



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 2024, 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, 2024.

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 RTPE 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 Challenges

Some of the key challenges faced by Metro during the triennium include:

- Planning for upcoming special events in Los Angeles including the 2026 World Cup, 2027 Super Bowl, and 2028 Olympics and Paralympics. With no parking allowed at the event venues, game enhanced transit service to bring people from park and ride and hubs to the events, and substantial regional planning and coordination is required. Funding these planning and coordination efforts is also a challenge.



- Increases in project costs due to inflation, competition for limited construction resources with other major infrastructure projects, increases in property values and related increases in cost associated with acquiring needed Rights of Way for transit expansion projects.
- Labor shortages in operations, professional staff, and construction laborers. Turnover of senior staff has made it difficult to replace needed experience and knowledge. Metro has many vacant positions, and hiring process is time intensive.
- Meeting zero emissions requirements for buses given the current state of the bus manufacturing industry and their ability to deliver the needed zero emission buses.
- Safety on the Metro System continues to be a challenge, including homelessness in and around Metro facilities and operations.

Key Accomplishments

It is also important to consider the accomplishments achieved by Metro during the same three-year period. These accomplishments include:

- Continued progress on major capital projects including:
 - Metro's K Line opened in 2022 (Expo/Crenshaw to Westchester/Veterans) and was extended in 2024 to Aviation/Century.
 - Regional Connector Project - Completed in January 2023 with revenue operations beginning in June 2023
 - Airport Metro Connector (development jointly with LAWA) – Project under construction
 - Purple Line Extension Sections 1, 2 & 3 – Project under construction
- Ridership has grown substantially during the review period (FY21 to FY24):
 - Bus service was fully restored in December of 2022 and ridership increased by 52.7%
 - Rapid bus ridership has grown by 49.3%
 - Heavy rail has recovered slightly slower than fixed route with a 20.9% growth
 - Light rail which suffered significant losses in ridership in FY20 and FY21, has grown by 89.3%
- Improved Metro's ability to successfully deliver its large capital construction projects through improved program management, implementation of the Early Intervention Team (EIT), and refined standard operating procedures and protocols.
- Implemented the NextGen Bus Plan designed to innovate the current bus system to meet the needs of current and future riders.



- Completed draft East San Fernando Valley full funding grant agreement document submittal.
- Approved the establishment of an internal Transit Public Safety Department as an alternative to the existing multi-agency law enforcement services provided under contract following completion of an in-house public safety department implementation plan.
- Implemented the Ambassador Program to support riders on Metro buses, trains and stations, connect riders to resources and report maintenance and safety concerns.
- Expanded the successful GoPass program to provide free rides for students K-12 and students in city and vocational colleges resulting in over 40 million student TAP transactions recorded in the last three years.
- Improved Metro's Low-Income Fare is Easy (LIFE) Program by creating 20-Ride Pass, good on Metro and 14 other TAP participating transit operators, enabling partnership with the Los Angeles County Department of Public Social Services (DPSS) to enroll participants into the LIFE Program automatically and launching autoloading for LIFE customers.
- Established a pilot drone program to inspect Metro owned properties and rights-of-way to ensure compliance with annual inspection requirements.
- Acquired all the rights-of-way needed for Purple Lines 1 and 2, as well as for regional rail, and implemented a new right of way and property management system.
- Increased focus on diversity, equity and inclusion, with a focus on equity within all of Metro services, making sure planning, design and construction are viewed from an equity lens and to make sure all get access to the services Metro provides.
- Developed a very strong Executive Leadership Team for support and partnership, focused on doing the right things and working together.
- Revised and strengthened the ethics approach for the Metro Board including revised rules and expanded role for the Metro Ethics Officer.
- Received grant funding to build mobility hubs with retail and food outlets as well as bike access as part of transportation demand management efforts.
- Worked with Metrolink to increase service to North County and working to improve integration of the Metrolink system with Metro.
- Implemented improvements identified in the 2020 Customer Experience Plans and developed plans for 2022 and 2023 identifying key priorities and initiatives to improve the overall rider experience.



- Expanded multidisciplinary (MDT) teams consisting of mental health clinicians, formerly homeless individuals, and key staff to help the unhoused find temporary or permanent housing services and link them to other programs.
- Developed 35 projects under the Joint Development Policy and Transit Oriented Communities (TOC) Implementation Plan to support land use development around stations and develop affordable housing on Metro property.
- Adopted First/Last Mile Guidelines to further integrate first/last mile planning into Metro's overall transit project delivery.
- Developed an Adopt-a-Bike program to give residents in need the opportunity to obtain free bikes that have been unclaimed with over 1,000 bikes being distributed.

