>	<b>\$ 811,229</b>	<b>\$ (51,841)</b>
<b>Decrease from Prior Quarter</b>			<b>-6%</b>

\*Miscellaneous - Others (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditure of fines and penalties incurred by Metro, books and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)

### **b. Current Quarter (FY22 Q3) vs. Same Quarter of Prior Year (FY21 Q3) Miscellaneous Expenses**

Miscellaneous expenses for the current quarter posted a significant decrease of \$550,262 or 42% as compared to the same quarter of FY21 mainly because of advertising and account # 50999 (Miscellaneous - Others) which decreased by almost \$400,000 and \$340,000, respectively. Advertising in Quarter 3 of FY21 included approximately \$300,000 payment for "Metro's COVID-19 Response" and "Return to Service" campaigns. Account number 50999 (Miscellaneous - Others) was higher in January – March 2021 than the current quarter because of a payment of \$270,000 in February 2021 for 30,000 TAP cards with two-day passes which were given to seniors to help them get to vaccine centers. See Table 2.

# Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2022 to March 31, 2022

Office of the Inspector General

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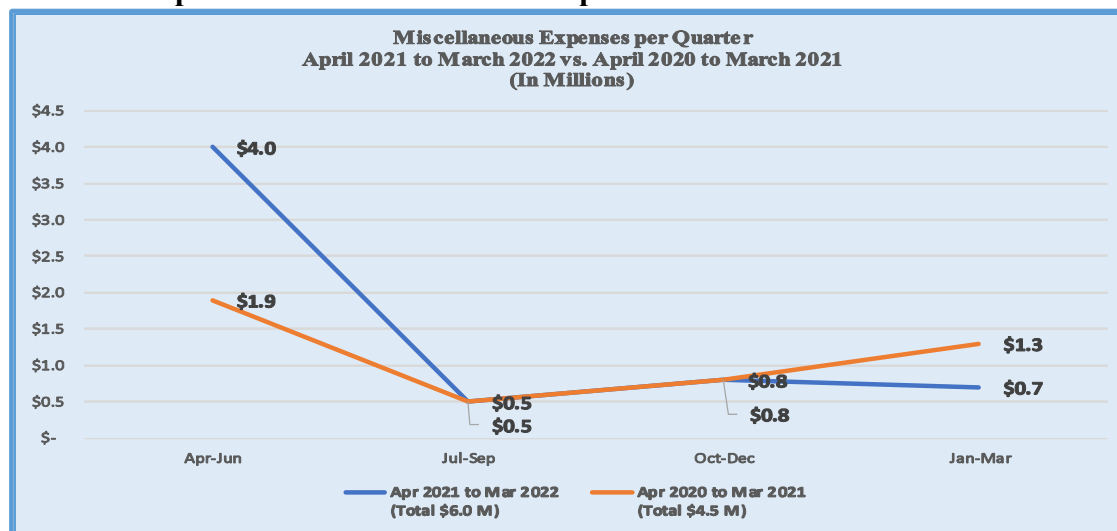
**Table 2: Current Quarter vs. Same Quarter of Prior Year**

Account	Jan-Mar 2022	Jan-Mar 2021	Increase (Decrease)
Advertising	\$ 172,558	\$ 572,451	\$ (399,893)
Business Meals	18,883	2,912	15,971
Business Travel	22,014	2,730	19,284
Corporate Membership	192,334	79,779	112,555
Professional Membership	12,483	10,435	2,048
Seminar and Conference Fee	64,788	32,170	32,618
Miscellaneous (50999) *	256,790	596,972	(340,182)
Others (Mileage & Parking, etc.)	19,538	12,201	7,337
<b>Total</b>	<b>\$ 759,388</b>	<b>\$ 1,309,650</b>	<b>\$ (550,262)</b>
<b>Decrease from Same Quarter of Prior Year</b>			<b>-42%</b>

## c. April 2021 to March 2022 vs. April 2020 to March 2021

Miscellaneous expenses of \$6 million for the period of April 2021 to March 2022 was \$1.5 million or 33% higher than miscellaneous expenses of \$4.5 million from April 2020 to March 2021. This was mainly due to the increase in advertising, especially during the quarter ended June 30, 2021, in which 80% or \$3.2 million out of \$4 million total miscellaneous expenses was spent for advertising. The average amount per quarter was \$1.5 million and \$1.1 million for both periods, respectively. See Figure 1.

**Figure 1: Miscellaneous Expenses per Quarter  
April 2021 to March 2022 vs. April 2020 to March 2021**



## Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2022 to March 31, 2022

Office of the Inspector General

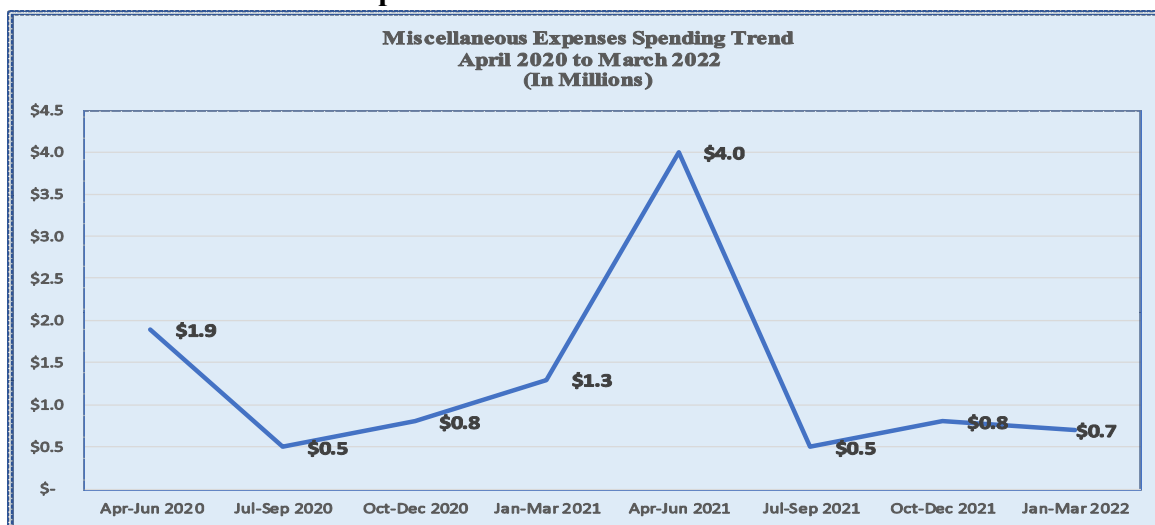
Report No. 23-AUD-01

From \$1.9 million in April-June 2020, miscellaneous expenses decreased significantly to \$500K in July-September 2020 due to the cost reduction programs implemented during that period due to the pandemic. Similarly, miscellaneous expenses of \$4 million for the quarter of April-June 2021 dipped to \$500K in July-September 2021 which was attributed to high advertising cost recorded in June 2021.

Miscellaneous expenses for the quarters ended September 30 and December 31, 2020 and 2021 posted the same amounts at \$500K and \$800K, respectively.

Figure 2 below shows the spending trend for miscellaneous expenses for the last two years:

**Figure 2: Miscellaneous Expenses Spending Trend  
April 2020 to March 2022**



As discussed in the section Observation (c) above, out of \$4 million expenses for the quarter ended June 30, 2021, \$3.2 million or 80% was spent for advertising on media campaigns on Micro Transit, “Return to Service” bus operator recruitment, ridership, and others.

## CONCLUSION

The miscellaneous expenses we reviewed for the period of January 1 to March 31, 2022 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found two instances of non-compliance with the Purchase Card policy: (1) no written pre-approval of purchases and (2) a restricted purchase was made.

The staff explained that their non-compliance with the policy was due to the urgency of the transaction where immediate payment was required.

## **Statutorily Mandated Audit of Miscellaneous Expenses**

**January 1, 2022 to March 31, 2022**

**Office of the Inspector General**

**Report No. 23-AUD-01**

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The Office of the Inspector General provided recommendations to address the aforementioned issues.

### **RECOMMENDATIONS**

We recommend the following:

#### **Finance and Budget**

1. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.

#### **Operations (Maintenance and Engineering)**

2. Instruct staff to review the Purchase Card policy and ensure that no restricted purchases are made through their P-Card.

#### **All Cost Centers**

3. Instruct all employees to use their Metro's email address when they register for seminars or trainings that will be paid by Metro.

