



1. Executive Summary

Background, Scope and Methodology

The California Public Utilities Code requires all Regional Transportation Planning Entities (RTPE) to conduct an independent Triennial Performance Review in order to be eligible for Transportation Development Act (TDA) funding. In July 2018, Metro selected BCA Watson Rice, LLP to conduct a Triennial Performance Review of itself as the RTPE and operator, as well as the twenty-one municipal operators to which Metro allocates funding. This Triennial Performance Review covers a three-year period ending June 30, 2018.

This Triennial Performance Review was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The review methodology for this Triennial Performance Review of Metro as the RPTE included four tasks:

1. Project Initiation
2. Initial Review
3. Detailed Review
4. Documentation of Performance Audit Results

This Triennial Performance Review included the following elements:

1. Compliance Requirements
2. Follow-up of Prior Recommendations
3. Review of Metro Functions
4. Findings and Recommendations

Key Accomplishments

It is important to consider the accomplishments achieved by Metro during the three-year period covered by this Triennial Performance Review. These accomplishments include:

- Passage of Measure M with 71 percent of voters approving provided a strong show of faith in the future of transportation in LA County and the public's growing awareness of the need to build more transportation and maintain our existing transit system.



- Opening of the Expo and Gold Line light rail extensions.
- Construction of the Purple rail line Section 2 and securing the full funding grant agreement.
- Extension of the silver bus line to San Pedro.
- Adoption of the updated affordable housing joint development policy.
- Launching of Metro's Bike Share program.
- Adoption of the 28 by 2028 transportation construction program and rail construction acceleration policy.
- Development of the unsolicited proposal policy.
- Began development of the Metro Transportation School, a four-year boarding prep school for disadvantaged youth.
- Developed the first / last mile policy.
- Initiated the Nextgen schedule revision including significant market research, travel demand analysis using location based and TAP fare data, and public outreach and input meetings.
- Passage of SB 1 providing increased transportation funding.
- Adopted goal of moving to zero-emission buses by 2030.
- Revised the safety and security approach and structure for rail and bus lines.
- Increased efforts to address the adverse impacts of homelessness on the rail system.
- Initiated the update to the Long-Range Transportation Plan (LRTP).
- Completed the Vision 2028 Strategic Plan.
- Established the Public Private Partnership (P3) program and framework.
- Began focusing on transit assets and state of good repair every year.
- Negotiated all five labor union contracts and settled before contracts expired and have 5-year contracts instead of three providing extended labor peace.
- Developed a working group of larger municipal operators to work together to consolidate fare rules throughout the region.
- Working with municipal operators, developed the "Ridership Growth Action Plan" to review causes of ridership decline and develop strategies to address major factors.
- Developed a plan to shut down and rebuild the Metro Blue Line.



Compliance Requirements

To determine Metro's compliance with requirements the review team identified key compliance requirements, discussed compliance requirements with Metro representatives, and gathered and reviewed evidence of compliance. Metro was found to be in compliance with all applicable requirements evaluated as part of this Triennial Performance Review.

Follow-Up of Prior Recommendations

The prior Triennial Performance Review completed in 2016 included no compliance recommendations and one functional recommendation.

1. Enhance coordination between the Office of Management and Budget (OMB) and Planning departments.

Status: Implemented – Coordination between OMB and Planning has improved.

Review of Metro Functions

The following sections discuss the results of the review of Metro functions.

Planning and Programming of Transportation Funds

The planning and programming of transportation funds in Los Angeles County has challenges unlikely to be found elsewhere including programming authority for 50 distinct local, state, and federal sources of funds; responsibility for allocating over \$6 billion annually in funds; a need to assess, refine, and program funding requests in a way that is fair, transparent, and consistent with multiple needs; political and public expectations to move quickly and boldly to increase capacity on a badly strained transportation system.

Within this context, successfully planning and programming transportation funds requires several key elements including accurately forecasting available funds, developing criteria for evaluating funding choices, evaluating capital funding requests, and balancing revenue and expenditures. The review team concluded Metro has planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial period.

Transportation Funds Administration

Metro administers several funds. Successful administration of these funds requires several elements including clear identification of guidelines or requirements, appropriate



tracking and certifying of the use of funds, reasonable flexibility, and coordination and assistance to municipal operators receiving funds. The review team concluded that Metro has developed approaches to each of these elements, and effectively and efficiently administered transportation funds for the region during the triennium.

Rail Construction Program

Metro is responsible for planning and building a rail transit system. This undertaking includes alternative analysis, design, construction, and pre-start-up operations of the project. Ultimately, the rail transit system will serve the San Fernando Valley, West Los Angeles; South-Central Los Angeles/Long Beach; South Bay/Harbor; Century Freeway Corridor; and the San Gabriel Valley. Since July 2015, Metro has opened one new line, greatly expanded a second, started construction on four others, and completed the draft environmental impact report on five more.

