AGENDA

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

BOARD OF DIRECTORS

NOVEMBER 17, 2017

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

ORANGE COUNTY TRANSPORTATION AUTHORITY

RIVERSIDE COUNTY TRANSPORTATION COMMISSION

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

VENTURA COUNTY TRANSPORTATION COMMISSION
# BOARD ROSTER
## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

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<tr>
<th>County</th>
<th>Member</th>
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<tr>
<td>Riverside</td>
<td>Andrew Kotyuk <em>(Chair)</em></td>
<td>Brian Berkson*</td>
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<td>Council Member</td>
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<td>Adam Rush*</td>
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<td>Los Angeles</td>
<td>Ara Najarian <em>(2nd Vice-Chair)</em></td>
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<td></td>
<td>Kathryn Barger</td>
<td>Roxana Martinez</td>
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<td>Hilda Solis</td>
<td>Joseph J. Gonzales</td>
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<td>Alan D. Wapner*</td>
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<td>Laurie Davies*</td>
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<td>Richard D. Murphy*</td>
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<td>City of Los Alamitos</td>
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<td>OCTA Board</td>
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**EX-OFFICIO MEMBERS**

San Diego Association of Governments:

[CURRENTLY AWAITING APPOINTMENT]

Contact:
Linda Culp
Principal Planner – Rail

Southern California Association of Governments:

Art Brown
Council Member, City of Buena Park

State of California:

Ryan Chamberlain
Director, Caltrans District 12

Alternate:
Gary Slater
Deputy Director, Caltrans, District 7

*Alternates represent either member  Revised 08.09.17
AGENDA DESCRIPTIONS
The agenda descriptions are intended to give notice to members of the public of a brief general description of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Authority may take any action that it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action. The Chair reserves the right to discuss the items listed on the agenda in any order.

Southern California Regional Rail Authority Consent Calendar Matters (Items 29-39) to be approved in one motion unless a Board Member requests separate action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action. The Chair reserves the right to discuss the items listed on the agenda in any order.

A person with a disability may contact the Board Secretary's office at (213) 452-0255 or via email holmank@scrra.net at least 72-hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

SUPPORTING DOCUMENTATION
The agenda, staff reports and supporting documentation are available from the Board Secretary, located at One Gateway Plaza, 12th Floor, Los Angeles, CA 90012, and on the Metrolink website at www.metrolinktrains.com under the Meetings & Agendas link.

PUBLIC COMMENTS ON AGENDA ITEMS AND ITEMS NOT ON THE AGENDA
Members of the public wishing to address the Board of Directors regarding any item appearing on the agenda or any item not on the agenda, but within the subject matter jurisdiction of the Board, may do so by completing a Speaker’s Form and submitting it to the Board Secretary. All speakers will be recognized by the Chairman and will be considered under Item 4 (Public Comment). When addressing the Board, please state
your name for the record. Please address the Board as a whole through the Chair. Please note comments to individual Board members or staff are not permitted when addressing the Board. A speaker’s comments shall be limited to three (3) minutes.

1. Call to Order

2. Pledge of Allegiance

3. Roll Call

4. Public Comment

5. Recognition

REGULAR CALENDAR

6. Approval of Consent Calendar

Consent Calendar Items 29-39 listed at the end of the agenda.


The Los Angeles Union Station (LAUS) canopy rehabilitation project consists of the remediation and repair of existing canopies for asbestos and lead based paint abatement as well as sealing, repainting and replacement of lightning as needed on platforms 2 and 3.

It is recommended that the Board authorize the Chief Executive Officer to award Contract No. C3138-18R for LAUS Canopies Renovation to the single responsive and responsible bidder, Color New Co., in the amount of $493,000 plus a twenty-five percent contingency of $123,250, for a total amount not-to-exceed amount of $616,250. The amounts for which contract authority is requested are included in the Adopted Capital Budgets for FY2017-2018 ($616,250).


Continued on-call professional surveying, mapping, specialized rail alignment design and PTC database development and support services are needed to support the Authority’s service areas.
It is recommended that the Board authorize the Chief Executive Officer to:

1) Award Contract No. E744-18, On-Call Professional Surveying, Mapping, Specialized Rail Alignment Design and PTC Database Development and Support Services, subject to resolution of any protest timely filed, to the two highest ranked firms as listed below:
   - E744A-18 – Rail Surveyors and Engineers, Inc. (RSE)
   - E744B-18 – Jacobs Engineering Group, Inc. (Jacobs)

2) Authorize cost negotiations with the two firms, RSE and Jacobs, for on-call professional surveying, mapping, specialized rail alignment design and PTC database development and support services; and

3) Approve the not-to-exceed contract funding authorization amount of $4.5 million for the base term for each of the two contracts for a total of $9 million for both firms. The term of each contract shall be a three-year base term with a single two-year option that may be exercised at the discretion of the Authority. Work under these contracts will be authorized through the Contract Task Order (CTO) process on as-needed basis.

The amounts for which contract authority is requested are included in the Adopted Operational Budget for FY2017-18 ($160,000), and/or the Adopted Capital/Rehab Budgets for FY2017-18 ($140,000). Funding for subsequent years will be requested through the annual budget or an equivalent process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved. In addition, certain work under certain CTOs may be reimbursable from third parties.


Continued legislative services with the State Legislature and State agencies are required to meet the policy, regulatory and funding needs of the Authority.

It is recommended that the Board approve and authorize the Chief Executive Officer to amend Contract No. L166-15 with Shaw, Yoder, Antwih, Inc. for State Legislative Representation Services to:

1) Exercise the first one-year option to extend the period of performance to December 31, 2018; and

2) Increase the contract funding authorization amount by $120,000, for a new cumulative not-to-exceed contract funding authorization of $360,000.
The amounts for which contract authority is requested are included in the Adopted Operational Budget for FY2017-18 ($120,000). Funding for subsequent years will be requested through the annual budget or an equivalent process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved.

10. **Contract No. L167-17 – Federal Legislative Representation Services – Exercise Option and Increase Contract Funding Authorization – Potomac Partners DC; Kadesh & Associates; and Chambers, Conlon & Hartwell, LLC.**

Continued legislative advocacy services with Congress, federal transportation and regulatory agencies to meet the strategic and funding goals of the Authority is needed.

It is recommended that the Board authorize the Chief Executive Officer to amend Contract No. L167A-17 with Potomac Partners DC, Contract No. L167B-17 with Kadesh & Associates, and Contract No. L167C-17 with Chambers, Conlon & Hartwell, LLC to:

1) Exercise the first one-year option to extend the period of performance to December 31, 2018; and

2) Increase contract funding authorization for the bench by $312,000 for a new cumulative not-to-exceed contract funding authorization amount of $624,000, as follows:

   - L167A-17 with Potomac Partners DC – One-year time extension and increase contract funding authorization in the amount of $120,000;
   - L167B-17 with Kadesh & Associates – One-year time extension and increase contract funding authorization in the amount of $120,000
   - L167C-17 with Chambers, Conlon & Hartwell, LLC – One-year time extension and increase contract funding authorization in the amount of $72,000.

The amounts for which contract authority is requested are included in the Adopted Operational Budget for FY2017-18 ($136,000). Funding for subsequent years will be requested through the annual budget or an equivalent process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved.
11. **Authorization of Resolutions for Senate Bill 1 – State Rail Assistance Funding**

The Authority is an eligible recipient of State funds authorized under the State Rail Assistance (SRA) program recently authorized by Senate Bill 1 (2017). To receive funding under this program, Board resolutions are needed for authorization of Certifications and Assurances and Authorized Agent Forms, and to authorize submittal of an SRA project.

It is recommended that the Board adopt the following resolutions:

1) Resolution #17-90 to authorize the Chief Executive Officer to execute SRA Certifications and Assurances, and Authorized Agent Forms;

2) Resolution #17-91 to authorize the Chief Executive Officer to submit the Southern California Signal and Track Modernization Project to the California State Transportation Agency (CalSTA) for SRA funds.

There is no budgetary impact as a result of this item.

12. **Adoption of Revised Finance Policies and Procedures**

Approval is needed for revisions to current Board adopted Finance Policies and Procedures.

It is recommended that the Board approve updates to the Finance Policies and Procedures FIN-6.2 Indirect Cost Allocation Plan. There is no budgetary impact associated with adoption of these policies.

13. **Comparative Operating Statement Actual vs Budget for the First Quarter of Fiscal Year 2018 and vs First Quarter Actual of Fiscal Year 2017**

The Chief Executive Officer has directed staff to produce quarterly operating statements for the Board’s review. The statements included in this report present the actual results for the first quarter of FY2018, which is the three months ended September 30, 2017, compared to budget, and compared to the prior year.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

This report presents a status update on the accounts receivable for the first fiscal quarter, ended September 30, 2017, for the Authority.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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Section VII of the Authority’s Annual Investment Policy requires that the Treasurer make a quarterly investment report to the Board of Directors, and Section 53646 of the California Government Code encourages local agencies to file this report. This report is for the quarter ended September 30, 2017.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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16. **Fuel Hedging Program Update – Quarter Ended September 30, 2017**

Staff is providing an update on the Authority’s Fuel Hedging program. This is the first report on the Fuel Hedging program; the program was approved earlier, but not implemented until July 1, 2017.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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17. **2018 California State Rail Plan**

The 2018 Draft California State Rail Plan (Plan) is provided for information. Staff invited representative from California State Transportation Agency (CalSTA) to provide an update to the Board.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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18. **Review of Service to Sun Valley Station after Addition of New Burbank Airport – North Station**

The Los Angeles County Metropolitan Transportation Authority (Metro) is constructing a new station on the Antelope Valley Line near the planned location for Burbank Airport’s new terminal, with revenue operation expected in mid-to-late 2018. Staff is discussing whether and how to adjust service to include the new station while avoiding service delays and disruptions to the Sun Valley station after the new Burbank Airport - North station opens.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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19. **Integrated Service and Capital Plan (with Discussion on Electrification)**

This is to provide the update requested by the Board in October 2017 regarding electrification of the Metrolink system by introducing a concept for service growth that focuses on frequency, efficiency, and consistency, coupled with associated capital investments. This growth concept, consistent with the 10-Year Strategic Plan, lays the critical foundation for potentially electrifying segments of the system.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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20. **Tier 4 Locomotive Update and Delivery Status**

Staff is providing an update on the current status of the Tier 4 Locomotive Program which also includes additional information regarding the first month of revenue service.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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The Key Performance Indicators (KPI) Quarterly Performance Report provides the latest results for the fourth quarter of FY2016-17 (FY17). For each of the seven strategic goals, KPIs and performance targets were identified and implemented in a Performance Report that is presented to the Board on a quarterly basis.
The Board may receive and file this report. There is no budgetary impact as a result of this report.

22. **Mobile and Online (Web-Based) Ticketing Project Update**

Staff is providing an update on the progress to date and key milestones associated with the delivery of the Mobile and Online Ticketing Project.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

23. **Assembly Bill 1234 Meetings Attended by Members of the Board of Directors**

A report on meetings attended by members of the Board of Directors is provided in compliance with the Authority’s policies and "Assembly Bill 1234" (AB 1234) (Government Code Section 53232 et seq).

The Board may receive and file this report. Funds for eligible expense reimbursement are provided in the FY2017-18 budget.

24. **State and Federal Legislative Update and State Year-End Review**

Staff will provide an update on current legislative issues in State and Federal Government Affairs.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

25. **Restructured Antelope Valley Line Memorandum of Understanding**

Staff is presenting an update on the amended Antelope Valley Line (AVL) Memorandum of Understanding (MOU).

The Board may receive and file this report. There is no budgetary impact as a result of this report.

26. **Chief Executive Officer’s Report**

- Authority Update
27. Board Members' Comments

28. Chair's Comments

CONSENT CALENDAR (As Referenced in Item 6)

29. Approval of Meeting Minutes – October 27, 2017 Board of Directors Meeting

It is recommended that the Board approve the Minutes of the October 27, 2017 Board of Directors Meeting.

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30. Approve Updates to Human Resources Policies and Procedures

Approval is needed of updates to two (2) Human Resources policies. Additionally, staff is providing an update on changes to one (1) other Human Resources policy that was authorized by the Chief Executive Officer under his delegated authority.

The Executive Management and Audit Committee approved and recommended that the Board approve updates to the following Human Resources policies:

1) HR Policy No. 1.1, Employment – Types of Employment Status
2) HR Policy No. 4.7, Other Benefits – Employee Transportation Assistance

There is no budgetary impact as a result of this report.

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At its April 11, 2014 meeting, the Board of Directors amended Human Resources Policy 2.1 to require staff to make quarterly and annual reports to the Board on compensation matters.

The Board may receive and file this report. There is no budgetary impact as a result of this report. The FY2016-17 Budget provides the amounts for these changes in compensation.

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At its April 11, 2014 meeting, the Board of Directors amended Human Resources Policy 2.1 to require staff to make quarterly and annual reports to the Board on compensation matters.
The Board may receive and file this report. There is no budgetary impact as a result of this report. The FY2017-18 Budget provides the amount for these changes in compensation.

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33. **Amendments to the Internal Audit Charter**

Following the recommendations made by the external peer review team, staff is requesting approval of the amended Internal Audit Charter. The Internal Audit (IA) Charter is a document that formally defines the IA’s activity’s purpose, authority, and responsibility.

The Executive Management and Audit Committee approved and recommended that the Board approve the amended Internal Audit Charter. There is no budgetary impact as a result of this report.

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34. **Adoption of Revised Internal Audit Policies and Procedures**

Approval is needed for revisions to current Board adopted Internal Audit Policies and Procedures.

The Executive Management and Audit Committee approved and recommended that the Board approve updates to the following Internal Audit Policies and Procedures:

1) IA-1.1 Internal Audit Policies & Procedures
2) IA-1.2 Employee Hotline Reporting Policy

There is no budgetary impact as a result of this report.

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35. **Contract Audit: Veolia Transportation Maintenance and Infrastructure, Inc. – Contract No. MS214-09**

The Internal Audit Department completed the Contract Audit: Veolia Transportation Maintenance and Infrastructure, Inc. (VTMI) – Contract No. MS214-09 for the audit period of July 1, 2016 to June 30, 2017 (Audit Report #2017-15-CA).

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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The Internal Audit Department has completed the Contract Audit of the National Railroad Passenger Corporation (Amtrak) for Metrolink Operator Services Contract No. OP136-10 for the audit period of July 1, 2014 to June 30, 2015 (Audit Report #2017-08-CA).

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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37. **Fiscal Year 2016-17 Internal Quality Assurance Review**

An Internal Quality Assurance Review of the Internal Audit Department has been completed for the period of July 1, 2016, through June 30, 2017. The overall objective of the Quality Assurance Review was to determine whether the Internal Audit department internal quality control system were in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards were followed.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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38. **Internal Audit Department Update**

The Internal Audit department is providing an update on audit activities for informational purposes.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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39. **Fiscal Year 2016-17 Comprehensive Annual Financial Report and Single Audit Report Timeline**

Moss Adams LLP is providing a summary of their services as well as a timeline for the FY2016-17 Comprehensive Annual Financial Report and Single Audit.

The Board may receive and file this report. There is no budgetary impact as a result of this report.

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CLOSED SESSION

40. Closed Session

a. THREAT TO PUBLIC SERVICES OR FACILITIES – Pursuant to Government Code Section 54957 – Consultation with Los Angeles County Sheriff’s Department; Captain, Metrolink Bureau

41. ADJOURNMENT

NEXT BOARD MEETING:
Friday, December 8, 2017
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017

TO: Board of Directors
FROM: Arthur T. Leahy

Issue

The Los Angeles Union Station (LAUS) canopy rehabilitation project consists of the remediation and repair of existing canopies for asbestos and lead based paint abatement as well as sealing, repainting and replacement of lightning as needed on platforms 2 and 3.

Recommendation

It is recommended that the Board authorize the Chief Executive Officer to award Contract No. C3138-18R for LAUS Canopies Renovation to the single responsive and responsible bidder, Color New Co., in the amount of $493,000 plus a twenty-five percent contingency of $123,250, for a total amount not-to-exceed amount of $616,250.

Alternatives

The Board may:
1) Reject the recommendation; and
2) Direct staff to issue a new Invitation for Bid.

Strategic Goal Alignment

This report aligns with the strategic goal to ensure a safe operating environment and is an investment in the Authority’s assets.

Background

The existing canopies located at LAUS platforms 2 and 3 are designated as historic structures. Over the years maintenance has been deferred for various reasons, including lack of adequate funding, and most recently the anticipation of high speed rail and the proposed Union Station Master Plan. The renovation of platforms 2 and 3 are funded by
grants from all five member agencies. The platforms are constructed of steel with expanded metal sheeting that over time has become unsightly with large areas of peeling paint, rust, and corrosion. Their mid-century modern v-shaped design includes a gutter and drain system that leaks during periods of rain and are in general need of maintenance and repair. The scope of work under this contract is for repair only with the intent of eliminating the leaking condition, lead-based paint and asbestos abatement.

**Procurement Approach**

On September 21, 2017, an Invitation for Bid (IFB) was issued for competitive bids for this project. The solicitation was posted on Authority’s e-procurement website, advertised in publications in the five-member counties, and notices were sent directly to firms registered on Authority’s on-line vendor database. Eighteen prime, subcontractor and supply firms downloaded the solicitation. Seven firms attended the pre-bid conference conducted on September 28, 2017.

A single bid was received and publicly opened on October 10, 2017. The result is as follows:

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<th>Bidder</th>
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<td>Color New Co.</td>
<td>$493,000</td>
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The Engineer’s estimate prepared by the design consultant prior to bid receipt was $518,489. The bid comparison indicates that the total bid price submitted by Color New Co., was 5% lower than the Engineer’s estimate.

After completing the bid evaluation, Color New Co., was determined to be the lowest responsive and responsible bidder. This is for a one-item lump sum bid, which was determined to be fair and reasonable. Color New Co. has the expertise and means and methods to perform this work.

In accordance with the Board-adopted Contracts Administration and Procurement Policies and Procedures CON-27 Contingency Funds, staff is allowed to add contingencies up to 25 percent. Staff recommends inclusion of 25 percent contingency of the successful bid amount in anticipation of any unforeseen conditions.

**Disadvantaged Business Enterprise (DBE)/Small Business Enterprise (SBE) Requirements**

A DBE contract goal of eight percent was established for this U.S. Department of Transportation (DOT) assisted contract. While Color New Co. was only able to achieve a
3.34% DBE participation rate, the Authority’s DBE Compliance Analyst determined that the vendor made a good faith effort to meet the DBE goal. Color New Co.’s Good Faith Effort justification is deemed to be adequate and responsive to the DBE requirements of the IFB.

Therefore, it is recommended the Board authorize the Chief Executive Officer to award Contract No. C3138-18R for LAUS Canopies Renovation to the single responsive and responsible bidder, Color New Co., in the amount of $493,000 plus a twenty-five percent contingency of $123,250, for a total amount not-to-exceed amount of $616,250.

**Budget Impact**

The amounts for which contract authority is requested are included in the Adopted Capital Budgets for FY2017-2018 ($616,250).

Prepared by: Greg Harrington, Facilities and Fleet Manager
Sonny Ibrahim, Senior Contract & Compliance Administrator

[Signature]
Kimberly Yu
Deputy Chief Operating Officer (Planning and Project Delivery)

[Signature]
Elissa K. Konove
Deputy Chief Executive Officer
**LIST OF SUBCONTRACTORS**

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<td>Air Clean Environmental</td>
<td>Asbestos Removal</td>
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TRANSMITTAL DATE:  November 9, 2017
MEETING DATE:  November 17, 2017
TO:  Board of Directors
FROM:  Arthur T. Leahy

Issue
Continued on-call professional surveying, mapping, specialized rail alignment design and PTC database development and support services are needed to support the Authority’s service areas.

Recommendation
It is recommended that the Board authorize the Chief Executive Officer to:

1) Award Contract No. E744-18, On-Call Professional Surveying, Mapping, Specialized Rail Alignment Design and PTC Database Development and Support Services, subject to resolution of any protest timely filed, to the two highest ranked firms as listed below:
   - E744A-18 – Rail Surveyors and Engineers, Inc. (RSE)
   - E744B-18 – Jacobs Engineering Group, Inc. (Jacobs)

2) Authorize cost negotiations with the two firms, RSE and Jacobs, for on-call professional surveying, mapping, specialized rail alignment design and PTC database development and support services; and

3) Approve the not-to-exceed contract funding authorization amount of $4.5 million for the base term for each of the two contracts for a total of $9 million for both firms. The term of each contract shall be a three-year base term with a single two-year option that may be exercised at the discretion of the Authority. Work under these contracts will be authorized through the Contract Task Order (CTO) process on as-needed basis.
Alternatives

The Board may reject all proposals, cancel the RFP and re-solicit proposals.

Strategic Goal Alignment

This report aligns with the strategic goal to ensure a safe operating environment by continuing to provide necessary surveying and mapping services to maintain the Authority’s railways, and to maintain and improve the Authority’s PTC database functionality.

Background

On-call Professional Surveying, Mapping, Specialized Rail Alignment Design, and PTC Database Development and Support Services are needed on a wide variety of capital improvements and rehabilitation projects. These services are envisioned to include surveying, mapping, specialized rail alignment design, Positive Train Control (PTC) development support, track chart revisions, interactive head end videos, operations profile services, and railroad corridor right-of-way determination. The current On-call Professional Surveying, Mapping, Specialized Rail Alignment Design Support Services bench Contract No. E739-12 will expire on December 31, 2017.

The Engineering and Construction, Program Management Office, PTC, Track, Communication and Signal departments anticipate as needed surveying, mapping, specialized rail alignment design, and PTC database development and support services for a wide variety of small and large projects during the next five years. Anticipated projects include Van Nuys Station, San Juan Capistrano Passing Siding, Burbank Airport North Station, grade crossing improvement projects, track chart updates, and third party projects.

This bench contract will be Contract Task Order (CTO) based to direct and control services on a per-project basis. Staff has successfully used the CTO process to manage the previous On-call Professional Surveying, Mapping, Specialized Rail Alignment Design, and PTC Database Development and Support Services bench contracts. This process enables staff to define the project tasks, monitor and control the associated costs.
Procurement Approach

The Board approved evaluation criteria specifying one hundred percent technical qualifications placed emphasis on the firm’s experience, their record of satisfactory performance, the role and qualifications of their project management team, particularly the role of the Project Manager and their project understanding and management approach. California law requires certain professional services be selected based upon demonstrated competence and professional qualifications.

On June 23, 2017, staff issued a Request for Proposal (RFP) for on-call professional surveying, mapping, specialized rail alignment design and PTC database development and support services on an as-needed basis for a contract term of three years with a single two-year option with the intent to recommend award contracts to a maximum of two firms. The solicitation was posted on the Authority’s e-procurement system and advertised in publications in the five member counties. Notices were also sent directly to firms registered in the Authority’s online vendor database. Fifty-nine firms downloaded the solicitation. Representatives from ten interested firms attended the pre-proposal meeting conducted on July 12, 2017.

Two proposals were received on the due date of August 11, 2017 from: RSE and Jacobs.

An evaluation was conducted in accordance with the Board-approved Contract Administration and Procurement Policies and Procedures CON-13, Proposal Evaluation. The evaluation team consisted of staff from the Engineering and Construction department, Standards and Design department, and one outside representative from a member agency. Input was also provided by members of the PTC Technical Support Services department.

Proposals were reviewed and scored. After the initial proposal review, it was determined that both technical proposals submitted by RSE and Jacobs exceeded the minimum technical score of 49 points to advance to the interview/presentation phase of the evaluation, conducted on September 26, 2017.

The interviews/presentations were scored based on their presentation and response to the questions by the evaluation team and were ranked as follows:

<table>
<thead>
<tr>
<th>Firm</th>
<th>Technical</th>
<th>Interview/Presentation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSE</td>
<td>51.9</td>
<td>22.5</td>
<td>74.4</td>
</tr>
<tr>
<td>Jacobs</td>
<td>49.6</td>
<td>13.8</td>
<td>63.4</td>
</tr>
</tbody>
</table>
RSE and Jacobs have previously provided satisfactory on-call professional surveying, mapping, specialized rail alignment design and PTC database development and support services for various public transportation municipalities, and are also the incumbents on E739A-12 and E739B-12 respectively, the Authority’s current on-call professional surveying, mapping, specialized rail alignment design services bench contract.

In accordance with the Board-adopted Contract Administration and Procurement Policies and Procedures CON-10, Competitive Procurement, the contract will be awarded on the basis of qualifications only to the two highest ranked firms consistent with the requirements of Federal and State laws which require procurement of on-call professional surveying, mapping, specialized rail alignment design and PTC database development and support services using a qualifications-based process.

Following Board approval, a cost proposal will be requested from the above two firms and contract negotiations will occur. An independent audit will be conducted to review the proposed labor and overhead rates to determine the fairness and reasonableness of the proposed rates. Upon successful negotiation of the cost proposal, the Authority will enter into Contract No. E744-18 with the two firms. If staff is unable to negotiate an acceptable contract with either of the two firms, those negotiations will be terminated and the firm will not be retained.

Disadvantaged Business Enterprise (DBE)/Small Business Enterprise (SBE) Requirements

A DBE contract goal of 9% percent was established for this U.S. Department of Transportation (DOT) assisted contract. Both Jacobs and RSE have agreed to meet the DBE participation goal for this effort.

Budget Impact

The amounts for which contract authority is requested are included in the Adopted Operational Budget for FY2017-18 ($160,000), and/or the Adopted Capital/Rehab Budgets for FY2017-18 ($140,000). Funding for subsequent years will be requested through the annual budget or an equivalent process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved. In addition, certain work under certain CTOs may be reimbursable from third parties.

Prepared by: Marcus Gillette, Senior Contract and Compliance Administrator
Elizabeth Lun, Principal Engineer (Design & Engineering)
Justin Fornelli, Director of Engineering & Construction
Darrell Maxey  
Deputy Chief Operating Officer  
(PTC and Engineering)

Elissa K. Konove  
Deputy Chief Executive Officer
Issue

Continued legislative services with the State Legislature and State agencies are required to meet the policy, regulatory and funding needs of the Authority.

Recommendation

It is recommended that the Board approve and authorize the Chief Executive Officer to amend Contract No. L166-15 with Shaw, Yoder, Antwih, Inc. for State Legislative Representation Services to:

1) Exercise the first one-year option to extend the period of performance to December 31, 2018; and

2) Increase the contract funding authorization amount by $120,000, for a new cumulative not-to-exceed contract funding authorization of $360,000.

Alternatives

The Board may:

1) Modify the amount of the contract funding authorization and/or the period of performance; or

2) Reject this recommendation and direct staff to issue a new Request for Proposal (RFP) for state legislative representation services.

3) Direct the Chief Executive Officer to exercise three one-year extensions now, which will result in extending the period of performance to December 31, 2020.
Strategic Goal Alignment

This report aligns with the strategic goal to maintain fiscal sustainability. The Authority’s state advocacy team provides political and strategic advice on the legislative process and the implementation of the Authority’s legislative program and advocacy goals. Continuing to contract legislative advocacy services at the state level is critical to the Authority’s efforts to pursue and secure funding for projects and operations. The state lobbyist team has the experience and knowledge base to provide necessary technical analysis on legislative policies, as well as regulatory and funding matters that impact the Authority.

Background

There are significant policies, regulations, and funding decisions made in Sacramento that can impact the Authority. These decisions are made in a constantly changing political and legislative environment. Having a State legislative advocacy team and regulatory support in place is crucial for the Authority to successfully obtain its fair share of funding dollars, and counter legislative or regulatory policies that could negatively affect the Authority.

On November 13, 2015, the Board approved a contract award to Shaw, Yoder, Antwih, Inc. for a base period of two years with a total not-to-exceed amount of $240,000. The Contract will expire on December 31, 2017 and has three one-year options. This recommendation is to exercise the first of the three one-year options.

Performance Evaluation

Staff evaluated the advocacy team’s performance throughout the year by reviewing the team’s tactical and strategic advice, responsiveness to requests, access to decision makers and legislative accomplishments. The team handled an array of bills that could potentially impact the agency and maintained close communication with a wide array of legislative members across the vast Metrolink delegation. The team successfully engaged with staff in the California Transportation Commission, Caltrans and the State Transportation Agency (CalSTA) to highlight issues unique to commuter rail. The central effort of the year was focused on the passage of a comprehensive transportation funding package, the first of such packages to pass the legislature in 40 years.

A few of the team’s key accomplishments are noted below:

Senate Bill 1 (SB1)
Legislative approval of SB1 required a herculean effort by multiple stakeholders. Included in the package was the first ever appropriation of ongoing, direct state funding for commuter rail.
The team worked closely with staff at CalSTA to ensure that guidelines for the SB1 Rail Program stipulate that state funding from SB1 would supplement and not supplant other funding for commuter rail.

The Transit and Intercity Rail Capital Program (TIRCP) received a significant, additional source of revenue with an increase in the state vehicle license fee, supplementing the program's existing revenue from cap and trade auctions. TIRCP is an essential discretionary funding source for the Authority.

**Cap & Trade Reauthorization**

The team contributed to the successful enactment of the legislative package to extend state authority and stabilize the funding stream for cap and trade through 2030 (AB 398-E. Garcia and AB 617-C. Garcia). Following the reauthorization of the program, the cap & trade auctions stabilized, providing a vital revenue boost to fund TIRCP. The team continues to advocate for doubling the allocation for transit in future expenditure plan negotiations.

**Carl Moyer Funding**

Successful enactment of AB 134 (Committee on Budget) Budget Act of 2017. This bill appropriates up to $250 million to local air districts for the Carl Moyer Program, a program from which South Coast Air Quality Management District (SCAQMD) allocated funding for Tier 4 locomotive engines in prior years. This bill was signed into law by Governor Brown on September 16, 2017.

**On Going Need for Services**

Following the year's historic successes, much work remains to guide the implementation of the transportation and air quality packages passed into law. In addition to the various SB 1 discretionary grant programs that are still under guideline development, the Authority still needs to engage in ongoing negotiations with CalSTA and the commuter rail industry to finalize the formula that will determine the Authority's dedicated allocation.

As the second year of the session will be the last for both the Governor and Senate Pro Tempore's tenures, there is a strong likelihood that multi-year expenditure plans will be negotiated to govern the allocations for cap and trade competitive grant programs. It is essential that the Authority maintain strong representation in Sacramento to advocate for increased funding for transit and commuter rail operators. In addition, opportunities may arise to advocate for specific Metrolink projects as negotiations take place.

Finally, the Brown Administration and CalSTA continue efforts to accelerate the implementation of SB1 by quickly finalizing guideline development and moving to the awarding of projects. Ensuring the Authority maintains a proactive and tireless advocacy team is vital to engaging the vast Metrolink delegation to support the agency’s grant applications and requests.
Disadvantaged Business Enterprise (DBE)/Small Business Enterprise (SBE) Requirements

This procurement is not federally funded and therefore not subject to DBE Participation.

Budget Impact

The amounts for which contract authority is requested are included in the Adopted Operational Budget for FY2017-18 ($60,000). Funding for subsequent years will be requested through the annual budget or an equivalent process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved.

Prepared by: Whitney O’Neill, Government & Regulatory Affairs Senior Manager
Manchi Yi, Principal Contract & Compliance Administrator

Sherita K. Coffelt
Director, Public Affairs

Elissa K. Konove
Deputy Chief Executive Officer
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
ITEM 10

TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Contract No. L167-17 – Federal Legislative Representation Services – Exercise Option and Increase Contract Funding Authorization – Potomac Partners DC; Kadesh & Associates; and Chambers, Conlon & Hartwell, LLC.

Issue

Continued legislative advocacy services with Congress, federal transportation and regulatory agencies to meet the strategic and funding goals of the Authority is needed.

Recommendation

It is recommended that the Board authorize the Chief Executive Officer to amend Contract No. L167A-17 with Potomac Partners DC, Contract No. L167B-17 with Kadesh & Associates, and Contract No. L167C-17 with Chambers, Conlon & Hartwell, LLC to:

1) Exercise the first one-year option to extend the period of performance to December 31, 2018; and
2) Increase contract funding authorization for the bench by $312,000 for a new cumulative not-to-exceed contract funding authorization amount of $624,000, as follows:

   L167A-17 with Potomac Partners DC – One-year time extension and increase contract funding authorization in the amount of $120,000;
   L167B-17 with Kadesh & Associates – One-year time extension and increase contract funding authorization in the amount of $120,000
   L167C-17 with Chambers, Conlon & Hartwell, LLC – One-year time extension and increase contract funding authorization in the amount of $72,000.
Alternatives

The Board may:

1) Modify the amount of the contract funding authorization and/or the period of performance;

2) Reject this recommendation and direct staff to issue a new Request for Proposal (RFP) for Federal legislative representation services.

3) Direct the Chief Executive Officer to exercise both one-year options now, which will result in extending the period of performance to December 31, 2019.

Strategic Goal Alignment

This report aligns with the strategic goal to maintain fiscal sustainability. To achieve the Authority’s long-term fiscal and operational sustainability, staff encourages the continuation of Federal Legislative Representation Services. Additionally, continuation of services improves communications with stakeholders and elected officials by sharing news, information, planning strategies, and achievements from the Authority that are fundamental and impactful to the Southern California Region.

Background

The United States Congress enacts critical funding and transportation policies and regulations that can greatly impact the Authority. It is important that the Authority have a strong advocacy team in place that will be vigilant and proactive while advocating on behalf of the Authority’s legislative priorities. The advocacy team must also have relationships with key officials in leadership positions, committee staff, and regulators.

On December 9, 2016, the Board approved a bench contract award to Potomac Partners DC and Kadesh & Associates for one-year in the amount of $120,000 for each firm. On May 12, 2017, the Board approved contract award to Chambers, Conlon & Hartwell, LLC for seven months in the amount of $42,000. Contract No. L167A-17 with Potomac Partners DC and Contract No. L167B-17 with Kadesh & Associates will expire on January 29, 2018. Contract No. L167C-17 with Chambers, Conlon & Hartwell, LLC will expire on December 31, 2017. This recommendation is to exercise the first of the two one-year options.

Performance Evaluation

Staff reviewed the team’s performance throughout the year by evaluating the team’s responsiveness to requests, access to key decision makers, tactical and strategic advice and legislative successes. The first year of the Trump Administration largely upended regular order and presented a number of opportunities and challenges for the advocacy
team. While the Administration’s promise to produce a large transportation infrastructure package have not yet been realized, the new Administration did present the opportunity to build new relationships with decision makers in the White House. The team initiated introductions between White House transition staff and Authority board leadership to allow the opportunity for agency priorities to be considered as initial outlines of the infrastructure package were being developed.

The central effort of the year was focused on the development of fresh and creative legislative proposals that are responsive to the current funding needs of the Authority. While Positive Train Control (PTC) implementation remains a priority, the team worked to shift away from the historical, sole focus of PTC implementation to be broadened to include strong advocacy for the agency’s state of good repair and capacity project funding needs. The team secured meetings with members of the Metrolink delegation and key committee chairs on both authorizing and appropriations committees. The team was dependable, responsive to staff requests and maintained regular communications with congressional staff on the agency’s behalf.

On Going Need for Services

Significant groundwork has been laid that requires the maintenance of a strong advocacy team to ensure active proposals receive strong support from the Metrolink federal delegation. The team is currently seeking inclusion of the Authority’s tax reform initiatives in legislation being crafted between Congress and the Administration. In addition, the team is actively defending preservation of the commuter tax benefit in the potential tax reform package.

With several leadership positions remaining unfilled at the Department of Transportation, it is more important than ever that the Authority maintain close relationships with existing career staff in the agency. Ongoing regulatory support ensures that the Authority stays apprised of new or expiring regulations, and that Authority priorities are advanced as the Trump Administration seeks opportunities to streamline existing regulations.

Efforts to pursue Authority proposals in the appropriations process are ongoing. The team has enabled close relations with Senator Feinstein who sits on the appropriations subcommittee, as well as appropriations chairs in both chambers. Several proposals are actively being pursued to create new funding opportunities for the agency. It is imperative that programs vital to the agency are defended, as unprecedented efforts to cut transportation investment are currently being put forth through the budget process. These ongoing efforts require continuous, bi-cameral, bi-partisan representation of the Authority with decision makers in Washington, DC.
Disadvantaged Business Enterprise (DBE)/Small Business Enterprise (SBE) Requirements

This procurement is not federally funded and therefore not subject to DBE Participation.

Budget Impact

The amounts for which contract authority is requested are included in the Adopted Operational Budget for FY2017-18 ($136,000). Funding for subsequent years will be requested through the annual budget or an equivalent process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved.

Prepared by: Whitney O’Neill, Government & Regulatory Affairs Senior Manager
Manchi Yi, Principal Contract & Compliance Administrator

Sherita K. Coffelt
Director, Public Affairs

Elissa K. Konove
Deputy Chief Executive Officer
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Authorization of Resolutions for Senate Bill 1 – State Rail Assistance Funding

**Issue**

The Authority is an eligible recipient of State funds authorized under the State Rail Assistance (SRA) program recently authorized by Senate Bill 1 (2017). To receive funding under this program, Board resolutions are needed for authorization of Certifications and Assurances and Authorized Agent Forms, and to authorize submittal of an SRA project.

**Recommendation**

It is recommended that the Board adopt the following resolutions:

1) Resolution #17-90 to authorize the Chief Executive Officer to execute SRA Certifications and Assurances, and Authorized Agent Forms;

2) Resolution #17-91 to authorize the Chief Executive Officer to submit the Southern California Signal and Track Modernization Project to the California State Transportation Agency (CalSTA) for SRA funds.

**Alternative**

The Board could elect not to delegate signing authority, in which case the Certifications and Assurances, Authorized Agent Form, and Fund Allocation Request would be signed by the Chairman of the Board.

**Strategic Goal Alignment**

This report aligns with the strategic goals to *maintain fiscal sustainability* and *invest in people and assets*. SRA funds directed to commuter and intercity rail and can be used for multiple purposes, and the Authority’s intent is to use the funds for improving and maintaining rail system assets.
Background

Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017, is a recent State transportation measure that will provide funding to maintain and improve California’s transportation systems. Over the next 10 years, SB 1 sets aside approximately $7.6 billion for rail and transit investments, and of that amount, approximately $440 million is directed to commuter rail and intercity rail under a program called State Rail Assistance (SRA).