### **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On July 19, 2022, we provided Metro Management a draft report. By August 2, 2022, Metro Management had submitted their responses summarizing their corrective actions as shown in Attachment B.

### **OIG EVALUATION OF MANAGEMENT RESPONSE**

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



**Summary of Sampled Expenses Audited  
January 1, 2022 to March 31, 2022**

<i>Account</i>	<i>Account Description</i>	<i>Audit Population</i>	<i>Sample Amount</i>
50213	Training Program	\$ 15,699	\$ 6,870
50903	Business Meals	18,883	13,924
50905	Corporate Membership	192,334	121,000
50908	Employee Relocation <a>	0	0
50910	Mileage and Parking	3,604	336
50912	Professional Membership	12,483	1,251
50914	Schedule Checkers Travel	235	235
50915	Seminar and Conference Fee	64,788	13,174
50917	Business Travel	22,014	815
50918	Advertising	172,558	52,678
50930	Employee Activities & Recreation <a>	0	0
50999	Miscellaneous Expenses - Others	<u>256,790</u>	<u>118,517</u>
<b>Total</b>		<b><u>\$759,388</u></b>	<b><u>\$328,800</u></b> <b>

<a> No expenses incurred for this quarter.

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

## Management Comments to Draft Report

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Metropolitan Transportation Authority

**Metro****Interoffice Memo**

Date:	August 2, 2022
To:	Yvoone Zheng, Senior Manager, Audit Office of the Inspector General
From:	Cosette Stark, Deputy Executive Officer, Finance & Budget, Local Programming <i>CS</i>
Subject:	Office of the Inspector General (OIG) Audit of Jan. 1 – March 31, 2022 Misc. Expenses

**ISSUE**

This serves as Management Response to the finding contained in the OIG's Statutorily Mandated Audit of Miscellaneous Expenses incurred from Jan. 1 - March 31, 2022, Draft Report No. 23-AUD-01, regarding no written pre-approval of cardholder purchases made by the Local Programming Unit (Cost Center 4430) of the Office of Management and Budget.

**Finding and Management Response**

The OIG Audit found that the Local Programming P-Card statement of December 2021 included purchases of \$3,960.59 for equipment and materials used to conduct the Metro Low-Income Fare is Easy (LIFE) Pop-Up events. Out of that amount, \$2,000 was spent on shirts and sweaters to be used by volunteers working the Pop-Up events but no written approval prior to the purchase was found. However, verbal approval had been provided by the Deputy Executive Officer prior to purchases being made. The report stated that "Metro P-Card policy requires that *the Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s), etc.*" The report also stated that "It is important and Metro's policy to obtain a written pre-approval to ensure that all purchases are authorized and valid. If a verbal directive is given in exigent circumstances, immediate follow up in writing should occur."

Staff agrees with the audit report finding and recommendation and the Deputy Executive Officer of Local Programming will ensure that written approval will be provided prior to purchases being made using the Department's P-Card either individually or through a memo that provides guidelines on types of common purchases and suppliers that are pre-approved. If you have further questions regarding this response, please contact me at (213) 922-2822.

cc: Nalini Ahuja, Chief Financial Officer  
Michelle Navarro, Senior Executive Officer, Finance, Office of Management & Budget  
Jesse Soto, Senior Executive Officer, Finance, Accounting  
Armineh Saint, Director, Budget, Local Programming  
Juan Miranda, Principal Transportation Planner, Local Programming

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

<b>Date</b>	July 29, 2022
<b>To</b>	Karen Gorman Inspector General
<b>From</b>	Conan Cheung Chief Operations Officer
<b>Subject</b>	Operations Management Response to the Audit of Metro Miscellaneous Expenses (Report # 23-AUD-01)

Operations Management has received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from January 1, 2022 to March 31, 2022 in Maintenance & Engineering unit within Operations. The report includes the following recommendation for Operations:

2. Instruct staff to review the Purchase Card Policy and ensure that no restricted purchases are made through their P-Card.

**Response:** Agree; Maintenance & Engineering staff have been advised that they must review and comply with P-Card Policies to ensure that no restricted purchases are made using their P-cards, which in this case was for training for consultant services for safety related training. In fact, the P-card holder expressed that she understands that Training and Seminars involving having to pay for instructor travel is prohibited. Since this violation was brought to her attention, she has taken the P-Card Program Refresher training (May 2022) and will ensure that as the Business Unit Coordinator for Maintenance & Engineering, this unit does not pay for such training on P-Card again.

CC: Yvonne Zheng, Sr. Mgr., Audit  
Lilia Montoya, DCOO, Operations Administration & Development  
Errol Taylor, DCOO, Infrastructure Maintenance & Engineering  
Nancy Alberto-Saravia, Director, Finance & Administration

## Final Report Distribution

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### **Board of Directors**

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Chief of Staff  
Board Clerk  
Inspector General  
Chief Financial Officer  
Chief Operations Officer  
Deputy Chief Vendor/Contract Management Officer  
Executive Officer, Administration, Management Audit Services  
Manager, Information Governance, Records & Information Management

# Audit of Miscellaneous Expenses January to March 2022

*OIG Report No. 23-AUD-01*  
Karen Gorman, Inspector General

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September 14, 2022



# Objectives

The objectives of the audit were to determine whether:

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

# Results

❖ Staff generally complied with Metro policies but we found the following issues:

- No written pre-approval of cardholder purchases
- Purchase card was used for a restricted purchase

Non-compliance was due to the urgency of the transaction where immediate payment was required.

❖ **OIG provided three recommendations.**





## Board Report

File #: 2022-0413, File Type: Contract

Agenda Number: 16.

### FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 14, 2022

**SUBJECT: CRENSHAW/LAX (K LINE) AND REGIONAL CONNECTOR FARE COLLECTION EQUIPMENT MAINTENANCE SUPPORT SERVICES, CUBIC TRANSPORTATION SYSTEMS, INC.**

**ACTION: APPROVE CONTRACT MODIFICATION**

#### **RECOMMENDATIONS**

AUTHORIZE the Chief Executive Officer to:

- A. EXECUTE Modification No. 155.01 to Contract No. OP02461010-MAINT with Cubic Transportation Systems, Inc., (Cubic) for maintenance support services of fare collection equipment at Metro stations related to the Crenshaw/LAX (K Line) Transit Project and Regional Connector Project, in the amount of \$1,054,539 from \$383,998,282 to \$385,052,821; and
- B. NEGOTIATE the contract modification value based on final Revenue Operation Dates of both projects in an amount not-to-exceed \$200,000 above \$1,054,539.

#### **ISSUE**

The current maintenance support services agreement for all in service fare collection equipment is effective until December 31, 2024. With construction nearing conclusion for the Crenshaw/LAX (K Line) and Regional Connector projects, services need to be procured to provide support and maintenance services along the new transit lines. Fare collection equipment deployment locations are shown in Attachment D.

#### **BACKGROUND**

The original Contract No. OP02461010 was awarded on March 7, 2002, and the support service contract was renewed by the Board in June 2013 for an additional six (6) years, and again in April 2019 for an additional five (5) years. The current services agreement ensures the continuous performance of all TAP equipment data and software, including fare collection devices, sales units, the central computer system, operational support services, asset management, and back-office systems.

TAP has grown significantly over the years; TAP is now accepted on 26 transit agencies including,



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but not limited to, Culver CityBus, Foothill Transit, Long Beach Transit, Norwalk Transit, Santa Monica Big Blue Bus, Torrance Transit, and Angels Flight. TAP fare media can be purchased at over 1,500 vendor locations throughout Los Angeles County including Los Angeles County libraries, aboard Metro buses, on the TAP mobile app, online at *taptogo.net*, and at 101 rail stations and major bus stops.

## **DISCUSSION**

The current maintenance support services contract with Cubic is in effect until December 31, 2024.

The projected maintenance cost for Crenshaw/LAX (K Line) Transit Project and Regional Connector Project is as follows: Crenshaw/LAX (K Line) - \$244,935 in FY23, \$335,407 in FY24, and \$170,386 in mid-FY25; Regional Connector - \$42,610 in FY23, \$173,210 in FY24 and \$87,991 in mid-FY25 - for a total of \$1,054,539 as requested in the Recommendation.