Metro has implemented several practices to accelerate rail construction including life cycle costing, project labor agreements, programs to work with communities affected by rail construction, involving operations in the early stages of project design, consolidating construction contracts, revised authority for certain change orders, implementation of strict ethics requirements for employees and contractors, and development of a detailed Project Management Plan.

The review team concluded Metro continues to be effective in planning, designing and constructing a rail transit system for Los Angeles County.

Legislative Proponent and Analysis (Government Relations)

Metro's ability to plan, program and deliver transportation services is greatly impacted by federal, state and local legislation. Having an effective legislative proponent and analysis program is essential to Metro's ongoing ability and success in delivering transportation services to Los Angeles County.

Metro has an effective government relations function that includes a clear scope and direction, active monitoring of legislative initiatives and activities and active pursuit and advocacy of legislative priorities and positions in coordination with others. The review team concluded Metro's Government Relations function provides a well-focused, well structured, comprehensive and effective legislative proponent and analysis for Metro.



Air Quality Management Plan (AQMP)

The Air Quality Management Plan is a regional blueprint for achieving the federal air quality standards and healthful air. The South Coast Air Quality Management District (SCAQMD) is responsible for clean air in the South Coast Air Basin, an area that includes Orange County and the non-desert portions of Los Angeles, Riverside and San Bernardino counties. The SCAQMD develops the AQMP every five years, with the most recent plan developed in 2016.

Metro's role in the AQMP is to develop and implement transportation strategies that reduce vehicle miles travelled and related emissions. These strategies are submitted to SCAG and included in the Regional Transportation Plan (RTP) developed by SCAG. The review team concluded Metro meets or exceeds its obligations to support and improve air quality in the Southern California region and the regional Air Quality Management Plan (AQMP).

Consolidated Transportation Services Agency (CTSA)

Consolidated Transportation Services Agencies were originally created by the Social Services Transportation Improvement Act in 1979 to coordinate and improve social service transportation services.

Metro has taken or directed several key actions to fulfill its CTSA responsibilities including designating Access as the CTSA for Los Angeles County in 1994, developing the *Public Transit-Human Services Transportation Action Plan for Los Angeles County* in 2008, developing the *Social Service Transportation Inventory and Survey* (through Access) in 2014, and adopted the *2016-2019 Coordinated Public Transit – Human Services Transportation Plan for Los Angeles County* in 2015. The review team concluded Metro has met legislatively mandated responsibilities related to planning for coordination and improvement of social service transportation services.

Management Performance

The review of Metro's management performance included a review of Metro's goal setting and monitoring including related policy decisions, Metro's governance structure and the role of the Board in providing leadership, and allocation of administrative funds.

Metro's goal setting and monitoring processes through the Metro Vision 2028 Strategic Plan and the Equity Platform Framework provide well-founded, well-structured and strong direction for the Metro Board and agency. These efforts and policy statements will serve Metro and those served by Metro over the next decade.



Metro's Board of Directors guides the agency's priorities, projects and activities, and includes 13 members who represent areas throughout Los Angeles County. The Metro Board's governance approach and structure, including the use of committees and advisory bodies, provides Metro with an effective leadership and decision-making system.

The review team concluded Metro's administrative funds were adequately and effectively allocated in order to achieve Metro's stated goals through the budget process.

Internal Administration

This review of Metro's internal administration included determining if the budget is being used as an effective management tool, if internal controls are adequate and provide appropriate information to management, if accounting procedures are adequate to make fund balances available, and if the organization and reporting structure could be improved.

A good budget process is a broadly defined process that has political, managerial, planning, communication, and financial dimensions. A good budget process incorporates a long-term perspective, establishes linkages to broad organizational goals, focuses budget decisions on results and outcomes, and involves and promotes effective communication with stakeholders. The review team concluded Metro's budget development process incorporates these key characteristics necessary to provide an effective budget for the organization.

Internal controls are designed to safeguard organization's assets from error, loss, theft, misuse, misappropriation, and fraud. Effective programs of internal controls provide reasonable assurance that these objectives are met consistently. The review team concluded Metro has multiple internal controls approaches and systems in place to safeguard its assets from error, loss, theft, misuse, misappropriation, and fraud.

Formal documentation of accounting policies and procedures is an essential component in providing effective controls over accounting and financial reporting, as well as providing a comprehensive framework of internal controls. The review team concluded Metro has adequate accounting procedures and properly accounts for and makes available on a monthly basis its fund balances.

An organization's structure should provide a framework of functional areas within which individuals can achieve the organization's goals. An effective organization structure clearly reflects the priorities of the organization, facilitates effective service delivery and problem solving, ensures consistency of direction and management control, minimizes obstacles and barriers to performance, and stimulates a culture of shared



accomplishment and teamwork. The review team concluded Metro has established a well thought out and focused organization structure that provides an effective framework of functional areas within which individuals can achieve the organization's goals.

Findings and Recommendations

We find the Los Angeles Metro, functioning as the RTPE, to be in compliance with the requirements of the Transportation Development Act. In addition, Metro generally functioned in an efficient, effective, and economical manner during the triennial period.