SRA revenue is received from a 0.5 percent sales tax on diesel fuel with half of the funds being allocated to commuter rail agencies and the other half being directed to intercity rail agencies. State statute directs that commuter rail funds are to be distributed between the state’s five commuter rail providers equally for first three years. Future guidelines will determine the distribution formula thereafter.

In October 2017, the Authority submitted a grant application to the U.S. Department of Transportation for $5,000,000 of 2017 Transportation Investment Generating Economic Recovery (TIGER) funds for the Southern California Signal and Track Modernization Project. The project will implement signal and track system upgrades to enhance safety and improve resiliency and throughput in the highly utilized section of track leading in and out of Los Angeles Union Station (LAUS). The TIGER application identified $18.6 million in state formula funds as additional funding sources and match for the TIGER funds. Of the $18.6 million, $0.75 million is formula funds from the state PTMISEA program, and $17.8 million is formula funds from SRA. SRA Project Resolution #17-91 requests $10.5 million from distributions in the initial three years of the program (2017-18, 2018-19, and 2019-20). Remaining funds in the amount of $7.3 million will be in a future SRA request.

For the first three years of the program, revenue allocations are expected to be as noted on the following chart:
<table>
<thead>
<tr>
<th>Commuter Rail Agency</th>
<th>Estimated Distribution</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altamont Corridor Express Authority (ACE)</td>
<td>$2.5M</td>
<td>$3.9M</td>
<td>$4.1M</td>
<td></td>
</tr>
<tr>
<td>North County Transit Development Board (Coaster)</td>
<td>$2.5M</td>
<td>$3.9M</td>
<td>$4.1M</td>
<td></td>
</tr>
<tr>
<td>Peninsula Corridor Joint Powers Board (Caltrain)</td>
<td>$2.5M</td>
<td>$3.9M</td>
<td>$4.1M</td>
<td></td>
</tr>
<tr>
<td>Sonoma-Marin Area Rail Transit District (SMART)</td>
<td>$2.5M</td>
<td>$3.9M</td>
<td>$4.1M</td>
<td></td>
</tr>
<tr>
<td>Southern California Regional Rail Authority (Metrolink)</td>
<td>$2.5M</td>
<td>$3.9M</td>
<td>$4.1M</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimated Distribution</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitol Corridor Joint Powers Authority</td>
<td>$3.1M</td>
<td>$4.9M</td>
<td>$5.1M</td>
</tr>
<tr>
<td>Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency (LOSSAN) –Pacific Surfliner operator</td>
<td>$3.1M</td>
<td>$4.9M</td>
<td>$5.1M</td>
</tr>
<tr>
<td>San Joaquin Joint Powers Authority</td>
<td>$3.1M</td>
<td>$4.9M</td>
<td>$5.1M</td>
</tr>
<tr>
<td>Flexible for intercity rail agencies, public agencies authorized to plan and/or manage intercity rail operations for aspiring corridors, and Caltrans</td>
<td>$3.1M</td>
<td>$4.9M</td>
<td>$5.1M</td>
</tr>
</tbody>
</table>

In conjunction with the TIGER grant application, the Authority received support letters from U.S. Senator Dianne Feinstein, California Department of Transportation Director, Malcolm Dougherty, Amtrak Executive Vice President, William Feidt, and LOSSAN Managing Director, Jennifer Bergener.

SRA funds are an important source of funding for the Southern California Signal and Track Modernization Project, and the two requested Resolutions are required for eligible SRA recipients. The Authorization for the Execution of Certifications and Assurances and Authorized Agent Forms for State Rail Assistance and Authorization for the Execution of the State Rail Assistance Project: Southern California Signal and Track Modernization Project, are included in this item as Attachments A and B, respectively.

In the event that the TIGER grant is not awarded to the Authority, staff will work with CalSTA to reassign the SRA funds consistent with SRA Guidelines.

**Next Steps**

Staff plans to continue to advocate for state funding, and will return to the Board for authorization to execute future SRA projects.

**Budget Impact**

There is no budgetary impact as a result of this item.
RESOLUTION #17-90

AUTHORIZATION FOR THE EXECUTION OF THE
CERTIFICATIONS AND ASSURANCES AND AUTHORIZED AGENT FORMS
FOR STATE RAIL ASSISTANCE (SRA)

WHEREAS, the Southern California Regional Rail Authority is an eligible project sponsor and may receive state funding from State Rail Assistance (SRA) for transit projects; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

WHEREAS, Senate Bill 1 (2017) named the California State Transportation Agency (CalSTA) as the administrative agency for the SRA; and

WHEREAS, CalSTA has developed guidelines for the purpose of administering and distributing SRA funds to eligible project sponsors (Agencies identified as eligible recipients of these funds) and

WHEREAS, the Southern California Regional Rail Authority wishes to delegate authorization to execute these documents and any amendments thereto to Arthur T. Leahy, Chief Executive Officer.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Southern California Regional Rail Authority that the fund recipient agrees to comply with all conditions and requirements set forth in the Certification and Assurances and the Authorized Agent documents and applicable statutes, regulations and guidelines for all SRA funded transit projects.

NOW THEREFORE, BE IT FURTHER RESOLVED that Arthur T. Leahy, Chief Executive Officer be authorized to execute all required documents of the SRA program and any Amendments thereto with the California Transportation Agency.

AGENCY BOARD DESIGNEE:

BY: ________________________________
Authorization of Resolutions for Senate Bill 1 – State Rail Assistance Funding

SCRRA CERTIFICATION

PASSED AND ADOPTED by the Governing Board of the Southern California Regional Rail Authority, this 17th day of November 2017 by the following vote:

Ayes: ________________

Noes: ________________

Abstentions: ________________

Absent: ________________

__________________________
ANDREW KOTYUK
Chairman of the Board
Southern California Regional Rail Authority

Filed by:

__________________________
Approved as to Form

Assistant Secretary of the Governing Board

Don O. Del Rio
General Counsel
CERTIFICATE OF THE SECRETARY
OF THE GOVERNING BOARD OF THE
SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

I, Cheri Smith, Assistant Secretary of the Governing Board of the Southern California Regional Rail Authority, do hereby certify that the foregoing is a full, true and correct copy of a Resolution duly adopted at a regular meeting of said Governing Board and duly and regularly and legally held at the regular meeting place thereof of the 17th day of November 2017 of which meeting all of the members of said Governing Board had due notice and at which members thereof were represented; that at said meeting said Resolution was introduced by Chairman Kotyuk and was thereupon, upon motion by ____________________________, seconded by ____________________________, adopted by the following vote:

AYES: ________________________
NOES: ________________________
ABSENT: ______________________
ABSTAINING: __________________

I do hereby further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office and that said Resolution is full, true and correct copy of the original Resolution adopted at said meeting and entered in said minutes. That said Resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

I do hereby further certify that an agenda of said meeting was posted at least 72 hours before said meeting a location in Los Angeles, California, freely accessible to members of the public and a brief general description of said resolution appeared on said agenda.

WITNESS my hand and seal of the Governing Board of the Southern California Regional Rail Authority, this 17th day of November 2017.

Assistant Secretary of the Governing Board
Southern California Regional Rail Authority

Authorization of Resolutions for Senate Bill 1 – State Rail Assistance Funding
RESOLUTION #17-91

AUTHORIZATION FOR THE EXECUTION OF THE STATE RAIL ASSISTANCE (SRA) PROJECT:
Southern California Signal and Track Modernization Project,
$10,500,000

WHEREAS, the Southern California Regional Rail Authority is an eligible project sponsor and may receive state funding from State Rail Assistance (SRA) now or sometime in the future for transit projects; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

WHEREAS, Senate Bill 1 (2017) named the California State Transportation Agency (CalSTA) as the administrative agency for SRA; and

WHEREAS, CalSTA has developed guidelines for the purpose of administering and distributing SRA funds to eligible project sponsors; and

WHEREAS, the Southern California Regional Rail Authority wishes to implement the SRA project listed above,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Southern California Regional Rail Authority that the fund recipient agrees to comply with all conditions and requirements set forth in the applicable statutes, regulations and guidelines for all SRA funded transit projects.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Southern California Regional Rail Authority that it hereby authorizes the submittal of the following project nomination and allocation request to CalSTA for FY 2017-18, FY 2018-19, and FY 2019-20 SRA funds the Southern California Signal and Track Modernization Project for a total of $10,500,000 over the three year period. The project will implement signal and track upgrades to enhance safety and improve resiliency and throughput in the highly utilized section of track leading in and out of Los Angeles Union Station (LAUS).

Agency Board Designee:

BY: ______________________________
SCRRRA CERTIFICATION

PASSED AND ADOPTED by the Governing Board of the Southern California Regional Rail Authority, this 17th day of November 2017 by the following vote:

Ayes: ________________

Noes: ________________

Abstentions: ________________

Absent: ________________

________________________
ANDREW KOTYUK
Chairman of the Board
Southern California Regional Rail Authority

Filed by:

________________________
Assistant Secretary of the Governing Board

Approved as to Form

________________________
Don O. Del Rio
General Counsel

Authorization of Resolutions for Senate Bill 1 – State Rail Assistance Funding
CERTIFICATE OF THE SECRETARY OF THE GOVERNING BOARD OF THE SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

I, Cheri Smith, Assistant Secretary of the Governing Board of the Southern California Regional Rail Authority, do hereby certify that the foregoing is a full, true and correct copy of a Resolution duly adopted at a regular meeting of said Governing Board and duly and regularly and legally held at the regular meeting place thereof of the 17th day of November 2017 of which meeting all of the members of said Governing Board had due notice and at which members thereof were represented; that at said meeting said Resolution was introduced by Chairman Kotyuk and was thereupon, upon motion by _________________________, seconded by _________________________, adopted by the following vote:

AYES: _______________________
NOES: ________________
ABSENT: ________________
ABSTAINING: ________________

I do hereby further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office and that said Resolution is full, true and correct copy of the original Resolution adopted at said meeting and entered in said minutes. That said Resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

I do hereby further certify that an agenda of said meeting was posted at least 72 hours before said meeting a location in Los Angeles, California, freely accessible to members of the public and a brief general description of said resolution appeared on said agenda.

WITNESS my hand and seal of the Governing Board of the Southern California Regional Rail Authority, this 17th day of November 2017.

Assistant Secretary of the Governing Board
Southern California Regional Rail Authority

Authorization of Resolutions for Senate Bill 1 – State Rail Assistance Funding
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Adoption of Revised Finance Policies and Procedures

Issue

Approval is needed for revisions to current Board adopted Finance Policies and Procedures.

Recommendation

It is recommended that the Board approve updates to the Finance Policies and Procedures FIN-6.2 Indirect Cost Allocation Plan.

Alternative

The Board may:
1) Elect not to adopt the updates; or
2) Suggest alternative changes to the proposed policy.

Strategic Goal Alignment

This report aligns with the strategic goals to maintain fiscal sustainability and to improve communications to customers and stakeholders.

Background

The existing Indirect Cost Allocation Plan (ICAP) policy approved June 13, 2014 does not require the Authority to formally notify our Member Agencies of ICAP rates that were provisionally approved, or had received final approvals by the Federal Transit Administration (FTA). A Sub-recipient audit commissioned by Riverside County Transportation Commission (RCTC) and Orange County Transportation Authority (OCTA) recommended that a requirement for formal notification be included in the Authority’s ICAP policy.
Under the existing ICAP policy, a true-up methodology was utilized. Rates charged were based on provisionally approved prior fiscal year rates. At year-end a final rate based on actual expenses was calculated and applied as a true-up to projects. Since this final rate was different than the rate provisionally approved by the FTA for the fiscal year, the Authority did not have approval to invoice grantors for the year-end true-up amounts. Final rate approval by the FTA typically occurs at least one year after the fiscal year-end.

Under the revised policy, we are transitioning to a carryforward methodology. The Authority would apply a consistent, approved rate throughout the year, and any under or over recoveries determined at year-end are included in the rate calculation for the upcoming ICAP plan.

The carryforward methodology is preferred by the FTA and will allow the Authority to close out projects and awards in a timely manner since all rates applied would normally be pre-approved. It will also allow ICAP rates to be prospectively incorporated into project budgets.

Attachment 1 shows the policy with redlines to reflect the recommended changes to the latest version of the policy. Attachment 2 is the clean version of the proposed policy.

**Budget Impact**

There is no budgetary impact associated with adoption of these policies.

Prepared by: Michael Naoum, Senior Manager, Finance

Ronnie Campbell
Chief Financial Officer

Elissa K. Konove
Deputy Chief Executive Officer
PURPOSE

This Indirect Cost Allocation Plan sets forth the guidelines for the allocation of Southern California Regional Rail Authority (SCRRA) Overhead Costs.

APPLICATION

This policy and procedures document applies to all SCRRA projects that have incurred direct and indirect expenditures in a given fiscal year.

POLICY STATEMENT

The purpose of this document is to outline SCRRA’s annual indirect cost allocation methodology.

1.0 PROCEDURES

1.1. Indirect Cost Allocation Plan Rate Determination and Approval

1.1.1. An indirect cost allocation plan (ICAP) is the process of allocating general and administrative project overhead costs to SCRRA projects.

1.1.2. SCRRA is the recipient of Federal awards, and as such, in accordance with Office of Management and Budget (OMB) Circular A-87 (2 CFR Part 225), A-21, A-50, A-122, A-110, A-89, A-133, 2 CFR Part 200 and Federal Transportation Administration (FTA) circular 5010.E, must prepare an ICAP rate proposal and related documentation to support those costs. The ICAP rate proposal shall also include fringe benefit data.

1.1.3. Annually after the year-end close of the fiscal year, the Finance Department will perform the calculation of the ICAP rate based on actual eligible expenditures, collector pool costs and direct labor charges incurred during the fiscal year.

1.1.4. SCRRA must obtain approval of the ICAP rate from the FTA. SCRRA’s Federal cognizant agency. The Federal Transit Administration (FTA) is currently the Federal cognizant agency for SCRRA. After the completion of a fiscal year independent financial audit, SCRAA will use the audited information to 1) Calculate the final Indirect Costs eligible for allocation; and 2) Determine the difference between actual and allocated costs to quantify the carryforward amounts for project related Indirect Costs. The carryforward amount will be added or deducted from the final Indirect Cost amounts for the year to develop the Indirect Cost
amounts for the ICAP two fiscal years later. For example, after the FY 16 audit is completed, the actual audited FY16 expenses and carryforward amounts will be used to calculate the FY18 ICAP rate. Any ICAP overrecovery must be credited in the next ICAP rate calculation. At SCRRA’s discretion, under-recoveries may be collected over several years in order to reduce rate variability. These rates will be used to true-up the estimated indirect cost rates previously used for that fiscal year. They will also be used as the estimated indirect cost rates for the ICAP two fiscal years later. For example: after the FY14 audit is completed, presumably during FY15, the actual audited expense in FY14 will be used to calculate the ICAP for FY14 and after it is approved, to true-up the estimated indirect cost rates for FY16, which in turn will be trued up after the FY16 audit is completed and the actual ICAP is calculated and approved.

1.1.5. With the carryforward approach a year-end true-up is not required for New Capital, Capital Rehabilitation and Renovation, Equipment and Recollectable projects. Using the carryforward approach allows SCRRA to generate timely final bills for ICAP charges to all funding entities based upon the approved rate.

1.1.6. The ICAP should be submitted to the FTA within six months of the end of the fiscal year. Final Indirect Costs related to Operations and Maintenance of Way projects are applied to those projects without a carry forward as part of the year-end process. This allows for the determination of final member agency surpluses or deficits.

1.1.7. SCRRA must also be required to obtain approval of the ICAP rate from the Federal cognizant agency in the following circumstances:

1.1.7.1. The grantee is working on its first assistance project or has not previously had a ICAP reviewed and accepted;

1.1.7.2. The grantee has made a change in its accounting system, thereby affecting the previously approved ICAP and its basis of application;

1.1.7.3. The grantee’s proposed ICAP exceeds the amounts and rate approved for the previous year(s) by more than 20 percent; or

1.1.7.4. The grantee changes the ICAP methodology.

1.1.5. Annually after the year-end close of the fiscal year, the Finance Department will perform the calculation of the ICAP rate based on actual project expenditures incurred during the fiscal year. Indirect cost is developed within six months after the close of the fiscal year, unless an exception is approved by the Cognizant federal agency.

1.1.6. True-up: SCRRA will reflect differences between the estimated indirect costs and the final ICAP, after completion of the relevant fiscal year audit. Where drawdowns were made based on the estimated indirect costs, any difference in the amount drawn down will be accounted for through adjustment to the ICAP for the subsequent fiscal year.

1.2. ICAP Calculation
1.2.1. The financial accounting system utilized by SCRRA provides the capability of detailed project account coding for all expenditures. SCRRA has a three tier accounting structure, including: Tier I - Allowable General and Administrative Costs (G&A) Overhead costs; Tier II - Project Category Overhead Costs; and Tier III - Specific Project Direct Costs. SCRRA’s ICAP allocates indirect cost to direct Specific projects in a two-tier step model. In the first step, G&A costs are allocated to Tier II Project Category Overhead pools based on total labor included in the Tier II and Tier III cost pools, within each of the Project Categories. The second tier step allocates cost in the Project Category Overhead pools (Project Category Overhead costs plus allocated G&A) to Specific direct projects within each project category based on direct labor charges in the Specific Projects. All the indirect costs incurred in the project categories will be allocated.

1.2.2. Allowable G&A expenses are defined as agency-wide expenses which cannot be specifically associated with a single project category, but rather benefit multiple project categories. Examples of G&A expenses include human resources and information technology support services. Allowable G&A costs are allocated to all benefitting project types based upon total labor charges for each project category. SCRRA maintains a single project to record allowable G&A expenses, project 000000. G&A expenses are defined as agency-wide expenses which cannot be specifically associated with a single project category, but rather benefit multiple project categories. Examples of G&A expenses include lease of the administrative office space, utilities, and administrative departments.

1.2.3. G&A overhead costs that are not allowable under federal regulations published in 2 CFR Part 200, such as general costs of government, public relations, and lobbying costs are recorded in Project 000002. Unallowable G&A costs are allocated to “Other” in the ICAP Plan and are not included in indirect cost rate calculations. SCRRA maintains unallowable G&A costs in project numbers 000002 and 000003. Costs captured in this project are defined in OMB Circular A-87 as not allowable for reimbursement in the cost allocation plan.

1.2.4. Costs that can be assigned to a specific project are directly charged to a unique direct project code. Direct project codes include a unique seven project categories:

1.2.4.1. Train Operations (projects 1xxxxx);
1.2.4.2. Maintenance of Way (projects 2xxxxx);
1.2.4.3. New Capital (projects 4xxxxx);
1.2.4.4. Capital Rehabilitation & Renovation (projects 5xxxxx);
1.2.4.5. Equipment (projects 6xxxxx);
1.2.4.6. Recollectables (projects 8xxxxx);
1.2.4.7. PL/PD (projects 99xxxx)

Within the 8xxxxx Recollectable Project category, several projects within this group that have project characteristics similar to projects are classified as New Capital 4xxxxx projects.

For purposes of overhead accumulation and calculation purposes project 990000 is combined with Train Operations as the costs in project 990000 (PL/PD) are funded through operations.
1.3. All project categories accumulate overhead costs. Overhead costs are defined as costs specific to a project category, but are not identifiable to a specific project within the project category. Project Category Overhead Costs are recorded in project codes 200000 (Maintenance of Way), 400000 (New Capital), 500000 (Capital Rehabilitation and Renovation), 600000 (Equipment) and 800000 (Recollectable Agreements). Each project category has a series of direct projects which perform unique scopes of work. Project Category Overhead Costs are allocated to direct projects as a markup to direct labor costs based on the applicable overhead rate for the project category. Each of the project categories has a series of direct projects each of which perform a unique scope of work.

1.4. The ICAP includes a separate calculation of fringe benefits, which are calculated independently, but are submitted simultaneously to the Federal cognizant agency as part of the ICAP rate proposal. Fringe benefits are calculated as a function of regular staff salaries for SCRRA staff, excluding and dispatching salaries[

DEFINITION OF TERMS

Cost Allocation Plan – The process of allocating general and administrative and project overhead costs to SCRRA projects.

Project Category Overhead Costs – Agency costs specific to a single category of projects, which cannot be identified to a particular project due to their general nature.

General and Administrative Costs – G&A expenses are defined as agency-wide expenses which cannot be specifically associated with a single project category, but rather benefit multiple project categories. The G&A costs for SCRRA include salaries/wages; fringe benefits for support staff, and other general and administrative costs such as rent, office supplies, telephone expenses, repairs and maintenance, etc. Dispatching wages and related fringe benefits are captured in the operating pool, which is funded solely by member agencies.

General and Administrative Costs, Non-Allocable – G &A expenses that are defined in Subpart E of the Uniform Guidance as not allowable for reimbursement in the Indirect Cost Allocation Plan.

Train Operations Overhead – General operations costs, which cannot be identified to a specific task in the operations department. Examples are salaries and wages not charged to specific tasks, general office supplies, etc. Dispatching wages and related fringe benefits are captured in the operating pool, which is funded solely by member agencies.

Maintenance of Way Overhead – General maintenance of way costs, which cannot be identified to a specific task-project or line segment in the maintenance of way department.

New Capital Overhead – General new capital costs, which cannot be identified to specific tasks New Capital project in new capital department. Examples are Project Management Organization salaries and wages not applicable to a single project, general office supplies, etc.

Capital Rehabilitation and Renovation Overhead - General capital rehabilitation and renovation costs, which cannot be identified to a specific Capital rehabilitation and renovation project in the capital maintenance department. Examples are salaries and wages not applicable to a specific project, general office supplies, etc.
Equipment Overhead - General equipment costs, which cannot be identified to a specific task in the capital maintenance department equipment project. Examples are salaries and wages not charged to specific tasks, general office supplies, etc.

Recollectables Overhead - General recollectable costs, which cannot be identified to a specific recollectable project. Examples are salaries and wages not applicable to a specific project, general office supplies, etc.

Overhead Pool - Related overhead costs and costs from the Tier I G&A allocation that are grouped together for each project category. These costs are later distributed to the individual projects within each project category based on project direct labor costs that are grouped together in a single project category. These costs are later distributed to the individual projects within each project category.

Estimated Final Indirect Cost Rate – Approved project category ICAP rates that are based on audited financial information from two years prior and include the recovery of any carryforward amounts as required under section 1.1.3. which are used as an estimate two fiscal years later.

RESPONSIBILITIES

Finance Department

The Finance Department is responsible for the overall calculation and submission of the ICAP rate to the Federal cognizant agency.

Chief Financial Officer

The Chief Financial Officer is responsible for ensuring the ICAP rate is calculated accurately and submitted to the Federal cognizant agency as required by the OMB and FTA. The Chief Financial Officer is responsible for correspondence with the Federal cognizant agency.

Accounting Manager and Accounting Staff

The Accounting Manager is responsible for developing the ICAP plan and associated calculating the ICAP rate calculations.

Grants Administration Manager

The Grants Administration Manager will distribute cognizant agency approval of ICAP and underlying fringe benefit rates to all affected member and state agencies. ICAP and fringe benefits rates shall not be billed to State and Federal awards until either a provisional or final approval has been received from SCRRA’s cognizant agency.

REFERENCES


Federal Transit Administration Circular 5010.1E
Finance Policies and Procedures 2.1, General Accounting

2.0 ATTACHMENTS

Not applicable.

3.0 PROCEDURE HISTORY


November 17, 2017 – Policy and Procedures modified to reflect carry forward approach.

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PURPOSE

This Indirect Cost Allocation Plan (ICAP) sets forth the guidelines for the allocation of Southern California Regional Rail Authority (SCRRA) overhead costs.

APPLICATION

This policy and procedures document applies to all SCRRA projects that have incurred direct and indirect expenditures in a given fiscal year.

POLICY STATEMENT

The purpose of this document is to outline SCRRA’s annual indirect cost allocation methodology.

1.0 PROCEDURES

1.1. Indirect Cost Allocation Plan Rate (ICAP) Determination and Approval

1.1.1. An Indirect Cost Allocation Plan (ICAP) is the process of allocating general and administrative and project overhead costs to SCRRA projects.

1.1.2. SCRRA is the recipient of Federal and State awards, and as such, must prepare an ICAP rate proposal and related documentation to support those costs in accordance with the Office of Management and Budget (OMB) Circulars A-87 (2 CFR Part 225), A-21, A-122, A-110, A-89, A-133, 2 CFR Part 200 and A-50 and Federal Transit Administration (FTA) circular 5010.E. The ICAP rate proposal shall also include fringe benefit rate data.

1.1.3. Annually, after the year-end close of the fiscal year, the Finance Department will perform the calculation of the ICAP rate based on actual eligible expenditures, collector pool costs and direct labor charges incurred during the fiscal year.
1.1.4. SCRRA must obtain approval of the ICAP rate from the FTA, SCRRA’s cognizant agency. After the completion of a fiscal year independent financial audit, SCRRA will use the audited information to: 1) Calculate the final indirect costs eligible for allocation; 2) Determine the difference between actual and allocated costs to quantify carryforward amounts for project related indirect costs. The carryforward amount will be added or deducted from the final indirect cost amounts for the year to develop the indirect cost rates for the ICAP two fiscal years later. For example, after the FY16 audit is completed, the actual audited FY16 expenses and carryforward amounts will be used to calculate the FY18 ICAP rate. Any ICAP over-recovery must be credited in the next ICAP rate calculation. At SCRRA’s discretion, under-recoveries may be collected over several years in order to reduce rate variability.

1.1.5. With the carryforward approach, a year-end true-up is not required for New Capital, Capital Rehabilitation and Renovation, Equipment and Recollectable projects. Using the carry forward approach allows SCRRA to generate timely final bills for ICAP charges to all funding entities based upon the approved rate.

1.1.6. The ICAP should be submitted to the FTA within six months of the end of the fiscal year. Final indirect costs related to Operations and Maintenance-of-Way (MOW) projects are applied to those projects without a carryforward as part of the year-end process. This allows for the determination of final Member Agency surpluses or deficits.

1.1.7. SCRRA is required to obtain approval of the ICAP rate from the Federal cognizant agency in the following circumstances:

1.1.7.1. The grantee is working on its first assistance project or has not previously had a ICAP reviewed and accepted;

1.1.7.2. The grantee has made a change in its accounting system, thereby affecting the previously approved ICAP and its basis of application;

1.1.7.3. The grantee’s proposed ICAP exceeds the amounts and rate approved for the previous year(s) by more than 20 percent; or

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1.2. ICAP Calculation

1.2.1. The financial accounting system utilized by SCRRA provides the capability of detailed project account coding for all expenditures. SCRRA
has a three-tier accounting structure, including: Tier I - Allowable General and Administrative (G&A) overhead costs; Tier II – Project Category Overhead Costs; and Tier III – Specific Project Direct Costs. SCRRRA’s ICAP allocates indirect costs to Specific Projects using a two-step model. In the first step, Tier I – G&A costs are allocated to Tier II – Project Category Overhead pools based on total labor included in the Tier II and Tier III cost pools. The second step allocates costs in the Project Category Overhead pools (Project Category Overhead plus allocated G&A) to Specific projects within each Project Category based on direct labor charges in the Specific Projects.

1.2.2. Allowable G&A expenses are defined as agency-wide expenses which cannot be specifically associated with a single project category, but benefit rather multiple project categories. Examples of G&A expenses include Human Resources and Information Technology support services. Allowable G&A costs are allocated to all benefitting project types based upon total labor charges for each project category.

1.2.3. G&A overhead costs that are not allowable under federal regulations published in 2 CFR Part 200, such as general costs of government, public relations, and lobbying costs are recorded in Project 000002. Unallowable G&A costs are allocated to “Other” in the ICAP Plan and are not included in indirect cost rate calculations.

1.2.4. Costs that can be assigned to a specific project are directly charged to a unique direct project code. Direct project codes include:

1.2.4.1. Train Operations (projects 1xxxxx);
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1.2.4.3. New Capital (projects 4xxxxx);
1.2.4.4. Capital Rehabilitation & Renovation (projects 5xxxxx);
1.2.4.5. Equipment (projects 6xxxxx);
1.2.4.6. Recollectables (projects 8xxxxx);
1.2.4.7. PL/PD (projects 9xxxxx)

1.3. All project categories accumulate overhead costs. Overhead costs are defined as costs specific to a project category, but are not identifiable to a specific project within the project category. Project Category Overhead Costs are recorded in project codes 200000 (Maintenance of Way),
400000 (New Capital), 500000 (Capital Rehabilitation and Renovation), 600000 (Equipment) and 800000 (Recollectable Agreements). Each project category has a series of direct projects which perform unique scopes of work. Project Category Overhead Costs are allocated to direct projects as a markup to direct labor costs based on the applicable overhead rate for the project category.

1.4. The ICAP includes a separate calculation of fringe benefits, which are calculated independently, but are submitted simultaneously to the Federal cognizant agency as part of the ICAP rate proposal. Fringe benefits are calculated as a function of regular staff and dispatching salaries.

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Maintenance of Way Overhead – General maintenance of way costs, which cannot be identified to a project or line segment in the maintenance of way department.

New Capital Overhead – General new capital costs, which cannot be identified to specific New Capital project. Examples are Project Management Organization salaries and wages not applicable to a single project, general office supplies, etc.

Capital Rehabilitation and Renovation Overhead - General capital rehabilitation and renovation costs, which cannot be identified to a specific rehabilitation and renovation project. Examples are salaries and wages not applicable to a specific project, general office supplies, etc.
**Equipment Overhead** - General equipment costs, which cannot be identified to a specific equipment project. Examples are salaries and wages not charged to specific tasks, general office supplies, etc.

**Recollectables Overhead** - General recollectable costs, which cannot be identified to a specific recollectable project. Examples are salaries and wages not applicable to a specific project, general office supplies, etc.

**Overhead Pool** - Related overhead costs and costs from the Tier I G&A allocation that are grouped together for each project category. These costs are later distributed to the individual projects within each project category based on project direct labor costs.

**Final Indirect Cost Rate** – Approved project category ICAP rates are based on audited financial information from two years prior and include the recovery of any carryforward amounts as required under section 1.1.3.

**RESPONSIBILITIES**

**Finance Department**

The Finance Department is responsible for the overall calculation and submission of the ICAP plan and associated rates to the Federal cognizant agency.

**Chief Financial Officer**

The Chief Financial Officer is responsible for ensuring ICAP rates are calculated accurately and submitted to the Federal cognizant agency as required by the OMB and FTA. The Chief Financial Officer is responsible for correspondence with the Federal cognizant agency.

**General Accounting Manager and Accounting Staff**

The General Accounting Manager is responsible for developing the ICAP plan and associated rate calculations.

**Grants Administration Manager**

The Grants Administration Manager will distribute cognizant agency approval of ICAP and underlying fringe benefit rates to all affected member and state agencies. ICAP and fringe benefits rates shall not be billed to State and Federal awards until either a provisional or final approval has been received from SCRRRA’s cognizant agency.

**REFERENCES**

Federal Transit Administration Circular 5010.1E
Finance Policies and Procedures 2.1, General Accounting

ATTACHMENTS
Not applicable.

PROCEDURE HISTORY
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Issue

The Chief Executive Officer has directed staff to produce quarterly operating statements for the Board’s review. The statements included in this report present the actual results for the first quarter of FY2018, which is the three months ended September 30, 2017, compared to budget, and compared to the prior year.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goal to maintain fiscal sustainability.

Background

The Board adopted the FY2017-18 (FY18) Budget on June 23, 2017. The total FY18 Operating Budget of $243.0 million (M) consists of $183.7M for Train Operations, $41.6M for Maintenance of Way (MOW) and $17.7M for Insurance.

Staff analyzes actual revenue and expenditures in comparison to the adopted budget on a quarterly basis. The attached Schedule A provides detail of actual operating results year-to-date through the first quarter of FY18, with comparisons to year-to-date budget for FY18, and comparisons to actual expense for the same period of FY2016-17 (FY17). All information presented is preliminary and unaudited and includes estimates where actual amounts were unavailable.
Summary of Results for the First Quarter of Fiscal Year 2018 (July 1, 2017 – September 30, 2017)

Revenues are $24.3M and under budget by $1.2M or 4.6%. Expenses are $51.8M and under budget by $9.0M or 14.8%. Budgeted subsidy is $35.3M, providing a surplus of $7.8M thru the first quarter of FY18.

As shown on Schedule A, compared to the first quarter of last year, total Expenses before BNSF are up $764K or 1.5%. Budget variances are explained in more detail below.

All explanations below refer to the detailed information on Schedule A. Explanations are included only where variances are significant. (Note that all comparisons are made to the “Adopted” Budget, not the budget as adjusted by transfers between categories.)

Operating Revenues

Total Operating Revenues through the first quarter are under budget by $1.2M or 4.6%. This variance is primarily related to a shortfall in Farebox Revenue as described below. Compared to last year, total Operating Revenues through the first quarter are down $689K or 2.8%.

Farebox Revenue through the first quarter of FY18 is under budget by $807K or 3.8%. When developing the FY18 Budget, the assumption was farebox revenues would remain flat when compared to preliminary FY17 revenues. However, subsequent to the budget development, the Farebox Revenue experienced additional decline. Current Farebox revenue year to date is down 2.1% from the prior year. The Metro subsidy for Antelope Valley Line fare reductions is also under budget by $163K or 53.7%, and $120K or 46.1% less than prior year.

Farebox differences from the first quarter of last year reflect increased revenue on the Antelope Valley and 91/PVL Lines; up by 4.5% and 1.6% respectively. Revenue on all other lines has contracted as compared to the first quarter of last year including Orange County by 0.6%, Ventura by 3.6%, San Bernardino by 4.1%, Riverside by 4.5%, and IEOC by 8.3%.

Dispatch Revenue is under budget by $36K, or 6.7%, through the first quarter of FY18. Dispatch Revenue is lower than last year by 10.8% and has been adversely affected by reductions in the on-time bonus payments from Amtrak. The shortfall in Dispatch Revenue is offset almost entirely by the over budget amounts of “Other Revenues”, in the amount of $34K, primarily the payments from Amtrak for our maintenance of their TVM’s.

Through the first quarter, MOW Revenue is under budget by $189K or 5.7%. MOW Revenue is based on our MOW expense, and, in some cases, freight activity on the line.
A working group has been formed under the direction of the Planning Director to create a plan to proactively manage Rail (Shared Use) Agreements – both Revenue and Expense.

**Operations and Services**

The Train Operations line is comprised of Amtrak expenditures, the Authority’s Dispatch Cost Center including a number of Communications Coordinators. Through the first quarter, expenditures for Amtrak total $9.8M. Amtrak expenditures are under budget by 2%. The Dispatch Cost Center totals $980K and is $161K under budget. The Communications Coordinators total $142K for the quarter. The Communications Coordinators were reassigned subsequent to the budget adoption creating a variance which is offset elsewhere in this category. In total, the entire Train Operation category totals $10.9M, is 2.0% under budget, but $545K or 5.2% more than last year.

Equipment Maintenance for the first quarter of FY18, at $8.6M, is under budget by $604K or 6.6%. This category comprises of material issued from inventory to service and repair rolling stock, services provided by Bombardier to maintain and repair equipment, charges for maintenance performed at Stuart Mesa, and Mechanical Services. The amount under budget is primarily due to fewer materials issued to repair our rolling stock. As compared to last year, Equipment Maintenance is up $845K or 10.9% as a result of anticipated increases in the Bombardier agreement.

Fuel cost at $4.5M for the first quarter of FY18 is under budget by $377K, or 7.7%. A more formalized Fuel Hedging program was implemented July 1, 2017. It has performed well, yielding a $300K realized gain in the first quarter of operation. Fuel costs are higher than last year by $270K as a result of fuel costs associated with the BNSF Leased Locomotives charged to the BNSF category totaling $951K, which are presented separately.

Operating Facilities Maintenance is under budget by $152K or 36.7%. Facilities confirms that these are expenditures that will not occur until later in the fiscal year. This category is under last year by $205K, as a result of the budgeted replacement of a generator and sub base fuel tank last year.

Other Operating Train Services is under budget by $47K or 46.2%. Emergency transport costs were less than budgeted.

Rolling Stock Lease was budgeted for $50K through the first quarter. However, subsequent to the budget adoption, our Tier 4 supplier agreed to pay for this lease in FY18.

Security in total includes Sheriffs, Guards and Supplemental Security. As a group, these items total $1.9M and are under budget through the first quarter of FY18 by $476K or 20.3%. The Guard contract was recently renegotiated.
Public Safety is under budget through the first quarter of FY18 by $2K or 2.6%. The amount is over last year by $51K primarily as a result of the installation of the Silvertrak Security Incident Management System installed this year, and an Industrysafe annual subscription.

Passenger Relations actuals through the first quarter for FY18 are $425K, under budget by $8K or 1.8%. This category is comprised primarily of charges from the Alta call center, in addition to callbox maintenance. The amounts are $2K less than last year.

Ticket Vending Machine (TVM) Maintenance/Revenue Collection is under budget by $363K or 19.3%. This is primarily the result of ticket stock budgeted, but not purchased. The effects of the Mobile App on ticket stock costs are not quantified at this time. The implementation of the optical readers will also create changes, also an unknown.

Marketing is under budget for the first quarter by $213K or 76.6%. Most of this variance is caused by marketing plans which are committed and will be completed later in the fiscal year.

Media and External Communication consists primarily of Public Affairs activities. This category is under budget by $60K or 38.2%. Activities for the 25th Anniversary will not occur until the second quarter. The budget exceeds last year by $63K as a result of the 25th Anniversary and additional cost on printing.

Utilities and Leases are $776K and under budget through the first three months of FY18 by $46K or 5.6%. This amount is over last year by $126K.

Transfer to Other Operators totals $1.6M and is under budget by $29K or 1.8%.

Amtrak transfers are under budget through the first quarter of FY18 by $189K or 34.6%. Amtrak transfers were budgeted at the Cap, while actual rail to rail usage are at a lower level. The transfers exceed last year by $34K or 10.6%.

Station Maintenance is under budget through the first quarter by $27K or 6.4%. This amount is greater than last year by $138K or 53.9%. This was a result of a credit received on CAM charges for the prior year (FY16) recorded in the first quarter of FY17.

Rail Agreements are under budget in the first quarter of FY18 by $24K or 1.8%. These costs are also $33K less than last year.