## **FINANCIAL IMPACT**

The fiscal year 2023 funding requirement in the amount of \$287,545 is included in Cost Center 5440 Revenue Collection. As this is a multi-year contract, the Senior Executive Officer of TAP and the Executive Officer of TAP/Revenue Collection are responsible for budgeting all future year budget requirements.

### **Impact to Budget**

The maintenance cost will be funded by operating eligible funds, which are available to Metro bus and rail operations.

## **EQUITY PLATFORM**

The inclusion of support services for Crenshaw/LAX (K Line) and Regional Connector fare collection equipment will provide an equitable benefit for all Metro riders as they use the equipment to travel along the new transit stations. The installed equipment must be maintained daily and preventative measures will be taken to ensure a seamless transit experience that is standard to all rail lines.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Including the maintenance support services for the new equipment on the Crenshaw/ LAX (K Line) and Regional Connector stations would support:

- Strategic Plan Goal #1: Deliver outstanding trip experiences for all users of the transportation system by improving legibility, ease of use, and trip information on the transit system.
- Strategic Plan Goal #2: Make data driven decisions that reinforce a culture of safety, fiscal sustainability, adherence to schedules and timelines, maintenance of our assets, improvements to our processes, and the formulation of partnerships, while honestly evaluating our progress and clearly communicating the results.

## **ALTERNATIVES CONSIDERED**

The Board may choose not to approve the contract modification to include the maintenance support services for Crenshaw/LAX (K Line) and Regional Connector. This is not recommended as the fare collection equipment requires daily and scheduled maintenance and are necessary for a positive customer experience and to provide patrons with access to TAP cards and fare media.

## **NEXT STEPS**

Upon approval by the Board, staff will execute Modification No. 155.01 to Contract OP02461010-Maint with Cubic Transportation Systems, Inc. for the maintenance support services of fare collection equipment at the Crenshaw/LAX (K Line) and Regional Connector Metro stations.

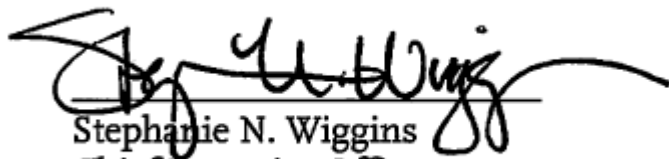
The current contract expires on December 31, 2024. Metro staff is just beginning discussions about the future of fare collection in Los Angeles County.

## **ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - Contract Modification/Change Order Log  
Attachment C - DEOD Summary  
Attachment D - Fare Collection Deployment Locations

Prepared by: Tisha Bruce, Executive Officer, Finance/Revenue Collection, (213) 922-7621  
David Sutton, Senior Executive Officer, Finance/TAP, (213) 922-5633  
Carolina Coppolo, Senior Executive Officer, Project Management, (213) 922-4471  
Brittany Zhuang, Director, Project Control, Crenshaw/LAX (K Line) Transit Project, (213) 922-7354  
Vivian Sun, Senior Manager, Project Control, Regional Connector, (213) 893-7148  
Debra Avila, Deputy Chief Vendor/Contract Management Officer, (213) 418-3051

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

  
Stephanie N. Wiggins  
Chief Executive Officer

## PROCUREMENT SUMMARY

## UNIVERSAL FARE SYSTEM, SUPPORT SERVICES/OP02461010-MAINT

1.	<b>Contract Number:</b> OP02461010-MAINT			
2.	<b>Contractor:</b> Cubic Transportation Systems, Inc.			
3.	<b>Mod. Work Description:</b> Maintenance of fare gate equipment at Crenshaw/LAX (Line K) and Regional Connector			
4.	<b>Contract Work Description:</b> Universal Fare System			
5.	<b>The following data is current as of 8/22/2022</b>			
6.	<b>Contract Completion Status</b>		<b>Financial Status</b>	
	<b>Contract Awarded:</b>	2/20/2002	<b>Contract Award Amount:</b>	\$84,003,444
	<b>Notice to Proceed (NTP):</b>	3/7/2002	<b>Total of Modifications Approved:</b>	\$299,994,838
	<b>Original Complete Date:</b>	9/1/2007	<b>Pending Modifications (including this action):</b>	\$1,054,539
	<b>Current Est. Complete Date:</b>	12/31/2024	<b>Current Contract Value (with this action):</b>	\$385,052,821
7.	<b>Contract Administrator:</b> Anush Beglaryan		<b>Telephone Number:</b> (213) 418-3047	
8.	<b>Project Manager:</b> Tisha Bruce		<b>Telephone Number:</b> (213) 922-7621	

**A. Procurement Background**

This Board Action is to approve Modification No.155.01 to add fare collection equipment related to Crenshaw/LAX (K Line) Transit Project and Regional Connector Project to the existing Support Services Contract, in order to maintain continuous support of the Universal Fare Collection System.

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

On February 20, 2002, Contract No. OP02461010 was awarded by Metro's Board to Cubic Transportation Systems, Inc. (Cubic). The Board renewed the Support Services Contract in June 2013 for an additional six (6) years, and again in April 2019 for an additional five (5) years. The Contract provides a countywide fare collection system and ongoing system support to serve Metro's public transit customers. Cubic developed and maintains the NextFare software application and related databases which is the core technology used by Metro to manage the bus and rail equipment and devices that make up the Transit Access Pass (TAP) network. The current Support Services Contract ensures the continuous performance of all TAP equipment data and software including the integrated fare

collection system (sales, access, and system management of the fare gates and Ticket Vending Machines (TVMs)).

Please refer to Attachment B – Contract Modification/Change Order Log.

**B. Cost/Price Analysis**

The recommended price has been determined to be fair and reasonable based on staff's price analysis, technical evaluations, and negotiations.

<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>Negotiated Amount</b>
\$1,054,539	\$1,054,539	<b>\$1,054,539</b>

## CONTRACT MODIFICATION/CHANGE ORDER LOG

## UNIVERSAL FARE SYSTEM / OP02461010

Mod. No.	Description	Status	Date	Amount
1	Table X-1 Milestone Changes	Approved	8/19/2002	\$0.00
2	Ticket Vending Machine Soft Keys	Approved	9/4/2002	\$0.00
3	San Fernando Valley BRT, Additional Quantities	Approved	4/13/2004	\$7,454,844
4	Modification to General Conditions	Approved	10/8/2002	\$0.00
5	TVM Third Coin Hopper	Approved	8/22/2003	\$416,858
6	Stand Alone Validator Video Clips	Approved	3/3/2003	\$0.00
7	Gold Line Functional Test Waiver	Approved	2/13/2003	\$0.00
8	Languages Supported	Approved	2/13/2004	\$0.00
9	Modifications to Compensation & Payment	Approved	2/20/2003	\$0.00
10	Smart Card to Smart Card Value Transfer	Approved	3/3/2003	\$0.00
11	SCADA Cable Installation on Gold Line	Approved	3/3/2003	\$48,476
12	Gold Line Functional Test Waivers	Approved	4/8/2003	\$0.00
13	Farebox Coin Dejam	Approved	4/8/2003	\$0.00
14	Change in Milestone Schedule	Approved	4/16/2003	\$0.00
15	Time Extension, Gold Line	Approved	7/1/2003	\$0.00
16	Change from Datastream MP5 to Express Metrix	Approved	7/1/2003	\$0.00
17	Final Design Review, changes in CDRLS	Approved	7/18/2003	\$0.00
18	Deletion of Printer from Handheld Validator	Approved	1/6/2004	-\$35,252
19	Variable Message Sign	Approved	2/19/2004	\$243,828
20	Changes to Compensation and Payment	Approved	4/7/2004	\$0.00
21	PCMCIA Card Slot use for WAN	Approved	4/13/2004	\$0.00
22	Data Transmission System	Approved	6/22/2004	\$675,000
23	Mifare Card Initialization and Verification	Approved	6/8/2004	\$9,629
24	Farebox Mounting Adapter for NABI Buses	Approved	7/9/2004	\$32,485
25	Provide Regional CDCS	Approved	2/25/2005	\$5,348,335
25.01	Regional CDCS Overhead Rate Adjustment	Approved	1/17/2007	-\$31,621
25.02	Regional CDCS Acceptance Test Participants	Approved	8/7/2008	\$0.00
26	Remove Requirement for Focus Groups	Approved	12/20/2004	-\$111,704
27	Farebox Rotation	Approved	1/4/2005	\$74,967