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 documentary 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 2022 included the following recommendation:

Metro should work with members of the Bus Operations Subcommittee (BOS) and other regional service coordination bodies to clarify the definition of "local subsidy" as it relates to Transit Performance Measures (TPM) reporting and subsequent calculations of farebox recovery ratios. These discussions should include discussions on required Maintenance of Effort funding to ensure that system-generated local contribution requirements are met.

This recommendation was implemented for the FY24 Fund Allocation Procedure (FAP) cycle. The TPM form's Auxiliary Revenue line item was updated to "Auxiliary Revenue/Subsidy." This updated definition and inclusions for this TPM line item were sent to the BOS members.



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 numerous distinct local, state, and federal sources of funds. Each of these have varying combinations of revenue predictability, eligible uses, project submission requirements, evaluation criteria, rules for allocating funds below the County level, and time limitations for programming and spending.

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. Metro routinely conducts multi-year planning and programming that requires the agency to make assumptions and consequent predictions about how these funds will change.

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 the Metro Rail transit system. This undertaking includes alternative analysis, design, construction, and pre-start-up operations of the project. Metro is delivering the largest transportation infrastructure program in the country with a FY24 program size of up to \$26.8 billion, a 13.1% increase



from FY23, and a portfolio of more than 70 projects. The program has been experiencing construction market pressures from labor shortages, material costs, and market risks. Updated economic projections indicate that these challenges will continue and will continue to drive construction inflation. A list of the Metro Rail Transit System projects, including current status and target dates is provided in the body of the report.

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. During FY 2023 Metro expanded its efforts to accelerate rail construction with the implementation of the Early Intervention Team (EIT). The EIT is led by the Deputy Chief Executive Officer.

The EIT increases cross-collaboration across Metro's development and delivery teams to improve delivery outcomes across Metro's portfolio of interrelated and complex capital projects. This is especially important given the magnitude of projects being developed and delivered in the near-term, as well as providing necessary transportation infrastructure in service to the 2028 Olympic and Paralympic Games.

The review team concluded that 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, with the most recent plan published in 2022. The 2022 AQMP represents a comprehensive analysis of emissions, meteorology, regional air quality modeling, regional growth projections, and the impact of existing and proposed control measures.

Metro's role in the AQMP and the Federal Transportation Improvement Program (FTIP) is to develop and implement transportation projects and strategies that reduce vehicle miles traveled and related emissions. These strategies were submitted to SCAG and included in the Connect SoCal Regional Transportation Plan (RTP) and FTIP 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). A list of the projects included in the 2023 FTIP that are the responsibility of Metro are provided in the body of the report.

Consolidated Transportation Services Agency (CTSA)

The Consolidated Transportation Services Agency (CTSA) was 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 Services (Access) as the CTSA for Los Angeles County in 1994, developing the *Public Transit-Human Services Transportation Action Plan for Los Angeles County* in 2015, and released the updated Coordinated Public Transit – Human Services Transportation Plan in March 2021 covering the period from 2021 to 2024.

Access also developed and released an updated strategic plan in 2021 as the "Access Short-Range Strategic Plan 2022-26." The Strategic Plan identified challenges and developed responses to ensure continued customer satisfaction with Access' services. During the triennium, Access undertook several initiatives to make progress toward the goals established in the strategic plan, including Travel Mode Study 2023, the Scheduled Trip Demand Forecasting FY 2025–FY 2034 and the 2024 Biennial Customer Satisfaction Survey.



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. In addition, Metro implemented several shorter term strategic planning initiatives during the triennium. These include the *2023 Employee Survey*, the *Metro CEO 2023 Strategic Aspiration Placemat*, the Board Planning Session, Metro's Customer Experience Plans and Progress Reports, and Metro's Equity Platform Framework.

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 goal setting and monitoring provide well-structured and strong direction. Metro's governance structure provides Metro with an effective leadership and decision-making system. Metro's administrative funds are adequately and effectively allocated in order to achieve Metro's stated goals.

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 the 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. These internal controls include the Metro Ethics Department, Metro Management Audit Services Department, and the Office of Inspector General. The review team concluded that 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 monthly 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.

During the triennium, Metro did not have any major reorganizations, but did have some notable changes including implementation of the Early Intervention Team to improve capital construction project delivery, and the decision to establish an internal Transit Public Safety Department as an alternative to the existing multi-agency law enforcement services provided under contract. The review team concluded Metro has established an organization structure that provides an effective framework of functional areas within which individuals can achieve the organization's goals.

Findings and Recommendation

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.