**Maintenance of Way (MOW)**

The MOW Line Segment costs include work performed maintaining Track, Signals, Structures and PTC. The actual expenditure through the first quarter of FY18 is $8.3M, and is under budget by $1.6M or 15.9%. Variances from budget are primarily in the
following areas: Track is under budget by $326K, Vehicle and Equipment expense are under budget $245K, Vegetation Control is under budget by $165K, while PTC expenditures are under by $145K. The balance of the variance is spread over many tasks. The expenditures for the first quarter vary from the prior year by less than 1%.

Extraordinary MOW includes the cost of unexpected events due to weather, gate knock downs, vandalism, etc. Variances are expected given the unpredictable nature of this category. In the first three months of FY18, Extraordinary MOW was $125K, which is under budget by $119K or 48.9%. The amount is less than prior year by $101K or 44.6%.

**Administration & Services**

Operations Salaries and Fringe Benefit expenditure are $3.0M, and under budget by $534K or 15.3%.

Operations Non-Labor expenditures are under budget by $1.2M or 62.5% through the first quarter of FY18. These are primarily unspent budgets for PTC, which is under budget by $902K as a result of deferred computer hardware/software purchases; and deferred general IT purchases of $102K.

Indirect Administrative Expenses are under budget by $1.2M or 29.4%. This $2.8M item is overhead comprised of a number of different categories (i.e. overhead salaries, fringe and consulting), a portion of which has been allocated to capital projects. Overhead salary vacancies affect this amount. The under-budget amount is primarily in Authority Consultants.

Operations Professional Services are under budget by $1.1M or 94.7%. This variance is primarily the result of operations consultants, lower outside legal expense, and Retail Network for TVM compliance. Some of the activities generating these costs will occur later in the fiscal year.

**Insurance**

Premiums for Liability/Property/Auto/Miscellaneous are under budget by $717K or 23.0%. Premiums are estimated and actuals were less than budgeted.

Claims/Self-Insurance (SI) total $1.5M and are over budget through the first quarter of FY18 by $509K or 50.9%. Continuing costs related to the 2015 Oxnard incident (including the deductible accrual) are $910K in the period, other incidents include the Union Pacific Railroad (UPPR) Valley sub incident for $268K. The increase from prior year is a function of the additional $1M in the final tranche of the deductible liability for the Oxnard incident.

Claims administration is under budget by $176K or 59.2%. Fewer legal fees were incurred than budgeted.
**Member Subsidies**

Member Subsidies are the net of actual Operating Revenue and actual Operating Expense and Insurance cost. As shown on Schedule A, the loss for the first quarter of FY18 is $27.5M as compared to a budgeted loss of $35.3M, providing a favorable variance of $7.8M or 22.1% less than budget. Compared to last year, including BNSF, the Member Subsidy is lower for the first quarter of FY18 by $2.2M or 7.5%.

**Net Results**

Through the first quarter of FY18, the total net loss is $27.5M, while Member Subsidies are $35.3M, which creates a surplus of $7.8M. A significant amount of this difference are programs which will occur later in the fiscal year, reducing the surplus.

**Note with Respect to Federal Funding of Operating Costs**

Federal Funding of Preventative Maintenance and Congestion Mitigation Air Quality (CMAQ) funds for New Service are currently being monitored and compiled. Expenses are only eligible if they are charged by Federalized vendors and have been paid.

For the first quarter of FY18, the Authority has incurred the following eligible expenses:

- CMAQ Eligible Expense total $670K
- Preventive Maintenance Eligible Expense total $5.8M

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Christine Wilson, Senior Manager, Finance

Ronnie Campbell
Chief Financial Officer
**SCHEDULE A  Page 1 of 2**

| SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  |
| OPERATING STATEMENT FOR THE 1ST QTR FY2017-18 |
| (THREE MONTHS ENDING SEPTEMBER 30) |

<table>
<thead>
<tr>
<th>(Unaudited)</th>
<th>2018 ACTUAL</th>
<th>2018 ADOPTED BUDGET</th>
<th>2017 ACTUAL</th>
<th>VARIANCE from Budget</th>
<th>VARIANCE from Prior Year Over/(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farebox Revenue</td>
<td>20,522,695</td>
<td>21,329,244</td>
<td>20,965,303</td>
<td>(806,549)</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>Metro Fare Reduction Subsidy</td>
<td>140,774</td>
<td>303,866</td>
<td>261,244</td>
<td>(163,092)</td>
<td>(53.7%)</td>
</tr>
<tr>
<td><strong>Subtotal-Pro Forma FareBox</strong></td>
<td>20,663,469</td>
<td>21,633,110</td>
<td>21,226,347</td>
<td>(969,641)</td>
<td>(4.5%)</td>
</tr>
<tr>
<td>Dispatching</td>
<td>495,492</td>
<td>531,252</td>
<td>555,186</td>
<td>(35,760)</td>
<td>(6.7%)</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>34,403</td>
<td>3,000</td>
<td>60,720</td>
<td>31,403</td>
<td>104.6%</td>
</tr>
<tr>
<td>MOW Revenues</td>
<td>3,148,735</td>
<td>3,337,542</td>
<td>3,188,280</td>
<td>(188,807)</td>
<td>(5.7%)</td>
</tr>
<tr>
<td><strong>Subtotal Operating Revenues</strong></td>
<td>24,342,099</td>
<td>25,504,904</td>
<td>25,030,733</td>
<td>(1,162,805)</td>
<td>(4.6%)</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operations &amp; Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Train Operations</td>
<td>10,939,557</td>
<td>11,160,610</td>
<td>10,394,261</td>
<td>(221,053)</td>
<td>(2.0%)</td>
</tr>
<tr>
<td>Equipment Maintenance</td>
<td>8,568,473</td>
<td>9,172,773</td>
<td>7,723,546</td>
<td>(604,300)</td>
<td>(6.6%)</td>
</tr>
<tr>
<td>Fuel</td>
<td>4,536,658</td>
<td>4,913,999</td>
<td>4,266,779</td>
<td>(377,141)</td>
<td>(7.7%)</td>
</tr>
<tr>
<td>Non-Sched Rolling Stock Repairs</td>
<td>3,993</td>
<td>24,999</td>
<td>-</td>
<td>(21,006)</td>
<td>(84.0%)</td>
</tr>
<tr>
<td>Operating Facilities Maintenance</td>
<td>261,183</td>
<td>412,878</td>
<td>467,103</td>
<td>(151,695)</td>
<td>(36.7%)</td>
</tr>
<tr>
<td>Other Operating Train Services</td>
<td>55,325</td>
<td>102,756</td>
<td>53,266</td>
<td>(47,431)</td>
<td>(46.2%)</td>
</tr>
<tr>
<td>Rolling Stock Lease</td>
<td>-</td>
<td>50,334</td>
<td>57,960</td>
<td>(50,334)</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Security - Sheriff</td>
<td>1,417,306</td>
<td>1,461,291</td>
<td>1,400,155</td>
<td>(43,985)</td>
<td>(3.0%)</td>
</tr>
<tr>
<td>Security - Guards</td>
<td>382,462</td>
<td>709,344</td>
<td>539,986</td>
<td>(174,623)</td>
<td>(25.2%)</td>
</tr>
<tr>
<td>Supplemental Additional Security</td>
<td>67,853</td>
<td>172,500</td>
<td>-</td>
<td>(104,647)</td>
<td>(60.7%)</td>
</tr>
<tr>
<td>Public Safety Program</td>
<td>68,570</td>
<td>70,372</td>
<td>17,890</td>
<td>(1,802)</td>
<td>(2.6%)</td>
</tr>
<tr>
<td>Passenger Relations</td>
<td>424,539</td>
<td>432,428</td>
<td>426,639</td>
<td>(789)</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>TVM Maint/Revenue Collection</td>
<td>1,514,832</td>
<td>1,877,502</td>
<td>1,780,645</td>
<td>(362,670)</td>
<td>(19.3%)</td>
</tr>
<tr>
<td>Marketing</td>
<td>65,237</td>
<td>278,424</td>
<td>92,160</td>
<td>(213,187)</td>
<td>(76.6%)</td>
</tr>
<tr>
<td>Media &amp; External Communications</td>
<td>98,372</td>
<td>159,180</td>
<td>35,002</td>
<td>(60,080)</td>
<td>(38.2%)</td>
</tr>
<tr>
<td>Utilities / Leases</td>
<td>776,417</td>
<td>822,318</td>
<td>650,015</td>
<td>(45,901)</td>
<td>(5.6%)</td>
</tr>
<tr>
<td>Transfers to Other Operators</td>
<td>1,552,948</td>
<td>1,581,997</td>
<td>1,640,630</td>
<td>(88,633)</td>
<td>(5.4%)</td>
</tr>
<tr>
<td>Amtrak Transfers</td>
<td>355,674</td>
<td>544,251</td>
<td>312,629</td>
<td>(131,622)</td>
<td>(34.6%)</td>
</tr>
<tr>
<td>Station Maintenance</td>
<td>392,843</td>
<td>419,688</td>
<td>255,193</td>
<td>(26,495)</td>
<td>(6.4%)</td>
</tr>
<tr>
<td>Rail Agreements</td>
<td>1,317,177</td>
<td>1,341,597</td>
<td>1,349,980</td>
<td>(24,420)</td>
<td>(1.8%)</td>
</tr>
<tr>
<td><strong>Subtotal Operations &amp; Services</strong></td>
<td>32,799,619</td>
<td>35,709,240</td>
<td>31,472,836</td>
<td>(3,236,404)</td>
<td>(9.1%)</td>
</tr>
<tr>
<td><strong>Maintenance-of-Way</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoW - Line Segments</td>
<td>8,329,097</td>
<td>9,004,499</td>
<td>8,306,029</td>
<td>(178,470)</td>
<td>(1.9%)</td>
</tr>
<tr>
<td>MoW - Extraordinary Maintenance</td>
<td>125,001</td>
<td>244,441</td>
<td>25,284</td>
<td>(119,140)</td>
<td>(47.0%)</td>
</tr>
<tr>
<td><strong>Subtotal Maintenance-of-Way</strong></td>
<td>8,454,098</td>
<td>10,148,940</td>
<td>8,531,853</td>
<td>(984,755)</td>
<td>(16.7%)</td>
</tr>
<tr>
<td><strong>Administration &amp; Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ops Salaries &amp; Fringe Benefits</td>
<td>2,956,017</td>
<td>3,490,140</td>
<td>3,051,381</td>
<td>(543,123)</td>
<td>(17.6%)</td>
</tr>
<tr>
<td>Ops Non-Labor Expenses</td>
<td>709,183</td>
<td>1,891,524</td>
<td>723,791</td>
<td>(1,182,341)</td>
<td>(62.5%)</td>
</tr>
<tr>
<td>Indirect Administrative Expenses</td>
<td>2,802,658</td>
<td>3,967,611</td>
<td>3,194,127</td>
<td>(1,073,484)</td>
<td>(27.1%)</td>
</tr>
<tr>
<td>Ops Professional Services</td>
<td>58,522</td>
<td>1,113,191</td>
<td>321,634</td>
<td>(1,054,669)</td>
<td>(94.7%)</td>
</tr>
<tr>
<td><strong>Subtotal Admin &amp; Services</strong></td>
<td>6,526,380</td>
<td>10,462,466</td>
<td>7,290,933</td>
<td>(3,936,086)</td>
<td>(37.6%)</td>
</tr>
<tr>
<td>Contingency (Non-Train Ops)</td>
<td>15,000</td>
<td>63,000</td>
<td>-</td>
<td>(48,000)</td>
<td>(76.2%)</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>47,795,097</td>
<td>56,383,646</td>
<td>47,295,622</td>
<td>(8,588,549)</td>
<td>(15.2%)</td>
</tr>
</tbody>
</table>
## SCHEDULE A  Page 2 of 2

### SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
### OPERATING STATEMENT
### FOR THE 1ST QTR FY2017-18
### (THREE MONTHS ENDING SEPTEMBER 30)

(UNAUDITED)

<table>
<thead>
<tr>
<th></th>
<th>2018 ACTUAL</th>
<th>2018 ADOPTED BUDGET</th>
<th>2017 ACTUAL</th>
<th>VARIANCE from Budget</th>
<th>VARIANCE from Prior Year Over/(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Insurance Expense/(Revenue)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability/Property/Auto/Misc</td>
<td>2,402,039</td>
<td>3,118,848</td>
<td>2,765,782</td>
<td>(716,809)</td>
<td>(23.0%)</td>
</tr>
<tr>
<td>Claims / Si</td>
<td>1,508,640</td>
<td>999,999</td>
<td>967,079</td>
<td>508,641</td>
<td>50.9%</td>
</tr>
<tr>
<td>Claims Administration</td>
<td>121,080</td>
<td>296,847</td>
<td>34,279</td>
<td>(175,767)</td>
<td>(59.2%)</td>
</tr>
<tr>
<td>PLPD Revenue</td>
<td>(150)</td>
<td>-</td>
<td>(150)</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Net Insurance Expense</td>
<td>4,031,609</td>
<td>4,415,694</td>
<td>3,766,990</td>
<td>(384,085)</td>
<td>(8.7%)</td>
</tr>
<tr>
<td>Total Expense Before BNSF</td>
<td>51,826,706</td>
<td>60,799,340</td>
<td>51,062,612</td>
<td>(8,972,634)</td>
<td>(14.8%)</td>
</tr>
<tr>
<td>Total Loss Before BNSF</td>
<td>(27,484,607)</td>
<td>(35,294,436)</td>
<td>(26,031,879)</td>
<td>7,809,829</td>
<td>(22.1%)</td>
</tr>
<tr>
<td>Member Subsidies*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>30,878,742</td>
<td>30,878,742</td>
<td>29,372,617</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Insurance</td>
<td>4,415,694</td>
<td>4,415,694</td>
<td>4,196,671</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total Member Subsidies</td>
<td>35,294,436</td>
<td>35,294,436</td>
<td>33,569,288</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Surplus / (Deficit) Before BNSF</td>
<td>7,809,829</td>
<td>-</td>
<td>7,537,409</td>
<td>7,809,829</td>
<td></td>
</tr>
</tbody>
</table>

### BNSF LEASED LOCOMOTIVE COSTS

|                              |             |                     |             |        |                  |        |                   |
|------------------------------|-------------|---------------------|-------------|        |                  |        |                   |
| Lease cost Inc ship          | -           | -                   | 1,570,500   | -      | n/a               | (1,570,500) | (100.0%)     |
| Major Component Parts        | -           | -                   | 13,721      | -      | n/a               | (13,721)   | (100.0%)     |
| Labor for Maintenance        | -           | -                   | 815,239     | -      | n/a               | (815,239)   | (100.0%)     |
| Additional Fuel              | -           | -                   | 950,768     | -      | n/a               | (950,768)   | (100.0%)     |
| Savings from lower cost of fuel | -         | -                   | -           | -      | n/a               | -         | n/a            |
| Wheel truing, Software Mods, Brakes | -        | -                   | -           | -      | n/a               | -         | n/a            |
| Temp Facility Mods           | -           | -                   | 102,605     | -      | n/a               | (102,605)   | (100.0%)     |
| PTC Costs                    | -           | -                   | 217,995     | -      | n/a               | (217,995)   | (100.0%)     |
| Contingency                  | -           | -                   | -           | -      | n/a               | -         | n/a            |
| Total BNSF Lease Loco Expenses | -        | -                   | 3,670,828   | -      | n/a               | (3,670,828) | (100.0%)     |
| Member BNSF Lease Subsidies* | -           | -                   | 4,540,974   | -      | n/a               | (4,540,974) | (100.0%)     |
| Surplus / (Deficit)-BNSF Lease | -        | -                   | 870,146     | -      | n/a               | (870,146)   | (100.0%)     |
| Total Expense                | 51,826,706  | 60,799,340          | 54,733,440  | (8,972,634) | (14.8%)             | (2,906,733) | (5.3%)        |
| Net Loss                     | (27,484,607)| (35,294,436)        | (29,702,707)| 7,809,829 | -22.1%             | 2,218,099 | (7.5%)        |
| All Member Subsidies         | 35,294,436  | 35,294,436          | 38,110,262  | -      |                   | -         |                   |
| Surplus / (Deficit)          | 7,809,829   | -                   | 8,407,555   | 7,809,829 |                      | n/a       |                   |

* Although member subsidies are billed quarterly and include the annual prepaid insurance premiums in the first quarter billing (and are so recorded in Oracle), amounts reflected here display only that amount ratably applied to the period shown.

** Numbers may not foot due to rounding.
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
TO: Board of Directors
FROM: Arthur T. Leahy

Issue

This report presents a status update on the accounts receivable for the first fiscal quarter, ended September 30, 2017, for the Authority.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goal to maintain fiscal sustainability. This report presents outstanding receivables to the Board and provides updates related to collection efforts.

Background

The Authority’s sources of funds include passenger fares, dispatching and maintenance of way revenues, member agencies operating and capital subsidies, and state and federal grant programs.

As of September 30, 2017, the total outstanding accounts receivable balance, as indicated in the table, was $86.2 million. Of the total accounts receivable, $56.0 million was current (30 days or less), and $30.2 million was past due. Approximately $25.4 million of the accounts receivable were over 90 days. Significant collection of the balance over 90 days occurred since the end of first quarter. As of October 27, 2017, payments totaling $17.1 million were received for past due operating subsidy receivables.
The accounts receivable are composed of:

- **Capital Contributions Receivable** – Due from member agencies and other state and federal grantors such as Federal Transit Administration for capital and rehabilitation projects (i.e., construction and rehabilitation of rail infrastructure system).
- **Due from Other Agencies** – Due from other agencies such as California Department of Transportation (Caltrans) for construction projects.
- **Fares Receivable** – *Due from customers purchasing passenger fares for commuter rail services.*
- **Operating Subsidies Receivable** – Due every quarter from the five member agencies relating to operating subsidies.
- **Other Receivables** – Cash received pending application to the correct account.
- **Shared Use Receivables** – Due from other rail partners such as Amtrak and Union Pacific Railroad Company for sharing rail lines.
- **Third Party Receivables** – Due from both private and public agencies for projects such as special train services, construction of capital projects on behalf of third parties and flagging services.

Finance continues to reconcile and collect outstanding receivables for fare, dispatching, maintenance-of-way, capital program, and third party agreement revenue. To assist in collection efforts, the board requested staff inquire into charging interest on outstanding fare receivables. Staff reviewed the existing corporate partner program agreement and updated verbiage to include a 1.5% interest charge on receivable balances not paid within 30 days from the date of the invoice. In addition to this charge, accounts not in good standing may be placed on hold. This update to the corporate partner agreement became effective in February 2017 for use with new corporate partner customers. In addition,
Finance continues to generate invoices to customers for expenditures paid and incurred by the Authority, and compiling detailed transactions in support of future billings.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Amanda Cagle, Senior Manager, Finance  
Elizabeth Martinez, Finance Analyst I, Cash

Ronnie Campbell  
Chief Financial Officer

Elissa K. Konove  
Deputy Chief Executive Officer
issue

Section VII of the Authority’s Annual Investment Policy requires that the Treasurer make a quarterly investment report to the Board of Directors, and Section 53646 of the California Government Code encourages local agencies to file this report. This report is for the quarter ended September 30, 2017.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goal to maintain fiscal sustainability. This report presents an update on cash portfolio to the Board and provides an update related to account balances and interest earned.

Background

The Authority is currently managing a portfolio of $81.9 million in cash, cash equivalents and investment funds. The portfolio is comprised of restricted and unrestricted amounts of cash. Approximately $43.4 million (53%) of the portfolio was comprised of restricted funds. The remaining balance of $38.5 million (47%) was comprised of unrestricted funds as of September 30, 2017.
Restricted Funds

Local Agency Investment Fund (LAIF)

The LAIF is a pooled fund managed by the State Treasurer in which the Authority is a voluntary participant. It is an investment alternative for California’s local governments and offers local agencies the opportunity to participate in a major portfolio that invests hundreds of millions of dollars in securities. The majority of funds in the LAIF account is restricted for Proposition 1B (Prop 1B) use.

Prop 1B was approved by California voters on November 7, 2006 to authorize $19.9 billion of state General Obligation Bonds for specific transportation programs intended to “relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state’s transportation system.” Prop 1B funds are awarded to agencies based on various deciding factors such as anticipated project costs and potential benefits of the project. Prop 1B funds are designated for specific purposes such as rehabilitation, replacement and expansion of various assets including track, bridges, signals, rolling stock and ticket vending machines. Additionally, these funds have been applied to grade crossing improvements and the Positive Train Control system. The Authority has submitted applications to the State and is a recipient of Prop 1B funds.

At the request of the Board, a list of projects allocated for LAIF funding have been included in this report (see attachment A). The current balance in the LAIF account is comprised of funding and interest allocated to over 50 Capital and Rehabilitation projects and an amount funded but not yet allocated to approved projects. Use of LAIF funds for projects is primarily identified through the annual budget process, however, discretionary grant opportunities also present additional funding for projects. At each fiscal year end, the LAIF balance is presented in the Comprehensive Annual Financial Report (CAFR) within the supplementary information section by grant program and agency.
Bank of America (BofA) Money Market Fund

The Authority has also established a separate restricted account held with Bank of America Money Market reserves (BofA). Funds invested in BofA, have historically been, and continue to be, restricted by the Board in connection with the lease/leaseback program. As of September 30, 2017, approximately $3.7 million is invested in BofA.

Historically, the Board restricted the proceeds from the lease/leaseback transactions for capital maintenance of rolling stock to ensure it is in good condition to meet and maximize its useful life. Additionally, earnings from the transactions can be used for specific purposes as approved and directed by the Board.

Interest Amount Earned

Total interest earned on LAIF for the quarter ended September 30, 2017, is $94,051.59, representing a 1.07% annual interest rate.

Investment Portfolio Compliance

The composition of the investment portfolio as of September 30, 2017, complies with the provisions of the Authority’s Annual Investment Policy as the LAIF account has a balance of $39.7 million, consistent with the $50 million cap stipulated by policy.1 Also, funds invested in BofA represent approximately 8.6% of the total investment funds, consistent with the 20% cap required by policy.

Cash Sufficiency

Approximately $38.5 million of operating cash was on hand as of September 30, 2017. Over the last year and a half, the Authority has maintained $25 million in unrestricted cash as an informal minimum threshold. Staff has evaluated the $25 million minimum threshold and determined if it is necessary and appropriate based on future operating cash needs. This amount is equal to average monthly expenditures. Maintaining a 30-day reserve is consistent with the procedures of the Member Agencies. If the cash balance is projected to fall below $25 million for more than two consecutive months, staff will notify the Board.

Budget Impact

There is no budgetary impact as a result of this report.

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1 Based on the Investment Policy as adopted on January 13, 2017, the maximum deposit allowed in the LAIF account is $50 million, and funds invested in Money Market Funds cannot exceed 20% of total investment funds.
Prepared by: Amanda Cagle, Senior Manager, Finance
Elizabeth Martinez, Financial Analyst I, Cash Management
Jerri Stoyanoff, Accountant II, Grants Administration

Ronnie Campbell
Chief Financial Officer

Elissa K. Konove
Deputy Chief Executive Officer
## Attachment A

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Project Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIER 4</td>
<td>$6,078,290.19</td>
</tr>
<tr>
<td>STATION SURVEILLANCE</td>
<td>5,816,498.03</td>
</tr>
<tr>
<td>SECURITY DATA NETWORK</td>
<td>4,770,675.60</td>
</tr>
<tr>
<td>MAINTENANCE FACILITIES HARDENING</td>
<td>3,755,480.31</td>
</tr>
<tr>
<td>PTC</td>
<td>2,294,017.85</td>
</tr>
<tr>
<td>VALLEY-RR RAIL AND CURVES</td>
<td>1,248,191.65</td>
</tr>
<tr>
<td>VALLEY REPL TIES RATED 3 &amp; 4</td>
<td>1,247,914.05</td>
</tr>
<tr>
<td>VALLEY BRIDGE 35.75 REPL</td>
<td>1,028,340.83</td>
</tr>
<tr>
<td>RAIL CAR RESTORATION</td>
<td>917,970.64</td>
</tr>
<tr>
<td>VENTURA LA-RR CURVE 130</td>
<td>519,522.06</td>
</tr>
<tr>
<td>SECURITY AT COMM SHELTERS AND CP</td>
<td>500,460.69</td>
</tr>
<tr>
<td>VALLEY SUB BRIDGE AND CULVERT</td>
<td>489,036.41</td>
</tr>
<tr>
<td>TUNNEL INTRUSION DETECTION SYSTEMS</td>
<td>198,651.79</td>
</tr>
<tr>
<td>ROLLING STOCK SPARE PARTS</td>
<td>176,237.33</td>
</tr>
<tr>
<td>GLENDALE-CHEVY CHASE DR</td>
<td>166,993.78</td>
</tr>
<tr>
<td>CALTRANS VCTC SEALED CORRIDOR</td>
<td>145,813.59</td>
</tr>
<tr>
<td>VENTURA LA BRIDGE REPAIR</td>
<td>117,782.67</td>
</tr>
<tr>
<td>SOC ENHANCEMENTS</td>
<td>114,213.78</td>
</tr>
<tr>
<td>SAN GABRIEL SIGNAL REHAB</td>
<td>110,124.94</td>
</tr>
<tr>
<td>OVERHAUL OF GEN 1 RAILCARS</td>
<td>99,582.48</td>
</tr>
<tr>
<td>VENTURA (LA) SUB ROW GRADING</td>
<td>89,362.71</td>
</tr>
<tr>
<td>ELECTRONIC TICKETING SYSTEM</td>
<td>83,489.32</td>
</tr>
<tr>
<td>VENTURA (VC) TRACK SOGR</td>
<td>70,331.60</td>
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<tr>
<td>REPLACE BRIDGE AND CULVERTS</td>
<td>63,636.42</td>
</tr>
<tr>
<td>ACCESS CONTROL SYSTEM UPGRADE</td>
<td>53,562.34</td>
</tr>
<tr>
<td>MTA-CANOGA TRANS CORRIDOR</td>
<td>47,668.61</td>
</tr>
<tr>
<td>ROTEM</td>
<td>39,251.04</td>
</tr>
<tr>
<td>LOCO ENGINE OVRHL-NONFED</td>
<td>36,597.91</td>
</tr>
<tr>
<td>CP BEECH TURNOUT REPLACEMENTS</td>
<td>33,060.81</td>
</tr>
<tr>
<td>TUNNEL 25 INTRUSION DETECTION</td>
<td>21,293.37</td>
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<tr>
<td>VENTURA (LA) SIGNAL REHAB</td>
<td>15,767.09</td>
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<tr>
<td>FIBER OPTIC BACKBONE RIVER</td>
<td>9,658.79</td>
</tr>
<tr>
<td>SAFETY RETROFIT - COUPLERS</td>
<td>9,466.72</td>
</tr>
<tr>
<td>SWING GATES AND FENCING</td>
<td>6,409.90</td>
</tr>
<tr>
<td>TICKETING FOR GATING</td>
<td>6,151.15</td>
</tr>
<tr>
<td>MOORPARK-SPRING ROAD</td>
<td>4,211.90</td>
</tr>
<tr>
<td>Project Description</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>MOORPARK-SPRING ROAD</td>
<td>1,892.51</td>
</tr>
<tr>
<td>GLENDALE-BROADWAY/BRAZIL</td>
<td>1,180.81</td>
</tr>
<tr>
<td>INWARD FACING CAMERAS</td>
<td>933.44</td>
</tr>
<tr>
<td>SAFETY RETROFIT - TABLES</td>
<td>609.52</td>
</tr>
<tr>
<td>SYSTEMW- RR EMF FUEL SYSTEM</td>
<td>340.78</td>
</tr>
<tr>
<td>FRWRD FCNG CAMERAS ON 38 LOCOS</td>
<td>270.56</td>
</tr>
<tr>
<td>TRACTION MTRS-NONFED</td>
<td>238.66</td>
</tr>
<tr>
<td>GLENDALE-GRANDVIEW AVE</td>
<td>63.35</td>
</tr>
<tr>
<td>FY09 OC GRADE CRSSNG MNTRS</td>
<td>8.92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 30,391,256.90</strong></td>
</tr>
</tbody>
</table>

Funds programmed but not yet allocated\(^2\) 9,343,340.07

Bank balance as of June 30, 2017 $39,734,596.97

Variance 0.00

\(^2\) This total is programmed as follows: $4.8M for rehabilitation of passenger cars; $2.4M for rehabilitation of track, signals, bridges and related assets and $2.1M for Tier 4 locomotives. Funds are allocated to approved projects as milestone invoices are received and coded.
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Fuel Hedging Program Update – Quarter Ended September 30, 2017

Issue

Staff is providing an update on the Authority’s Fuel Hedging program. This is the first report on the Fuel Hedging program; the program was approved earlier, but not implemented until July 1, 2017.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goal to *maintain fiscal sustainability*.

Background

A Fuel Management and Hedging Program was implemented to minimize the impact of fuel market price volatility on the annual fuel expense and to assist staff with better forecasting fuel expenses for budget purposes. The Board has requested that staff provide a quarterly update on our Fuel Management and Hedging Program.

Finance Policy FIN-11.1, Fuel Management and Hedging, was approved by the Board on January 23, 2015. The Board later approved the award of contracts for Brokerage and Fuel Hedging Advisory Services on February 27, 2015. Several long term contracts were purchased to assist with fuel expenses from 2015 until 2017.

At the April 21, 2017 Board Workshop, a more formalized Fuel Hedging Program was discussed in which staff would utilize “futures contracts”. A futures contract is a standardized forward contract which can be easily traded between parties other than the two initial parties to the contract. The parties initially agree to buy and sell an asset for a price agreed upon today (the “forward price”), with delivery and payment occurring at a future point (the “delivery date”). Since the price is determined, the contract “locks in” that price for a future
date. Staff was advised to implement the recommended strategy on a going-forward basis. On July 1, 2017, the formalized Fuel Management and Hedging Program was initiated with approved Fuel Hedging Advisor, Linwood Capital, LLC. A deposit of $1,500,000 was made to an account established in the name of Southern California Regional Rail Authority (SCRRA), for use in purchasing forward contracts for fuel.

On September 30, 2017, the account had a value of $2,704,340.85. As of September 30, 2017, positions liquidated against fuel expenses yielded a realized gain of $301,500.45 for the First Quarter - July 1 through September 30, 2017. The current 105 outstanding positions are estimated to represent an additional unrealized gain of $902,840.40. These fluctuations in value (gains/losses) occur as a result of the changing market price of fuel. As positions are liquidated at amounts which exceed their purchase price, gains become realized.

The Futures Account Report for quarter ended September 30, 2017, provided by Linwood Capital, LLC is included as Attachment A.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Christine Wilson, Senior Manager, Finance

Ronnie Campbell  
Chief Financial Officer

Elissa K. Konove  
Deputy Chief Executive Officer
## ATTACHMENT A

### METROLINK FUTURES ACCOUNT REPORT

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>Jul-17</th>
<th>Aug-17</th>
<th>Sep-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Realized Gains</td>
<td>$12,852.00</td>
<td>$107,856.00</td>
<td>$185,837.40</td>
<td></td>
</tr>
<tr>
<td>All Fees &amp; Interest</td>
<td>$5,625.13</td>
<td>-$934.69</td>
<td>$354.51</td>
<td></td>
</tr>
<tr>
<td>Change in Unrealized Gains</td>
<td>$583,535.40</td>
<td>$44,826.60</td>
<td>$274,478.40</td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$0.00</td>
<td>$1,507,226.87</td>
<td>$1,616,017.56</td>
<td></td>
</tr>
<tr>
<td>Net Cash to Account</td>
<td>$1,500,000.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>All Fees &amp; Interest</td>
<td>-$5,625.13</td>
<td>$934.69</td>
<td>-$354.51</td>
<td></td>
</tr>
<tr>
<td>Realized Gains</td>
<td>$12,852.00</td>
<td>$107,856.00</td>
<td>$185,837.40</td>
<td></td>
</tr>
<tr>
<td>Total Ending Balance</td>
<td>$1,507,226.87</td>
<td>$1,616,017.56</td>
<td>$1,801,500.45</td>
<td></td>
</tr>
<tr>
<td>Unrealized Gains</td>
<td>$583,535.40</td>
<td>$628,362.00</td>
<td>$902,840.40</td>
<td></td>
</tr>
<tr>
<td>Account Value</td>
<td>$2,090,762.27</td>
<td>$2,244,379.56</td>
<td>$2,704,340.85</td>
<td></td>
</tr>
</tbody>
</table>

### HISTORICAL ANALYSIS: FY 2018

<table>
<thead>
<tr>
<th>CALENDAR PERIOD</th>
<th>ACT/BUD GALLONS</th>
<th>DAYS IN PERIOD</th>
<th>SUPPLIER PRICE</th>
<th>ML COST (CENTS/G)</th>
<th>REALIZED GAINS (CENTS/G)</th>
<th>PERCENT HEDGED</th>
<th>REALIZED GAINS (DOLLARS)</th>
<th>TOTAL COST (DOLLARS)</th>
<th>SUPPLIER COST (DOLLARS)</th>
<th>HEDGED GALLONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUL '17</td>
<td>764,384</td>
<td>31</td>
<td>173.47</td>
<td>173.40</td>
<td>0.06</td>
<td>49.45%</td>
<td>$478.80</td>
<td>$1,325,460.62</td>
<td>$1,325,939.42</td>
<td>378,000</td>
</tr>
<tr>
<td>AUG '17</td>
<td>764,384</td>
<td>31</td>
<td>186.44</td>
<td>175.35</td>
<td>11.09</td>
<td>82.42%</td>
<td>$84,806.40</td>
<td>$1,340,325.35</td>
<td>$1,425,131.75</td>
<td>630,000</td>
</tr>
<tr>
<td>SEP '17</td>
<td>739,726</td>
<td>30</td>
<td>207.20</td>
<td>183.54</td>
<td>23.66</td>
<td>73.81%</td>
<td>$175,018.20</td>
<td>$1,357,708.92</td>
<td>$1,532,727.12</td>
<td>546,000</td>
</tr>
<tr>
<td>FY2018</td>
<td>2,268,494</td>
<td>92</td>
<td>567.11</td>
<td>532.29</td>
<td>34.81</td>
<td>205.68%</td>
<td>$260,303.40</td>
<td>$4,023,494.89</td>
<td>$4,283,798.29</td>
<td>1,554,000</td>
</tr>
</tbody>
</table>
To: Board of Directors  
From: Arthur T. Leahy  
Subject: 2018 California State Rail Plan

Issue

The 2018 Draft California State Rail Plan (Plan) is provided for information. Staff invited representative from California State Transportation Agency (CalSTA) to provide an update to the Board.

Recommendation

The Board may receive and file this report.

Alternative

The Board may request additional information

Strategic Goal Alignment

This report aligns with the strategic goals to increase regional mobility.

Discussion

On October 11, 2017, Caltrans released its 2018 California State Rail Plan (Plan). This document provides foundation for California’s rail network for the next 20+ years and also presents potential operating and capital investments to ensure a well-coordinated statewide travel system.

Overall, the Plan identifies 2040 Passenger Rail Vision for both passenger and freight rail which focuses on a fully integrated, multimodal and sustainable transportation. There are six goals in meeting its overarching vision:

1. Improve Multimodal Mobility and Accessibility for All People
2. Preserve the Multimodal Transportation System
3. Support a Vibrant Economy
4. Improve Public Safety and Security
5. Foster Livable and Healthy Communities and Promote Social Equity
6. Practice Environmental Stewardship

Specific policies are identified under each goal to help guide strategic planning across all modes of transportation. These include avoiding duplicate and stranded investments, phased delivery of integrated services, developing short, mid and long-term capital plans.

Moreover, the Plan integrates key elements for passenger transportation. Although operator neutral, proposals include having a statewide system which would allow integrated service and coordinated schedules to provide customers with more frequent and reliable service.

The following table highlights the Plan’s implementation categorized into three timelines (starting year 2022, 2027 and 2040 respectively).

<table>
<thead>
<tr>
<th>Table 1</th>
<th>State Rail Plan - Implementation Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td></td>
</tr>
<tr>
<td>Integration of passenger rail network</td>
<td>Expansion service to San Francisco Transbay Terminal, Merced, Coachella Valley, and Las Vegas; with growth in intercity and regional rail frequencies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projects</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>*Caltrain electrification</td>
<td>*Expansion of rail service to Redlands, Salinas, and Larkspur</td>
<td>*Increased frequencies on segments of intercity and regional rail corridor</td>
</tr>
<tr>
<td>*Initiation of statewide pulse-hub operations</td>
<td>*Full use of programmed passenger corridor capacity statewide</td>
<td>*Full use of negotiated passenger service capacity on existing freight corridors</td>
</tr>
<tr>
<td>*Full use of negotiated passenger service capacity on existing freight corridors</td>
<td>*Targeted investments at hubs to connect to HSR</td>
<td>*Targeted investments at hubs to connect to HSR</td>
</tr>
<tr>
<td>*Fully developed and operational integrated ticketing and implementation of a new fleet strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>*HSR expanded and integrated service to Sacramento; Inland Empire; and San Diego</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*Completion of a new Transbay tube</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*Completion of complementary corridor investments in LA Basin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*Significant regional services in the Central Valley, Central Coast and North Bay</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*Expansion of network capacity in full realization of integrated service goals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*Intensification of services implemented during the 2022 and 2027 horizon years</td>
</tr>
</tbody>
</table>

Caltrans is soliciting public comments which commenced on October 11 through December 11, 2017. Currently, there are eight Open Houses (one via web) to share the Plan and to receive feedback.

Staff identified the following items to request for additional clarification and provide feedback on the Plan which will be transmitted to Caltrans before the public comment period ends.

- Include and acknowledge where High Speed Rail, Intercity Express, Regional, Local, and Urban Mass Transit Systems overlap and discuss the conditions under which
those parallel services should be reconciled and describe a process by which they can be successfully executed

- Clarify how the Plan will be implemented through legislative and executive action on funding and investment decisions
- Amend and incorporate list of projects identified and developed by each agencies referred in the Plan

As staff continues reviewing and working with other commuter rail agencies and stakeholders, additional comments would be developed and shared with the Board.