**ATTACHMENT B**

28	Metro Gold Line Eastside Extension, Fare Equipment	Approved	7/25/2006	\$3,808,722
29	Stainless Steel Panels for TVM Alcoves	Approved	4/25/2005	\$45,521
30	Data Communication Cabling for Orange Line	Approved	6/10/2005	\$41,560
31	(Not Used)			
32	Additional Spare Part Quantities for Eastside Ext.	Approved	7/25/2005	\$15,480
33	Mifare Card Functionality on UFS	Approved	8/15/2005	\$33,105
34	Revisions to Project Schedule	Approved	10/26/2000	\$0.00
35	OCU Mount	Approved	11/15/2005	\$87,634
36	(Not Used)			
37	Deductive Change for Line 1.36	Approved	4/6/2007	-\$33,116
38	Installation of Third TVM and Relocation of Two SAVs and Blue Line Willow Station	Approved	7/6/2006	\$10,084
39	Upgrade the CDCS System from IB SSA Disk Storage Subsystem to Fiber Disk	Approved	10/2/2006	\$20,000
40	UFS Equipment for Expo Line	Approved	2/16/2007	\$5,197,204
41	(Not Used)			
42	(Not Used)			
43	HHV, PMOS and CPOS Interim Maintenance Deductive Change	Approved	2/16/2007	-\$162,628
44	UFS Additional Quantities for Contracted Services	Approved	2/16/2007	\$2,499,916
45	Replace Go-Cards with Mi-Fare Cards	Approved	2/16/2008	-\$1,157,850
46	Relocation of Data Probes and Receive Vaults at Division 7	Approved	4/9/2007	\$29,787
47	Revisions to US Base and Regional Manuals for Release to ACS	Approved	4/23/2007	\$46,000
48	Expo Line, Pico Station Infrastructure	Approved	7/18/2007	\$18,542
49	Relocation of UFS Lab Equipment	Approved	6/2/2008	\$106,905
50	Expo 7 <sup>th</sup> and Metro Additional Infrastructure	Approved	8/30/2007	\$81,719
50.01	Expo 7 <sup>th</sup> and Metro Infrastructure Deductive change	Approved	8/30/2007	-\$30,173
51	Handheld Validator Holster	Approved	10/16/2007	\$6,184
52	Installation and Testing of Farebox at Transportation Concepts	Approved	3/6/2008	\$16,091
53	Relocate OCUs on Ford Cutaways and MST Buses at Contracted Services	Approved	5/14/2008	\$79,170
54	Installation of one Farebox and Testing for two Fareboxes at Contracted Services	Approved	5/27/2008	\$18,842

## ATTACHMENT B

55	UFS Quantity Adjustments	Approved	10/9/2008	\$0.00
56	Contracted Bus Service Equipment Change	Approved	12/3/2008	\$36,704
57	Installation and Acceptance Testing of One Farebox at First Transit	Approved	12/19/2008	\$3,040
58	Provide UFS Equipment for Expo from Culver City to Venice/Robertson Aerial Station	Approved	3/4/2009	\$304,246
59	Regional CDCS Electrical Power Reconfiguration	Approved	2/9/2009	\$17,186
60	Rail Equipment Warranty and Bus Equipment Warranty	Approved	2/19/2009	\$0.00
61	TAP Enables Turnstile Fare Gates for Rail Stations	Approved	4/9/2009	\$10,000,000
62	Provide UFS Equipment for Expo Truesdale Station	Approved	3/4/2009	\$284,167
63	System Support Services	Approved	6/8/2010	\$33,988,558
63.01	SSS, Additional Costs	Approved	3/22/2013	\$677,631
63.02	SSS, Orange Line Credits	Approved	3/22/2013	-\$58,243
63.04	SSS, One-year Extension	Approved	3/22/2013	\$8,148,263
64	\$5 Dollar Bill handling Unit for Fareboxes and TVMs	Approved	7/27/2009	\$304,658
65	Installation of Additional SAVs for Eastside Extension	Approved	1/4/2010	\$34,077
66	Relocation of Wing Gate at MRL Wilshire/Normandie Station	Approved	2/2/2010	\$18,905
67	(Not Used)	Approved		
68	UFS Equipment for Orange Line Extension	Approved	11/2/2010	\$2,749,476
68.01	Transfer Maintenance Dollars to 63.01	Approved	1/25/2013	-\$677,631
68.02	UFS Equipment for Orange Line Extension, Credits	Approved	3/22/2013	-\$10,982
69	Additional TVM at Aviation Greenline Station	Approved	4/2/2010	\$13,031
70	TAP Card Physical Testing	Approved	4/28/2010	\$41,844
70.01	TAP Card Physical Testing	Approved	3/22/2013	\$12,658
71	Concession Light Functionality	Approved	6/30/2010	\$96,726
72	(Not Used)	Approved		
73	API Test Server Imaging	Approved	9/9/2010	\$45,024
74	Contract Services Relocation	Approved	11/1/2010	\$33,854
75	Limited Function Sales Office Terminals, Increase Quantity	Approved	2/15/2011	\$993,795
76	CISCO ASA Acquisition and Implementation for API Test and Production Servers	Approved	2/28/2011	\$59,209
77	Cubic LU Key Installation	Approved	3/3/2011	\$69,097

## ATTACHMENT B

78	Updates Farebox Configuration to Support ARUB Wireless Security Data Transfer	Approved	3/3/2011	\$40,204
79	Relocation of UFS Test Lab Equipment	Approved	4/25/2011	\$80,911
80	7 Byte UID Support	Approved	4/20/2011	\$362,069
81	Fare Gate Fencing Installation Modifications, North Hollywood and Avalon Stations	Approved	4/25/2011	\$24,004
82	Additional TVM at Hollywood/Western Redline Station	Approved	4/25/2011	\$15,531
83	Purchase Drive Control Unit Light Validators DCU-LV	Approved	4/25/2011	\$363,492
84	Install TVMs at Three Metro customer Centers	Approved	6/6/2011	\$386,680
85	Cubic Modification to Gate Software/Locking Commands	Approved	6/29/2011	\$111,188
86	UFS Equipment for Expo Phase I Farmdale Station	Approved	7/26/2011	\$415,184
87	Relocation of TVMs at the Green Line Long Beach Station	Approved	8/25/2011	\$15,909
88	Mobile Validator Non-Recurring Engineering System Development	Approved	10/12/2011	\$611,677
89	Expo Pico Station North Platform TVM/SAV Work	Approved	3/5/2012	\$17,592
90	Deletion of Contract Line Items 1.03, 1.04 & 1.33	Approved	2/15/2012	-\$20,622
91	Orange Line Installation of 12 Metro Provided SAVs	Approved	2/15/2012	\$34,483
92	(Not Used)			
93	(Not Used)			
94	System Support Services, Six Year Extension	Approved	7/1/2013	\$55,000,000
94.01	(Not Used)			
94.02	System Support Services for Expo II and Foothill Extension	Approved	3/2/2015	\$1,152,749
94.03	Maintenance Support Services for 54 TVMs	Approved	4/14/16	\$838,211
95	UFS Equipment Storage Costs	Approved	6/13/2012	\$4,129
96	Faregating, Three Additional Swing Gates	Approved	2/4/2013	\$44,611
97	Green Line Faregating Additional Fire Key Switches at Vermont Station	Approved	4/1/2013	\$8,392
98	Emergency Swing Gate Upgrades	Approved	4/15/2013	\$252,145
99	Removal of TVM from Wilshire/LaBrea Customer Center	Approved	10/8/2013	\$4,883
100	Supplying and Supporting a Turn Key Mobile Validator System	Approved	7/1/2013	\$2,996,113