**Next Steps**

Staff will continue working with key CalSTA staff along with our freight partners to ensure that Metrolink’s future service and capital investments are identified and well supported and complementary to the state’s overarching goals of its rail plan. Staff will also provide feedback prior to the December 11, 2017 deadline.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Roderick Diaz, Director, Planning and Project Development
Kimberly Yu, Deputy Chief Operating Officer (Planning and Project Delivery)

Gary Lettengarver
Chief Operating Officer
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Review of Service to Sun Valley Station after Addition of New Burbank Airport - North Station

Issue

The Los Angeles County Metropolitan Transportation Authority (Metro) is constructing a new station on the Antelope Valley Line near the planned location for Burbank Airport’s new terminal, with revenue operation expected in mid-to-late 2018. Staff is discussing whether and how to adjust service to include the new station while avoiding service delays and disruptions to the Sun Valley station after the new Burbank Airport - North station opens.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goals to retain and grow ridership and increase regional mobility by considering how to provide optimal service given the trade-offs between faster travel times and accessibility and by connecting transit to an existing airport.

Background

Burbank Airport – North Station

A new station to serve the Hollywood Burbank airport from the Metrolink Antelope Valley Line is being constructed at the northwest corner of Hollywood Way and San Fernando Road. It is located within half a mile from the airport’s planned replacement terminal and associated development. Upon opening in 2018, the station will feature a single side platform with ticketing and basic station amenities, but no parking. The City of Burbank is working to facilitate the development of parking with the potential for more than 40 dedicated spaces for the station.
The area surrounding the new station is largely light industrial, including several large surface parking lots, especially in the direction of the new terminal. There is a residential area about 500 feet to the northeast. While the area between the airport and the station is not very inviting for pedestrian travel today, the City of Burbank is developing a Specific Plan for the area to address local circulation. Once revenue operations begin, the Burbank Airport Authority plans to operate a courtesy shuttle that will meet every Metrolink train and transport passengers to the airport.

Sun Valley Station

Metrolink’s Sun Valley Station opened in 2001 as a single platform station with ticketing, basic amenities and an adjoining park-and-ride lot. In successive years, minor

Figure 1. Map of existing Sun Valley and Burbank/Bob Hope Airport stations, respectively, and the new Burbank Airport – North station
improvements were added including a pedestrian connection to San Fernando Road to the west as well as a bus stop.

The station was added to help close a 11.5-mile gap between the Sylmar/San Fernando and Burbank – Downtown stations, respectively. In addition to serving the community of Sun Valley, it is in closest station to the communities of Sunland, Tujunga, and Shadow Hills. Funding came from the 1995-1996 State Transit Capital Improvement Program and Proposition C local return funds.

The Sun Valley station sees only a little over 100 boardings per weekday, the eighth-lowest weekday count in the system and fourth among stations that have been open for more than a few years (the 91/Perris Valley Line extension has been in operation for just over a year with a limited schedule). However, the ridership has been trending up and experiencing growth the past four years.

Adjusting for the number of trains serving the station, it is the second lowest performer.

**Figure 2. Ten Lowest-Performing Stations by Ridership (Weekdays)**

<table>
<thead>
<tr>
<th>Station</th>
<th>Line</th>
<th>Avg. Weekday Boardings Q1 FY18</th>
<th>Daily Trains</th>
<th>Boardings per Train</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riverside - Hunter Park</td>
<td>91-PV</td>
<td>32</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Ventura - East</td>
<td>VC</td>
<td>47</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Commerce</td>
<td>OC</td>
<td>69</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Perris - Downtown</td>
<td>91-PV</td>
<td>67</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Moreno Valley / March Field'</td>
<td>91-PV</td>
<td>80</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Perris - South</td>
<td>91-PV</td>
<td>91</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Oxnard</td>
<td>VC</td>
<td>85</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Sun Valley</td>
<td>AV</td>
<td>106</td>
<td>28</td>
<td>4</td>
</tr>
<tr>
<td>Camarillo</td>
<td>VC</td>
<td>107</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Vincent Grade/Acton</td>
<td>AV</td>
<td>113</td>
<td>18</td>
<td>6</td>
</tr>
</tbody>
</table>

The area surrounding the station consists of relatively low-density industrial, office, and residential. A number of employees at neighboring businesses walk to and from the station. The Interstate 5 freeway bisects the area about 500 feet to the northwest of the station, but a pedestrian overcrossing is available to connect to a residential community on the other side.
The park-and-ride lot at the station is not limited to train riders, and it is used by bus riders, carpoolers, and non-transit users such as patrons and employees of neighboring businesses.

It is likely that some passengers currently using Sun Valley station will shift to Burbank Airport – North when it opens. Riders have also indicated that they would stop riding Metrolink if service at Sun Valley was not retained when the Burbank Airport – North station opens.

Connecting Transit

Two Metro bus lines – Rapid 794 and Local 94 – parallel Metrolink between Sun Valley and Burbank Airport - North on San Fernando Road. Rapid 794 also extends north to the Sylmar/San Fernando station. Both routes extend south into downtown LA and north into Sylmar.

The new Burbank Airport - North station will also be served by two more local Metro routes, including one that connects to the existing airport terminal.

Schedule Considerations and Issues

Metrolink operates thirty weekday trains including two express trains, and 12 weekend trains over two mainline tracks between LAUS and Burbank on the Antelope Valley Line. North of Burbank to Lancaster, the line is mostly single track with a few passing sidings.

The new Burbank Airport – North station is estimated to add 3.5 to 4 minutes in additional travel time to Antelope Valley Line trains that stop at this station and Sun Valley. Trains that stopped at only one of the two stations (either one) would enjoy the same travel times as they do today.

However, two major constraints limit Metrolink’s ability to “just add that time” to the schedule:

- Most of the Antelope Valley Line is single-tracked north of Burbank – Downtown, forcing trains to pass each other at a handful of two-track segments. Adding time may prevent a train from reaching such a segment in time to meet another train. This would result in daily service delays for affected trains and reduced reliability for the system as a whole.

- The Antelope Valley Line shares the corridor between Burbank and Los Angeles with the Ventura County Line and the Amtrak Pacific Surfliner and shares tracks into LA Union Station with four additional lines. Adding time to certain trains may create conflicts with trains on these other lines, requiring one train or the other to
be deleted or rescheduled to a wholly different time of day when there is less congestion.

The Authority is conducting an in-depth analysis of what trains can have this time added to their schedule within those constraints. Preliminarily, it appears that most trains would be able to stop at both stations. However, several trains have already been identified as being unable to stop at both stations without significant schedule impacts. Currently these trains are 208, 215, 217, 220, and 224. In addition, while express trains were not envisioned to serve either Sun Valley or the new Burbank Airport – North station, the evening express train (282) is similarly constrained and could not squeeze in the additional stop.

In Metrolink’s first decade, when most of Metrolink’s infill stations were built, impacts to existing service was not very consequential as train counts were low. However, growth in train counts over the last 15 years has stretched Metrolink’s track infrastructure to near capacity. Continued investment in double-track segments will help relieve these constraints.

Public Outreach

Since the June 2017 board update, the Authority has begun a public outreach process regarding the nature of service to be provided at the two stations. Staff voluntarily followed board-approved guidelines for Title VI outreach to ensure adequate outreach to riders and communities was taken into account.

In August, the Authority conducted a simple online survey of Antelope Valley Line riders. Without posing any trade-offs, it asked respondents if they preferred to retain service to the Sun Valley Station or to limit or discontinue service. Responses were evenly divided between the options, and no consensus emerged.

Figure 3. Antelope Valley Line Survey Responses

```
<table>
<thead>
<tr>
<th>All trains serve Sun Valley</th>
<th>28%</th>
<th>36%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only limited trains serve Sun Valley</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>No trains serve Sun Valley</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>no preference expressed</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>
```

Staff have also made several informal visits to the station to speak with passengers, and learned that the majority of existing users travel to Sun Valley to work at surrounding facilities. These passengers expressed strong concerns about closing the station, fearing that they would be left without a means to commute to work. Many riders told staff and wrote on the surveys that they would not ride Metrolink if service was not retained at the station.
Sun Valley Station. It's also important to note that this station has a significant number of limited-English proficiency riders.

On Monday, November 6, 2017, the Authority held a community meeting in Sun Valley to discuss the situation and possible options for adjusting service. The community was presented a list of factors affecting the level of operated service at a station (Exhibit A) and a comparison of station characteristics of the two stations under review (Exhibit B).

While the meeting was lightly attended, half of those in attendance chose to keep full service as an option while the other half chose to have limited service. A few attendees were adamantly against any reduction in service stressing that it was unfair to eliminate service to a station with regular users in favor of a station that may or may not see consistent ridership. Others expressed concern for the perceived traffic that is generated from the station but had no issue with the station itself.

The Foothill Trails District Neighborhood Council (http://ftdnc.org/) sent Metro a letter supporting the Brighton to Roxford Double Track project and requesting the Sun Valley Station stay open with improvements. A copy of this letter is attached to this item.

**Tentative Plan**

With the combination of the feedback received and the fact that the Burbank Airport - North station will not have parking on its opening day, staff is pursuing a strategy of serving both stations to the extent possible and to selectively serve just one station for the constrained trains. An estimated five trains would serve either Sun Valley or the new Burbank Airport – North station. The two express trains would skip both stations. Feedback on proposed draft schedules will be solicited before finalizing the schedule to be implemented.

Once Burbank Airport – North station is complete, a full schedule change will be required to commence service. Unless an additional schedule change is budgeted, this would likely occur in the cyclical October 2018 schedule change. However, authority staff are working with Metro staff to pursue a summer opening and to fund the required additional schedule change.

Once the new service plan is implemented after the Burbank Airport – North station is in service, ridership and operational performance will be actively monitored to determine if further adjustments to service are warranted. In addition, in response to the level of interest in sustaining service to the Sun Valley station, the Authority will work with Metro (member agency representing Los Angeles County) and the City of Los Angeles (jurisdiction for the Sun Valley station) and the City of Burbank (jurisdiction for the Burbank Airport – North station) to explore the development of land use plans and policies that support the increase of residences and employment around the station as well as
accessibility projects and policies that promote better access and wayfinding for all modes (walking, biking, transit, employee shuttles, park-and-ride, pick-up/drop-off) to the station.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Rory Vaughn, Planning Manager
Roderick Diaz, Director, Planning and Development

Kimberly Yu
Deputy Chief Operating Officer (Planning and Project Delivery)

Gary Lettengarver
Chief Operating Officer
ATTACHMENT A

Factors Affecting Level of Train Service to a Station

Station Contributions to Ridership
- Ridership
- Operational Feasibility / Impacts
- Parking Availability
- Transit Connections

Accessibility and Need Factors
- Access Value (Distance to Next Station)
- Population and Demographics
- Land Development / Activity Centers around a Station

Stakeholder Input
- Stakeholders near stations
- Passengers on the line
## Attachment B

### Comparison of Station Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Sun Valley Station</th>
<th>Burbank Airport – North</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ridership</strong></td>
<td>108</td>
<td>Not yet open</td>
</tr>
<tr>
<td><strong>Land Use / Activity Centers</strong></td>
<td>Industrial Uses (Employment)</td>
<td>Industrial Uses (Employment) Bob Hope Burbank Airport</td>
</tr>
<tr>
<td><strong>Parking</strong></td>
<td>320 spaces (less than 20 used by train passengers)</td>
<td>No spaces initially, 40+ spaces under development</td>
</tr>
<tr>
<td><strong>Population / Demographics</strong></td>
<td>Population: 103,054 85% Minority 28,062 households 43% &lt; $40,000</td>
<td>Population: 176,138 50% Minority 79,738 households 36% &lt; $40,000</td>
</tr>
<tr>
<td><strong>Connectivity</strong></td>
<td>2 bus lines</td>
<td>4 bus lines Future High-Speed Rail</td>
</tr>
</tbody>
</table>
Issue

This is to provide the update requested by the Board in October 2017 regarding electrification of the Metrolink system by introducing a concept for service growth that focuses on frequency, efficiency, and consistency, coupled with associated capital investments. This growth concept, consistent with the 10-Year Strategic Plan, lays the critical foundation for potentially electrifying segments of the system.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goals to *retain and grow ridership* by considering how to provide more frequent and reliable service on the Metrolink system; and *increase regional mobility* by building better transit connections throughout the network.

Background

*Potential for Electrification*

In previous updates to the Board (most recently, September 8, 2017), it was discussed that the value of introducing electrified rolling stock (such as electric locomotives, electric multiple units, hybrid-electric units, or dual-mode electric units), was highest with higher frequencies of service. The capital investments presented within this report could provide a platform upon which to implement electrification subsequently or concurrently.

Exhibit A shows the frequency of trains that could operate on each segment of the Metrolink system. Segments with higher frequencies of trains – particularly in the two core segments with 15-minute or less service (between Laguna Niguel and Moorpark and between LA Union Station and Santa Clarita) – could be the strongest corridors for consideration of electrification. Furthermore, since there is an overlap with the planned
high-speed rail corridor between Burbank to LA Union Station and Anaheim, funding for electrification could be pursued with funding from, or in a partnership with, the California High Speed Rail Authority.

The decision to pursue electrification would require the completion of an analysis that assesses technical feasibility and the business case for it as well as an update to the Rail Fleet Management Plan (RFMP). Electrification would increase the rail system’s fixed costs – both in day-to-day maintenance and in rehabilitation needs – but could dramatically reduce variable operating costs. This reduction in variable operating costs could enable substantial increases in service across the operating day on electrified lines. Furthermore, the introduction of electrification would require outreach with, and accommodations for, railroads that operate on the Metrolink network or host Metrolink service: the Burlington Northern Santa Fe Railway (BNSF) and the Union Pacific Railroad (UPRR). A request for funding for a technical feasibility analysis and an update to the RFMP is planned to be included in an upcoming grant funding request.

**Service Growth Principles and Vision**

Concepts for service growth on the Metrolink system follow principles laid out in several initiatives and plans.

Primarily, the Metrolink 10-Year Strategic Plan (adopted in January 2015) establishes a general principle of enabling more frequent and reliable service. The service is to be supported by investments in system rehabilitation to bring the system into a state of good repair and by significant investments in double track infrastructure to allow for more regular schedules and a more reliable operation. Such infrastructure would also enable greater service in both directions on all lines, allowing for more travel opportunities, especially to employment centers along the system that are underserved today.

Second, the recently released draft 2018 California State Rail Plan emphasizes principles such as:

- Rail service integration
- Pulsed schedules that repeat regularly and allow for regular timed connections among rail services and feeder bus service
- Efficient infrastructure design and use
- Tiered system of multiple service types

The service growth vision, therefore, focuses on consistent train times, regular headways, repetitive transfer connections (between rail lines and to feeder buses), and bi-directional travel opportunities. The vision pursues up to half-hourly peak service and hourly off-peak service in both directions on most lines (Ventura County, Antelope Valley, San...
Bernardino, 91/Perris Valley, Orange County, and Inland Empire / Orange County.) Additional frequencies are desired also for the Riverside Line, which is subject to agreement with the host railroad, Union Pacific. The vision also includes service as frequent as every 15 minutes in both directions on core segments of the network (Moorpark to Laguna Niguel, Santa Clarita to Los Angeles Union Station). Furthermore, regular express services are included for the full extent of the Antelope Valley and San Bernardino Lines.

**Capital Investments**

For this planning effort, capital investments are being identified specifically to support the service vision. Capital components include:

- Additional track (double or triple track extensions; additional main lines)
- Fleet
- Maintenance facilities
- Signal improvements
- System rehabilitation
- Additional grade separations and safety treatments

Capital investments are tied to specific service improvements. For purposes of planning, the set of capital investments and service improvements are divided into those which can be achieved in the medium-term (by 2021) and those which can be achieved in a longer-term time frame (by 2026 – 2028). The long-term investments require more capital investment, more coordination with partner host railroads, and additional planning effort and environmental review. A preliminary description of the service growth envisioned and the capital investment required is provided in Exhibit B.

If the capital program is fully-funded and completed within a decade for completion by 2026 to 2028, the service could be ready in time to support the significant transportation needs associated with the Summer Olympic Games which was just recently awarded to Los Angeles for 2028.

**Grants to Support the Service Growth / Capital Investment Program**

Staff is performing the required work to support proper pursuit of grants to fund the significant capital program. Many of the projects in the program are also being advanced by other partners (member agencies, the Los Angeles – San Diego – San Luis Obispo Rail Agency (LOSSAN), the California High Speed Rail Authority) and staff is coordinating with corresponding staff at partner agencies. Funding is being pursued broadly in order to maximize the investment that can be made. The primary programs for which these investments are eligible for are the State of California Transit and Intercity Rail Capital Program (TIRCP) and the Federal Transit Administration’s Core Capacity Program.
Supplemental funding will be sought from such diverse sources as the California High Speed Rail Authority, the LOSSAN Agency, the State Trade Corridors Program; federal programs such as TIGER (Transportation Investment Generating Economic Recovery) and INFRA (Infrastructure for Rebuilding America); and the South Coast Air Quality Management District. A request for the state TIRCP grant program is being developed for January 2018.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Rory Vaughn, Planning Manager
Anne Louise Rice, Assistant Director, Grants
Roderick Diaz, Director, Planning and Development

Kimberly Yu
Deputy Chief Operating Officer (Planning and Project Delivery)

Gary Lettengarver
Chief Operating Officer
EXHIBIT A -- POTENTIAL FREQUENCY OF TRAINS AT BUILD-OUT (2028)

KEY
- at least 8 trains per hour
- at least 4 trains per hour
- at least 2 trains per hour
- at least 1 trains per hour
- Express Overlay / LOSSAN (1 per hour)
- To Be Determined
## EXHIBIT B – Service Growth and Associated Capital Improvements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>• Regularization of schedules systemwide for better connections</td>
<td>• Regular Service on Most Lines</td>
<td>• Regular Service on All Lines</td>
<td></td>
</tr>
<tr>
<td>• Better coordination in LOSSAN South lines (OC, IEOC, 91/PVL)</td>
<td>• One train per hour both directions for: AV, VC and SB Lines</td>
<td>• High Frequency Service on Core Network from North to South</td>
<td></td>
</tr>
<tr>
<td>• Additional trains with Rosecrans/ Marquardt triple track</td>
<td>• 30-minute service on some segments (LA to Santa Clarita, LAUS to Chatsworth or Moorpark)</td>
<td>• 15-minute service from Irvine to Moorpark, from LAUS to Santa Clarita</td>
<td></td>
</tr>
<tr>
<td>• Express Service Potential (with tradeoffs)</td>
<td>• Express capability on SB and AV Lines, Peak Hour/Peak Direction</td>
<td>• Hourly service on 91-PV and IEOC Lines with half-hourly peak service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Regular Service on Most Lines</td>
<td>• Bi-Directional Express Capability on AV and SB Lines</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• One train per hour both directions for: AV, VC and SB Lines</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• 30-minute service on some segments (LA to Santa Clarita, LAUS to Chatsworth or Moorpark)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Express capability on SB and AV Lines, Peak Hour/Peak Direction</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Regular Service on All Lines</td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 15-minute service from Irvine to Moorpark, from LAUS to Santa Clarita</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Hourly service on 91-PV and IEOC Lines with half-hourly peak service</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Bi-Directional Express Capability on AV and SB Lines</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Capital Requirements

<table>
<thead>
<tr>
<th>None beyond projects in pipeline</th>
<th>Targeted sections of additional track</th>
<th>Link US</th>
</tr>
</thead>
<tbody>
<tr>
<td>• SB Line – Marengo Siding, El Monte Station, Bassett Siding, Lone Hill to White, Central to Upland, Rancho Cucamonga, Lilac to Rialto Station (or Rancho)</td>
<td>• SB Line – Marengo Siding, El Monte Station, Bassett Siding, Lone Hill to White, Central to Upland, Rancho Cucamonga, Lilac to Rialto Station (or Rancho)</td>
<td>• Main line improvements</td>
</tr>
<tr>
<td>• AV Line – Acton, Vista Canyon, Honby to Saugus + 2\textsuperscript{nd} Platform for Santa Clarita, Balboa Siding, Brighton to Roxford</td>
<td>• AV Line – Acton, Vista Canyon, Honby to Saugus + 2\textsuperscript{nd} Platform for Santa Clarita, Balboa Siding, Brighton to Roxford</td>
<td>• LA-Fullerton 4th Main</td>
</tr>
<tr>
<td>• Ventura County – Chatsworth signal and station improvements, Simi Valley double track and platform</td>
<td>• Ventura County – Chatsworth signal and station improvements, Simi Valley double track and platform</td>
<td>• Fullerton-Riverside 3rd Main</td>
</tr>
<tr>
<td>• PVL – Riverside Station, Moreno Valley</td>
<td>• PVL – Riverside Station, Moreno Valley</td>
<td>• SB Line Express Bypass</td>
</tr>
<tr>
<td>• New and revised MFs (EMF, Irvine, Lancaster)</td>
<td>• New and revised MFs (EMF, Irvine, Lancaster)</td>
<td>• Los Angeles Subdivision Improvements (Riverside Line)</td>
</tr>
<tr>
<td>• Signal Upgrades – LAUS, Systemwide</td>
<td>• Signal Upgrades – LAUS, Systemwide</td>
<td>• Additional Double Track on All Lines</td>
</tr>
<tr>
<td>• Fleet</td>
<td>• Fleet</td>
<td>• Ontario Connection</td>
</tr>
<tr>
<td>• Associated Rehabilitation</td>
<td>• Associated Rehabilitation</td>
<td>• Fullerton Junction</td>
</tr>
<tr>
<td>• Some Grade Separations</td>
<td>• Some Grade Separations</td>
<td>• Maintenance Facility Buildout</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Fleet</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Station Improvements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Some Grade Separations</td>
</tr>
</tbody>
</table>
TRANSMITTAL DATE: November 9, 2017

MEETING DATE: November 17, 2017

TO: Board of Directors

FROM: Arthur T. Leahy

SUBJECT: Tier 4 Locomotive Update and Delivery Status

Issue

Staff is providing an update on the current status of the Tier 4 Locomotive Program which also includes additional information regarding the first month of revenue service.

Recommendation

The Board may receive and file this report.

Alternative

The Board may request additional information and detail.

Strategic Goal Alignment

This report aligns with the strategic goals to ensure a safe operating environment and retain and grow ridership. The Tier 4 locomotives will greatly enhance Metrolink train service by providing safe and reliable service to its passengers.

Background

Program Update

Two new Tier 4 locomotives were deployed into revenue service the week of October 12, 2017 with the units being conditionally accepted on October 11 and 12, 2017. Since then, staff continues to monitor operational locomotives and prepare more units for revenue service. This report outlines the status of all units and continued coordination with the Federal Railroad Administration (FRA).

On October 16, 2017, the FRA requested further information on the Authority’s corridor testing submittal (originally submitted on August 31, 2017). The request was for more data on the Dynamic Truck testing portion of the larger test plan. This data was analyzed
by the Electro-Motive Diesel (EMD - Progress Rail/ Stadler) and was given to the Authority on Friday October 27, 2017. Staff forwarded this report to the FRA that same day and has not received a response.

As of November 1, 2017, staff received 15 Tier 4 locomotives (see table below).

**Delivery Overview**

- EMD projected 30 units would be delivered by year-end. Staff estimate remains at 20 units by year-end
- 15 units are on property (922 and 924 arrived October 17)
- One unit is in transit (925)
- 15 units are in the production facility
- Five stored car-bodies await entry into production
- Four car-bodies (sub-assemblies) are being built up in Spain

**Delivery Schedule**

<table>
<thead>
<tr>
<th>Progress Rail Ship Dates</th>
<th>Authority Expected Ship Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCAX919 In LaGrange – for T4 2018 certification.</td>
<td>SCAX921 – November 7</td>
</tr>
<tr>
<td>SCAX 923- Pueblo (TTCI) 125 mph certification</td>
<td>SCAX 921 – November 7</td>
</tr>
<tr>
<td>SCAX 920 – October 31</td>
<td>SCAX 926 – October 31</td>
</tr>
<tr>
<td>SCAX 920 – November 2</td>
<td>SCAX 920 – November 2</td>
</tr>
<tr>
<td>SCAX 927 – November 14</td>
<td>SCAX 927 – November 14</td>
</tr>
<tr>
<td>SCAX 904 – November 13</td>
<td>SCAX 904 – November 13</td>
</tr>
<tr>
<td>SCAX 928 – November 22</td>
<td>SCAX 928 – November 22</td>
</tr>
<tr>
<td>SCAX 920 – November 6</td>
<td>SCAX 906 – November 6</td>
</tr>
<tr>
<td>SCAX 929 – November 21</td>
<td>SCAX 929 – November 21</td>
</tr>
<tr>
<td>SCAX 931 – November 27</td>
<td>SCAX 931 – November 27</td>
</tr>
<tr>
<td>SCAX 930 – December 1</td>
<td>SCAX 930 – December 1</td>
</tr>
<tr>
<td>SCAX 932 – December 5</td>
<td>SCAX 932 – December 5</td>
</tr>
<tr>
<td>SCAX 933 – December 19</td>
<td>SCAX 933 – December 19</td>
</tr>
</tbody>
</table>

**Update on first month of revenue operation**

From the Authority’s experience as a trailblazer in the implementation of Positive Train Control (PTC), staff anticipated that there would be issues with the locomotives. Since the week of October 12, locomotives 907 and 908 have been in revenue service coupled with existing locomotives as part of the 1,000-mile “shakedown” program. This duration allows staff to monitor the progress of these two units to determine reliability.
Any time a new technology or equipment is deployed, there are routine issues that must be monitored and addressed over the first months of operation. So far, staff has identified two issues:

- **Urea system:** Tier 4 emissions technology uses an aqueous urea solution - also known as diesel exhaust fluid (DEF) to break down the nitrogen oxides (NOx) and ammonia NH3 into nitrogen gas and water vapor. This controls NOx emissions which allows the locomotive to operate with significant reduction in emissions from diesel engines. Since revenue service began, staff noticed that the urea system was malfunctioning periodically. For instance, during revenue service, faults related to the DEF system were triggered. To address this issue staff has been working with EMD to replace all the urea tanks. Staff has also deployed a subject matter expert on many train rides to monitor this situation and help develop additional modifications.

  EMD has applied a modification on units 907 and 908 which they believe will increase the reliability of the DEF system. Staff is monitoring the performance of the DEF system to determine if the modification has yielded improved reliability.

- **Load meter:** Crews have noted that the load meter in the cab car displays a different value from the meter in the locomotive, and sometimes indicates a higher-than-expected value. This does not appear to be a “locomotive specific” issue, rather, it appears to be an “integranalional issue” between the locomotive and the cab-car (correct power is always displayed by the meter inside the locomotive cab). Staff has asked the locomotive builder to investigate what would be required to achieve closer readings between these two meters. It should be noted that this gauge is not typically expected to be exact, but rather is an indicator of “general power application.”

Moreover, staff conducts quarterly meetings with the South Coast Air Quality Management District (SCAQMD) to discuss funding and status of our deployment and operation of Tier 4 units. Staff met with AQMD and clarified problems that were being experienced with the urea system and will continue to update them of the corrective actions.

**Next Steps**

Staff have informed EMD of the issues outlined above and will continue to work together in resolving issues as well as identifying potential concerns. Staff have also informed EMD that future acceptance of additional locomotives will be put on hold until these issues are resolved. Staff is scheduled to bring another update to the Board at the December meeting and ask EMD to discuss issues with the Board as appropriate.
**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by:  Neil Brown, Program Manager (Fleet)
TRANSMITTAL DATE: November 9, 2017

MEETING DATE: November 17, 2017

TO: Board of Directors

FROM: Arthur T. Leahy

SUBJECT: Key Performance Indicators Quarterly Performance Report – Quarter Ended June 30, 2017

Issue

The Key Performance Indicators (KPI) Quarterly Performance Report provides the latest results for the fourth quarter of FY2016-17 (FY17). For each of the seven strategic goals, KPIs and performance targets were identified and implemented in a Performance Report that is presented to the Board on a quarterly basis.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goal to improve communications to customers and stakeholders. This item supports the measurement and management of all seven of the Authority’s strategic goals.

Background

In March 2016, the Board adopted the Authority’s Ten-Year Strategic Plan and seven strategic goals that emphasize a strengthening of the Authority’s core functions and balances these with customer needs and the demand for growth within the operational and fiscal context in which that growth will occur.

Several KPIs have been selected to measure the progress made towards these goals. They provide the highest level of system-wide performance measurement and provide accountability to the Board and the public at large.
FY2016-17 – Quarter Ended June 30, 2017 Performance Summary

The current report provides the Authority’s latest performance results for the fourth quarter of FY17. Since external factors often significantly impact performance a new section has been added to provide economic context for Metrolink ridership trends.

Asset condition data are not available for the current reporting period. Staff along with consultants are in the process of refining the data collection and reporting methodology in order to more precisely assess asset conditions. Since the numbers for the calculation of this indicator are being updated with new information collected for the infrastructure rehabilitation plans, the condition of assets KPI will be updated in the FY18 quarter 1 (Q1) report.

Discussion

Economic Context

Economic activity in the region remained strong through the fourth quarter. Employment in the five-county area grew by 1.4% annually and the local economy is projected to continue to add jobs, albeit at a lower rate as the tight labor market is creating strain for many industries. During the fourth quarter, Los Angeles County added 160,000 jobs, which is less than half the number of jobs that were added a year earlier. Similar for Orange County where the year-over-year rate of employment growth fell to 0.5%.

Despite low gas prices, improved car affordability, and competitive pressure on the San Bernardino Line, Metrolink ridership continues its growth trend at the system level. In FY17, Metrolink system ridership reached 11.64 million boardings, which reflects a 1.0% increase over ridership in FY16. In contrast, there was a slight decline in nationwide commuter rail ridership during the same period of time. Locally, Metrolink’s ridership growth is even more impressive when seen against the 6.5% decline in transit ridership among Southern California’s transit operators, which have been in a long-term trend of declining ridership numbers. Although, Metrolink has also experienced large ridership losses since the economic downturn, other transit operators, such as Los Angeles County Metropolitan Transportation Authority (Metro) and Orange County Transportation Authority (OCTA), have experienced deeper and more prolonged ridership declines. It is important to note that declining transit ridership is not just a local phenomenon, but reflects a nationwide trend that takes place against an increase in car travel. Continued low gasoline prices, a strong economy and the rise of Transportation Network Companies (TNCs), such as Uber and Lyft have been identified as likely reasons.
KPIs that performed better than their target

**Safety**

Performance remained better than the target and improved by 38% during the fourth quarter, reflecting three fewer vehicle strikes than during the same quarter last year. It represents 0.7 incidents per 100,000 miles, compared to 1.2 incidents per 100,000 miles a year earlier.

Key initiatives: The Authority has started making rail-highway grade crossing improvements on the San Bernardino line in Covina. This project will result in increased safety for riders, pedestrians and vehicles. The improvements from this project include the installation and coordination of traffic signals, improved signage, striping and warning strips, driveway and pedestrian ramp modifications, and vehicular and pedestrian gates with flashing signals.

**Operating Cost**

Total operating costs in FY17 were approximately $227 million and remained 6.7% below the budget target. They reflect a 0.3% increase over FY16 actuals.

Key initiatives: A new equipment maintenance program has been designed to provide a constant “state of good repair” and allow for more efficient asset management. Also, plans to begin a fuel hedging program next year will provide a more predictable fuel expense.

**Turnover Rate**

The annual employee turnover rate of 11.2% during FY17 was better than the industry benchmark of 12.9%. Most of the employee turnover reflects voluntary separations.

Key initiative: Continued training to develop technical, management and professional development skills.
On-time Performance

Metrolink achieved an on-time performance (OTP) of 95.1% during the fourth quarter which was the best performance in two years. It compares to a 91.3% on-time performance during the same period of the prior year. This improvement reflects a reduction in late or annulled trains from a year earlier which was made possible because of fewer third party delays and fewer delays due to Positive Train Control (PTC), a decrease to 52 from 119 delays.

Key initiatives: The Operations Department has increased communications with the freight railroads and has started conducting daily calls with the BNSF Railway to ensure better coordination. Since some of the OTP issues included mechanical failures, as the new Tier 4 locomotives enter service in FY18 service reliability is anticipated to improve. Reliability is also expected to improve from the implementation of new equipment maintenance practices to provide a constant “state of good repair,” and refinements to make schedules more robust with appropriate recovery time.

KPIs that came close to their performance target

Passenger Miles

Metrolink provided over 101 million passenger miles during the fourth quarter. It represents a 0.2% increase from a year earlier, which is in line with ridership increase during the fourth quarter. The indicator fell slightly short of the quarterly target as more people than expected switched from the San Bernardino Line to the Metro Gold Line. However, total passenger miles in FY17 grew to 404.9 million at an annual rate of growth of 1.1% which exceeded the target of 0.8%.

Key initiatives: Promotional fare discounts on the Perris Valley Line have been extended to encourage new riders to try the service.

Ridership

Metrolink ridership increased by 0.3% reaching 2,913,171 boardings during the fourth quarter but remained 0.5% short of the budget target as more people than expected switched from the San Bernardino Line to the Metro Gold Line.
Key initiative: Metrolink has started operating a Sunday schedule on holidays on all lines with regularly scheduled weekend service. Staff continues to explore targeted marketing strategies.

Fare Revenue

Fourth quarter fare revenue decreased by 0.9% from a year earlier, or 1.0% short of budgeted amounts. Much of that revenue decrease reflects the ridership losses experienced on the San Bernardino Line. Revenue losses on the San Bernardino Line represent 2% of total fare revenue. Excluding the San Bernardino Line, FY17 fare revenue actually increased by 1.0% from a year ago.

Key initiative: In addition to implementing targeted marketing strategies to increase ridership and revenue, staff believes the introduction of optical readers on the Metro subway rail fare gates and the procurement of new ticket vending machines will improve reliability and ease of use in particular for new riders. Both initiatives will encourage riders to take Metrolink. It would also protect against revenue losses from malfunctioning ticket vending machines. Other initiatives include marketing programs, such as the continuation of the I-5 campaign and new residents marketing campaigns to sustain new rider acquisitions.

Connectivity

This is an annual indicator. In FY16 the transfer rate was 57% and fell below the target. Performance for FY17 will be reported in the FY18 Q1 report. In general, overall ridership among transit operators in Southern California has decreased by 7% during the fourth quarter. There is a risk the transfer rate may decrease similarly.

Key initiative: The Authority is in the process of designing more regularized schedules which will improve transfer opportunities to connecting transit services.
KPIs that missed their performance target

Customer Communications Complaints
During the fourth quarter, the Authority received 5.2 customer complaints about communications to passengers per 100,000 boardings. This is up from 3.8 complaints per 100,000 boardings a year earlier and reflects an increase in customer complaints to 143 from 89 a year earlier. This increase was related primarily to lack of or untimely notification of service delays, as well as bus bridge communications on the Antelope Valley Line.

Key initiative: The Authority is enhancing methods of communication to customers – for example: Mobile App alert integration, social media alerts, and on-board communication from conductors, especially during service delays.

Additional information on the KPI results is provided in Attachment A.

Budget Impact

There is no budgetary impact as a result of this report.

Prepared by: Roderick Diaz, Director, Planning and Development
Henning Eichler, Planning Manager (Planning & System Performance Analysis)

Kimberly Yu
Deputy Chief Operating Officer (Planning and Project Delivery)

Gary Lettengarver
Chief Operating Officer
# Key Performance Indicators

## Quarterly Performance Report

Southern California Regional Rail Authority

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<tr>
<td>Glossary</td>
<td>22</td>
</tr>
</tbody>
</table>

## Key Performance Indicators

**FY16/17**

**4th Quarter**

April – June 2017
MISSION, VISION, AND VALUES

Metrolink’s Mission, Vision, and Values are at the heart of the Key Performance Indicators and are the foundation upon which the agency’s goals and strategies are defined.

The **MISSION** of Metrolink is (as adopted by the Board of Directors on March 11, 2016):

> To provide safe, efficient, dependable, and on-time transportation service that offers outstanding customer experience, and enhances quality of life.

The **VISION** for Metrolink is:

> To be Southern California’s preferred transportation system built upon safety, reliability, customer service, leading-edge technology, and seamless connectivity.