## ATTACHMENT B

101	Bus Division Vault Relocation	Approved	8/1/2013	\$995,940
102	Install One TVM at East Portal Customer Service Center and One at Culver City Station	Approved	10/8/2013	\$252,905
103	El Monte Bus Facility TVMs	Approved	10/15/2013	\$474,753
104	Fare Gate Consoles for Expo 2, Colorado/4 <sup>th</sup> Street Station	Approved	5/26/2014	\$380,000
105	TVM and SAV Relocations	Approved	12/16/2013	\$1,456,632
106	Modification to Nextfare to Allow for Segregation of Facility Specific Data	Approved	1/29/2014	\$647,869
107	Passback Modification	Approved	2/18/2014	\$70,301
108	UFS PCI Compliance	Approved	10/23/2014	\$9,015,319
109	Service Provider Support	Approved	6/14/2014	\$66,777
110	Autoload Segregation by Muni	Approved	6/30/2014	\$111,707
111	SAV Three Distinct Tones	Approved	8/4/2014	\$46,634
112	Modify TAP Vending Machine to Improve Purchases	Approved	8/4/2014	\$250,000
113	ADA TVM Upgrades for CN No. 162 and 150 Replacement TVMs	Approved	8/5/2014	\$416,815
114 A	UFS Equipment for Gold Line Foothill Extension	Approved	8/25/2014	\$1,878,756
114 B	UFS Equipment for Expo Phase	Approved	8/25/2014	\$3,783,200
115	FBX External Interface Spec Changes	Approved	8/19/2014	\$20,488
116	Willowbrook Station Blue Line SAVs	Approved	11/19/2014	\$62,882
117	TAP-In, TAP-In, Transfer Gate	Approved	11/19/2014	\$88,598
118	Virtual Gate Arrangement of SAVs at Gold Line Union Station Entrance	Approved	11/19/2014	\$84,964
119	Conversion of Expo 1 Aerial Stations to Fare Gates	Approved	3/2/2015	\$3,077,952
120	Change in Service Level Agreement for TVM & GC Network Additions at No Cost	Approved	3/2/2015	\$0
121	Emergency Swing Gate External Alarm Mode	Approved	11/19/2014	\$0
122	Installation of Colorado & 4 <sup>th</sup> Faregates & ESGs	Approved	3/2/2015	\$163,143
123	OCDC Replacement Equipment Software and Installation	Approved	5/12/2015	\$681,068
124	Expo One Claim No. 1 Settlement	Approved	5/26/2015	\$19,648
125	UFS Global Network, Change for Credit/Debit Processing at TVM	Approved	5/12/2015	\$52,735
126	Metrolink Integration Support	Approved	5/12/2015	\$56,073
127	Metro Network Assistance	Approved	5/12/2015	\$48,758
128	Division 13 Bus Operations TVMs	Approved	5/12/2015	\$99,401
129	Fare Equipment Changes at MRL North Hollywood Station	Approved	5/12/2015	\$577,401

## ATTACHMENT B

130	Installation of Additional TVM at MRL Civic Center Station North Entrance	Approved	7/15/2015	\$21,593
131	Relocate One TVM From Hawthorne to Hollywood	Approved	9/2/2015	\$31,983
132	Service Provider Support – Deductive Change (Mod 109)	Approved	6/13/2015	-\$66,777
133	Additional Emergency Swing Gate for Expo 2	Approved	6/3/2015	\$10,970
134	Metrolink Support for LU Encoding	Approved	10/7/2015	\$13,666
135	Emergency Swing Gate Hinge Post Substitution at Expo 2 Bundy Station – No Cost Change	Approved	10/21/2015	\$0
136	Relocation of TVMs at MGL Artesia Station	Pending		\$0
137	(Not Used)			
138	Vertiba Support (Salesforce – CRM)	Approved	8/20/2015	\$9,671
139	Regional Inter Agency Transfer Policy Change	Approved	1/21/2015	\$435,000
139.01	Regional Inter Agency Transfer (IAT) Policy Change	Approved	7/15/16	\$480,000
140	54 TVMs, purchase and install	Approved	4/14/16	\$5,194,834
141	(Not Used)			
142	Network, back office station configuration and IAT support	Approved	4/25/17	\$14,578
143	Reduction in monthly PM services	Approved	5/8/17	(\$404,550)
144	20 BMV Install Kits	Approved	5/8/17	\$10,310
145	Sales, Use, Activate, Initialize and read transactions into Nextfare	Approved	5/25/17	\$0
146	TVM Screen Flow Phase 2	Approved	6/30/17	\$475,000
147	Revisions to Mod 140/CN 185.03 TVM Deployment Scope of Work	Approved	8/28/17	\$0
148	405 BMVs and 480 Install Kits	Approved	11/20/17	\$990,059
149	UFS Equipment for Crenshaw/LAX	Approved	12/1/2017	\$5,920,997
150	CPA Change to Include Terminal ID	Approved	10/18/17	\$45,487
151	UFS Equipment for Regional Connector	Approved	12/1/2017	\$3,316,556
152	TAP System Patching	Approved	4/4/18	\$165,337
153	Network Back Office Configuration	Approved	4/12/18	\$37,222
154	TAP System Wide Upgrades	Approved	6/28/18	\$22,104,750
155	TAP System Support Services/Maintenance	Approved	4/25/19	\$68,220,642
155.01	Maintenance of CLAX/Regional Connector	Pending	9/22/22	\$1,054,539
156	Latitude/Longitude to A102 Reports	Approved	6/29/18	\$14,994

**ATTACHMENT B**

157	Willowbrook/Rosa Parks Station Improvements	Approved	10/25/18	\$2,622,560
158	Net Backup DPOO License & Support	Approved	6/7/19	\$55,281
159	Procure Additional BMVs	Approved	6/27/19	\$434,680
160	Q-Radar License Renewal	Approved	5/14/20	\$53,647
161	Additional ITS Network Equipment/Regional Connector Project	Approved	7/23/21	\$57,860
162	Additional ITS Network Equipment/CLAX Station	Approved	7/23/21	\$124,591
163/163.01	UFS Equipment for Purple Line Extension, Phase 1 Project	Approved	10/1/21	\$4,038,756
164	Fare Capping Project	Approved	10/22/21	\$5,662,667
165	Replacement of BMVs for All Door Boarding	Approved	2/24/22	\$9,545,440
166	LIFE Fare Capping for Regular Cards	Approved	4/6/22	\$149,888
167	SLA Abatement Relief - No Cost	Approved	5/10/22	-
168	Non-RMP Changes and Promo Code	Approved	6/23/22	\$387,000
169	QRadar License Renewal	Approved	6/30/22	\$90,055
	<b>Modification Total:</b>			<b>\$299,994,838</b>
	<b>Original Contract:</b>			<b>\$84,003,444</b>
	<b>Total (Excluding Pending Item):</b>			<b>\$383,998,282</b>

## DEOD SUMMARY

## UNIVERSAL FARE SYSTEM, SUPPORT SERVICES/OP02461010-MAINT

**A. Small Business Participation**

Cubic Transportation Systems, Inc. made a 5.65% Disadvantaged Business Enterprise (DBE) commitment. The project is 89% complete and the current DBE participation is 6.78%, exceeding the commitment by 1.13%.

<b>Small Business Commitment</b>	<b>DBE 5.65%</b>	<b>Small Business Participation</b>	<b>DBE 6.78%</b>
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	<b>DBE Subcontractors</b>	<b>Ethnicity</b>	<b>% Committed</b>	<b>Current Participation<sup>1</sup></b>
1.	American Alloy Fabrication	Caucasian Female	0.25%	0.27%
2.	Lows Enterprise, Inc.	Black American	0.13%	0.03%
3.	TechProse	Caucasian Female	0.41%	0.05%
4.	Robnett Electrical	Black American	2.53%	6.09%
5.	Priority Manufacturing	Caucasian Female	0.93%	0.03%
6.	J-Tec Metal Products	Hispanic American	0.13%	0.03%
7.	KLI, Inc.	Asian-Pacific American	0.25%	0.07%
8.	Kormex Metal Craft	Asian-Pacific American	1.02%	0.21%
	<b>Total</b>		<b>5.65%</b>	<b>6.78%</b>

<sup>1</sup>Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

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

**C. Prevailing Wage Applicability**

Prevailing Wage requirements are applicable to this project. DEOD will continue to monitor contractors' compliance with the State of California Department of Industrial Relations (DIR), California Labor Code, and, if federally funded, the U S Department of Labor (DOL) Davis Bacon and Related Acts (DBRA). Trades that may be covered

include surveying, potholing, field, soils and materials testing, building construction inspection, construction management and other support trades.