The **Metrolink VALUES** are:

- **Safety:** Safety is foundational.
- **People:** Everything we do demonstrates an appreciation for quality of life, and every act values the lives of our employees, contractor co-workers, customers, and communities.
- **Quality:** We operate on best practices and principles with a continued focus on providing high-quality service to our customers every day on every ride.
- **Efficiency:** As responsible stewards of public funds, we embrace innovative solutions and continuous improvement for the lowest cost and most efficient operations.
- **Growth:** We continuously seek creative, progressive, and collaborative solutions to promote investment, develop partnerships, and increase capacity to improve the mobility of Southern Californians.
## Key Performance Indicators

<table>
<thead>
<tr>
<th>KPI</th>
<th>Definition</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Safety</strong></td>
<td><strong>Metric:</strong> Incidents / 100,000 train miles, Employee injuries / 200,000 work hours</td>
<td>The metric is calculated based on the number of reported safety incidents per 100,000 train miles operated during the reporting period. Incidents include: accidents involving grade crossing accidents, trespassers, derailments. Suicides, which are outside of Metrolink’s control, are not included. Reportable employee injuries are reported per 200,000 work hours and include Metrolink staff and contract employees.</td>
</tr>
<tr>
<td><strong>Fare Revenue</strong></td>
<td><strong>Metric:</strong> Fare Revenue</td>
<td>Fare revenue represents the total customer revenue received from sales of Metrolink fare media.</td>
</tr>
<tr>
<td><strong>Operating Cost</strong></td>
<td><strong>Metric:</strong> Employee Turnover Rate</td>
<td>The employee turnover rate is the ratio of total separations to the average number of employees. Benchmark data is provided from CEB Global, HR Leadership Council, Unified Benchmarking Platform adjusted rates for the Government sector.</td>
</tr>
<tr>
<td><strong>Condition of Assets</strong></td>
<td><strong>Metric:</strong> Condition of Assets</td>
<td>Percent of asset classes by dollar value meeting FTA’s State of Good Repair (SGR) target. Target: 100% of assets by dollar value. Asset classes include: Rolling Stock, Infrastructure, Facilities, Equipment.</td>
</tr>
<tr>
<td><strong>On-time Performance</strong></td>
<td><strong>Metric:</strong> Percent of scheduled trains arriving on-time</td>
<td>On-Time Performance, or schedule adherence, is a measure of the percentage of scheduled trains that reach their final destination on time.</td>
</tr>
<tr>
<td><strong>Ridership</strong></td>
<td><strong>Metric:</strong> Passenger Boardings</td>
<td>Passenger boardings directly correspond to ticket sales for a trip between an origin and destination station, including. The metric is calculated based on fare media sales.</td>
</tr>
<tr>
<td><strong>Passenger Miles</strong></td>
<td><strong>Metric:</strong> Passenger miles</td>
<td>The metric is calculated based on ticket sales. It reflects the estimated number of trips taken and the total distance traveled on Metrolink trains.</td>
</tr>
<tr>
<td><strong>Connectivity</strong></td>
<td><strong>Metric:</strong> Transfers to connecting transit per 100,000 linked trips.</td>
<td>Transfers to connecting transit are calculated based on invoices received for transfers provided by partner agencies, annualized. Linked passenger trips are calculated based on Metrolink fare media sales.</td>
</tr>
<tr>
<td><strong>Customer Communications Complaints</strong></td>
<td><strong>Metric:</strong> Complaints about Metrolink communications to customers per 100,000 boardings</td>
<td>The metric reflects the total number of customer complaints about Metrolink communications to passengers that have been received through Metrolink’s call center or through online comment. The metric is expressed as complaints per 100,000 boardings which is the industry norm. The target is 4.0 complaints per 100,000 boardings based on five years rolling average.</td>
</tr>
<tr>
<td><strong>Station City Outreach</strong></td>
<td><strong>Metric:</strong> Stakeholder satisfaction with Metrolink outreach</td>
<td>Metric under development.</td>
</tr>
<tr>
<td><strong>Internal Communication</strong></td>
<td><strong>Metric:</strong> Percent of employees with approved Performance Plans linked to agency goals by Oc. 1</td>
<td>The metric is calculated based on the total number of employees enrolled in the goal setting process (PerformanceLINK Phase 1: Establishing Your IPGs), 253 employees participated in the process to establish their IPGs for the performance period, July 2016 – June 2017.</td>
</tr>
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</table>
# Key Performance Indicators

<table>
<thead>
<tr>
<th>KPI</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>YTD</th>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>FARE REVENUE</td>
<td>!</td>
<td>!</td>
<td>!</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>OPERATING COST (1)</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>ASSET CONDITION (2)</td>
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<tr>
<td>EMPLOYEE TURNOVER (1)</td>
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<td>✓</td>
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<tr>
<td>ON-TIME PERFORMANCE</td>
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<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>!</td>
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<tr>
<td>RIDERSHIP</td>
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<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>!</td>
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<td>PASSENGER MILES</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>CONNECTIVITY (1)</td>
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<td></td>
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<td></td>
<td>!</td>
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<tr>
<td>CUSTOMER COMPLAINTS</td>
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<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
</tbody>
</table>

(1) Annual measures  
(2) Results will be updated in FY18Q1 Report
**External factors** play an important role for Metrolink performance each quarter. The information on this page is intended to provide economic context for Metrolink ridership trends.

**Economic Conditions during Q4**

- During the fourth quarter, employment in the five county area grew by 1.4% annually. But job growth is slowing. Los Angeles County added 160,000 jobs during the fourth quarter, which is less than half the number of jobs that were added a year earlier. Similar for Orange County where the year-over-year employment growth rate fell to 0.5%.

- Gasoline prices inched up 5% from a year earlier, and inflation (CPI) was at an annual rate of 2.4%.

- Transit ridership has been declining both locally and nationally while overall travel has increased. Shifting demand patterns, the strong economy with virtually full employment, and low gasoline prices have been identified as important factors for the decline in transit ridership. Yet, Metrolink ridership growth continues to outperform most local transit operators as well as national commuter rail ridership trends.

**Economic Outlook**

- The local economy is expected to slow during the coming year. The tight labor market is creating strain for many industries.

- An acceleration of business activity was reported for the Inland Empire. The local construction industry has been one of the major economic drivers approaching or surpassing post-recession highs (UCR).

---

Data sources:
National Transit Database (NTD), Economic Development Department (EDD), Bureau of Labor Statistics (BLS), Metrolink
Objective: Reduce Incidents

KPI Definitions:
Incidents per 100,000 train miles (excl. suicides)

Target: Five year moving average

How is Metrolink doing?
• During the fourth quarter the rate of safety incidents per 100,000 train miles has decreased to 0.7, a 38% decrease from 1.2 a year earlier. This compares to a five year average of 0.97 incidents per 100,000 train miles.

Why did performance change?
• The decrease in the incident rate reflects fewer vehicle strikes, a decline to 0 from 3 a year earlier. The number of trespasser strikes remained unchanged at 5 during each quarter.
• The number of employee injuries per 200,000 work hours increased to 4.2 from 3.0 a year earlier. It reflects two more employee injuries than a year ago.

Key initiatives to improve performance
• Metrolink has started making rail-highway grade crossing improvements on the San Bernardino line that will continue through November 2017. This project will result in increased safety for riders, pedestrians and vehicles. The improvements include the installation and coordination of traffic signals, improved signage, striping and warning strips, driveway and pedestrian ramp modifications, and vehicular and pedestrian gates with flashing signals.
• Metrolink’s Chief and Subdivision Dispatchers participated in Passenger Train Emergency Preparedness (PTEP) training to fulfill federal requirements.
• Metrolink’s System Safety department provided Passenger Train Emergency Response (PTER) training to the Los Angeles County Fire Department in Santa Clarita.
### Key Performance Indicators
#### Fourth Quarter FY2017

<table>
<thead>
<tr>
<th>Fiscal Year / Quarter</th>
<th>Pedestrian strikes (Grade Crossings only)</th>
<th>Trespasser strikes (Non-Grade Crossings)</th>
<th>Vehicle strikes</th>
<th>Derailments</th>
<th>Total Accidents</th>
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<tr>
<td>FY11 Q3</td>
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<td>3</td>
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<td></td>
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<td>FY11 Q4</td>
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</tr>
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<td>FY12 Q3</td>
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<td>5</td>
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<td></td>
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<td>FY14 Q4</td>
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<td>FY15 Q2</td>
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<td>FY15 Q3</td>
<td>3</td>
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<td>1</td>
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<td>0</td>
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</tbody>
</table>
Objective: Increase Fare Revenue

KPI Definition: Passenger Fare Revenue from sale of tickets at ticket vending machines (TVMs), Mobile App, via corporate sales/pass-by-mail and at ticket windows.

Target: Annual Operating Budget (YTD)

Why did performance change?

- Fourth quarter fare revenue decreased by 0.9% from a year earlier, or 1.0% short of budgeted amounts. Much of that revenue decrease reflects the ridership losses experienced on the San Bernardino line. Excluding the San Bernardino line, FY17 fare revenue increased by 1.0% from a year ago.
- Monthly pass sales continue to decline as more riders shift from monthly passes to 7-day passes.
- Losses in pass revenue were partially off-set by increased sales of one-way and roundtrip tickets, as well as weekend day passes.
- Significant increases in fare revenue were reported for the 91/Perris Valley Line as a result of the Perris Valley Line service, and for the Antelope Valley Line which continues to grow ridership due to the lower fares.

Key initiatives to improve performance

- Metrolink is developing potential strategies to improve ridership retention on the San Bernardino Line.
- A 25% fare discount has been extended for all Perris Valley Line stations to grow ridership on this new line.
- Installation of optical readers commences to increase convenience of the mobile app for riders transferring to the Metro Rail system.
- Continuation of the I-5 marketing campaigns and other marketing initiatives will seek to further attract new riders to Metrolink.

How is Metrolink doing?

- Fare revenues fell short of budget by 1.0% during the fourth quarter, and by 0.8% Year-to-Date.

FY17 FARE REVENUE BUDGET VS ACTUAL (THOUSANDS)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Budget</th>
<th>Actual</th>
<th>Diff</th>
<th>%Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>20,998</td>
<td>20,985</td>
<td>(13)</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Q2</td>
<td>20,772</td>
<td>20,534</td>
<td>(238)</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Q3</td>
<td>20,864</td>
<td>20,641</td>
<td>(223)</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Q4</td>
<td>20,923</td>
<td>20,718</td>
<td>(204)</td>
<td>-1.0%</td>
</tr>
<tr>
<td>YTD</td>
<td>83,556</td>
<td>82,877</td>
<td>(679)</td>
<td>-0.8%</td>
</tr>
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</table>

Annual Fare Revenue – 3 Year Trend

<table>
<thead>
<tr>
<th></th>
<th>FY 14-15</th>
<th>FY 15-16</th>
<th>FY 16-17</th>
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<tbody>
<tr>
<td>Millions</td>
<td>$83.8</td>
<td>$83.6</td>
<td>$82.9</td>
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97
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<tr>
<th>Operating Line</th>
<th>June 2017 FY 16-17</th>
<th>June 2017 FY 16-17</th>
<th>Variance</th>
<th>YEAR TO DATE FY 16-17</th>
<th>YEAR TO DATE FY 16-17</th>
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<tr>
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<td>Actual</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Weekday</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Bernardino</td>
<td>$1,700</td>
<td>$1,558</td>
<td>$(142)</td>
<td>$20,581</td>
<td>$18,954</td>
<td>$(1,627)</td>
</tr>
<tr>
<td>Ventura</td>
<td>$543</td>
<td>$510</td>
<td>$(33)</td>
<td>$6,574</td>
<td>$6,228</td>
<td>$(346)</td>
</tr>
<tr>
<td>Antelope Valley</td>
<td>$700</td>
<td>$887</td>
<td>187</td>
<td>$8,478</td>
<td>$9,582</td>
<td>$1,104</td>
</tr>
<tr>
<td>Riverside</td>
<td>$736</td>
<td>$716</td>
<td>$(20)</td>
<td>$8,910</td>
<td>$8,703</td>
<td>$(207)</td>
</tr>
<tr>
<td>Orange County</td>
<td>$1,725</td>
<td>$1,731</td>
<td>6</td>
<td>$20,882</td>
<td>$20,496</td>
<td>$(386)</td>
</tr>
<tr>
<td>Inland Empire/OC Line</td>
<td>$629</td>
<td>$603</td>
<td>$(25)</td>
<td>$7,613</td>
<td>$7,796</td>
<td>182</td>
</tr>
<tr>
<td>91</td>
<td>$392</td>
<td>$454</td>
<td>62</td>
<td>$4,745</td>
<td>$5,367</td>
<td>622</td>
</tr>
<tr>
<td><strong>Total Weekday</strong></td>
<td>$6,425</td>
<td>$6,459</td>
<td>34</td>
<td>$77,784</td>
<td>$77,126</td>
<td>$(657)</td>
</tr>
<tr>
<td><strong>Weekend</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Bernardino</td>
<td>$167</td>
<td>$168</td>
<td>1</td>
<td>$2,023</td>
<td>$2,088</td>
<td>66</td>
</tr>
<tr>
<td>Antelope Valley</td>
<td>$110</td>
<td>$99</td>
<td>$(11)</td>
<td>$1,326</td>
<td>$1,467</td>
<td>141</td>
</tr>
<tr>
<td>Orange County</td>
<td>$128</td>
<td>$129</td>
<td>2</td>
<td>$1,546</td>
<td>$1,477</td>
<td>$(69)</td>
</tr>
<tr>
<td>Inland Empire/OC Line</td>
<td>$58</td>
<td>$30</td>
<td>(28)</td>
<td>$699</td>
<td>$368</td>
<td>(331)</td>
</tr>
<tr>
<td>91</td>
<td>$15</td>
<td>$30</td>
<td>15</td>
<td>$179</td>
<td>$350</td>
<td>171</td>
</tr>
<tr>
<td><strong>Total Weekend</strong></td>
<td>$477</td>
<td>$456</td>
<td>(21)</td>
<td>$5,773</td>
<td>$5,751</td>
<td>(22)</td>
</tr>
<tr>
<td><strong>Total Fare Revenues</strong></td>
<td>$6,902</td>
<td>$6,915</td>
<td>13</td>
<td>$83,556</td>
<td>$82,877</td>
<td>$(679)</td>
</tr>
</tbody>
</table>
Objective: Reduce Operating Cost

KPI Definition: Operating expenses from Train Operations, Maintenance of Way and Insurance / Claims.

Target: Annual Operating Budget

How is Metrolink doing?
- Target was met.
- Operating costs increased 0.3% from a year earlier but remained 6.7% below budgeted amounts.

Why did performance change?
- Expenses were reduced in several categories since FY16. The largest cost saving is the termination of the BNSF locomotive lease.
- Cost increases were reported for TVM maintenance, insurance claims, equipment maintenance and fuel.

Key initiatives to improve performance
- Regular negotiations with our vendors (both large and small) can provide relief from escalating costs.
- A new equipment maintenance program has been designed to provide a constant “state of good repair” and allow for more efficient asset management.

Operating Cost by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Train Operations</td>
<td>171.3</td>
<td>171.9</td>
</tr>
<tr>
<td>MOW</td>
<td>39.5</td>
<td>38.6</td>
</tr>
<tr>
<td>Insurance / Claims</td>
<td>15.9</td>
<td>16.9</td>
</tr>
</tbody>
</table>

Operating Cost Ratios

<table>
<thead>
<tr>
<th>Cost ratios</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cost ($000)</td>
<td>$226,680</td>
<td>$227,388</td>
</tr>
<tr>
<td>Cost Recovery</td>
<td>43.9%</td>
<td>43.3%</td>
</tr>
<tr>
<td>Cost per Train Mile</td>
<td>$81.07</td>
<td>$82.88</td>
</tr>
<tr>
<td>Subsidy per Train Mile</td>
<td>$49.58</td>
<td>$51.76</td>
</tr>
</tbody>
</table>

Operating Cost (3-Year Trend)
Objective: Reduce Employee Turnover Rates

KPI Definitions: Employee turnover rate

Target: National turnover rate (Government)

How is Metrolink doing?
- Target was met.
- The employee turnover rate fell below the industry benchmark of 12.9%.

Why did performance change?
Over the past three fiscal years, SCRRA had an average annual turnover rate of 13.76%. The turnover rate has decreased between FY15 and FY17 by 3.2%. In FY17, the total turnover rate was 12.9%, representing 33 employees:
- Voluntary (21 employees) – Employee separated on their own volition.
- Retirement (8 employees) – Employee separated to enter into retirement.
- Involuntary (4 employees) - Employment separation initiated by the Authority.

Data represents separations of all regular, active employees during the fiscal year (July 1 – June 30).

Key initiatives to reduce turnover:
SCRRA is committed to investing in a workforce that promotes and supports a world class organization. The following initiatives and strategies are aimed at increasing employee engagement and decreasing turnover:
- Continue a comprehensive review of employee classification and compensation and make necessary changes to job titles, classifications, pay grades and pay assignments.
- Recognize the achievements of individual employees and teams through the employee rewards and recognition program.
- Further utilize automated processes to streamline transactional portions of HR related activities.
- Partner with executives and managers to understand and expand learning and development opportunities.
- Provide tools and resources to management staff to strengthen their ability to utilize modern and effective management practices that will engage employees throughout the organization.
- Update Human Resources Policies and Procedures to reflect best practices and market trends.
- Continue offering training to develop technical, management and professional development skills.
Objective: Improve Service Reliability

KPI Definition: Percent of scheduled trains arriving at their destination on-time

Target: 95% on-time performance

How is Metrolink doing?

Fourth quarter On-time Performance was the best in more than two years, with 95.1% of trains on-time, up from 91.3% a year earlier.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>87.1%</td>
<td>92.7%</td>
</tr>
<tr>
<td>Q2</td>
<td>89.3%</td>
<td>94.4%</td>
</tr>
<tr>
<td>Q3</td>
<td>87.6%</td>
<td>94.7%</td>
</tr>
<tr>
<td>Q4</td>
<td>91.3%</td>
<td>95.1%</td>
</tr>
<tr>
<td>YTD</td>
<td>88.8%</td>
<td>94.2%</td>
</tr>
</tbody>
</table>

Why did performance change?

- Over the past two years on-time performance has improved markedly. System-wide on-time performance reached 95.1%. The Ventura County, Antelope Valley, San Bernardino, and Burbank Airport Lines all exceeded the standard during the fourth quarter.
- During the fourth quarter of FY17 the number of late or annulled trains fell to 561 from 1,009 a year earlier.
- There were 36% fewer third party delays during the quarter, driven primarily by fewer force majeure incidents.

Key Initiatives to Improve Performance

- Staff continues to work with local jurisdictions to improve response times for coroners during fatal incidents.
- The Equipment Maintenance Team is preparing to undergo a major shift in maintenance philosophy and practices for the Metrolink rolling stock fleet. The new program, which is designed to provide a constant “state of good repair,” will open the door to more efficient asset management.
## On-Time Performance

### Strategic Goal: Ensure a Safe Operating Environment

#### Key Performance Indicators

**Fourth Quarter FY2016**

<table>
<thead>
<tr>
<th>KPI: On-Time Performance</th>
<th>VEN</th>
<th>AVL</th>
<th>SNB</th>
<th>BUR</th>
<th>RIV</th>
<th>OC</th>
<th>IEOC</th>
<th>91-LA</th>
<th>TOTAL</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Delay</td>
<td>1122</td>
<td>1681</td>
<td>2014</td>
<td>591</td>
<td>651</td>
<td>1326</td>
<td>757</td>
<td>845</td>
<td>8987</td>
<td>81%</td>
</tr>
<tr>
<td>1 Min - 5 Min</td>
<td>126</td>
<td>173</td>
<td>348</td>
<td>86</td>
<td>71</td>
<td>416</td>
<td>201</td>
<td>66</td>
<td>1487</td>
<td>13%</td>
</tr>
<tr>
<td>6 Min - 10 Min</td>
<td>12</td>
<td>35</td>
<td>32</td>
<td>17</td>
<td>15</td>
<td>50</td>
<td>25</td>
<td>20</td>
<td>206</td>
<td>2%</td>
</tr>
<tr>
<td>11 Min - 20 Min</td>
<td>14</td>
<td>18</td>
<td>23</td>
<td>9</td>
<td>20</td>
<td>64</td>
<td>32</td>
<td>18</td>
<td>198</td>
<td>2%</td>
</tr>
<tr>
<td>21 Min - 30 Min</td>
<td>5</td>
<td>9</td>
<td>14</td>
<td>1</td>
<td>5</td>
<td>20</td>
<td>7</td>
<td>5</td>
<td>66</td>
<td>1%</td>
</tr>
<tr>
<td>Greater Than 30 Min</td>
<td>2</td>
<td>18</td>
<td>19</td>
<td>0</td>
<td>7</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>77</td>
<td>1%</td>
</tr>
<tr>
<td>Annulled</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>14</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>1282</td>
<td>1934</td>
<td>2453</td>
<td>705</td>
<td>774</td>
<td>1887</td>
<td>1035</td>
<td>965</td>
<td>11035</td>
<td>100%</td>
</tr>
</tbody>
</table>

**% of Trains On-Time**

- FY16Q4: 97.3%
- FY17Q4: 95.9%
- Ven: 96.3%
- AVL: 96.0%
- SNB: 93.3%
- BUR: 92.3%
- RIV: 92.6%
- OC: 94.4%
- IEOC: 94.9%

Note: includes weekday and weekend

### Delays by Responsible Party FY17 Q4

<table>
<thead>
<tr>
<th>FY17 Q4</th>
<th>VEN</th>
<th>AVL</th>
<th>SNB</th>
<th>BUR</th>
<th>RIV</th>
<th>OC</th>
<th>IEOC</th>
<th>91-LA</th>
<th>TOTAL</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>11</td>
<td>15</td>
<td>19</td>
<td>10</td>
<td>2</td>
<td>28</td>
<td>13</td>
<td>5</td>
<td>103</td>
<td>17%</td>
</tr>
<tr>
<td>Force Majeure</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>15</td>
<td>3%</td>
</tr>
<tr>
<td>UPRR</td>
<td>9</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>34</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>45</td>
<td>8%</td>
</tr>
<tr>
<td>NCTD</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>5</td>
<td>0</td>
<td>20</td>
<td>3%</td>
</tr>
<tr>
<td>BNSF</td>
<td>1</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>1</td>
<td>49</td>
<td>32</td>
<td>29</td>
<td>120</td>
<td>20%</td>
</tr>
<tr>
<td>RED LINE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Inter-City Amtrak</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>8</td>
<td>2</td>
<td>1</td>
<td>15</td>
<td>3%</td>
</tr>
<tr>
<td>Mechanical</td>
<td>3</td>
<td>40</td>
<td>39</td>
<td>4</td>
<td>5</td>
<td>14</td>
<td>11</td>
<td>13</td>
<td>129</td>
<td>22%</td>
</tr>
<tr>
<td>Track</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>16</td>
<td>3%</td>
</tr>
<tr>
<td>Signal</td>
<td>4</td>
<td>9</td>
<td>9</td>
<td>6</td>
<td>0</td>
<td>23</td>
<td>3</td>
<td>6</td>
<td>60</td>
<td>10%</td>
</tr>
<tr>
<td>Crossing</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>3%</td>
</tr>
<tr>
<td>Communications</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>CAD</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>PTC</td>
<td>0</td>
<td>6</td>
<td>9</td>
<td>3</td>
<td>2</td>
<td>21</td>
<td>10</td>
<td>1</td>
<td>52</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>88</td>
<td>101</td>
<td>27</td>
<td>47</td>
<td>164</td>
<td>78</td>
<td>57</td>
<td>595</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: includes weekday and weekend

### Third Party Delays

<table>
<thead>
<tr>
<th>Responsible Party</th>
<th>FY16Q4</th>
<th>FY17Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTER-CITY AMTRAK</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>FORCE MAJEURE</td>
<td>109</td>
<td>15</td>
</tr>
<tr>
<td>BNSF</td>
<td>172</td>
<td>120</td>
</tr>
<tr>
<td>UPRR</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>NCTD</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>sum</td>
<td>337</td>
<td>215</td>
</tr>
</tbody>
</table>
Key Performance Indicators
Fourth Quarter FY2017

Objective: Increase Ridership

KPI Definition: Ticket-based unlinked passenger trips

Target: Boardings based on the annual rate of growth assumed in the Operating Budget

How is Metrolink doing?

- During the fourth quarter Metrolink boardings (based on ticket sales) increased by 0.3% from the prior year. Year-to-date ridership is up 1.0%.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY1516</th>
<th>FY1617</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>2,839,568</td>
<td>2,940,453</td>
<td>100,885</td>
<td>3.6%</td>
</tr>
<tr>
<td>Q2</td>
<td>2,871,455</td>
<td>2,892,133</td>
<td>20,678</td>
<td>0.7%</td>
</tr>
<tr>
<td>Q3</td>
<td>2,911,881</td>
<td>2,894,944</td>
<td>(16,937)</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Q4</td>
<td>2,904,831</td>
<td>2,913,171</td>
<td>8,340</td>
<td>0.3%</td>
</tr>
<tr>
<td>YTD</td>
<td>11,527,735</td>
<td>11,640,701</td>
<td>112,966</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Unlinked Passenger Trips

Why did performance change?

- Metrolink ridership continues to outperform most other Southern California transit systems, reflecting the success of last year’s short distance fare restructuring. Since the July 2016 fare change, short distance ridership (under 20 miles) has grown by an average of 10.6% from a year earlier and accounted for all of the ridership growth in FY17.

- The San Bernardino Line continued to lose ridership, which was down 5.1% from a year earlier. In addition to the effect of the Metro Gold Line, the closing of the Rialto and San Bernardino stations in April contributed to ridership losses. Excluding the San Bernardino Line, systemwide ridership is up 3.0% compared to the same quarter of the prior year.

- Strong ridership growth continues on the Antelope Valley Line (up 5.4%) and the 91 Line (up 14%).

Key initiatives to improve performance

- Metrolink started operating on a Sunday schedule on holidays on all lines with regularly scheduled weekend service.

- Promotional fare reductions continue for riders on the 91/Perris Valley Line.

- A new 25% pass discount is being offered to new corporate partners.

Metrolink Ridership (3-Year Trend)

Estimates based on ticket sales, includes transfers
**Key Performance Indicators**

**Fourth Quarter FY2017**

### RIDERSHIP

**Strategic Goal:** Retain and Grow Ridership

**Key Performance Indicators**

**Fourth Quarter FY2016**

<table>
<thead>
<tr>
<th>Route</th>
<th>FY16Q4</th>
<th>FY17Q4</th>
<th>Change</th>
<th>% Change</th>
<th>FY16 YTD</th>
<th>FY17 YTD</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ventura County Line</td>
<td>270,908</td>
<td>273,129</td>
<td>2,221</td>
<td>0.8%</td>
<td>1,083,734</td>
<td>1,085,453</td>
<td>1,719</td>
<td>0.2%</td>
</tr>
<tr>
<td>Antelope Valley Line</td>
<td>412,743</td>
<td>434,581</td>
<td>21,838</td>
<td>5.3%</td>
<td>1,631,459</td>
<td>1,719,251</td>
<td>87,792</td>
<td>5.4%</td>
</tr>
<tr>
<td>San Bernardino Line</td>
<td>695,487</td>
<td>669,627</td>
<td>-25,859</td>
<td>-3.7%</td>
<td>2,893,160</td>
<td>2,745,469</td>
<td>-147,691</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Riverside Line</td>
<td>256,670</td>
<td>250,303</td>
<td>-6,367</td>
<td>-2.5%</td>
<td>1,015,861</td>
<td>1,004,402</td>
<td>-11,460</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Orange County Line</td>
<td>703,990</td>
<td>712,690</td>
<td>8,700</td>
<td>1.2%</td>
<td>2,700,278</td>
<td>2,779,303</td>
<td>79,025</td>
<td>2.9%</td>
</tr>
<tr>
<td>IEOC Line</td>
<td>363,335</td>
<td>345,655</td>
<td>-17,680</td>
<td>-4.9%</td>
<td>1,429,618</td>
<td>1,424,594</td>
<td>-5,024</td>
<td>-0.4%</td>
</tr>
<tr>
<td>91/Perris Valley Line</td>
<td>201,696</td>
<td>226,879</td>
<td>25,183</td>
<td>12.5%</td>
<td>773,622</td>
<td>881,795</td>
<td>108,173</td>
<td>14.0%</td>
</tr>
<tr>
<td><strong>Total Boardings</strong></td>
<td>2,904,828</td>
<td>2,912,863</td>
<td><strong>8,035</strong></td>
<td><strong>0.3%</strong></td>
<td><strong>11,527,732</strong></td>
<td><strong>11,640,267</strong></td>
<td><strong>112,535</strong></td>
<td><strong>1.0%</strong></td>
</tr>
</tbody>
</table>

**Total Boardings (Unlinked Trips including transfers)**

**Ventura County Line Ridership** (Change from prior year)

- **Q4:** 456
  - **Q1:** 239
  - **Q2:** 229
  - **Q3:** 239
  - **Q4:** 2,221

**Antelope Valley Line Ridership** (Change from prior year)

- **Q4:** 22,222
  - **Q1:** 17,176
  - **Q2:** 26,557
  - **Q3:** 21,838

**San Bernardino Line Ridership** (Change from prior year)

- **Q4:** -16,365
  - **Q1:** -8,160
  - **Q2:** -8,160
  - **Q3:** -8,160

**Riverside Line Ridership** (Change from prior year)

- **Q4:** 3,491
  - **Q1:** -424
  - **Q2:** -8,160
  - **Q3:** -8,160

**Orange County Line Ridership** (Change from prior year)

- **Q4:** 48,747
  - **Q1:** 14,126
  - **Q2:** 7,452
  - **Q3:** 8,700

**IEOC Line Ridership** (Change from prior year)

- **Q4:** 17,106
  - **Q1:** 10,038
  - **Q2:** -14,488
  - **Q3:** -17,680

**91/Perris Valley Line Ridership** (Change from prior year)

- **Q4:** 100,878
  - **Q1:** 20,632
  - **Q2:** -17,010
  - **Q3:** 8,035

**Systemwide Ridership** (Change from prior year)

- **Q4:** 25,221
  - **Q1:** 29,759
  - **Q2:** 28,010
  - **Q3:** 25,183

**METROLINK TOTAL MONTHLY RIDERSHIP TREND**

(TICKET-BASED, 12 MONTH MOVING AVERAGE)

- **All Time Ridership Peak:**
  - **Recession:** Service Increases
  - **Fare policy changes:**

---

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## Key Performance Indicators

### Fourth Quarter FY2017

#### KPI: RIDERSHIP

<table>
<thead>
<tr>
<th>STATION</th>
<th>FY16Q4</th>
<th>FY17Q4</th>
<th>% Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANAHEIM</td>
<td>508</td>
<td>498</td>
<td>-2%</td>
<td>(11)</td>
</tr>
<tr>
<td>ANAHEIM CANYON</td>
<td>359</td>
<td>324</td>
<td>-10%</td>
<td>(35)</td>
</tr>
<tr>
<td>BALDWIN PARK</td>
<td>326</td>
<td>300</td>
<td>-8%</td>
<td>(25)</td>
</tr>
<tr>
<td>BUENA PARK</td>
<td>602</td>
<td>572</td>
<td>-5%</td>
<td>(30)</td>
</tr>
<tr>
<td>BURBANK</td>
<td>845</td>
<td>889</td>
<td>5%</td>
<td>44</td>
</tr>
<tr>
<td>BURBANK AIRPORT</td>
<td>189</td>
<td>194</td>
<td>3%</td>
<td>5</td>
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<tr>
<td>CAL STATE LA</td>
<td>553</td>
<td>481</td>
<td>-13%</td>
<td>(72)</td>
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<tr>
<td>CAMARILLO</td>
<td>108</td>
<td>110</td>
<td>2%</td>
<td>2</td>
</tr>
<tr>
<td>CHATSWORTH</td>
<td>339</td>
<td>329</td>
<td>-3%</td>
<td>(10)</td>
</tr>
<tr>
<td>CLAREMONT</td>
<td>379</td>
<td>400</td>
<td>6%</td>
<td>22</td>
</tr>
<tr>
<td>COMMERCE</td>
<td>62</td>
<td>76</td>
<td>22%</td>
<td>14</td>
</tr>
<tr>
<td>COVINA</td>
<td>754</td>
<td>684</td>
<td>-9%</td>
<td>(70)</td>
</tr>
<tr>
<td>DOWNTOWN PERRIS</td>
<td>70</td>
<td>70</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>DOWNTOWN POMONA</td>
<td>263</td>
<td>260</td>
<td>-1%</td>
<td>(3)</td>
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<tr>
<td>EAST ONTARIO</td>
<td>406</td>
<td>398</td>
<td>-2%</td>
<td>(8)</td>
</tr>
<tr>
<td>EAST VENTURA</td>
<td>51</td>
<td>52</td>
<td>1%</td>
<td>0</td>
</tr>
<tr>
<td>EL MONTE</td>
<td>312</td>
<td>327</td>
<td>5%</td>
<td>14</td>
</tr>
<tr>
<td>FONTANA</td>
<td>431</td>
<td>585</td>
<td>36%</td>
<td>154</td>
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<tr>
<td>FULLERTON</td>
<td>1,577</td>
<td>1,573</td>
<td>0%</td>
<td>(5)</td>
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<tr>
<td>GLENDALE</td>
<td>634</td>
<td>692</td>
<td>9%</td>
<td>57</td>
</tr>
<tr>
<td>INDUSTRY</td>
<td>846</td>
<td>825</td>
<td>-2%</td>
<td>(21)</td>
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<tr>
<td>IRVINE</td>
<td>1,413</td>
<td>1,440</td>
<td>2%</td>
<td>27</td>
</tr>
<tr>
<td>JURUPA VALLEY / PEDLEY</td>
<td>145</td>
<td>145</td>
<td>1%</td>
<td>1</td>
</tr>
<tr>
<td>LAGUNA NIGUEL / MISSION VIEJO</td>
<td>347</td>
<td>327</td>
<td>-6%</td>
<td>(19)</td>
</tr>
<tr>
<td>LANCASTER</td>
<td>429</td>
<td>469</td>
<td>9%</td>
<td>40</td>
</tr>
<tr>
<td>LA UNION</td>
<td>12,700</td>
<td>13,092</td>
<td>3%</td>
<td>392</td>
</tr>
<tr>
<td>MONTCLAIR</td>
<td>332</td>
<td>307</td>
<td>-8%</td>
<td>(25)</td>
</tr>
<tr>
<td>MONTEBELLO / COMMERCE</td>
<td>440</td>
<td>408</td>
<td>-7%</td>
<td>(32)</td>
</tr>
<tr>
<td>MOORPARK</td>
<td>210</td>
<td>209</td>
<td>0%</td>
<td>(1)</td>
</tr>
<tr>
<td>MORENO VALLEY / MARCH FIELD</td>
<td>93</td>
<td>93</td>
<td>0%</td>
<td>0</td>
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<tr>
<td>NEWHALL</td>
<td>352</td>
<td>363</td>
<td>3%</td>
<td>11</td>
</tr>
<tr>
<td>NORTH MAIN CORONA</td>
<td>1,017</td>
<td>991</td>
<td>-3%</td>
<td>(26)</td>
</tr>
<tr>
<td>NORTH RIDGE</td>
<td>380</td>
<td>370</td>
<td>-3%</td>
<td>(10)</td>
</tr>
<tr>
<td>NORWALK / SANTA FE SPRINGS</td>
<td>797</td>
<td>850</td>
<td>7%</td>
<td>53</td>
</tr>
<tr>
<td>OCEANSIDE</td>
<td>489</td>
<td>471</td>
<td>-4%</td>
<td>(18)</td>
</tr>
<tr>
<td>ORANGE</td>
<td>738</td>
<td>687</td>
<td>-7%</td>
<td>(52)</td>
</tr>
<tr>
<td>OXNARD</td>
<td>99</td>
<td>89</td>
<td>-10%</td>
<td>(10)</td>
</tr>
<tr>
<td>PALMDALE</td>
<td>459</td>
<td>477</td>
<td>4%</td>
<td>18</td>
</tr>
<tr>
<td>POMONA</td>
<td>513</td>
<td>531</td>
<td>4%</td>
<td>18</td>
</tr>
<tr>
<td>RANCHO CUCAMONGA</td>
<td>761</td>
<td>697</td>
<td>-8%</td>
<td>(63)</td>
</tr>
<tr>
<td>RIALTO</td>
<td>256</td>
<td>199</td>
<td>-22%</td>
<td>(58)</td>
</tr>
<tr>
<td>RIVERSIDE-DOWNTOWN</td>
<td>1,071</td>
<td>957</td>
<td>-11%</td>
<td>(115)</td>
</tr>
<tr>
<td>RIVERSIDE HUNTER PARK</td>
<td>88</td>
<td>88</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>RIVERSIDE-LA SIERRA</td>
<td>739</td>
<td>674</td>
<td>-9%</td>
<td>(65)</td>
</tr>
<tr>
<td>SAN BERNARDINO</td>
<td>714</td>
<td>548</td>
<td>-23%</td>
<td>(165)</td>
</tr>
<tr>
<td>SAN CLEMENTE</td>
<td>135</td>
<td>117</td>
<td>-14%</td>
<td>(18)</td>
</tr>
<tr>
<td>SAN CLEMENTE PIER</td>
<td>5</td>
<td>5</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>SAN JUAN CAPISTRANO</td>
<td>154</td>
<td>143</td>
<td>-7%</td>
<td>(11)</td>
</tr>
<tr>
<td>SANTA ANA</td>
<td>860</td>
<td>867</td>
<td>1%</td>
<td>7</td>
</tr>
<tr>
<td>SANTA CLARITA</td>
<td>342</td>
<td>358</td>
<td>5%</td>
<td>16</td>
</tr>
<tr>
<td>SIMI VALLEY</td>
<td>342</td>
<td>325</td>
<td>-5%</td>
<td>(16)</td>
</tr>
<tr>
<td>SOUTH PERRIS</td>
<td>92</td>
<td>92</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>SUN VALLEY</td>
<td>97</td>
<td>112</td>
<td>16%</td>
<td>15</td>
</tr>
<tr>
<td>SYLMAR / SAN FERNANDO</td>
<td>565</td>
<td>627</td>
<td>11%</td>
<td>62</td>
</tr>
<tr>
<td>TUSTIN</td>
<td>1,190</td>
<td>1,182</td>
<td>-1%</td>
<td>(9)</td>
</tr>
<tr>
<td>UPLAND</td>
<td>506</td>
<td>502</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>VAN NUYS</td>
<td>178</td>
<td>182</td>
<td>2%</td>
<td>4</td>
</tr>
<tr>
<td>VIA PRINCESSA</td>
<td>457</td>
<td>493</td>
<td>8%</td>
<td>36</td>
</tr>
<tr>
<td>VINCENT GRADE / ACTON</td>
<td>108</td>
<td>113</td>
<td>4%</td>
<td>5</td>
</tr>
<tr>
<td>WEST CORONA</td>
<td>449</td>
<td>429</td>
<td>-5%</td>
<td>(20)</td>
</tr>
</tbody>
</table>
Objective: Increase Service Utilization

KPI Definitions:
Passenger Miles reflect the total number of miles traveled by ticketed passengers on Metrolink trains between origin and destination stations.

Target: Average annual population growth rate.

Why has performance changed?
- The 0.2% increase in passenger miles is in line with higher ridership levels during the fourth quarter.
- The largest increase in passenger miles was reported for the 91/Perris Valley Line, a result of the extension of the Perris Valley Line extension in June 2016. Large increases were also reported for the Antelope Valley Line.
- The average length of a passenger trip during the fourth quarter was 36.2 miles. It reflects an average trip length of 32.1 miles for Monthly Passes, 35.5 miles for 7 Day Passes, and 39.6 miles for One-way and Roundtrip Tickets.

Key initiatives to improve performance
- Promotional fare discounts on the Perris Valley Line have been extended to encourage new riders to try the service.
- The San Bernardino Deport re-opened after construction was completed in April 2017.
Objective: Improve System Connectivity

KPI Definitions:
Transfers to connecting transit per 100 linked trips

Target:
60 transfers per 100 linked trips

How is Metrolink doing?

- This is an annual measure. Transfers in FY16 fell by 2% while linked trips grew by 5%. This growth in system ridership has mainly occurred outside of the LA market, where transfer rates to connecting transit are generally lower.

Why has performance changed?

- Two-thirds of all transfers are to/from the LA Metro system, more than six times as many transfers as to the second-highest transfer partner. Transfers to LA Metro decreased by 2%, driving the decrease in overall transfers.

- Metrolink saw significant increases in transfers to/from the Antelope Valley Transit Authority and Santa Clarita Transit in FY2016, possibly due to the lower fare pilots on the Antelope Valley Line during this time.