**D. Project Labor Agreement/Construction Careers Policy**

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

**Crenshaw LAX/Regional Connector**  
Fare Collection Deployment Locations

Line	Station/Entrance	TVMs	Faregate Consoles	Emergency Swing Gates (ESG)
Crenshaw/LAX (K Line)	Aviation/Century - Street Level Plaza	3	8	2
Crenshaw/LAX (K Line)	Westchester/Veterans - SB Platform North End	2	3	1
Crenshaw/LAX (K Line)	Westchester/Veterans - NB Platform North End	2	3	1
Crenshaw/LAX (K Line)	Downtown Inglewood - Off South End of Platform	2	6	2
Crenshaw/LAX (K Line)	Downtown Inglewood - Off North End of Platform	2	6	2
Crenshaw/LAX (K Line)	Fairview Heights - South Entrance	2	3	1
Crenshaw/LAX (K Line)	Fairview Heights - North Entrance	2	3	1
Crenshaw/LAX (K Line)	Hyde Park - South Entrance	2	3	1
Crenshaw/LAX (K Line)	Hyde Park - North Entrance	2	3	1
Crenshaw/LAX (K Line)	Leimert Park - Mezzanine	2	7	2
Crenshaw/LAX (K Line)	Martin Luther King Jr - Mezzanine	3	8	2
Crenshaw/LAX (K Line)	Expo/Crenshaw	3	11	2
Regional Connector	Little Tokyo/Arts District - North Side - Street Level Plaza	2	6	1
Regional Connector	Little Tokyo/Arts District - South Side - Street Level Plaza	2	4	1
Regional Connector	Historic Broadway - East Side - Street Level Plaza	2	6	1
Regional Connector	Historic Broadway - West Side - Street Level Plaza	2	6	1
Regional Connector	Grand Av Arts/Bunker Hill - East Side - Street Level Plaza	2	4	1
Regional Connector	Grand Av Arts/Bunker Hill - West Side - Street Level Plaza	2	4	1
Regional Connector	Grand Av Arts/Bunker Hill - East Side - Upper Level POC Entrance	2	4	1



## Board Report

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File #: 2022-0466, File Type: Resolution

Agenda Number: 17.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 14, 2022****SUBJECT: MEASURE R SHORT-TERM BORROWING PROGRAM  
ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

ADOPT a resolution that authorizes the Chief Executive Officer and/or other Designated Officers to renew and/or replace the existing direct-pay letter of credit ("LOC") with respect to the Measure R Short-Term Borrowing Program, Attachment A.

**(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE BOARD)****ISSUE**

The Measure R Short-Term Borrowing Program has proven to be a flexible, cost-effective method of short-term financing for Metro's capital program. A letter of credit or similar facility provided by a highly rated financial institution or bank is required for commercial paper ("CP") programs to guarantee repayment of notes at maturity. The Measure R LOCs provided by Bank of America, N.A., and State Street Bank and Trust Company expire in October 2022.

**BACKGROUND**

The Board established the Measure R Short-Term Borrowing Program in May 2015 to provide interim taxable or tax-exempt financing until grant reimbursement or other funding sources are received. In accordance with the Measure R Ordinance, the Measure R Independent Taxpayers Oversight Committee approved the attached finding of benefit resolution (Attachment B) in favor of the \$300 million Measure R short-term borrowing program at the May 2015 committee meeting. Under the program, Metro is authorized to issue and have outstanding at any one time up to \$300 million in Measure R Subordinate Obligations. Historically, Measure R Subordinate Obligations have mostly been issued in the form of CP or Revolving Credit Obligations. Currently, Metro does not have any Measure R Subordinate Obligations outstanding. Measure R Subordinate Obligations are backed by a subordinate pledge of 85% of Measure R sales tax revenues.

CP notes are a short-term debt instrument that can be issued with maturities from one (1) to 270 days. As CP notes mature, new CP notes are simultaneously issued (i.e., rolled over). A LOC is required by investors purchasing the CP to guarantee repayment of the maturing notes. Additionally, the LOCs provide a safety net to Metro in the form of a term loan in the unlikely event the notes

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cannot be remarketed, precluding any requirement that the entire outstanding amount be repaid immediately from cash.

## **DISCUSSION**

A request for proposals was sent by Metro's municipal advisor, PFM Financial Advisors LLC ("PFM"). In addition to large commercial banks that regularly provide these types of financial products, the request for proposals was also sent to local community banks and credit unions to promote inclusion and further explore opportunities to advance DBE/SBE/DVBE firm participation. Under Metro's Debt Policy, the municipal advisor conducts a competitive process to select financial product providers, including letters of credit. The request for proposal required primary banks submitting proposals for a LOC to have short-term ratings of at least P-1, A-1 or F-1 from at least two of the three following rating agencies: Moody's Investors Service, Standard & Poor's and Fitch Ratings, as is standard practice and required by Metro's Debt Policy. Evaluation criteria included pricing, any rate penalties investors may impose on a particular bank, the status of a bank's credit approval, and willingness to execute the form of agreement. Overall program objectives include low cost and maximizing access to borrowing capacity achieved through diversification of products and providers. Ten proposals were received for commitment amounts ranging from \$90 million to \$200 million. The selection group was composed of Treasury staff and PFM. The selection group ranked each proposer and recommends TD Bank, N.A for a 5-year term (See Attachment C).

Costs will vary depending on the amount of tax-exempt and taxable CP notes Metro issues under the Measure R Short-Term Borrowing Program. Additional fees and interest may be incurred under certain extreme circumstances. None of Metro's Measure R CP notes have failed to be remarketed to date.

## **DETERMINATION OF SAFETY IMPACT**

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

## **FINANCIAL IMPACT**

Funding for the recommended action is included in the FY2023 budget in the amount of \$7.0 million in Cost Center #0521, Treasury Non-Departmental, under project #660301, task 03. The cost center manager and the Chief Financial Officer will be accountable for budgeting the cost in future years.

### **Impact to Budget**

The Source of funds for the recommended action is Measure R 35% Transit Capital. The fund is not eligible for bus and rail operating capital projects.

## **EQUITY PLATFORM**

Approval of this item will maintain liquidity support and/or borrowing capacity for Metro's Measure R Short-Term Borrowing Program that facilitates planned financing for Metro's capital program.



The proposed banks are large, multinational institutions that have publicly stated a commitment to diversity and inclusion as show below. It is imperative to engage financial institutions that understand the importance of, and are committed to, diversity and inclusion, in alignment with Metro's Equity Platform. Below is a statement from the bank and a link that details their commitment to diversity, equity and inclusion.

Diversity and inclusion are part of our fundamental values that help us support our customers, colleagues and communities. From our hiring practices to our accessible building designs, we're working towards maintaining a welcoming, barrier-free culture for everyone.

[<https://www.td.com/ca/en/about-td/who-we-are/diversity-and-inclusion/>](https://www.td.com/ca/en/about-td/who-we-are/diversity-and-inclusion/)

Additionally, Treasury solicited the RFP to local community banks and credit unions to promote inclusion and further explore opportunities to advance DBE/SBE/DVBE firm participation.

There are no adverse equity impacts anticipated as a result of this action.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports the following Metro Strategic Plan Goal(s):

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

### **ALTERNATIVES CONSIDERED**

The Board could choose to not approve the recommended credit support for the Measure R Short-Term Borrowing Program. The termination of the program reduces Metro's liquidity and hinders the ability to provide low-cost short-term financing options when needed on Measure R projects. The capital projects that require immediate cash flow to continue moving forward would not have financing mechanisms in place. This alternative is not recommended.

### **NEXT STEPS**

- Negotiate final terms and conditions with the recommended banks.
- If satisfactory terms cannot be agreed upon with the recommended banks, negotiate with the next highest ranked proposer to obtain the best combination of terms and pricing.
- Prepare agreements and documentation to implement the letters of credit, including, among others, notices, reimbursement agreements, fee agreements, reimbursement notes, supplemental trust agreements, and offering memoranda.
- Obtain credit ratings for the CP notes based on the banks' credit ratings.
- Execute documents prior to the expiration date of the current agreements in October 2022.
- Metro staff is committed to continuing the outreach efforts as a standard practice for future financial services.

### **ATTACHMENTS**

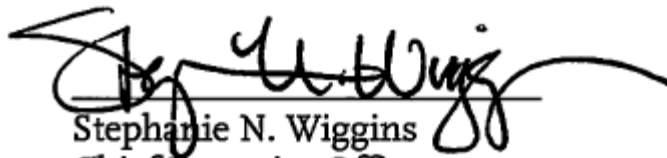
Attachment A - Authorizing Resolution

Attachment B - 2015 Finding of Benefit Resolution

Attachment C - Bank Recommendation Summary

Prepared by: Rodney Johnson, Deputy Executive Officer, Finance, (213) 922-3417  
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Michael Kim, Debt Manager, (213) 922-4026

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



Stephanie N. Wiggins  
Chief Executive Officer

**Authorizing Resolution**

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE REPLACEMENT OF CREDIT ENHANCEMENT AND LIQUIDITY FACILITIES SUPPORTING THE SUBORDINATE COMMERCIAL PAPER NOTES ISSUED UNDER ITS MEASURE R SHORT-TERM BORROWING PROGRAM, APPROVING THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

**(MEASURE R SALES TAX)**

**W I T N E S S E T H :**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “LACMTA”) is a county transportation commission duly organized and existing pursuant to Section 130050.2 of the California Public Utilities Code; and

WHEREAS, the LACMTA is authorized by Sections 130350.4 and 130350.5 of the California Public Utilities Code to impose a retail transactions and use tax at a rate of 0.5% that is applicable in the incorporated and unincorporated areas of the County of Los Angeles, California (the “County”) if authorized by at least two-thirds of the electors voting on the issue; and

WHEREAS, in accordance with such provision, the LACMTA, on July 24, 2008, adopted Ordinance No. 08-01, known as the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (the “Ordinance”) imposing the transactions and use tax for a period of 30 years, and the Ordinance was submitted to the electors of the County in the form of Measure R and approved by more than a two-thirds vote at an election held on November 4, 2008; and

WHEREAS, the Ordinance, as so approved, imposes for a period of 30 years, beginning July 1, 2009, a tax upon the sale of tangible personal property at retail at a rate of one-half of one percent of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of one-half of one percent of the sales price of the property whose storage, use or other consumption is subject to the tax (the “Measure R Sales Tax,” amounts received in respect to the Measure R Sales Tax, less any refunds and the administrative fee deducted by the State of California Department of Tax and Fee Administration and less the Local Return (as defined in the Senior Trust Agreement (as defined below)) being referred to herein as the “Measure R Sales Tax Revenues”); and

WHEREAS, Section 130500 et seq. of the California Public Utilities Code (the “Act”) provides that the LACMTA may issue bonds, which terms includes indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, and all of such obligations shall be special obligations of the LACMTA, payable from the Measure R Sales Tax Revenues, and to finance the cost of acquiring, constructing and developing facilities for transit systems within the meaning of the Act; and

WHEREAS, the LACMTA has commenced and is proceeding with the financing of projects and programs described in the Expenditure Plan adopted as part of the Ordinance (the “Expenditure Plan”); and

WHEREAS, pursuant to the Act and the provisions of the Second Amended and Restated Trust Agreement, dated as of August 1, 2020 (as supplemented and amended from time to time, the “Senior Trust Agreement”), between the LACMTA and U.S. Bank Trust Company, National Association, as successor trustee thereunder, the LACMTA may issue Senior Obligations, Subordinate Obligations and Junior Subordinate Obligations (each as defined in the Senior Trust Agreement) secured by the Measure R Sales Tax Revenues; and

WHEREAS, Subordinate Obligations of the LACMTA are provided for and authorized under the Subordinate Trust Agreement, dated as of November 1, 2015 (as supplemented and amended from time to time, the “Subordinate Trust Agreement”), between the LACMTA and U.S. Bank Trust Company, National Association, as successor trustee thereunder (the “Subordinate Trustee”); and

WHEREAS, under its Resolution adopted on May 28, 2015 and entitled “RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING A SHORT-TERM BORROWING PROGRAM; THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO; THE PLEDGE OF CERTAIN REVENUES OF THE AUTHORITY AND OTHER SECURITY FOR SUCH SUBORDINATE OBLIGATIONS AND SUPER SUBORDINATE OBLIGATIONS; AND RELATED MATTERS” (the “Program Resolution”), the LACMTA established a short-term borrowing program (the “Short-Term Borrowing Program”) to finance projects and programs set forth in the Expenditure Plan that would be secured by the Measure R Sales Tax Revenues and be in an aggregate principal amount not to exceed \$300,000,000; and

WHEREAS, the Program Resolution contemplated a Commercial Paper Program, Drawdown Bonds and Revolving Credit Facilities (each as defined in the Program Resolution); and

WHEREAS, pursuant to the Program Resolution the LACMTA authorized the issuance under its Commercial Paper Program of LACMTA’s Measure R Subordinate Sales Tax Revenue Commercial Paper Notes (the “Commercial Paper Notes”) as Subordinate Obligations under the Subordinate Trust Agreement; and

WHEREAS, in connection with the issuance of the Commercial Paper Notes, the LACMTA has heretofore obtained credit enhancement and liquidity facilities in the form of letters of credit (the “Existing Letters of Credit”) issued by Bank of America, N.A. (“BANA”) and State Street Bank and Trust Company (“State Street,” and together with BANA, the “Existing Banks”), respectively, and executed and delivered related Reimbursement Agreements with each of the Existing Banks (collectively with the Existing Letters of Credit, the “Existing Facilities”); and

WHEREAS, in anticipation of the expiration of the Existing Facilities, the LACMTA has determined that it is necessary and desirable to replace the Existing Facilities with a new credit enhancement and liquidity facility in the form of a letter of credit (the “Letter of Credit”) to be

issued by TD Bank, N.A. (the “Bank”), together with related Reimbursement Agreement between the LACMTA and the Bank (the “Reimbursement Agreement” and together with the Letter of Credit, the “New Facility”);

WHEREAS, Section 5922 of the Government Code of the State of California provides that in connection with, or incidental to, the issuance or carrying of bonds (which is defined to include notes) any public entity may enter into any contracts which the public entity determines to be appropriate to place the obligations represented by the bonds, in whole or in part, on the interest rate, cash flow or other basis desired by the public entity, including without limitation contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, in each case to hedge payment, rate, spread or similar exposure; and

WHEREAS, pursuant to Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Reimbursement Agreements to be entered into in connection with, or incidental to, the Commercial Paper Program will reduce the amount and duration of interest rate risk with respect to the Commercial Paper Notes and are designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Commercial Paper Notes or enhance the relationship between risk and return with respect to investments; and

WHEREAS, forms of the following documents are on file with the Secretary of the Board of Directors of the LACMTA and have been made available to the members of the Board of Directors of the LACMTA (the “Board”):

- (a) the Reimbursement Agreement; and
- (b) an updated Commercial Paper Offering Memorandum (the “Offering Memorandum”), describing the New Facility, to be used in connection with the offer and sale of the Commercial Paper Notes; and

WHEREAS, the LACMTA has been advised by its Bond Counsel that such documents are in appropriate form, and the LACMTA hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the Commercial Paper Notes and said documents are subject to completion; and

WHEREAS, the Board of the LACMTA desires to authorize the replacement of the Existing Facilities with the New Facility, which will support the Commercial Paper Notes issued from time to time and as obligations the interest on which is tax-exempt or taxable (or a combination of both) for federal income tax purposes; and

WHEREAS, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the execution and delivery of the Reimbursement Agreement and of the preparation of the Offering Memorandum describing the New Facility for the purposes, in the manner and upon the terms provided; and

WHEREAS, the LACMTA now desires to approve such documents and the financing program therein implemented and to authorize the officers and staff of the LACMTA to take such

further actions, including the execution and delivery of such additional documents, agreements and certificates as shall be necessary and appropriate to give full effect to this Resolution; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Subordinate Trust Agreement (in the form made available to the Board herewith);

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

**Section 1. Findings.** The Board finds and determines that the foregoing recitals are true and correct.

**Section 2. Approval of Reimbursement Agreement.** The form, terms and provisions of the Reimbursement Agreement on file with the Secretary of the Board and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Chair of the LACMTA, any Vice Chair of the LACMTA, the Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Executive Officer, Finance of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and any such officer serving in an acting or interim capacity, and any written designee of any of them (each, a “Designated Officer”), or any one or more thereof is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Reimbursement Agreement, including counterparts thereof, as determined by a Designated Officer. The Reimbursement Agreement, as executed and delivered, shall be in substantially the form now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board’s approval of any and all changes or revisions therein from the form of the Reimbursement Agreement now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Reimbursement Agreement, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Reimbursement Agreement. The letter of credit issued under the Reimbursement Agreement shall authorize draws thereunder sufficient to support up to \$150,000,000 in principal of Commercial Paper Notes, including interest thereon, such amount subject to reduction and reinstatement as set forth in the Reimbursement Agreement.