- When Metrolink launched its Mobile Ticketing App in FY2016, it worked with staff from all of its bus partners to ensure that mobile tickets would be accepted for transfer on Day 1 on all systems and routes.

Key initiatives to improve performance

- In FY2017, technology to allow mobile tickets to work on LA Metro TAP gates will go live, allowing seamless transfers for thousands of additional passengers.

- In FY2017, planning staff at Metrolink and partner agencies will continue to improve communication and coordination in planning service schedules.
Objective: Improve Customer Communications

KPI Definitions:
Customer Complaints about Metrolink communications to passengers per 100,000 boardings.

Target: Five year average complaint rate.

Communications Complaints / 100,000 Boardings

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY16</th>
<th>FY17</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>4.8</td>
<td>2.8</td>
<td>-43%</td>
</tr>
<tr>
<td>Q2</td>
<td>5.6</td>
<td>3.5</td>
<td>-37%</td>
</tr>
<tr>
<td>Q3</td>
<td>4.7</td>
<td>3.1</td>
<td>-35%</td>
</tr>
<tr>
<td>Q4</td>
<td>3.8</td>
<td>5.2</td>
<td>38%</td>
</tr>
<tr>
<td>YTD</td>
<td>4.7</td>
<td>3.6</td>
<td>-23%</td>
</tr>
</tbody>
</table>

Why did performance change?

- Due to track maintenance on the AV line in May 2017 a bus bridge was in effect on three consecutive weekends. 26 of the 29 communication complaints received in May, were directly related to passengers being unaware of the bus bridge.
- There were slight increases in lack of timely or no delay alerts for the Orange County, IEOC, and San Bernardino lines. OTP complaints increased in May 2017, as a result communication complaints related to service also rose the same month.

How is Metrolink doing?

- Complaints about customer communications per 100,000 boardings increased by 61% from a year earlier, reflecting an increase to 143 from 89 complaints.

Key initiatives to improve performance

- Increase methods of communication to customer, i.e. Mobile App alert integration.
- Real-time and automated notification / updates via station message boards, social media, website, mobile application.
- Increase on-board communication from conductors, especially during service delays.
Top 5 Complaint Categories

- OTP, Passenger Communications, Policies, Ticket Vending Machines, and Equipment are the top five categories for passenger complaints. In FY17 they accounted for 60% of all complaints that Metrolink received.

Passenger Communications

- Communication complaints increased in Q4 2017 with a total of 143, in comparison to the 89 complaints received in Q4 2016. The increase was related to lack of or untimely service delay communications in May 2017, and bus bridge communication on the AV Line.

Ticket Vending Machines

- Complaints in Q4 2017 are down to 74 from 86 during the same time last year.

Metrolink Equipment

- Equipment complaints saw an increase in Q4 2017, from 56 complaints to 76 complaints during the same time last year. The increase in complaints can be attributed to the new surfboard storage, equipment malfunctions, and insect infestations.

Policies

- Policy related complaints are consistent, with 97 complaints received in 2017 and 97 complaints received in 2016.

OTP

- Complaints are down significantly from 2016. In Q4 2016 420 OTP complaints were received, compared to the 207 complaints received in 2017.
This is a new indicator. Prior year data not yet available.

**Objective:** Improve communication and partnership with stakeholders

**KPI Definitions:** Improved external communications (based on percentage of survey responses)

**Target:** Improvement over prior year

**What is Metrolink doing?**

- In FY17 conducted a variety of stakeholder outreach initiatives, addressing several key issues of concern to the community.
- In FY17, Metrolink Public Affairs staff has engaged 320 stakeholders, including:
  - 48 station cities
  - 12 communities
  - 227 media outlets
  - 5 member agencies
  - 14 TAC members
  - 11 board members
  - 3 Ex-Officio members

- Stakeholder outreach efforts included:
  - Community meetings: 22
  - Media events: 9
  - Daily news clips: ~260
  - Pitch calls to media: 8
  - Press releases: 48
  - Station city meetings: 48

- A survey was launched to 146 stakeholders.

**What key concerns were addressed with stakeholders?**

- Station relocation
- Horn noise
- Tier 4 testing notices

**Key initiatives to improve stakeholder communications**

- Notices sent out monthly to station cities
- Notices sent out to CMF community monthly
- Advisories of CMF work/maintenance sent out to CMF community
- Frequent meetings to address communities & station cities concerns
- Station relocation surveys
- Updating media contacts frequently
- Making pitch calls before events
- Creating targeted media lists
- Expanding media list to non-English outlets
- A revised stakeholder survey and feedback tools will be implemented.

**Over the past year, METROLINK external communication has improved**

![Survey Results Chart]

Note: Results to initial survey based on responses from 18 stakeholders. Additional surveys under development.
Assets (Condition of Assets)

The Authority uses FTA’s 5-point condition scale to estimate the current physical condition of all transit assets. Specifically, condition scale uses asset decay curves to estimate the current condition of each asset and based on the asset’s type, age and useful life. The decay curves rating asset condition using FTA’s 5-point condition scale, which runs from excellent (5), through good (4), adequate (3), marginal (2) and poor (1).

<table>
<thead>
<tr>
<th>Rating</th>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Excellent</td>
<td>No visible defects, near new condition</td>
</tr>
<tr>
<td>4</td>
<td>Good</td>
<td>Some (slightly) defective or deteriorated component(s)</td>
</tr>
<tr>
<td>3</td>
<td>Fair</td>
<td>Moderately defective or deteriorated component(s)</td>
</tr>
<tr>
<td>2</td>
<td>Marginal</td>
<td>Defective or deteriorated component(s) in need of replacement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Note: Condition 2 indicates an asset (or significant portion of an asset) is close to, or in need of, rehab/replacement and should be considered a pending investment need.</td>
</tr>
<tr>
<td>1</td>
<td>Poor</td>
<td>Asset is past its useful life and is in need of prioritized repair or replacement</td>
</tr>
</tbody>
</table>

Customer Communications Complaints

The metric reflects the total number of customer complaints about Metrolink communications to passengers that have been received through Metrolink’s call center or through online comment. The metric is expressed as complaints per 100,000 boardings which is the industry norm.

Employee Turnover

Benchmark rates calculated annually by the CEB HR Leadership Council, a membership based business services organization.
On-Time Performance:
On-Time Performance, or schedule adherence, is a measure of trains that reach their final destination on time. Any train that is annulled, terminated or more than five minutes 59 seconds late into its final destination will be considered late. The denominator for the OTP percentage calculation shall be the number of revenue trains scheduled during the reporting period for the appropriate line. The numerator for the calculation shall be the number of scheduled trains LESS the sum of the number of trains (a) annulled, (b) terminated, and (c) more than five minutes 59 seconds late into their final destination. Special trains, such as extra trains, charter trains, baseball trains, and other promotional trains are excluded from the OTP calculation. Service Standard: 95% of trains arrive at their final destination within five minutes 59 seconds of their scheduled time. (Policy adopted by the Board of Directors, June 6, 2012)

Annulled Trains:
Trains that get canceled at their origin or before they go into service are called “annulled trains.”

Terminated Trains:
Trains that get canceled en-route prior to reaching their final destination are called “terminated trains.”

Significant Delays:
Delay incidents that cause a delay of five or more trains are classified as “significant delays.” Such cascading delays can have a significant impact on train operations, particularly on single track lines.

Responsible Party:
The third party agencies or SCRRRA department that has been identified as the cause for a delay.

Force Majeure:
Delays due to acts of nature, or events outside of Metrolink’s control are considered “Force Majeure” and are excluded from on-time performance calculations.

Delay Type:
Delays are classified by delay type. Each delay type is further categorized by specific delay cause (see Delay Causes).
## Key Performance Indicators

### GLOSSARY

#### On-Time Performance: Delay Causes

<table>
<thead>
<tr>
<th>Delay Types / Delay Causes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATIONS</strong></td>
<td></td>
</tr>
<tr>
<td>RULES / TEST</td>
<td>Rules Testing/Violations</td>
</tr>
<tr>
<td>CREW</td>
<td>Crew-related issues</td>
</tr>
<tr>
<td>PAX</td>
<td>Passenger other than PNA</td>
</tr>
<tr>
<td>PNA</td>
<td>Passengers needing assistance or ramp</td>
</tr>
<tr>
<td>MEET/PASS</td>
<td>Freight/Passenger Meets and Interference</td>
</tr>
<tr>
<td>RUN TIME</td>
<td>Insufficient Running Time</td>
</tr>
<tr>
<td>HOLD</td>
<td>Hold for Connection or Buses - EXCEPT</td>
</tr>
<tr>
<td>DISPATCH</td>
<td>Mis-route</td>
</tr>
<tr>
<td>PTC OPS</td>
<td>PTC delays</td>
</tr>
<tr>
<td>NEAR MISS</td>
<td>Near Miss</td>
</tr>
<tr>
<td>CONGESTION</td>
<td>Congestion</td>
</tr>
<tr>
<td>SPECIALS</td>
<td>Special Stops/Special Trains</td>
</tr>
<tr>
<td>CASCADE OPS</td>
<td>Cascade delay - Operations’ Responsibility</td>
</tr>
<tr>
<td>TERMINATE OPS</td>
<td>Train terminated - Operations’ Responsibility</td>
</tr>
<tr>
<td>ANNUL OPS</td>
<td>Train annulled - Operations’ Responsibility</td>
</tr>
<tr>
<td><strong>FORCE MAJEURE</strong></td>
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</tr>
<tr>
<td>CIVIL AUTH</td>
<td>Civil Authority - chase suspect, etc</td>
</tr>
<tr>
<td>HEAT ORDER</td>
<td>Heat Restrictions</td>
</tr>
<tr>
<td>SAFETY</td>
<td>Safety/Security/Threats</td>
</tr>
<tr>
<td>VANDALISM</td>
<td>Vandalism, cut wires</td>
</tr>
<tr>
<td>PED STRIKE</td>
<td>Train vs Ped/trespasser</td>
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<tr>
<td>AUTO</td>
<td>Auto on tracks, Train vs Auto</td>
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<tr>
<td>FIRE</td>
<td>Wayside Fire</td>
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<tr>
<td>WEATHER</td>
<td>Weather/snow/flood</td>
</tr>
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<td>WIND</td>
<td>Winds, wind restrictions</td>
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<tr>
<td>EARTHQUAKE</td>
<td>Earthquake - restrictions or stoppage</td>
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<tr>
<td>ML BLOCKED</td>
<td>Main line blocked</td>
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<tr>
<td>CASCADE FM</td>
<td>Cascade delay as a result of Force Majeure</td>
</tr>
<tr>
<td>TERMINATE FM</td>
<td>Train terminated as a result of Force Majeure</td>
</tr>
<tr>
<td>ANNUL FM</td>
<td>Train annulled as a result of Force Majeure</td>
</tr>
<tr>
<td><strong>UPPR</strong></td>
<td></td>
</tr>
<tr>
<td>DISPATCH</td>
<td>Dispatch misroute/no signal/no bulletins</td>
</tr>
<tr>
<td>TRACK/SEG</td>
<td>Track/signal/speed restrictions/unannounced flag</td>
</tr>
<tr>
<td>MEET/PASS</td>
<td>Track/signal/speed restrictions/unannounced flag</td>
</tr>
<tr>
<td>RULES / TEST</td>
<td>Rules testing/violations</td>
</tr>
<tr>
<td>CASCADE UPRR</td>
<td>Cascade delay - Union Pacific Railroad’s Responsibility</td>
</tr>
<tr>
<td>TERMINATE UPRR</td>
<td>Train terminated - Union Pacific Railroad’s Responsibility</td>
</tr>
<tr>
<td>ANNUL UPRR</td>
<td>Train annulled - Union Pacific Railroad’s Responsibility</td>
</tr>
<tr>
<td><strong>NCTC</strong></td>
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</tr>
<tr>
<td>DISPATCH</td>
<td>Dispatch misroute/no signal/no bulletins</td>
</tr>
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<td>TRACK/SEG</td>
<td>Track/signal/speed restrictions/unannounced flag</td>
</tr>
<tr>
<td>MEET/PASS</td>
<td>Track/signal/speed restrictions/unannounced flag</td>
</tr>
<tr>
<td>RULES / TEST</td>
<td>Rules testing/violations</td>
</tr>
<tr>
<td>CASCADE NCTD</td>
<td>Cascade delay - NCTD’s Responsibility</td>
</tr>
<tr>
<td>TERMINATE NCTD</td>
<td>Train terminated - NCTD’s Responsibility</td>
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<tr>
<td>ANNUL NCTD</td>
<td>Train annulled - NCTD’s Responsibility</td>
</tr>
<tr>
<td><strong>BNSF</strong></td>
<td></td>
</tr>
<tr>
<td>DISPATCH</td>
<td>Dispatch misroute/no signal/no bulletins</td>
</tr>
<tr>
<td>TRACK/SEG</td>
<td>Track/signal/speed restrictions/unannounced flag</td>
</tr>
<tr>
<td>MEET/PASS</td>
<td>Track/signal/speed restrictions/unannounced flag</td>
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<tr>
<td>RULES / TEST</td>
<td>Rules testing/violations</td>
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<tr>
<td>CASCADE BNSF</td>
<td>Cascade delay - BNSF’s Responsibility</td>
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<td>TERMINATE BNSF</td>
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<td>Train annulled - BNSF’s Responsibility</td>
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<tr>
<td>HOLD</td>
<td>Red Line Hold</td>
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<tr>
<td>CASCADE METRO</td>
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<td>ANNUL METRO</td>
<td>Train annulled - Metro’s Responsibility</td>
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<tr>
<td><strong>INTER-CITY AMTRAK</strong></td>
<td></td>
</tr>
<tr>
<td>MEET/PASS</td>
<td>Following or meet with Amtrak</td>
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<tr>
<td>AMTRAK RULES / TEST</td>
<td>Amtrak mechanical issues</td>
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<tr>
<td>CASCADE I-C AMTRK</td>
<td>Cascade delay - Intercity Amtrak’s Responsibility</td>
</tr>
<tr>
<td>TERMINATE I-C AMTRK</td>
<td>Train terminated - Intercity Amtrak’s Responsibility</td>
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<td>ANNUL I-C AMTRK</td>
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<td><strong>MECHANICAL-LOCOMOTIVE</strong></td>
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</tr>
<tr>
<td>Air System</td>
<td>Air System</td>
</tr>
<tr>
<td>Air Brake System</td>
<td>Air Brake System</td>
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<tr>
<td>Main Engine</td>
<td>Main Engine</td>
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<tr>
<td>No Load/Electrical</td>
<td>No Load/Electrical</td>
</tr>
<tr>
<td>HEATING</td>
<td>HEATING</td>
</tr>
<tr>
<td>Running Gear</td>
<td>Running Gear</td>
</tr>
<tr>
<td>Late Release</td>
<td>Late Release</td>
</tr>
<tr>
<td>CASCADE</td>
<td>CASCADE</td>
</tr>
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<td>MECHANICAL-RELATED</td>
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<td>MECHANICAL-TERMINATED</td>
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<td>MECHANICAL-CASCADE</td>
</tr>
<tr>
<td>MECHANICAL-ANNULLED</td>
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#### Delay Types / Delay Causes

<table>
<thead>
<tr>
<th>Delay Types / Delay Causes</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td><strong>MECHANICAL-CAB CAR</strong></td>
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<tr>
<td>Air System</td>
<td>Air System</td>
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<tr>
<td>Air Brake System</td>
<td>Air Brake System</td>
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<tr>
<td>Door Problem</td>
<td>Door Problem</td>
</tr>
<tr>
<td>HVAC</td>
<td>HVAC</td>
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<tr>
<td>Redroom</td>
<td>Redroom</td>
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<tr>
<td>No Load/Electrical</td>
<td>No Load/Electrical</td>
</tr>
<tr>
<td>Dead Batteries</td>
<td>Dead Batteries</td>
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<tr>
<td>Running Gear</td>
<td>Running Gear</td>
</tr>
<tr>
<td>Cascade - Mechanical Related</td>
<td>Cascade - Mechanical Related</td>
</tr>
<tr>
<td>MECHANICAL-TERMINATED</td>
<td>MECHANICAL-TERMINATED</td>
</tr>
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<td>MECHANICAL-CASCADE</td>
<td>MECHANICAL-CASCADE</td>
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<tr>
<td>MECHANICAL-ANNULLED</td>
<td>MECHANICAL-ANNULLED</td>
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<tr>
<td><strong>MECHANICAL-COACH CAR</strong></td>
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<td>Air System</td>
<td>Air System</td>
</tr>
<tr>
<td>Air Brake System</td>
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<tr>
<td>Door Problem</td>
<td>Door Problem</td>
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<tr>
<td>HVAC</td>
<td>HVAC</td>
</tr>
<tr>
<td>Redroom</td>
<td>Redroom</td>
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<tr>
<td>Dead Batteries</td>
<td>Dead Batteries</td>
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<tr>
<td>Running Gear</td>
<td>Running Gear</td>
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<tr>
<td>Cascade - Mechanical Related</td>
<td>Cascade - Mechanical Related</td>
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<tr>
<td>MECHANICAL-TERMINATED</td>
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<td>MECHANICAL-CASCADE</td>
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<td>MECHANICAL-ANNULLED</td>
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<tr>
<td><strong>MECHANICAL-TRAIN SET</strong></td>
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<tr>
<td>Air System</td>
<td>Air System</td>
</tr>
<tr>
<td>Air Brake System</td>
<td>Air Brake System</td>
</tr>
<tr>
<td>Door Problem</td>
<td>Door Problem</td>
</tr>
<tr>
<td>Running Gear</td>
<td>Running Gear</td>
</tr>
<tr>
<td>Late Release</td>
<td>Late Release</td>
</tr>
<tr>
<td>Cascade - Mechanical Related</td>
<td>Cascade - Mechanical Related</td>
</tr>
<tr>
<td>MECHANICAL-TERMINATED</td>
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</tr>
<tr>
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<tr>
<td><strong>TRACK</strong></td>
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<tr>
<td>ROUGH TRACK</td>
<td>Restrictions</td>
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<tr>
<td>LATE RELEASE</td>
<td>Late release of Track and Time</td>
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<td>FORM A</td>
<td>SPEED RESTRICTION</td>
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<td>FORM B</td>
<td>Delays due to Form B restrictions, EIC</td>
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<td>UNANNOUNCED FLAG</td>
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<td>CASCADE TRACK</td>
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<td>TERMINATE TRACK</td>
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<td>ANNUL TRACK</td>
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<tr>
<td><strong>SIGNAL</strong></td>
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<tr>
<td>Lamp Out</td>
<td>Signal dark or downgraded</td>
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<tr>
<td>Signal Not Clearing</td>
<td>Red signal</td>
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<td>Switch Failure</td>
<td>Crew verified</td>
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<tr>
<td>Track Indication</td>
<td>Flagged block</td>
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<tr>
<td>Detector Malfunction</td>
<td>Detector announced Malfunction *</td>
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<tr>
<td>Signal - Cascade</td>
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</tr>
<tr>
<td>Signal - Annulled</td>
<td></td>
</tr>
<tr>
<td>Signal - Terminated</td>
<td></td>
</tr>
<tr>
<td><strong>CROSSING</strong></td>
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<tr>
<td>Broken Gate</td>
<td>Crew verified</td>
</tr>
<tr>
<td>Activation - Unknown</td>
<td>Working but poor reception Passenger station CSI problems</td>
</tr>
<tr>
<td>Nothing Found</td>
<td>Crossing - Terminated</td>
</tr>
<tr>
<td>Crossing - Cascade</td>
<td>Crossing - Annulled</td>
</tr>
<tr>
<td>Crossing - Annulled</td>
<td>Crossing - Terminated</td>
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<tr>
<td><strong>COMMUNICATIONS</strong></td>
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<tr>
<td>Code Line Failure MOC Office Radio</td>
<td>Brown out at specific location(s) - not system wide problem with AVTEC</td>
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<tr>
<td>Voice Radio Customer Info System Com - Cascade</td>
<td>Working but poor reception Passenger station CSI problems</td>
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<td>Com - Annulled</td>
<td>Crossing - Terminated</td>
</tr>
<tr>
<td>Com - Terminated</td>
<td>Crossing - Terminated</td>
</tr>
<tr>
<td><strong>CAD</strong></td>
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<tr>
<td>Local Pod Equipment</td>
<td>Problem with Dispatch work station</td>
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<tr>
<td>System Failure</td>
<td>System wide failure of CAD system</td>
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<td>Train Sheets</td>
<td>No or inaccurate Train sheet information</td>
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<tr>
<td>Train ID Tracking</td>
<td>Train ID does not track properly</td>
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<td>CASCADE</td>
<td></td>
</tr>
<tr>
<td>CAD - Annulled</td>
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</tr>
<tr>
<td>CAD - Terminated</td>
<td></td>
</tr>
<tr>
<td><strong>PTC</strong></td>
<td></td>
</tr>
<tr>
<td>PTC Delays</td>
<td>all enforcements, red fences, IT problems</td>
</tr>
<tr>
<td>PTC Cascades</td>
<td>Cascade delays from PTC events</td>
</tr>
</tbody>
</table>

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**113**

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**24**
Passenger Miles

Passenger Miles reflect the cumulative distance traveled by ticketed passengers on Metrolink trains. The metric is calculated based on ticket sales. It calculates the actual distance traveled by train between origin station and destination stations and the estimated number of linked trips taken with each sold fare product.

Estimated linked trips are calculated using ticket-type specific trip-multipliers. Total passenger miles divided by the number of linked trips returns the average length of a passenger trip.

Passenger miles calculated for this metric are based on actual ticket sales and reflect paid trips only. Unticketed or free ridership is not included. This metric differs from the total passenger miles reported annually to FTA’s National Transit Database. FTA mandates a different methodology that includes both paid and unpaid ridership, and that is not valid at the route level.

Passenger miles are an important input in financial performance indicators, such as ticket yield (fare revenue per passenger mile).

Ridership (Passenger trips)

Estimates of passenger trips based on ticket sales reflect paid riders only and do not include unpaid ridership, such as children under six years of age, uniformed police officers, employees, fare evaders, and promotional tickets. Also, ACCESS riders are not included at this time. Passenger trips can be measured in two ways: as boardings (unlinked trips), and as linked trips.

Passenger Boardings (Unlinked Trips)

Boardings, or unlinked trips, count a trip each time a passenger boards a transit vehicle. If a rider takes a train and then transfers to another train to reach a destination, it is counted as two boardings (two unlinked trips), one on each train. (http://www.apta.com/resources/statistics/Documents/FactBook/2015-APTA-Fact-Book.pdf).

Linked Trips

In contrast to boardings, linked trips reflect an entire journey from origin station to the destination station, regardless of the number of transfers. If a passenger uses two trains between origin and destination station it is counted as one linked trip. Linked passenger trips directly correspond to ticket sales based on origin and destination stations, no matter how many transfer stations or trains are necessary to complete the trip. Linked trips reflect person trips and most closely resemble individual riders.

Station Boardings

Station boardings represent an estimate of the total number of passenger boardings for an average weekday. The figure does not reflect alightings which are roughly equal to the number of boardings for most stations. The number of boardings is calculated based on the origin and destination information from Metrolink fare media sales. Passengers transferring between two trains at an intermediate station are not counted as station boardings. Trips taken on passes without defined destination stations, such as Weekend Passes, are counted at the origin station only.

Targets

Quarterly performance targets are set by policy (e.g. on-time performance) or by departmental objectives (e.g. accident rates). Performance targets linked to the annual budget are reported as year-to-date performance during the fiscal year.

Transit Transfers

Transit transfers reflect reported transfers of Metrolink customers to and from connecting transit services. Reported transfers are unaudited and are based on invoices for services provided and include only operators covered by an inter-agency transfer agreement.
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Mobile and Online (Web-Based) Ticketing Project Update

**Issue**

Staff is providing an update on the progress to date and key milestones associated with the delivery of the Mobile and Online Ticketing Project.

**Recommendation**

The Board may receive and file this report.

**Strategic Goal Alignment**

This report aligns primarily with the strategic goal to *improve communications to customers and stakeholders*.

**Background**

At the request of the Board, staff has presented monthly updates of the mobile and online ticketing deployment along with the marketing plan for the project beginning October 2015. The following details include an update of the three key phases of this project since the last status update to the Board on October 13, 2017.

**Phase 1: Application for Ticket Scanning**

In July 2015, the Authority initiated fare inspection scanning across all service lines. Currently, Metrolink fare enforcement personnel inspect approximately 36% of all riders in order to enforce the Authority’s fare policy and deter fare evasion. Weekly fare inspection reports are distributed to staff, detailing scanning by individual conductors.
Phase 2: Metrolink App

The Metrolink App continues to exhibit strong usage. System-wide, the current adoption rate is at 32%. The adoption rate is particularly robust on the Inland Empire – Orange County (IEOC) line which stands at 47%. The high adoption rate on the IEOC line is attributable to the fact that the IEOC line does not connect to the Los Angeles Country Metropolitan Transportation Authority (Metro) light rail and subway system, which does not currently grant electronic access to Metrolink mobile ticket holders. Metrolink riders must have a Transit Access Pass (TAP) chip-enabled paper ticket in order to gain entry through Metro’s gates. Upon completion of Phase 3 (optic reader installation), staff anticipates further growth in the mobile ticket adoption rate across all services lines.

The chart below reflects the system-wide percent of ticket sales through the Metrolink App month over month since July 1, 2016. The data is current as of November 5, 2017.

Adoption Rate Based on Ticket Revenue from July 1, 2016 to November 5, 2017

Mobile Adoption System-wide Month over Month

Staff continues to receive customer comments and questions about future enhancements. Currently, passengers who connect to the Metro Rail and Corporate Quick Card users should continue to use paper tickets until enhancements are completed. Mobile ticket users can transfer to all bus operators that currently accept Metrolink paper tickets, including the Metro Bus system. Mobile ticket users simply show the bus operator an activated mobile ticket for visual inspection.

Phase 3: Metro Gate Integration (Optical Reader Installation)

Phase 3 of the mobile ticketing project will enable compatibility between Metrolink’s mobile ticket app and Metro’s regional Transit Access Pass (TAP) program by installing optical readers in the Metro rail gates. Cubic, Metro, Masabi and the Authority hold weekly meetings to address technical issues and receive updates on project deliverables.
A prototype of the optical reader has been installed in the Metro TAP lab. The optical readers require the integration of hardware components from 2 different vendors:

a) Masabi single board computers (SBC),

b) Cubic optic readers.

Installation of the Masabi single board computers was completed for the Metro Red and Purple Lines on October 20, 2017 and installation for the Metro Green Line is currently underway. Cubic is scheduled to commence the pilot installation containing the optical scanners at two Metro rail stations the second week of November. One pilot location for the optical scanner will be located at Los Angeles Union Station - west portal. The other pilot location for the optical scanner will be located at the Green Line Mariposa Station - south side. The controlled pilot testing of the optic scanners in the field will run for approximately one week. If the pilot testing is successful, the Cubic optical readers are scheduled for system-wide installation starting in the fourth week of November. Staff anticipates the program to go live in December 2017.

Attachment A reflects the project schedule timeline.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Andy Ly, Senior Manager, Fare Collections

Ronnie Campbell
Chief Financial Officer
**ATTACHMENT A**

**MOBILE/ONLINE TICKET PROJECT SCHEDULE**

**Project Kickoff & Initiation**
- Notice to Proceed: May 4, 2015

**Phase 1: Application for Ticket Scanning**
- July, 2015

**Phase 2: Metrolink App**
- IEOC Beta Test: November, 2015
- Live IEOC Line Rollout: March 1, 2016
- Full System-wide Rollout (No Metro Rail Transfer): March 31, 2016
- Angels Express Tickets Available: March 31, 2016
- Fare Change / PV Stations Added: June 6, 2016
- Email Confirmation Update: June 15, 2016
- Change Pedley Station to Jurupa Valley/Pedley: October 3, 2016
- Adding service alerts, schedule and ticket info: October 11, 2016
- Email Subscription Integration: October 11, 2016
- Uber / Lyft / Rideshare Integration: October 11, 2016
- Amtrak Scanning for R2R Passengers: December 10, 2016
- Self Service Refund: December 10, 2016
- Adding Rider Tool Enhancements: February 24, 2017
- Fare Enforcement Enhancements: February 24, 2017
- Purchase Ticket Online and Display in App: September 2017
- Print at Home Ticket: March 2018
- Multi-Language: To be determined
- Apple Pay Integration: To be determined
- Corporate Quick Card: To be determined

**Phase 3: Metro Gate Integration**
- Board Approval Cubic Contract for Optical Readers: October 28, 2016
- TAP Lab / Station Trial: May 22, 2017
- Optical Reader / Single Board Computer Installation: November 2017
- Gate Integration Complete: December 2017
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017

TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Assembly Bill 1234 Meetings Attended by Members of the Board of Directors

Issue

A report on meetings attended by members of the Board of Directors is provided in compliance with the Authority's policies and "Assembly Bill 1234"(AB 1234) (Government Code Section 53232 et seq).

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goal to improve communications to customers and stakeholders.

Background

The Authority amended its policies to be consistent with the requirements of state law effective in 2005 and known as "AB 1234". Among the changes on expense reports was a requirement that members of a legislative body “provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body.” For purposes of this report, attendance at regular or special meetings of the Board and its committees for which per diem compensation is provided are not included within this requirement.

Members of the Board of Directors have requested that reports be filed with the Board relating to meetings or activities that they have attended on behalf of the Authority in the performance of official duties during the previous month for which they have claimed reimbursable expenses. Staff provides the Board with the following reports pursuant to these requests.
Wednesday, August 30 through Thursday, August 31, Chair Kotyuk traveled to Sacramento with Roderick Diaz, Planning and Development Director and Whitney O’Neill, Senior Government and Regulatory Affairs Manager for a California Assembly Select Committee on Rail Hearing and advocacy meetings. The delegation participated in a Select Committee on Rail Hearing with Intercity Passenger Rail operators (Pacific Surfliner, Capitol Corridor, and San Joaquins) existing Commuter Rail operators (Metrolink, Coaster/Sprinter, Caltrain, SMART, and ACE). The delegation also met with key leadership including Assembly Select Committee on Rail Chair Adam Grey and Select Committee Member Vince Fong. The Authority discussed the need for commuter rail service in a region with 55 percent of the state’s population and 40 percent of the nation’s goods traveling through Southern California ports. The purpose of the travel was to participate in the Select Committee on Rail Hearing, to share information on the need for investments into the Metrolink system and to discuss Authority maintenance and rehabilitation programs for infrastructure and rolling stock.

Saturday, October 7 through Wednesday, October 11 Chair Kotyuk and Vice-Chair Humphrey attended the American Public Transportation Association (APTA) Annual Meeting in Atlanta, Georgia. The delegation participated in important meetings with industry professionals, and joined Authority staff in their recognitions for Metrolink’s marketing campaigns and Chief Executive Officer Art Leahy’s recognition as “Outstanding Public Transportation Manager”.

**Budget Impact**

Funds for eligible expense reimbursement are provided in the FY2017-18 budget.

Prepared by: Kari Holman, Assistant to the CEO / Board Secretary
Whitney O’Neill, Government and Regulatory Affairs Manager

Sherita K. Coffelt
Director, Public Affairs
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017

TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: State and Federal Legislative Update and State Year-End Review

Issue

Staff will provide an update on current legislative issues in State and Federal Government Affairs.

Recommendation

The Board may receive and file this report.

Alternative

The Board may choose to act upon the information provided.

Strategic Goal Alignment

This report aligns with the strategic goal to maintain fiscal sustainability by encouraging federal, state and local funding for Authority priorities. This report also supports improve communications to customers and stakeholders by sharing news, information and the Authority’s legislative priorities with elected officials.

Background

State

California Governor Jerry Brown had until October 15 to sign or veto bills passed by the Legislature. Metrolink was successful on many efforts during the first year of the legislative session, with the Governor signing historic investments in public transportation and the Cap-and-Trade Program. Bills signed by the Governor will take effect January 1, 2018.
Board-opposed Assembly Bill 805 (Fletcher) was signed by the Governor, and will require the restructuring of the San Diego Association of Governments (SANDAG) board. Staff continue to work with Senator Portantino on Senate Bill 502, which would require publically-accessible Automated External Defibrillators (AEDs) onboard commuter rail trains. SB 502 is expected to be heard during the 2018 legislative session as a two-year bill.

On October 4, staff participated in a South Coast Air Quality Management District (SCAQMD) working group meeting to discuss facility based mobile source measures; focusing on potential emission reduction opportunities at rail yards and intermodal facilities.

On October 30, Metrolink CEO Art Leahy participated in a Select Committee on Regional Transportation Solutions Hearing hosted by Assemblymember Chris Holden to discuss sustainable, regional transportation project. Mr. Leahy joined California Transportation Commission Executive Director Susan Branson, Foothill Gold Line CEO Habib Balian and the LA-Orange Counties Building & Construction Trades Council to discuss the role of transportation in creating jobs and promoting economic growth.

Staff continue to work with various agencies and elected officials to advocate on behalf of the Authority. Metrolink staff have participated in meetings with the California Transit Association (CTA) to identify legislative priorities for 2018; and met with the offices of Senator Bob Hertzberg and Assemblymember Raul Bocanegra to discuss service on the Antelope Valley Line in the San Fernando Valley.

State End of Year Review

Staff along with state advocates will share a year-end review of state legislative activities.

Federal

In October, the Senate passed their Fiscal Year 2018 budget resolution which will allow for expedited consideration of tax cuts later this year. At the time that this report was written, the House was expected to pass the identical bill imminently. The spending blueprint is key to the Administration's efforts to pass tax reform with a simple majority vote as it includes reconciliation instructions that will allow the tax reform plan to avoid a Senate filibuster.

The FY18 budget resolution, which is nonbinding and does not require the President's signature, would allow tax reform to increase the deficit by $1.5 trillion over the next ten years. Its instructions call for the Senate Finance Committee to report a tax bill by November 13, 2017.
Staff and advocates have been targeting congressional leadership and members on tax writing and policy committees, House Ways and Means and Senate Finance, to see through Authority tax reform priorities. Earlier this year, government relations staff worked with a third party consultant to develop specialized policies that could be included in a potential tax package. The proposals incentivize private investment into the Metrolink system by extending the agency’s public tax benefits to private investors. Staff and federal advocates continue to garner support from Senators Harris and Feinstein to support the agency’s tax reform initiatives. Of additional note, the Authority maintains a significant interest in preserving the tax benefit known as the “commuter tax benefit”, a vital benefit to riders that is potentially at risk. The Authority joins the American Passenger Transportation Association (APTA) and a long list of supporters in its efforts to protect this critical tax benefit.

On the discretionary side, the budget resolution maintains spending at 2017 levels for the remainder of FY18 for a total discretionary cap of $1.065 trillion. This does not include supplemental emergency spending but would cut nondefense spending in subsequent years, leading to a $106 billion cut in 2027. It would also allow defense levels to continue rising at their current rates, reaching $684 billion at the end of a decade.

The resolution also proposes $473 billion in cuts to Medicare’s baseline spending over a decade and nearly $1 trillion from Medicaid, although those provisions are not enforceable without additional legislation.

In September, the Administration crafted a deal with Democratic leadership to maintain current levels of government spending (termed a Continuing Resolution), provide supplemental hurricane relief, and temporarily raise the debt limit until December 8, 2017. The final discretionary spending levels that will fund the government for the remainder of FY18 will still have to be negotiated between Congressional leadership and the White House prior to the Continuing Resolution’s expiration on December 8th. The House and Senate appropriations committees used different topline numbers and subcommittee allocations, so those differences will also have to be adjusted through the conference committee process and provides an additional opportunity to advocate on behalf of the Authority’s appropriations requests.

The Authority continues to advocate for several proposals for both FY18 and FY19 appropriations. Staff has previously reported to the board the Authority’s current appropriations proposals for FY18 to increase funding for the State-Federal Partnerships for State of Good Repair grants, and for report language that instructs the Office of the Secretary to draft supplemental grant making criteria to provide an advantage to commuter railroads that have implemented PTC on their systems.

Staff is currently working with advocates to draft budget request language for FY19 and will work with both the Department of Transportation and congressional champions to
communicate the Authority’s requests to the Trump Administration and Office of Management and Budgets.

Finally, nothing in the budget resolution impacts sequester cuts imposed by the Budget Control Act of 2015. As a reminder, sequester cuts were designed as a mechanism to be so severe and indiscriminate that the cuts would force bi-partisan negotiations. Relief from those cuts will likely have to be negotiated as a part of legislation required to address the borrowing limit which also expires on December 8th.

**Next Steps**

The Board may direct staff to act on the provided information.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Whitney O’Neill, Senior Manager, Government and Regulatory Affairs

Sherita K. Coffelt
Director, Public Affairs
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
ITEM 25
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Restructured Antelope Valley Line Memorandum of Understanding

Issue
Staff is presenting an update on the amended Antelope Valley Line (AVL) Memorandum of Understanding (MOU).

Recommendation
The Board may receive and file this report.

Alternative
The Board may request additional information.

Strategic Goal Alignment
This report aligns with the strategic goal to improve communications to customers and stakeholders as it apprises the Board of changes to an existing MOU with one of its member agencies.

Background
In January of 2015, Metrolink and the Los Angeles County Metropolitan Transportation Authority (Metro) executed an MOU to fund a fare enforcement pilot program (also referred as the AVL Contract Security/Los Angeles Sheriff Department Operations Program). The initial program called for the addition of up to 11 assistant conductors to verify fares and provide supplementary support (i.e., train sweeps).
Originally conceived as a one-year program, the Board extended the program with continued funding sponsorship from Metro due to the progress made in decreasing the fare evasion rate and positive feedback received from riders. However, the logistics of fully staffing the program became challenging due to the lead-time required to obtain assistant conductors. This prompted staff to amend the original MOU to allow contracted security guards to perform fare enforcement in lieu of assistant conductors. The revised MOU will be effective on November 18, 2017.

AVL Security Staffing and Oversight

The Security Manager position will oversee deployment and streetcarring operations to ensure the duties of each post in the staffing plan are executed as outlined:

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<tr>
<th>Staffing Plan</th>
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<tbody>
<tr>
<td>Location</td>
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<td>LA Union Station</td>
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<td>Lancaster (weekday)</td>
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<td>Lancaster (weekend)</td>
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<td>AVL Train Rider (weekday)</td>
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<td>AVL Train Rider (weekend)</td>
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With assistance from the Los Angeles County Sheriff’s Department (Metrolink Bureau), contracted security guards will now patrol various stations along the Antelope Valley Line and aboard random trains selected on a rotating basis. Armed and unarmed guards furnished by security contract partner Allied Universal will be fully dedicated to this purpose. These guards will also check fares on platforms (known as streetcarring) at Los Angeles Union Station (LAUS) and Lancaster station.

This amendment will allow for additional staffing to ensure that comprehensive fare enforcement is conducted and also provide supplementary safety support on the AVL, if needed. For instance, in addition to conducting random fare enforcement checks, contract security will also patrol the platforms, conduct welfare checks with Metrolink’s Security Operations Center (SOC) and report any irregularities and security concerns to the SOC. The SOC will provide oversight in dispatching, tracking and monitoring staff.

Lastly, the deployment plan will vary depending on the demand and need; however, staff identified several scenarios for deployment with emphasis on providing comprehensive fare enforcement along the AVL route. These include daily staffing and posts on all AVL trains and on platforms at Union Station and Lancaster.

Next Steps

Staff believes that this amended MOU and methodology will provide the level of fare enforcement required on the AVL in addition to greater security for the riders of this line.
Staff will continue to monitor crime and safety issues on the entire system - and this line in particular - and make adjustments as necessary. Staff will also work with Metro to ensure that this modified program meets the intent of the MOU. Staff will return to the Board in six months to provide a progress update on the program.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Laura Lamarque, Executive Assistant II
Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services

Gary Lettengarver
Chief Operating Officer
**MINUTES OF THE BOARD OF DIRECTORS REGULAR MEETING**  
October 27, 2017

**ITEM 29**

**BOARD MEMBERS/ALTERNATES IN ATTENDANCE:**

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<th>Votes</th>
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<td><strong>RCTC:</strong></td>
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<td>ANDREW KOTYUK (Chair)</td>
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<td>DEBBIE FRANKLIN</td>
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<td>BRIAN HUMPHREY (Vice-Chair)</td>
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<td><strong>METRO:</strong></td>
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<td>ARA NAJARIAN (2nd Vice-Chair)</td>
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<td>KATHRYN BARGER</td>
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<td>PAUL KREKORIAN</td>
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<td>Joseph Gonzales</td>
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<td>Jon Harrison</td>
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<td>GREGORY WINTERBOTTOM</td>
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**EX-OFFICIO MEMBERS**

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<tr>
<td><strong>SCAG</strong></td>
<td>Art Brown</td>
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<td><strong>State of California</strong></td>
<td>Ryan Chamberlin</td>
</tr>
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**STAFF/PRESENTERS:**

ARTHUR T. LEAHY, Chief Executive Officer
CHARLENE ARIZA, Marketing Manager II
ROD BAILEY, Deputy Chief Operating Officer, Dispatch and Operator Services
TRACY BERGE, Assistant Director, System Safety
Board of Directors Meeting Minutes – October 27, 2017
Transmittal Date: November 9, 2017
Page 2

RACHAEL CHAIRES, Senior Manager, Customer Relations
DON DEL RIO, General Counsel
GEOFFREY FORGIONE, Associate General Counsel
JUSTIN FORNELLI, Director, Engineering and Construction
FRED JACKSON, Director System Safety & Security
ELISSA K. KONOYE, Deputy Chief Executive Officer
ELIZABETH LAZUARDI, Senior Manager, Audit
ANDY LY, Senior Manager, Fare Collections
ANNE LOUISE RICE, Assistant Director, Grants
WILLIAM RINGLAND, Marketing Manager, Digital Systems
MANCHI YI, Principal Contract & Compliance Administrator
CHERI SMITH, Assistant Board Secretary
KARI HOLMAN, Assistant to the CEO/Board Secretary

Meeting minutes are prepared in a format that corresponds with the Board Meeting Agenda, which is incorporated by reference with these minutes. Board Agendas are available online at www.metrolinktrains.com under the Meetings and Agendas link or from the Board Secretary at (213) 452-0255.

1. Call to Order

The October 27, 2017 Board of Directors Meeting was called to order by Chair Kotyuk at 10:07 a.m. at the Metro Board Room, One Gateway Plaza, 3rd Floor, Los Angeles, CA 90012.

2. Pledge of Allegiance

Vice-Chair Humphrey led the group in the pledge of allegiance.

3. Roll Call

The Board Secretary called roll to confirm a quorum of the Board was present.

4. Public Comment

At this time, Chair Kotyuk inquired if the Board Secretary had received any Request to Speak forms, and it was confirmed that no requests were received. The Public Comment period was then closed.
REGULAR CALENDAR

5. Approval of Meeting Minutes – October 13, 2017 Board of Directors Meeting

Upon a motion by Vice-Chair Humphrey and seconded by Director Franklin the Board approved the recommendation. There was no opposition and the motion passed unanimously.

ACTION: The Board approved the Minutes of the October 13, 2017 Board of Directors Meeting.

6. Adoption of Board and Committee Meeting Dates for Calendar Year 2018

Kari Holman, Assistant to the CEO/Board Secretary provided a brief background on this item as detailed in the staff report and requested approval of staff’s recommendation.

Chair Kotyuk suggested a date change for the FY2018-19 budget workshop which was scheduled for February 9, 2018. He wanted to ensure that there would be a quorum of the Board present with the two Federal holidays that month (February 12 and 19, 2018)

Vice-Chair Humphrey suggested the Board consider the possibility of rotating Board meetings to the five member agency locations and/or conduct Board meetings during evening hours, which would potentially allow for more public participation.

Chair Kotyuk inquired if any Board members were opposed to deleting the February 9 Board meeting and moving the FY2018-19 budget workshop to February 23, 2018.

Upon a motion by Director Krekorian and seconded by Director Franklin the Board approved the recommendation as amended below in bold italics. There was no opposition and the motion passed unanimously.

ACTION: The Board approved and adopted the 2018 Board and Committee meeting schedule, as detailed in Attachment 1, and amended to remove the February 9, 2018 meeting date and move the FY2018-19 Budget Workshop to be held on February 23, 2018.

1 The 2018 Board and Committee meeting calendar has been posted on the website at www.metrolinktrains.com.
7. **Contract No. QM158-18 – On-Call Audit Services Bench – Recommendation to Award – BCA Watson Rice LLP; Conrad LLP; Crowe Horwath LLP; Grant Thornton LLP; Vasquez & Company LLP**

Manchi Yi, Principal Contract & Compliance Administrator provided a brief background on this item as detailed in the staff report and requested approval of staff’s recommendation.

Upon a motion by Director Franklin and seconded by Director Winterbottom the Board approved the recommendation. There was no opposition and the motion passed unanimously.

**ACTION:** The Board authorized the Chief Executive Officer to award the following five bench contracts to provide on-call audit service:

1) QM158A-18 – BCA Watson Rice LLP
2) QM158B-18 – Conrad LLP
3) QM158C-18 – Crowe Horwath LLP
4) QM158D-18 – Grant Thornton LLP
5) QM158E-18 – Vasquez & Company LLP

The requested contract term would be for a base period of two years with a single two-year option. The total not-to-exceed amount for the base period of two years for all five contracts was $500,000. The awards were subject to resolution of any protest timely filed.

8. **Request for Technical Qualification No. OP141-18 – Approval of Evaluation Criteria – Metrolink Dispatch Services**

Manchi Yi, Principal Contract & Compliance Administrator provided a brief background on this item as detailed in the staff report and requested approval of staff’s recommendation.

Arthur T. Leahy, Chief Executive Officer stated that the cost proposals from submitting firms would be kept confidential. Staff had been meeting with potential proposers regarding industry evolution, specifically on the subject of bundling job functions to reduce overhead. Staff was also reaching out to railroads nation-wide to clarify if there were any industry standards regarding contract bundling. Staff would continue to keep the Board informed on this topic.

Director Barger stated that the goal of the RFP was to establish if outsourcing dispatching services was cost effective and she appreciated the alternatives that were included into the Request for Technical Qualification (RFTQ).
Upon a motion by Director Winterbottom and seconded by Director Barger the Board approved the recommendation. There was no opposition and the motion passed unanimously.

**ACTION:** The Board approved the proposed evaluation criteria detailed in Attachment 1, specifying weighting of 80% for technical qualifications and 20% for cost, to retain a qualified firm to provide dispatch services in support of daily commuter operations.

9. **Cooperative Agreement with Orange County Transportation Authority for Laguna Niguel to San Juan Capistrano Passing Siding Project**

Justin Fornelli, Director, Engineering and Construction provided a brief background on this item as detailed in the staff report and requested approval of staff’s recommendation.

Arthur T. Leahy acknowledged Darrell Johnson, Chief Executive Officer and Andy Oftelie, Executive Director, Finance with Orange County Transportation Authority (OCTA) who were in the audience.

Upon a motion by Vice-Chair Humphrey and seconded by Director Franklin the Board approved the recommendation. There was no opposition and the motion passed unanimously.

**ACTION:** The Board authorized the Chief Executive Officer to negotiate and execute Cooperative Agreement No. C-6-1615 between OCTA and the Authority in the amount of $5,507,000 to define roles, responsibilities and funding for construction of the Laguna Niguel to San Juan Capistrano Passing Siding Project on the Orange County Line in the City of Laguna Niguel and the City of San Juan Capistrano.

10. **Festival of Lights Special Train Service Improvements**

Charlene Ariza, Marketing Manager II provided a brief background on this item as detailed in the staff report.

Arthur T. Leahy reminded the Board that during the 2016 Festival of Lights (FOL) Special Train Service, significant operational challenges occurred due to inadequate service design and was pleased with the service plan for the 2017 FOL service, ensuring a positive costumer experience.

Chair Kotyuk stated that overall the 2016 FOL event was hugely successful and commented on additional opportunities for future special train services such as the annual Ramona Pageant held in Hemet, CA.
Director Winterbottom commented that as a member of the Mobile Source Air Pollution Reduction Review Committee (MSRC) he was pleased to assist with the approval of the South Coast Air Quality Management District (SCAQMD) Major Event Center Transportation Program grant for the 2017 FOL event.

Director Franklin thanked staff for their efforts to ensuring that the 2017 FOL event would be a better experience for Metrolink customers compared the prior year. She inquired as to how staff was reaching out to past customers to regain their patronage. Charlene Ariza replied that all customers who had filed complaints the prior year had been offered complimentary tickets to ride the train to the 2017 FOL event.

**ACTION:** The Board received and filed this report.

11. **Optic Reader Marketing and Communication Plan**

William Ringland, Marketing Manager, Digital Systems provided a brief background on this item as detailed in the staff report.

**ACTION:** The Board received and filed this report.

12. **Quarterly Report – Bus Bridge Response for Unplanned Services Disruptions**

Rachael Chaires, Senior Manager, Customer Relations, Digital Systems provided a brief background on this item as detailed in the staff report.

Director Barger thanked staff for their efforts and stated that providing timely bus bridge service to passengers due to unplanned services disruptions would continue to be a challenge. Director Barger asked for more information regarding the comment in the board report on the possibility of acquiring older buses as an option. Rachael Chaires replied that the Authority had at one point considered a obtaining an older bus fleet but realized it was not a viable option due to insurance and liability concerns. She indicated that staff was contemplating obtaining a retainer based option for an on-call contingency bus fleet. Director Barger requested the service providers past performance reports be included in future board reports to compare and monitor service levels.

Director Krekorian also thanked staff for their efforts. He expressed his concerns regarding partnering with Lyft or other Transportation Network Companies (TNC) and potential liability issues since he believed that TNC’s did not require fingerprint based background checks of the independent contract drivers. He urged that if the Authority contracted with a TNC, additional steps be taken to build into the contract clear insurance and indemnification contractual protections. In lieu of a TNC he advised contracting with taxicab companies as background checks are performed on their employees.
Director Martinez thanked staff for the continued efforts regarding the timely response of service providers to delays on the Antelope Valley Line. She thought sharing a unified chain of communications (when incidents arose) with the Antelope Valley Transit Authority (AVTA) and cities within the region would be helpful.

ACTION: The Board received and filed this report.

13. Internal Audit – Corrective Action Status Update – Quarter Ending September 30, 2017

Elizabeth Lazuardi, Senior Manager, Audit provided a brief background on this item as detailed in the staff report.

Director Barger requested a report on the progress to date of the Internal Audit – Corrective Action Status Update be placed on the Board Workshop FY2018-19 Budget agenda that would be held in February of 2018.

2nd Vice-Chair Najarian inquired if the Authority participated in standing meetings with Amtrak to discuss issues as they arose. Elizabeth Lazuardi replied that based on the follow-up of the audit findings, staff was meeting with Amtrak officials to implement corrective actions and discussions regarding the audit findings had begun. 2nd Vice-Chair Najarian suggested having regular interaction with Amtrak to discuss charges, fees, and any other issues that needed to be addressed. Arthur T. Leahy acknowledged passivity from staff that had since been resolved and it was anticipated that staff would engage in firmer monitoring and management of the Amtrak contract. Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services stated that since he joined the Authority in 2016 monthly meetings with Amtrak were conducted to discuss all matters.

Chair Kotyuk noted that earlier that morning during the Executive Management and Audit Committee (EMAC) meeting the Amtrak contract and audit review was discussed.

ACTION: The Board received and filed this report.

14. Ticket Vending Machine Availability and Performance

Andy Ly, Senior Manager, Fare Collections provided a brief background on this item as detailed in the staff report.

ACTION: The Board received and filed this report.
15. **Performance Update on Contract No. OP136-10 – Operator Services – Quarter Ended September 30, 2017**

Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services provided a brief background on this item as detailed in the staff report.

Director Franklin thanked staff for the report and appreciated the work that went into the report. She asked if there were any trends with the types of complaints that were received. Rod Bailey responded that rudeness from the conductors seemed to be the highest complaint, especially during a delay or incident and noted that staff had been working with the conductors to ensure timely announcements occur. Director Franklin inquired if the conductors had scripts and responses for such incidents. Rod Bailey replied that the conductors were provided set scripts and staff was in the process of implementing supplementary checklists as well.

**ACTION:** The Board received and filed this report.

16. **Onboard Automatic Electronic Defibrillators**

Tracy Berge, Assistant Director, System Safety provided a brief background on this item as detailed in the staff report.

Anne Louise Rice, Assistant Director, Grants thanked Director Barger for her suggestion of pursuing grant funding from the AETNA Foundation and L.A. Care for the project and noted that unfortunately neither the Authority nor the project qualified for the local grants. Staff had reached out to other potential grantors regarding possible funding for the Automatic Electronic Defibrillators (AED) project. Director Barger remarked she would conduct follow-up with L.A. Care on this matter.

**ACTION:** The Board received and filed this report.

17. **Federal Railroad Administration Violations Update**

Fred Jackson, Director System Safety & Security provided a brief background on this item as detailed in the staff report. He also commented on the Federal Railroad Administration (FRA) review that was recently performed. He stated that there had been a number of FRA blitzes (unannounced inspections) throughout the industry. The FRA conducted an unannounced inspection of the Authority last week and examined all disciplines of operations. The inspection reports were issued the prior evening and indicated only one significant finding relating to an air test as well as areas for improvement. Staff would conduct a review of the report. However, he compared this type of inspection to getting a health check-up and was pleased to report that the Authority was very healthy.
Arthur T. Leahy inquired as to when the final report from the FRA would be received. Fred Jackson replied that the report was expected to be received in early November 2017. Chair Kotyuk inquired as to when the Board would receive the FRA report. Arthur T. Leahy replied that staff would agendize the FRA final report when it became available.

**ACTION:** The Board received and filed this report.

### 18. Quarterly Grants Update

Anne Louise Rice, Assistant Director, Grants provided a brief background on this item as detailed in the staff report.

Chair Kotyuk asked if reporting requirements were being met and Anne Louise Rice replied that the necessary reporting requirements were met.

**ACTION:** The Board received and filed this report.

### 19. Chief Executive Officer’s Report – Arthur T. Leahy reported on the following:

- Headquarters Office Space Update – The move to the new headquarters office space located at 900 Wilshire was anticipated for spring of 2018. Elissa K. Konove, Deputy Chief Executive Officer was the lead regarding the design elements.

- Positive Train Control (PTC) interoperability with BNSF Railway – Metrolink successfully began interoperability PTC operations with BNSF, there had been improved performance of PTC system over the past few months, interoperability was a major milestone for the industry.

- Tier 4 Locomotive update – Two Tier 4 units were currently in revenue service and were in initial testing mode which meant the locomotives were coupled with a conventional locomotive to insure performance.

- Organizational changes – An overview of recent organizational changes was discussed. During the course of the last few years, the management team had been strengthened significantly and changes occurred to align with a more appropriate business model. He outlined some of the major changes that took place. (Director Franklin requested the board receive an organizational chart on the changes)

2 Following the meeting, staff provided the Board with the requested organizational chart electronically.
20. **Board Members’ Comments**

Director Leon extended an invitation to Board members to attend upcoming events with the Los Angeles Cleantech Incubator (LACI) and would work with the Chief Executive Officer for participation.

Director Harrison apprised the Board of the passing of former Board Member Patricia Gilbreath, who had passed away earlier that month.

21. **Chair’s Comments** – Chair Kotyuk reported on the following:

- Metrolink 25th anniversary event – He reminded the Board of the event taking place immediately following the board meeting and invited everyone to attend. This was a significant milestone for the Authority.

- Organizational changes – He commented that he had been briefed on the changes. Elissa K. Konove had been key player throughout the process. The organizational chart would be shared with the Board.

22. **ADJOURNMENT**

The meeting was adjourned in the honor of Patricia Gilbreath.

There being no further business for consideration by the Board, the meeting was adjourned at 10:57 a.m.

Respectfully Submitted,

Kari Holman
Assistant to the CEO/Board Secretary
TO: Board of Directors

FROM: Arthur T. Leahy

SUBJECT: Approve Updates to Human Resources Policies and Procedures

Issue

Approval is needed of updates to two (2) Human Resources policies. Additionally, staff is providing an update on changes to one (1) other Human Resources policy that was authorized by the Chief Executive Officer under his delegated authority.

Recommendation

The Executive Management and Audit Committee approved and recommended that the Board approve updates to the following Human Resources policies:

1) HR Policy No. 1.1, Employment – Types of Employment Status
2) HR Policy No. 4.7, Other Benefits – Employee Transportation Assistance

Alternative

The Board may request:

1) Other revisions be made to the policies;
2) No revisions be made to the policies

Committee Review

This item was approved at the Executive Management and Audit Committee meeting held on October 27, 2017.

Strategic Goal Alignment

This report aligns with the strategic goals to improve organizational efficiency and invest in people and assets.
Background

At the April 8, 2011 Board of Directors meeting, the Board authorized the Chief Executive Officer to review and approve future changes to Human Resources Policies and Procedures, with the exception of policies with significant legal, contractual and/or financial implications, which would be submitted to the Board of Directors for approval. Additionally, the Board approved the Executive Management and Audit Committee's request that a quarterly update be provided on any changes to Human Resources Policies and Procedures made by the Chief Executive Officer under his delegated authority.

Staff is recommending updates to two (2) existing Human Resources policies. Board approval is required because the policy recommendations may have legal, financial and/or contractual implications. Descriptions of the recommended changes are described below:

**HR Policy No. 1.1, Employment – Types of Employment Status**

- Adds language to indicate which employment status types are eligible for a system-wide Metrolink pass in accordance with the proposed updates to HR Policy No. 4.7.

**HR Policy No. 4.7, Other Benefits – Employee Transportation Assistance**

- Adds language regarding eligible employees receiving a Metrolink system-wide pass providing unlimited free access to all Metrolink lines and trains;
- Adds language regarding eligible retirees receiving a Metrolink system-wide pass for themselves and their eligible dependents providing unlimited free access to all Metrolink lines and trains;
- Changes the maximum value of the free commuter transit pass provided to active employees from the highest cost Metro monthly pass to the maximum monthly tax-free amount established by the Internal Revenue Service.

Attachment 1 shows the policies with redlines to reflect the recommended changes to the latest version of the policy. Attachment 2 has clean versions of the policies.

Changes to one (1) additional policy was made under the delegated authority of the Chief Executive Officer. No Board action is required on this policy update because there are no significant legal, contractual or financial implications. Descriptions of the changes are shown below:
HR Policy No. 1.2, Employment - Selection Process

- Amends language to state that a candidate who fails an assessment may retake it after six (6) months;
- Adds language to clarify that employees may apply for a promotion or transfer while in their introductory period and will begin a new introductory period in the new position.

**Next Steps**

Adopt amended policies upon Board approval.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Roxanne Randolph, Senior Human Resources Analyst
Patricia Francisco, Director, Human Resources

Elissa K. Konove
Deputy Chief Executive Officer
PURPOSE

To define and categorize the employment status of all employees.

APPLICATION

These definitions apply to all Southern California Regional Rail Authority (SCRRA) employees. If a provision of this policy conflicts with any provision of a valid memorandum of understanding between the SCRRA and a recognized employee organization, the provision of the memorandum of understanding that is in conflict shall apply to employees covered by that memorandum of understanding.

POLICY STATEMENT

The SCRRA maintains standard definitions of the employment status for SCRRA employees. This employment status is used to group various employees for purposes of human resources administration and related payroll transactions.

1.0 PROCEDURES

The following types of employment status and respective definitions will apply:

1.1 Full-time, Regular Employee

A regular, full-time employee works a regular schedule of forty (40) hours per week. Regular, full-time employees are eligible for employee benefits as described in the applicable Summary of Benefits published annually.
1.2  **At-Will Employee**

An at-will employee holds a position designated as “at-will” by the Chief Executive Officer (CEO) or was hired on or after July 1, 2010. An at-will employee does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

Employees who promote from “regular” employment status to an at-will position will be required to sign a notification and acknowledgment of at-will employment as a condition of promotion.

1.2.1 A full-time, at-will employee works a regular schedule of forty (40) hours per week. Full-time, at-will employees are eligible for employee benefits as described in the applicable Summary of Benefits published annually.

1.2.2 A part-time, at-will employee works a regular schedule of less than forty (40) hours per week. Part-time, at-will employees are eligible for reduced or prorated benefits as described in the applicable Summary of Benefits published annually.

1.3  **Represented Employee**

A represented employee is a part of a collective bargaining unit that is exclusively represented by an employee organization. Terms and conditions of employment for a represented employee are determined through a collective bargaining process. Represented employees are eligible for employee benefits as described in the applicable Memorandum of Understanding.

1.4  **Temporary Employee (Special Services)**

A temporary (Special Services) employee fills a position for a limited period of time with a maximum duration. Temporary (Special Services) employees are eligible for California Paid Sick Leave, and a transportation pass for commuting purposes, and a system-wide Metrolink pass, and they are not eligible to earn, accrue or participate in any other SCRRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A temporary (Special Services) employee does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

1.5  **Grads on Career Track Employee (Special Services)**

A Grads on Career Track (Special Services) employee is a recent college graduate hired within six (6) months of graduation and up to 24 months after graduation to fill a position for a limited period of time with a maximum duration. Grads on Career Track (Special Services) employees work twenty (20) to forty (40) hours per week. They are eligible for medical insurance, California Paid Sick Leave.
and a transportation pass for commuting purposes, and a system-wide Metrolink pass. They do not earn, accrue or participate in any other SCRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A Grads on Career Track (Special Services) employee does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

1.6 Non-Exempt Employee

Non-exempt employees are covered by the provisions of the Fair Labor Standards Act (FLSA). A non-exempt employee is entitled to overtime compensation, regardless of whether paid on a salary or hourly basis.

1.7 FLSA-Exempt Employee

An employee who meets one or more of the duties test exemptions from overtime under the FLSA (e.g. executive, administrative, professional, computer employee) and who is paid on a salary basis, meaning that he or she is compensated in a predetermined amount that is not reduced, regardless of the quality or quantity of work actually performed, except as required by the SCRRA’s principles of public accountability for partial-day absences, is FLSA exempt. An FLSA-exempt employee is not entitled to overtime compensation.

1.8 Retired Annuitant

A retired annuitant is an employee retired from CalPERS who is eligible to work for a limited period of time and a maximum duration in accordance with CalPERS regulations. Retired annuitants are eligible for a transportation pass for commuting purposes, and a system-wide Metrolink pass. They do not earn, accrue or participate in any other SCRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A retired annuitant does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

1.9 Student Intern

A student intern is an individual currently enrolled in a college or university who is eligible to work for a limited period of time and a maximum duration. The student intern is required to work on a specific project(s), which supports the department’s goals and student’s education. Student interns are eligible for California Paid Sick Leave, and a transportation pass for commuting purposes, and a system-wide Metrolink pass. They do not earn, accrue or participate in any other SCRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A student intern does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

2.0 DEFINITION OF TERMS
Appointing Authority. The officer or body having the power of appointment to or removal from positions in a department. At the SCRRA, this authority belongs to the CEO as designated by the Board of Directors.

CalPERS. Refers to the California Public Employees’ Retirement System, which administers health and retirement benefits for SCRRA employees, retirees, and their families.

Chief Executive Officer (CEO). Position head of the SCRRA that has the authority to manage the properties and business of the SCRRA and direct enforcement of all actions, rules and policies of the Board relative to the general operation of the SCRRA.

3.0 RESPONSIBILITIES

Not Applicable.

4.0 REFERENCES

Fair Labor Standards Act (FLSA) 229 U.S.C § 201 et seq.
California Public Employees Retirement Law, California Government Code § 20000 et seq.
California Paid Sick Leave (AB 1522).

5.0 ATTACHMENTS

Not Applicable.

6.0 PROCEDURAL HISTORY

4/13/01 Address benefits for part-time employees; permit temporary employees to be hired through an outside employment service or directly

11/12/04 Part-time definition updated; updates description of probationary period; adds language to specify CalPERS requirements for an Intern

7/8/11 Amended

10/14/11 Amended; title change from “Definitions of Employment Status” to “Types of Employment Status”

11/16/12 Changed definition of regular part-time employee from works less than 38 hours per week to works less than 40 hours per week; removed language regarding probationary period.

6/9/17 Added Represented Employee and Grads on Career Track (Special Services) Employee as types of employment status; removed Regular Part-time as a type of employment status.

11/17/17 Added system-wide Metrolink pass as an additional benefit for employees.
| Director of Human Resources | Legal Counsel | Chief Executive Officer |
PURPOSE

In an effort to promote the use of public transportation, SCRRA will provide all eligible employees and eligible retirees with public transportation passes as part of their benefit package.

APPLICATION

This policy applies to all SCRRA employees who are eligible to receive transportation pass benefits, as specified in HR Policy No. 1.1, entitled “Types of Employment Status,” in the Human Resources Policies and Procedures Manual and employees who retire within one-hundred twenty (120) days of their separation date and have at least five (5) years of SCRRA service.

POLICY STATEMENT

Active Employees

All active SCRRA employees are eligible to receive a Metrolink system-wide pass providing unlimited free access to all Metrolink lines and trains for the duration of their employment with SCRRA. These system-wide Metrolink passes cannot be used to connect to other public transportation.

Additionally, the SCRRA provides all SCRRA employees who are eligible to receive transportation pass benefits, as described in HR Policy No. 1.1, with a no-cost Metrolink free-commuter transit pass, or other public transportation pass, with a cost not to exceed the highest cost Los Angeles Metro monthly pass to ride any greater Los Angeles area transit system other than Metrolink (such as, Metro, Foothill Transit, LADOT, and LOSSAN). The commuter transit pass has a value up to the monthly maximum tax-free transit pass amount established by the Internal Revenue Service. Any amount in excess of the highest cost Metro monthly pass must be
paid by the employee on an after-tax basis. The employee is responsible for any transit fares above the IRS monthly cap. To receive this benefit, the SCRRRA requires each employee to use public transportation to commute to and from work three (3) or more days per week.

As an added benefit, employees may purchase a monthly Metrolink pass for their eligible dependent(s) at a 50 percent discount. Eligible dependents include the employee’s spouse, domestic partner and any child(ren) eligible for coverage under one or more of the SCRRRA’s benefit plans.

Transportation passes/tickets issued to employees for themselves and/or their eligible dependents are exclusively for their use and are non-transferable.

The SCRRRA will provide appropriate fare media to employees for travel on Metro for SCRRRA business. Human Resources has responsibility for distribution of the proper fare media to an employee using public transportation for business-related travel. An employee is required to provide information on destination and the purpose of travel.

**Eligible Employee Dependents**

SCRRRA employees with an employment status of Regular Employee or At-Will Employee, as defined in Human Resources Policy No. 1.1, may purchase a monthly Metrolink pass for their eligible dependents at a 50 percent discount. The employee’s share of the fare will be deducted from the employee’s paycheck each pay period.

**Eligible Retirees**

Eligible retirees who retire from SCRRRA within one-hundred twenty (120) days of their separation date and have at least five (5) years of SCRRRA service will receive a system-wide Metrolink pass for themselves and their eligible dependents as a part of their retiree benefits. These system-wide Metrolink passes cannot be used to connect to other public transportation.

Transportation passes/tickets issued to employees and retirees for themselves and/or their eligible dependents are exclusively for their use and are non-transferable.

**1.0  PROCEDURES**

**1.1  Eligibility Date**

1.1.1 Employees are eligible to receive a Metrolink system-wide pass# employee pass(es) on their first day of employment. If eligible, employees will also receive a free commuter transit pass.

1.1.2 Employees are eligible to purchase a discounted dependent pass as of the first of the month following their hire date.
1.2 Requesting Transportation Passes

1.2.1 Employees must complete an Employee Transportation Assistance Request to request a new pass(es) or change their existing pass(es).

1.2.2 Employees are responsible for providing written notice of any changes to the Human Resources Department by the 15th of the month before the change takes effect. Any requests for changes received after the pass orders have been processed may not take effect until the following month.

1.2.3 When a ticket or pass is lost, stolen, or mutilated, the Human Resources Department must be notified immediately. The SCRRA will replace a lost or stolen transportation pass up to a maximum of two (2) times per calendar year. A fee may apply for non-Metrolink passes.

1.3 Taxing Transportation Passes. NOTE: The following is provided for informational purposes only and is subject to change in federal and state tax law. In the event of a conflict, federal and state tax law requirements take precedence over this policy provision in regard to SCRRA and employee tax liability.

1.3.1 Passes for Active Employees and Eligible Retirees

All Metrolink transportation passes are a fringe benefit for employees and retirees. Free Metrolink system-wide passes qualify as a tax-free fringe benefit under the “No Additional Cost Service” under IRC Section 132(b) federal tax law and are not subject to taxes.

Public transportation Non-Metrolink commuter transit passes other than Metrolink passes (such as, e.g., MTA Metro, Foothill Transit, LADOT, and LOSSAN) are not considered a “No Additional Cost Service” because Metrolink does not have a reciprocal agreement with these agencies. Therefore, in accordance with IRC Section 132(f) federal tax law, the fare amount used for these other public transportation providers is tax-free if it exceeds only up to the IRS monthly limit in force at any given time. Non-Metrolink commuter transit passes for employees have a value up to the monthly IRS tax-free amount; employees are responsible for any non-Metrolink transit fares above the monthly IRS amount.

1.3.2 Discounted Passes for Eligible Employee Dependents

Discounted dependent passes on Metrolink trains provided to an employee’s spouse and dependent child(ren) fall within the “No Additional Cost Service” under IRC Section 132(b) category and the discount amount is excluded from taxes. As a result of this exclusion, the value of the discounted dependent passes...
(50% of the applicable fare) will be included in the employee’s income for federal tax purposes only.

Discounted Metrolink passes provided to an employee’s registered domestic partner and domestic partner's child(ren) may be subject to federal taxes. Under California State law, registered domestic partners must be treated like a spouse, and therefore, employees will not have to pay state taxes on the amount of the discount for these discounted dependent registered domestic partner passes.

1.4 SCRRA Vehicle Request

When an employee is required to work late into the evening or in the event of a personal emergency, and public transportation is unavailable, an employee may request the use of an SCRRA vehicle if the employee is on the SCRRA authorized drivers list. When a vehicle is unavailable, or the employee is not on the authorized drivers list, the employee will be reimbursed for the expense of taking a taxi or other transportation if prior authorization is received from the employee’s immediate supervisor or other department manager, and approved by the Director of Human Resources or designee.

1.5 Termination of Employment

Employees may be required to return their transportation pass to Human Resources on their last day of employment.

Upon termination of employment, employees are required to surrender their ID badge/transportation pass to their immediate supervisor or Human Resources. SCRRA will charge an employee for each employee badge/transportation pass that has not been surrendered on the date of separation. SCRRA will deduct an applicable fee from the employee’s final paycheck for any badges not returned.

2.0 DEFINITION OF TERMS

Not Applicable.

Eligible Dependents. Eligible dependents include a spouse or registered domestic partner; children (natural, step, adopted, foster, or under the employee’s legal guardianship) up to age 26; disabled children of any age living with and dependent upon the employee/retiree.

3.0 RESPONSIBILITIES

Director, Human Resources and Department Manager are responsible for approving an employee to take a taxi or other transportation home when the employee is required to work late, or in the event of a personal emergency when public transportation is unavailable.
Employees are responsible for completing an Employee Transportation Assistance Request Form to request a new pass or change their existing pass.

4.0 REFERENCES

Not Applicable.

Internal Revenue Code (IRC) Section 132(b) and 132(f)

5.0 ATTACHMENTS

Employee Transportation Assistance Request.

Not Applicable.

6.0 PROCEDURAL HISTORY

4/13/01 Adds procedures for employees receiving free transportation fare media
11/12/04 Adds language regarding approval for discount Metrolink passes and to increase the no cost limit for employees consistent with the highest MTA monthly fare
11/17/17 Adds language regarding active SCARRA employees receiving a Metrolink system-wide pass providing unlimited free access to all Metrolink lines and trains; adds language regarding eligible retirees receiving a Metrolink system-wide pass for themselves and their eligible dependents providing unlimited free access to all Metrolink lines and trains; changes the maximum value of the free commuter transit pass provided to active employees from the highest cost Metro monthly pass to the maximum monthly tax-free amount established by the Internal Revenue Service.

Director of Human Resources  Legal Counsel  Chief Executive Officer
PURPOSE

To define and categorize the employment status of all employees.

APPLICATION

These definitions apply to all Southern California Regional Rail Authority (SCRRRA) employees. If a provision of this policy conflicts with any provision of a valid memorandum of understanding between the SCRRRA and a recognized employee organization, the provision of the memorandum of understanding that is in conflict shall apply to employees covered by that memorandum of understanding.

POLICY STATEMENT

The SCRRRA maintains standard definitions of the employment status for SCRRRA employees. This employment status is used to group various employees for purposes of human resources administration and related payroll transactions.

1.0 PROCEDURES

The following types of employment status and respective definitions will apply:

1.1 Full-time, Regular Employee

A regular, full-time employee works a regular schedule of forty (40) hours per week. Regular, full-time employees are eligible for employee benefits as described in the applicable Summary of Benefits published annually.
1.2 At-Will Employee

An at-will employee holds a position designated as “at-will” by the Chief Executive Officer (CEO) or was hired on or after July 1, 2010. An at-will employee does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

Employees who promote from “regular” employment status to an at-will position will be required to sign a notification and acknowledgment of at-will employment as a condition of promotion.

1.2.1 A full-time, at-will employee works a regular schedule of forty (40) hours per week. Full-time, at-will employees are eligible for employee benefits as described in the applicable Summary of Benefits published annually.

1.2.2 A part-time, at-will employee works a regular schedule of less than forty (40) hours per week. Part-time, at-will employees are eligible for reduced or prorated benefits as described in the applicable Summary of Benefits published annually.

1.3 Represented Employee

A represented employee is a part of a collective bargaining unit that is exclusively represented by an employee organization. Terms and conditions of employment for a represented employee are determined through a collective bargaining process. Represented employees are eligible for employee benefits as described in the applicable Memorandum of Understanding.

1.4 Temporary Employee (Special Services)

A temporary (Special Services) employee fills a position for a limited period of time with a maximum duration. Temporary (Special Services) employees are eligible for California Paid Sick Leave, a transportation pass for commuting purposes and a system-wide Metrolink pass. They are not eligible to earn, accrue or participate in any other SCRRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A temporary (Special Services) employee does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

1.5 Grads on Career Track Employee (Special Services)

A Grads on Career Track (Special Services) employee is a recent college graduate hired within six (6) months of graduation and up to 24 months after graduation to fill a position for a limited period of time with a maximum duration. Grads on Career Track (Special Services) employees work twenty (20) to forty (40) hours per week. They are eligible for medical insurance, California Paid Sick Leave, a
transportation pass for commuting purposes, and a system-wide Metrolink pass. They do not earn, accrue or participate in any other SCRRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A Grads on Career Track (Special Services) employee does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

1.6 Non-Exempt Employee

Non-exempt employees are covered by the provisions of the Fair Labor Standards Act (FLSA). A non-exempt employee is entitled to overtime compensation, regardless of whether paid on a salary or hourly basis.

1.7 FLSA-Exempt Employee

An employee who meets one or more of the duties test exemptions from overtime under the FLSA (e.g. executive, administrative, professional, computer employee) and who is paid on a salary basis, meaning that he or she is compensated in a predetermined amount that is not reduced, regardless of the quality or quantity of work actually performed, except as required by the SCRRRA’s principles of public accountability for partial-day absences, is FLSA exempt. An FLSA-exempt employee is not entitled to overtime compensation.

1.8 Retired Annuitant

A retired annuitant is an employee retired from CalPERS who is eligible to work for a limited period of time and a maximum duration in accordance with CalPERS regulations. Retired annuitants are eligible for a transportation pass for commuting purposes and a system-wide Metrolink pass. They do not earn, accrue or participate in any other SCRRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A retired annuitant does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.

1.9 Student Intern

A student intern is an individual currently enrolled in a college or university who is eligible to work for a limited period of time and a maximum duration. The student intern is required to work on a specific project(s), which supports the department’s goals and student’s education. Student interns are eligible for California Paid Sick Leave, a transportation pass for commuting purposes and a system-wide Metrolink pass. They do not earn, accrue or participate in any other SCRRRA insurance or benefit plan, or paid or unpaid leaves, except as required by law. A student intern does not hold regular status and may be separated at any time, without cause, and without right to any appeal or grievance.
2.0 DEFINITION OF TERMS

Appointing Authority. The officer or body having the power of appointment to or removal from positions in a department. At the SCRRA, this authority belongs to the CEO as designated by the Board of Directors.

CalPERS. Refers to the California Public Employees’ Retirement System, which administers health and retirement benefits for SCRRA employees, retirees, and their families.