**Section 3. Approval of Alternate Reimbursement Agreements.** If a Designated Officer determines that it is in the LACMTA’s best interests to replace the Letter of Credit to be issued by the Bank with one or more letters of credit to be issued by one or more other CP Enhancement Provider(s) (as defined in the Program Resolution) (each an “Alternate CP Enhancement Provider”), instead of the Bank, the Designated Officers are hereby authorized to enter into one or more Reimbursement Agreements with one or more other CP Enhancement Provider(s) (each an “Alternate Reimbursement Agreement”). The Alternate Reimbursement

Agreements, as executed and delivered, may be substantially similar to the form of the Reimbursement Agreement now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the forms of such documents now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Alternate Reimbursement Agreements, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Alternate Reimbursement Agreements.

**Section 4. Findings Related to Reimbursement Agreements.** The LACMTA hereby determines that entering into the Reimbursement Agreements with the Bank and/or any Alternate CP Enhancement Provider pursuant to Section 5922 of the Government Code of the State of California would be designed to reduce the LACMTA's cost of borrowing for the Commercial Paper Notes. In addition to the provisions set forth in Sections 2 and 3, no Designated Officer shall enter into a Reimbursement Agreement with the Bank and/or an Alternate CP Enhancement Provider unless (a) such Reimbursement Agreement is designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, or (ii) to result in a lower cost of borrowing when used in combination with the issuance of Commercial Paper Notes, (b) the term of such Reimbursement Agreement does not exceed beyond the time at which the Measure R Sales Tax is no longer in effect (as such date may be extended); and (c) the amounts payable by the LACMTA with respect to such Reimbursement Agreements shall be payable solely and exclusively from Measure R Sales Tax Revenues. In accordance with Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Reimbursement Agreements entered into in accordance with this Resolution and consistent with the requirements set forth herein is designed to reduce the amount or duration of payment, interest rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Commercial Paper Notes.

**Section 5. Offering Memorandum.** The distribution by any of the dealers of the Commercial Paper Notes (collectively, the "Dealers") of an updated Offering Memorandum describing the New Facility in connection with the offering and sale of the Commercial Paper Notes from time to time in substantially the form on file with the Secretary of the Board and made available to the Board, with such changes therein as shall be approved by a Designated Officer, is hereby authorized and approved. Each Offering Memorandum so distributed shall first be approved by a Designated Officer. The Dealers are hereby authorized to distribute Offering Memoranda in final form to market the Commercial Paper Notes from time to time, and are hereby authorized to distribute copies of the LACMTA's most recent annual audited financial statements and such other financial statements of the LACMTA as a Designated Officer shall approve.

**Section 6. Investments.** Each Designated Officer is hereby authorized to invest the proceeds of the Commercial Paper Notes in accordance with (i) the LACMTA's Investment Policy and (ii) the Subordinate Trust Agreement.

**Section 7. Additional Authorizations.** All actions heretofore taken by the officers, employees and agents of the LACMTA with respect to the issuance and sale of Commercial Paper

Notes and the establishment of the New Facility are hereby ratified, confirmed and approved. The officers, employees and agents of the LACMTA are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the LACMTA, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, including, without limitation, any tax certificates or agreements, any amendments to existing agreements relating to obligations payable from the Measure R Sales Tax or related agreements, any agreements for depository services, and any agreements for rebate compliance services, which they, or any of them, may deem necessary or advisable in order to consummate the establishment of the New Facility, to manage and administer the Commercial Paper Program and otherwise to carry out, give effect to and comply with the terms and intent of the Ordinance, the Program Resolution, this Resolution, the Commercial Paper Notes and the documents approved hereby.

All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, including, without limitation, any of the foregoing that may be necessary or desirable in connection with any investment of proceeds of the Commercial Paper Notes or in connection with the addition, substitution or replacement of any Dealers, the issuing and paying agent or the Subordinate Trustee, or any agreements with any Dealers, the issuing and paying agent or the Subordinate Trustee, or any similar action may be given or taken by any Designated Officer without further authorization or direction by the LACMTA, and each Designated Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Designated Officer may deem necessary or desirable to further the purposes of this Resolution.

**Section 8. Continuing Authority of Designated Officers.** The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the Chair of the LACMTA, any Vice Chair of the LACMTA, the Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Executive Officer, Finance of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, and any Assistant Treasurer of the LACMTA shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

**Section 9. Further Actions.** The Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify the Senior Trust Agreement, the Subordinate Trust Agreement, the Reimbursement Agreement and any Alternate Reimbursement Agreement at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement or other modification, upon consultation with the LACMTA's Municipal Advisor and Bond Counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof.

**Section 10. Costs of Issuance.** The LACMTA authorizes funds of the LACMTA, together with the proceeds of the Commercial Paper Notes, to be used to pay costs of establishing the New Facility including, but not limited to, costs of attorneys, accountants, financial advisors, trustees, issuing and paying agents, dealers, the costs associated with rating agencies, letters of credit, printing, publication and mailing expenses and any related filing fees.



**Section 11. Effective Date.** The effective date of this Resolution shall be the date of its adoption.

## CERTIFICATION

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on \_\_\_\_\_, 2022.

[SEAL]

By \_\_\_\_\_  
Board Secretary, Los Angeles County  
Metropolitan Transportation Authority

Dated: \_\_\_\_\_, 2022

**Measure R Oversight Committee Finding of Benefit Resolution**

**RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE  
BENEFITS OF A SHORT TERM BORROWING PROGRAM EXCEED  
ADMINISTRATION AND INTEREST COSTS**

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over the next 30 years; and

WHEREAS, The America Fast Forward Initiative adopted by the LACMTA Board of Directors in April 2010 proposes to complete construction of the 12 transit capital projects in 10 rather than 30 years; and

WHEREAS, accelerated construction would avoid inflationary cost growth; and

WHEREAS, a short-term borrowing program will provide interim financing vehicles such as commercial paper, revolving credit facilities and bond anticipation notes which provide a source of flexible, low cost financing that allows more effective management of a debt program to fund cash flow requirements for construction payments until funding sources are received, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loans are drawn upon, federal grant funds are available, or until other long-term financing is arranged; and

WHEREAS, LACMTA desires to establish a short-term borrowing program (the "Short-Term Borrowing Program") to finance projects and programs set forth in the Expenditure Plan that would be secured by the Measure R Sales Tax Revenues and be in an aggregate principal amount not to exceed \$300,000,000; and

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of LACMTA finds that the economic, environmental and transit benefits of the \$300,000,000 Short-Term Borrowing Program as a cost effective and efficient component of the approved Measure R secured debt program, exceed issuance and interest costs.

Adopted this 13<sup>th</sup> day of May, 2015

**Bank Recommendation Summary**

<b>Proposer</b>	<b>Maximum Principal Commitment</b>	<b>Estimated First Year Cost*</b>	<b>Total Estimated Costs*</b>
<b>Commercial Paper Support</b>			
Bank of America, N.A.	\$90,000,000	\$3,484,916	\$10,414,748
Barclays Bank PLC	\$100,000,000	\$3,273,216	\$9,729,648
BMO Harris Bank N.A.	\$200,000,000	\$3,343,216	\$9,937,648
Citigroup Global Markets Inc.	\$100,000,000	\$3,748,216	\$11,134,648
JP Morgan Chase Bank, N.A.	\$200,000,000	\$3,829,716	\$11,399,148
PNC Bank, N.A.	\$200,000,000	\$3,309,716	\$9,829,148
Sumitomo Mitsui Banking Corporation	\$200,000,000	\$3,332,216	\$9,896,648
<b>TD Bank, N.A.</b>	<b>\$200,000,000</b>	<b>\$3,167,716</b>	<b>\$9,402,148</b>
Wells Fargo Bank, N.A.	\$200,000,000	\$3,449,716	\$10,249,148
<b>Alternative Products</b>			
JP Morgan Chase Bank, N.A.	\$200,000,000	\$4,367,216	\$13,001,648
PNC Bank, N.A.	\$200,000,000	\$3,366,494	\$9,999,481

**Targeted firms are shown in bold.**

**Commercial Paper Support**

**Citigroup Global Markets Inc.** provided two pricing scales for different facility sizes. The summary above reflects the proposal for a facility size of \$100,000,000.

**Alternative Products**

**Morgan Stanley** provided a proposal for a product that was less desirable to Metro and is therefore not included in the summary above.

\*All Costs are based on a standardized assumption of a \$150,000,000 facility size with provided pricing for a three-year tenor when available.