Chief Executive Officer (CEO). Position head of the SCRRA that has the authority to manage the properties and business of the SCRRA and direct enforcement of all actions, rules and policies of the Board relative to the general operation of the SCRRA.

3.0 RESPONSIBILITIES

Not Applicable.

4.0 REFERENCES

Fair Labor Standards Act (FLSA) 229 U.S.C § 201 et seq.
California Public Employees Retirement Law, California Government Code § 20000 et seq.
California Paid Sick Leave (AB 1522).

5.0 ATTACHMENTS

Not Applicable.

6.0 PROCEDURAL HISTORY

4/13/01 Address benefits for part-time employees; permit temporary employees to be hired through an outside employment service or directly

11/12/04 Part-time definition updated; updates description of probationary period; adds language to specify CalPERS requirements for an Intern

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11/16/12 Changed definition of regular part-time employee from works less than 38 hours per week to works less than 40 hours per week; removed language regarding probationary period.

6/9/17 Added Represented Employee and Grads on Career Track (Special Services) Employee as types of employment status; removed Regular Part-time as a type of employment status.

11/17/17 Added system-wide Metrolink pass as an additional benefit for employees.
PURPOSE

In an effort to promote the use of public transportation, SCRRA will provide all eligible employees and eligible retirees with public transportation passes as part of their benefit package.

APPLICATION

This policy applies to all SCRRA employees who are eligible to receive transportation pass benefits, as specified in HR Policy No. 1.1, Types of Employment Status, and employees who retire within one-hundred twenty (120) days of their separation date and have at least five (5) years of SCRRA service.

POLICY STATEMENT

Active Employees

All active SCRRA employees are eligible to receive a Metrolink system-wide pass providing unlimited free access to all Metrolink lines and trains for the duration of their employment with SCRRA. These system-wide Metrolink passes cannot be used to connect to other public transportation.

Additionally, SCRRA provides employees who are eligible to receive transportation pass benefits, as described in HR Policy No. 1.1, with a free commuter transit pass to ride any greater Los Angeles area transit system other than Metrolink (such as, Metro, Foothill Transit, LADOT, and LOSSAN). The commuter transit pass has a value up to the monthly maximum tax-free transit pass amount established by the Internal Revenue Service. The employee is responsible for any transit fares above the IRS monthly cap. To receive this benefit, the SCRRA requires each employee to use public transportation to commute to and from work three (3) or more days per week.

The SCRRA will provide appropriate fare media to employees for travel on Metro for SCRRA business. Human Resources has responsibility for distribution of the proper fare media to an
employee using public transportation for business-related travel. An employee is required to provide information on destination and the purpose of travel.

**Eligible Employee Dependents**

SCRRA employees with an employment status of Regular Employee or At-Will Employee, as defined in Human Resources Policy No. 1.1, may purchase a monthly Metrolink pass for their eligible dependents at a 50 percent discount. The employee’s share of the fare will be deducted from the employee’s paycheck each pay period.

**Eligible Retirees**

Eligible retirees who retire from SCRRA within one-hundred twenty (120) days of their separation date and have at least five (5) years of SCRRA service will receive a system-wide Metrolink pass for themselves and their eligible dependents as a part of their retiree benefits. These system-wide Metrolink passes cannot be used to connect to other public transportation.

Transportation passes/tickets issued to employees and retirees for themselves and/or their eligible dependents are exclusively for their use and are non-transferable.

1.0 **PROCEDURES**

1.1 **Eligibility Date**

1.1.1 Employees are eligible to receive a Metrolink system-wide pass on their first day of employment. If eligible, employees will also receive a free commuter transit pass.

1.1.2 Employees are eligible to purchase a discounted dependent pass as of the first of the month following their hire date.

1.2 **Requesting Transportation Passes**

1.2.1 Employees must complete an *Employee Transportation Assistance Request* to request a new pass(es) or change their existing pass(es).

1.2.2 Employees are responsible for providing written notice of any changes to the Human Resources Department by the 15th of the month before the change takes effect. Any requests for changes received after the pass orders have been processed may not take effect until the following month.

1.2.3 When a ticket or pass is lost, stolen, or mutilated, the Human Resources Department must be notified immediately. The SCRRA will replace a lost or stolen transportation pass up to a maximum of two (2) times per calendar year. A fee may apply for non-Metrolink passes.
1.3 Taxing Transportation Passes.  

NOTE: The following is provided for informational purposes only and is subject to change in federal and state tax law.  
In the event of a conflict, federal and state tax law requirements take precedence over this policy provision in regard to SCARRA and employee tax liability.

1.3.1 Passes for Active Employees and Eligible Retirees

All transportation passes are a fringe benefit for employees and retirees.

Free Metrolink system-wide passes qualify as a tax-free “No Additional Cost Service” under federal tax law and are not subject to taxes.

Non-Metrolink commuter transit passes (such as, Metro, Foothill Transit, LADOT, and LOSSAN) are not considered a “No Additional Cost Service” because Metrolink does not have a reciprocal agreement with these agencies. Therefore, in accordance with federal tax law, the fare amount used for these other public transportation providers is tax-free only up to the IRS monthly limit in force at any given time. Non-Metrolink commuter transit passes for employees have a value up to the monthly IRS tax-free amount; employees are responsible for any non-Metrolink transit fares above the monthly IRS amount.

1.3.2 Discounted Passes for Eligible Employee Dependents

Discounted dependent passes on Metrolink trains provided to an employee’s spouse and dependent child(ren) fall within the “No Additional Cost Service” category and the discount amount is excluded from taxes.

Discounted Metrolink passes provided to an employee’s registered domestic partner and domestic partner’s child(ren) may be subject to federal taxes. Under California State law, registered domestic partners are treated like a spouse, and therefore, employees will not have to pay state taxes on the amount of the discount for these discounted registered domestic partner passes.

1.4 SCARRA Vehicle Request

When an employee is required to work late into the evening or in the event of a personal emergency, and public transportation is unavailable, an employee may request the use of an SCARRA vehicle if the employee is on the SCARRA authorized drivers list. When a vehicle is unavailable, or the employee is not on the authorized drivers list, the employee will be reimbursed for the expense of taking a taxi or other transportation if prior authorization is received from the employee’s immediate supervisor or other department manager, and approved by the Director, Human Resources or designee.
1.5 Termination of Employment

Upon termination of employment, employees are required to surrender their ID badge/transportation pass to their immediate supervisor or Human Resources. SCRRA will charge an employee for each employee badge/transportation pass that has not been surrendered on the date of separation. SCRRA will deduct an applicable fee from the employee’s final paycheck for any badges not returned.

2.0 DEFINITION OF TERMS

Eligible Dependents. Eligible dependents include a spouse or registered domestic partner; children (natural, step, adopted, foster, or under the employee’s legal guardianship) up to age 26; disabled children of any age living with and dependent upon the employee/retiree.

3.0 RESPONSIBILITIES

Director, Human Resources and Department Manager are responsible for approving an employee to take a taxi or other transportation home when the employee is required to work late, or in the event of a personal emergency when public transportation is unavailable.

Employees are responsible for completing an Employee Transportation Assistance Request Form to request a new pass or change their existing pass.

4.0 REFERENCES

Internal Revenue Code (IRC) Section 132(b) and 132(f)

5.0 ATTACHMENTS

Not Applicable.

6.0 PROCEDURAL HISTORY

4/13/01 Adds procedures for employees receiving free transportation fare media
11/12/04 Adds language regarding approval for discount Metrolink passes and to increase the no cost limit for employees consistent with the highest MTA monthly fare
11/17/17 Adds language regarding active SCRRA employees receiving a Metrolink system-wide pass providing unlimited free access to all Metrolink lines and trains; adds language regarding eligible retirees receiving a Metrolink system-wide pass for themselves and their eligible dependents providing unlimited free access to all Metrolink lines and trains; changes the maximum value of the free commuter transit pass provided to active employees from the highest cost Metro monthly pass to the maximum monthly tax-free amount established by the Internal Revenue Service.
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
ITEM 31

TO: Board of Directors
FROM: Arthur T. Leahy


Issue

At its April 11, 2014 meeting, the Board of Directors amended Human Resources Policy 2.1 to require staff to make quarterly and annual reports to the Board on compensation matters.

Recommendation

The Board may receive and file this report.

Alternative

The Board may direct staff to make changes to various transactions in the report.

Committee Review

The Executive Management and Audit Committee received and filed this report at its meeting held on October 27, 2017.

Strategic Goal Alignment

This report aligns with the strategic goal to improve organizational efficiency. As required by the Human Resources Policy 2.1 Wage and Salary Administration – Salary Program Administration, this report transmits the required quarterly report.

Background

In accordance with amended Human Resources Policy 2.1, the Board requires the Director of Human Resources to report all salary placements for new hires, promotions, demotions, reclassifications and other changes in employee compensation to the Board on a quarterly basis.
Attachment A is a summary of the transactions that occurred during the 4th quarter FY2016-17, April 1, 2017 through June 30, 2017.

There are 31 compensation transactions during this period. As described in Attachment A there were 12 new hires, ten promotions, two acting pay assignments, five additional job responsibilities, and two employees who returned from acting pay assignments.

Attachment B is a detailed report for the transactions.

**Budget Impact**

There is no budgetary impact as a result of this report. The FY2016-17 Budget provides the amounts for these changes in compensation.

Prepared by: Patricia Francisco, Director, Human Resources

Elissa K. Konove
Deputy Chief Executive Officer
# Compensation Report Summary - Fourth Quarter FY17 - 4/1/2017 Through 6/30/2017

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## ATTACHMENT B - COMPENSATION REPORT
### FOURTH QUARTER FY 17

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<tr>
<th>POSITION/CLASSIFICATION</th>
<th>EFFECTIVE DATE</th>
<th>TYPE OF SALARY PLACEMENT</th>
<th>SALARY RATE (Bi-Weekly/ Hourly Rate)</th>
<th>PERCENT ADJUSTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. New Hire</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Business Analyst</td>
<td>04/03/2017</td>
<td>Initial Compensation</td>
<td>$2,692.30</td>
<td>N/A</td>
</tr>
<tr>
<td>2. Human Resources Analyst</td>
<td>04/03/2017</td>
<td>Initial Compensation</td>
<td>$3,086.53</td>
<td>N/A</td>
</tr>
<tr>
<td>3. Contract + Compliance Administrator</td>
<td>04/19/2017</td>
<td>Initial Compensation</td>
<td>$2,520.00</td>
<td>N/A</td>
</tr>
<tr>
<td>4. Cost Accountant I</td>
<td>05/01/2017</td>
<td>Initial Compensation</td>
<td>$3,076.92</td>
<td>N/A</td>
</tr>
<tr>
<td>5. Executive Assistant (Office Engineer)</td>
<td>05/01/2017</td>
<td>Initial Compensation</td>
<td>$26.92</td>
<td>N/A</td>
</tr>
<tr>
<td>6. Human Resources Analyst</td>
<td>05/02/2017</td>
<td>Initial Compensation</td>
<td>$3,153.85</td>
<td>N/A</td>
</tr>
<tr>
<td>7. FCS Revenue Specialist</td>
<td>05/08/2017</td>
<td>Initial Compensation</td>
<td>$2,269.23</td>
<td>N/A</td>
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<tr>
<td>8. PTC Equipment Engineer I</td>
<td>05/22/2017</td>
<td>Initial Compensation</td>
<td>$3,211.54</td>
<td>N/A</td>
</tr>
<tr>
<td>9. PTC Equipment Engineer I</td>
<td>05/22/2017</td>
<td>Initial Compensation</td>
<td>$3,211.54</td>
<td>N/A</td>
</tr>
<tr>
<td>10. Accountant I</td>
<td>06/05/2017</td>
<td>Initial Compensation</td>
<td>$3,211.54</td>
<td>N/A</td>
</tr>
<tr>
<td>11. Assistant Board Secretary (AMS)</td>
<td>06/19/2017</td>
<td>Initial Compensation</td>
<td>$28.85</td>
<td>N/A</td>
</tr>
<tr>
<td>12. Executive Assistant</td>
<td>06/26/2017</td>
<td>Initial Compensation</td>
<td>$32.50</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>B. Promotion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Director, Dispatching Operations</td>
<td>04/10/2017</td>
<td>Promotion</td>
<td>$7,000.00</td>
<td>15.7%</td>
</tr>
<tr>
<td>2. Principal Engineer (Design &amp; Engineering)</td>
<td>04/10/2017</td>
<td>Promotion</td>
<td>$5,384.62</td>
<td>31.0%</td>
</tr>
<tr>
<td>3. Principal Engineer (Project Management)</td>
<td>04/10/2017</td>
<td>Promotion</td>
<td>$5,631.19</td>
<td>10.0%</td>
</tr>
<tr>
<td>4. Principal Engineer (Structures &amp; Stations)</td>
<td>04/10/2017</td>
<td>Promotion</td>
<td>$5,384.62</td>
<td>18.9%</td>
</tr>
<tr>
<td>5. Operations Administrator</td>
<td>06/05/2017</td>
<td>Promotion</td>
<td>$3,561.29</td>
<td>15.0%</td>
</tr>
<tr>
<td>6. Customer Relations Supervisor</td>
<td>06/19/2017</td>
<td>Promotion</td>
<td>$2,727.08</td>
<td>28.2%</td>
</tr>
<tr>
<td>7. Customer Relations Supervisor</td>
<td>06/19/2017</td>
<td>Promotion</td>
<td>$2,727.08</td>
<td>81.5%</td>
</tr>
<tr>
<td>8. PTC Equipment Engineer II</td>
<td>06/19/2017</td>
<td>Promotion</td>
<td>$3,625.00</td>
<td>32.9%</td>
</tr>
<tr>
<td>9. Senior Railroad Civil Engineer</td>
<td>06/19/2017</td>
<td>Promotion</td>
<td>$4,423.08</td>
<td>11.7%</td>
</tr>
<tr>
<td>10. Audit Manager</td>
<td>06/25/2017</td>
<td>Promotion</td>
<td>$4,905.77</td>
<td>15.0%</td>
</tr>
<tr>
<td><strong>C. Other Changes In Compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Customer Engagement Representative</td>
<td>04/04/2017</td>
<td>Return From Acting Pay</td>
<td>$18.78</td>
<td>-13.0%</td>
</tr>
<tr>
<td>2. Operations Compliance Officer</td>
<td>04/04/2017</td>
<td>Acting Pay</td>
<td>$3,862.62</td>
<td>15.0%</td>
</tr>
<tr>
<td>3. Director, Dispatching Operations (Acting)</td>
<td>04/09/2017</td>
<td>Return From Acting Pay</td>
<td>$6,050.96</td>
<td>-5.0%</td>
</tr>
<tr>
<td>4. Department Assistant</td>
<td>04/10/2017</td>
<td>Additional Job Responsibilities</td>
<td>$22.03</td>
<td>5.0%</td>
</tr>
<tr>
<td>5. Executive Assistant</td>
<td>04/10/2017</td>
<td>Additional Job Responsibilities</td>
<td>$31.75</td>
<td>5.0%</td>
</tr>
<tr>
<td>6. Director, Public Affairs</td>
<td>06/19/2017</td>
<td>Acting Pay</td>
<td>$6,233.62</td>
<td>5.0%</td>
</tr>
<tr>
<td>7. Director, Public Affairs</td>
<td>06/19/2017</td>
<td>Additional Job Responsibilities</td>
<td>$5,936.78</td>
<td>10.0%</td>
</tr>
<tr>
<td>POSITION/CLASSIFICATION</td>
<td>EFFECTIVE DATE</td>
<td>TYPE OF SALARY PLACEMENT</td>
<td>SALARY RATE (Bi-Weekly/Hourly Rate)</td>
<td>PERCENT ADJUSTMENT</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>----------------</td>
<td>-------------------------------</td>
<td>-------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Manager, Customer Engagement - LAUS</td>
<td>06/19/2017</td>
<td>Additional Job Responsibilities</td>
<td>$4,448.41</td>
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<tr>
<td>Program Management Analyst I</td>
<td>06/19/2017</td>
<td>Additional Job Responsibilities</td>
<td>$3,372.51</td>
<td>10.0%</td>
</tr>
</tbody>
</table>
TRANSMITTAL DATE:       November 9, 2017
MEETING DATE:            November 17, 2017
TO:                     Board of Directors
FROM:                   Arthur T. Leahy
SUBJECT:                Compensation Report – FY2017-18 – 1st Quarter Final
                        (July 1, 2017 through September 30, 2017)

Issue
At its April 11, 2014 meeting, the Board of Directors amended Human Resources Policy
2.1 to require staff to make quarterly and annual reports to the Board on compensation
matters.

Recommendation
The Board may receive and file this report.

Alternative
The Board may direct staff to make changes to various transactions in the report.

Committee Review
The Executive Management and Audit Committee received and filed this report at its
meeting held on October 27, 2017.

Strategic Goal Alignment
This report aligns with the strategic goal to improve organizational efficiency. As required
by the Human Resources Policy 2.1 Wage and Salary Administration – Salary Program
Administration, this report transmits the required quarterly report.

Background
In accordance with amended Human Resources Policy 2.1, the Board requires the
Director of Human Resources to report all salary placements for new hires, promotions,
demotions, reclassifications and other changes in employee compensation to the Board
on a quarterly basis.
Attachment A is a summary of the transactions that occurred during the 1st quarter FY2017-18, July 1, 2017 through September 30, 2017.

There were 465 compensation transactions during this period. As described in Attachment A there were:

- 217 Cost of Living Adjustment (COLA) Increases at 2.0%
- 195 Merit Increases
- 19 Salary Adjustments due to the Classification and Compensation Study
- 17 Acting Pay Assignments
- 8 New Hires
- 3 Promotions
- 3 Additional Job Responsibilities Pay
- 1 Additional Temporary Pay
- 1 Return from Acting Pay Assignment
- 1 Salary Adjustment due to Board Decision

The merit increase amounts were determined by the following Overall Performance Ratings based on the FY2016-17 Performance Reviews:

✓ Solid Performer - 1.5%,
✓ Excellent Performer - 3.75% and
✓ Outstanding Performer - 5.0%

The information for COLA and Merit increases is included in the Attachment A - Summary Report. Attachment B is a detailed report for the transactions; the report doesn't include COLA and Merit increases.

**Budget Impact**

There is no budgetary impact as a result of this report. The FY2017-18 Budget provides the amount for these changes in compensation.

Prepared by: Patricia Francisco, Director, Human Resources

Elissa K. Konove
Deputy Chief Executive Officer
### ATTACHMENT A

**COMPENSATION REPORT SUMMARY - FIRST QUARTER FY18 - 7/1/2017 THROUGH 9/30/2017**

<table>
<thead>
<tr>
<th>Category based on H.R. Policy 2.1 Requirements</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Placement for New Hire</td>
<td>8</td>
</tr>
<tr>
<td>Salary Placement for Promotion</td>
<td>3</td>
</tr>
<tr>
<td>Other Changes In Compensation</td>
<td></td>
</tr>
<tr>
<td>Acting Pay</td>
<td>17</td>
</tr>
<tr>
<td>Additional Job Responsibilities</td>
<td>3</td>
</tr>
<tr>
<td>Additional Pay - Temporary</td>
<td>1</td>
</tr>
<tr>
<td>Board Decision</td>
<td>1</td>
</tr>
<tr>
<td>Classification &amp; Compensation Study</td>
<td>19</td>
</tr>
<tr>
<td>COLA</td>
<td>217</td>
</tr>
<tr>
<td>MERIT</td>
<td>195</td>
</tr>
<tr>
<td>Return From Acting Pay</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL TRANSACTIONS</strong></td>
<td><strong>465</strong></td>
</tr>
</tbody>
</table>

#### SCRRRA COLA Increase Summary

<table>
<thead>
<tr>
<th>Number of Employees in Category</th>
<th>COLA Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>217</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

#### SCRRRA Merit Increase Summary

<table>
<thead>
<tr>
<th>Number of Employees in Category</th>
<th>Merit Increase/Performance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>71</td>
<td>1.5% - Solid Performer</td>
</tr>
<tr>
<td>105</td>
<td>3.75% - Excellent Performer</td>
</tr>
<tr>
<td>19</td>
<td>5.0% - Outstanding Performer</td>
</tr>
<tr>
<td>195</td>
<td></td>
</tr>
</tbody>
</table>
## ATTACHMENT B - COMPENSATION REPORT
### FIRST QUARTER FY 18

<table>
<thead>
<tr>
<th>POSITION/CLASSIFICATION</th>
<th>EFFECTIVE DATE</th>
<th>TYPE OF SALARY PLACEMENT</th>
<th>SALARY RATE (Bi-Weekly/ Hourly Rate)</th>
<th>PERCENT ADJUSTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. New Hire</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Railroad Civil Engineer II</td>
<td>07/17/2017</td>
<td>Initial Compensation</td>
<td>$3,846.16</td>
<td>N/A</td>
</tr>
<tr>
<td>2 Capital Budget Analyst</td>
<td>07/24/2017</td>
<td>Initial Compensation</td>
<td>$3,665.64</td>
<td>N/A</td>
</tr>
<tr>
<td>3 Operations Compliance Officer</td>
<td>07/24/2017</td>
<td>Initial Compensation</td>
<td>$4,230.77</td>
<td>N/A</td>
</tr>
<tr>
<td>4 Railroad Civil Engineer II</td>
<td>07/24/2017</td>
<td>Initial Compensation</td>
<td>$4,230.77</td>
<td>N/A</td>
</tr>
<tr>
<td>5 Railroad Civil Engineer II</td>
<td>08/07/2017</td>
<td>Initial Compensation</td>
<td>$4,230.77</td>
<td>N/A</td>
</tr>
<tr>
<td>6 Senior Manager, Dispatching</td>
<td>09/06/2017</td>
<td>Initial Compensation</td>
<td>$5,384.62</td>
<td>N/A</td>
</tr>
<tr>
<td>7 Director, Engineering &amp; Construction</td>
<td>09/25/2017</td>
<td>Initial Compensation</td>
<td>$7,115.38</td>
<td>N/A</td>
</tr>
<tr>
<td>8 Senior Auditor</td>
<td>08/21/2017</td>
<td>Initial Compensation - Rehire</td>
<td>$4,326.93</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>B. Promotion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Communications Coordinator</td>
<td>07/31/2017</td>
<td>Promotion</td>
<td>$28.10</td>
<td>5.0%</td>
</tr>
<tr>
<td>2 Communications Coordinator</td>
<td>07/31/2017</td>
<td>Promotion</td>
<td>$25.78</td>
<td>33.8%</td>
</tr>
<tr>
<td>3 Controller</td>
<td>08/28/2017</td>
<td>Promotion</td>
<td>$6,129.80</td>
<td>25.0%</td>
</tr>
<tr>
<td><strong>C. Other Changes In Compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Human Resources Analyst I</td>
<td>07/31/2017</td>
<td>Acting Pay</td>
<td>$3,001.85</td>
<td>8.0%</td>
</tr>
<tr>
<td>2 Senior Customer Engagement Representative</td>
<td>07/31/2017</td>
<td>Acting Pay</td>
<td>$29.36</td>
<td>5.0%</td>
</tr>
<tr>
<td>3 Train Control Systems Engineer I</td>
<td>07/31/2017</td>
<td>Acting Pay</td>
<td>$2,941.92</td>
<td>15.0%</td>
</tr>
<tr>
<td>4 Communications Coordinator</td>
<td>08/14/2017</td>
<td>Acting Pay</td>
<td>$2,474.44</td>
<td>15.0%</td>
</tr>
<tr>
<td>5 Public Affairs Specialist</td>
<td>08/14/2017</td>
<td>Acting Pay</td>
<td>$2,779.49</td>
<td>9.0%</td>
</tr>
<tr>
<td>6 Chief Financial Officer</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$9,543.18</td>
<td>5.0%</td>
</tr>
<tr>
<td>7 Director, Network Control Systems (Acting)</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$6,066.52</td>
<td>5.0%</td>
</tr>
<tr>
<td>8 Director, Public Affairs</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$6,596.73</td>
<td>5.0%</td>
</tr>
<tr>
<td>9 Field Operations Administrator Trainee</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$2,405.99</td>
<td>3.2%</td>
</tr>
<tr>
<td>10 Field Operations Administrator Trainee</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$2,406.87</td>
<td>15.0%</td>
</tr>
<tr>
<td>11 Human Resources Analyst I</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$3,001.85</td>
<td>8.0%</td>
</tr>
<tr>
<td>12 Operations Compliance Officer</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$4,087.62</td>
<td>15.0%</td>
</tr>
<tr>
<td>13 Public Affairs Specialist</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$2,883.73</td>
<td>9.0%</td>
</tr>
<tr>
<td>14 Senior Customer Engagement Representative</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$30.46</td>
<td>5.0%</td>
</tr>
<tr>
<td>15 Supervisor, Inventory Control</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$3,621.64</td>
<td>5.0%</td>
</tr>
<tr>
<td>POSITION/CLASSIFICATION</td>
<td>EFFECTIVE DATE</td>
<td>TYPE OF SALARY PLACEMENT</td>
<td>SALARY RATE (Bi-Weekly/Hourly Rate)</td>
<td>PERCENT ADJUSTMENT</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------</td>
<td>--------------------------</td>
<td>-------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>16 Train Control Systems Engineer I</td>
<td>09/10/2017</td>
<td>Acting Pay</td>
<td>$3,052.24</td>
<td>15.0%</td>
</tr>
<tr>
<td>17 Human Resources Analyst I</td>
<td>09/25/2017</td>
<td>Acting Pay</td>
<td>$3,377.78</td>
<td>5.0%</td>
</tr>
<tr>
<td>18 Fare Collections Services Specialist</td>
<td>08/28/2017</td>
<td>Additional Job Responsibilities</td>
<td>$39.71</td>
<td>10.0%</td>
</tr>
<tr>
<td>19 Lead, Maintenance Technician</td>
<td>08/28/2017</td>
<td>Additional Job Responsibilities</td>
<td>$3,059.78</td>
<td>10.0%</td>
</tr>
<tr>
<td>20 Program Management Analyst I</td>
<td>09/10/2017</td>
<td>Additional Job Responsibilities</td>
<td>$3,568.96</td>
<td>10.0%</td>
</tr>
<tr>
<td>21 Accounts Payable Specialist I</td>
<td>09/11/2017</td>
<td>Additional Pay - Temporary</td>
<td>$31.02</td>
<td>5.0%</td>
</tr>
<tr>
<td>22 Chief Executive Officer</td>
<td>07/28/2017</td>
<td>Board Decision</td>
<td>$12,882.69</td>
<td>1.5%</td>
</tr>
<tr>
<td>23 Contracts Specialist</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$2,221.58</td>
<td>5.0%</td>
</tr>
<tr>
<td>24 Director, Human Resources</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$7,367.80</td>
<td>5.0%</td>
</tr>
<tr>
<td>25 Director, Planning &amp; Development</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$6,763.81</td>
<td>5.0%</td>
</tr>
<tr>
<td>26 Senior Contract &amp; Compliance Administrator</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$3,864.00</td>
<td>5.0%</td>
</tr>
<tr>
<td>27 Senior Contract &amp; Compliance Administrator</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$3,371.05</td>
<td>5.0%</td>
</tr>
<tr>
<td>28 Senior Contract &amp; Compliance Administrator</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$3,484.51</td>
<td>5.0%</td>
</tr>
<tr>
<td>29 Senior Contract &amp; Compliance Administrator</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$3,556.82</td>
<td>5.0%</td>
</tr>
<tr>
<td>30 Senior Manager, Government &amp; Regulatory Affairs</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$4,601.82</td>
<td>5.0%</td>
</tr>
<tr>
<td>31 Senior Network Engineer</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$4,429.17</td>
<td>5.0%</td>
</tr>
<tr>
<td>32 Web Services Manager</td>
<td>07/02/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$3,401.62</td>
<td>5.0%</td>
</tr>
<tr>
<td>33 Assistant Board Secretary</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$31.98</td>
<td>8.7%</td>
</tr>
<tr>
<td>34 Business Analyst II</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$31.98</td>
<td>0.5%</td>
</tr>
<tr>
<td>35 Contract &amp; Compliance Administrator</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$2,781.62</td>
<td>8.2%</td>
</tr>
<tr>
<td>36 Government Relations Manager</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$3,001.85</td>
<td>7.9%</td>
</tr>
<tr>
<td>37 Lead, Maintenance Technician</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$34.77</td>
<td>4.3%</td>
</tr>
<tr>
<td>38 PTC Configuration Engineer</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$3,001.85</td>
<td>7.9%</td>
</tr>
<tr>
<td>39 Senior Administrative Assistant</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$23.31</td>
<td>2.4%</td>
</tr>
<tr>
<td>40 Sr Manager, Train Control On-Board Systems</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$4,227.16</td>
<td>2.6%</td>
</tr>
<tr>
<td>41 Train Control Systems Engineer I</td>
<td>07/31/2017</td>
<td>Classification &amp; Compensation Study</td>
<td>$2,558.19</td>
<td>8.6%</td>
</tr>
<tr>
<td>42 Human Resources Analyst I</td>
<td>09/25/2017</td>
<td>Return From Acting Pay</td>
<td>$3,001.85</td>
<td>-8.0%</td>
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</tbody>
</table>
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017 ITEM 33
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Amendments to the Internal Audit Charter

Issue

Following the recommendations made by the external peer review team, staff is requesting approval of the amended Internal Audit Charter.

Recommendation

The Executive Management and Audit Committee approved and recommended that the Board approve the amended Internal Audit Charter.

Alternatives

The Board may request modifications to the amended Internal Audit Charter.

Committee Review

This item was approved at the Executive Management and Audit Committee meeting held on October 27, 2017.

Strategic Goal Alignment

This report aligns with the strategic goal to improve organizational efficiency.

Background

The Internal Audit (IA) Charter is a document that formally defines the IA’s activity's purpose, authority, and responsibility. The Internal Audit Charter establishes the IA's position within the organization, including the nature of the IA’s functional and administrative reporting relationship; authorizes access to information, systems, personnel, properties, and other relevant materials necessary for the performance of engagements; and defines the scope of internal audit activities.
Amendments to the Internal Audit Charter
Transmittal Date: November 9, 2017

Page 2

The Charter has been amended to adopt the 2017 Model Internal Audit Activity Charter issued by the Institute of Internal Auditors. Additional updates have been also made to the Internal Audit Charter to implement the best practice recommendations made by the external peer review team in May 2017, which primarily includes:

- Title update – replacing Chief Auditor with Chief Audit Executive (Head of the Internal Audit Department)
- Process for the final determination of the chief audit executive regarding selection, appointment, and termination, which should be made by a vote of the Board
- Quality assurance and improvement program

Attachment A shows the charter with redlines to reflect the recommended changes to the latest version. Attachment B shows the charter in its clean form for approval.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Elisabeth Lazuardi, Senior Manager, Audit

[Signature]

Elisabeth Lazuardi
Senior Manager, Audit
Internal Audit Charter

INTRODUCTION

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve the Southern California Regional Rail Authority’s (SCRRA) operations. It helps SCRRA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The objectives of internal auditing are to assist SCRRA management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at reasonable cost.

PURPOSE AND MISSION

The purpose of the Southern California Regional Rail Authority’s (SCRRA) Internal Audit Department (IA) is to provide highly reliable, independent, objective assurance and advisory-consulting services designed to add value and improve SCRRA’s operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IA helps SCRRA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and recommend improvements to the effectiveness of governance, risk management, and controls and governance processes.

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The IA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. The IA will also comply with the Government Auditing Standards promulgated by the Comptroller General of the United States.

AUTHORITY

The Chief Audit Executive (head of IA) will report functionally to the Executive Management and Audit Committee (EMAC)/Board and administratively (i.e., day-to-day operations) to the CEO. To establish, maintain, and assure that SCRRA’s IA has sufficient authority to fulfill its duties, the EMAC/Board will:

- Approve the IA’s charter.
Approve the risk-based internal audit plan.

Receive communications from the Chief Audit Executive on the IA’s performance relative to its plan and other matters.

Approve performance evaluation and the remuneration of the Chief Audit Executive.

Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

The Board will make the final determination regarding the appointment, selection, and termination of the Chief Audit Executive.

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the EMAC/Board, including in private meetings without management present.

The EMAC/Board authorizes the IA to:

Have full, free and unrestricted access to all information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. However, the IA will coordinate with, and seek the consent of, the General Counsel's office prior to accessing any employee medical records, personnel files, employee emails, or any other separate records which are prepared, used, or maintained by the General Counsel's office in order to ensure maintenance of SCRRRA's attorney-client privilege and the protection of the attorney work product doctrine. To the extent the General Counsel’s office and IA cannot agree as to any specific access request of the IA, the question should be referred first to the Chairman of the Board and if necessary to the EMAC/Board.

All employees will cooperate fully in making available material or information requested by the IA or any external auditors managed by the IA. Access to contracted third parties will be handled in accordance with contractual terms. Documents provided to the IA will be handled in the same prudent manner as by those employees normally accountable for them.

Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives, and issue reports.

Obtain assistance from the necessary personnel of SCRRRA, as well as other specialized services from within or outside SCRRRA, in order to complete the engagement.

SCOPE

The scope of work performed by the IA is to determine whether SCRRRA's network of risk management, control, and governance processes, as designed and represented by
SCRRA management, is adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, projects and objectives are achieved;
- Quality and continuous improvement are fostered;
- Significant legislative or regulatory issues impacting SCRRA are recognized, addressed appropriately and interaction with governance groups occurs;
- Employees’ actions are in compliance with policies, standards, procedures and applicable laws and regulations; and

Opportunities for improving management control, streamlining processes, and improving public perception may be identified during audits. These will be communicated to the appropriate level of SCRRA management.

**INDEPENDENCE AND OBJECTIVITY**

The **Chief Audit Executive** will ensure that the IA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the **Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.**

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

**Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:**

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for SCRRA
- Initiating or approving transactions external to the IA
- Directing the activities of any SCRRA employee not employed by the IA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
Internal Audit Charter

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the EMAC/Board, at least annually, the organizational independence of the IA.

**SCOPE OF INTERNAL AUDIT ACTIVITIES**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the EMAC/Board and management on the adequacy and effectiveness of governance, risk management, control processes for SCRRRA. Internal audit assessments include evaluating whether:

- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact SCRRRA.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Executive also coordinates SCRRRA external audit activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The IA may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the IA does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of SCRRRA management.
RESPONSIBILITIES

The IA is responsible for:

- Developing and executing a flexible risk-based audit plan including any risks or control concerns identified by SCRRRA management, and submitting at least annually, that plan to the CEO and EMAC/Board for review and approval.
- Preparing or updating the agency-wide risk assessment annually and incorporating the results into the annual audit plan; Implementing the approved annual audit plan, including as appropriate, any special tasks or projects requested by SCRRRA management; Communicate to the CEO and the EMAC/Board the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in SCRRRA’s business, risks, operations, programs, systems, and controls.
- Present quarterly reports to the CEO and EMAC/Board highlighting progress on the Audit Plan. Communicate to the CEO and the EMAC/Board any significant interim changes to the internal audit plan.
- Periodically review the IA’s charter and present it to the EMAC/Board for approval for any changes in the IA’s charter.
- Periodically report to the CEO and EMAC/Board the results of audit engagements or other activities.
- Report to the CEO and EMAC/Board if there are any significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of the CEO and/or EMAC/Board.
- Report to the CEO and EMAC/Board if there is any response to risk by management that may be unacceptable to SCRRRA.
- Ensure each engagement of the internal audit plan is timely executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on reporting significant audit engagement findings, recommendations, and corrective actions, and report periodically to the CEO and EMAC/Board on the status of corrective actions' implementation.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IA collectively possesses or obtains the knowledge, skills, experience, and other competencies needed to meet the requirements of the IA’s charter.
- Establish and ensure adherence to policies and procedures designed to guide the IA.
- Providing SCRRRA management with adequate time to respond to audit findings.
and including SCRRRA management’s response in the final report;

• Following up on audits to ensure agreed-upon corrective actions have been taken and provide periodic follow-up reports;
• Presenting quarterly reports to the CEO and EMAC/Board highlighting progress on the Audit Plan;
• Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications;
• Consulting services, which are advisory in nature, can be provided as long as the services do not impair the IAs independence and fall within the scope outlined in the Charter;
• Coordinating external audits of SCRRRA;
• Considering external auditors and regulators’ scopes of work, as appropriate, for the purpose of providing optimal audit coverage at a reasonable overall cost; and
• Referring suspected fraud, waste, or abuse promptly to the SCRRRA General Counsel.

SCRRRA management is responsible for:

• Maintaining an effective system of internal controls, documenting policy and procedures, and ensuring information is accurate and reliable;
• Complying with policies and procedures;
• Cooperating fully with auditors during discharge of their duties including prompt reply to IA requests and recommendations; and
• Providing a response to audit findings and recommendations. Assuring timely implementation of agreed upon corrective action(s) to audit recommendations.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The IA will maintain a quality assurance and improvement program that covers all aspects of the IA. The program will include an evaluation of the IA’s conformance with the Standards, an evaluation of whether internal auditors apply the IIA’s Code of Ethics, and an evaluation of the IA’s compliance with the Government Auditing Standards. The program will also identify opportunities for improvement.

The Chief Audit Executive will communicate to the CEO and the EMAC/Board on the IA’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every three years by a qualified, independent assessor or assessment team from outside SCRRRA.

AUTHORITY AND ACCOUNTABILITY

The IA audits all departments, programs, functions, systems, contracts and activities based on the approved audit plan or specific requests that have been approved by the
Chief Executive Officer (CEO) and Executive Management and Audit Committee (EMAC)/Board of Directors (Board).

The IA is authorized to:

- Have full, free and unrestricted access to all information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. However, the IA will coordinate with, and seek the consent of, the General Counsel’s office prior to accessing any employee medical records, personnel files, employee emails, or any records prepared, used, or maintained by the General Counsel’s office in order to ensure maintenance of SCRRA’s attorney-client privilege and the protection of the attorney work product doctrine. All employees will cooperate fully in making available material or information requested by the IA or any external auditors managed by the IA. Access to contracted third parties will be handled in accordance with contractual terms. The IA staff will sign Confidentiality Statements annually that are provided and maintained by the General Counsel’s office. Documents provided to the IA will be handled in the same prudent manner as by those employees normally accountable for them;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in functions where audits are being performed, as well as, other specialized services from external consultants.

The IA is not authorized to:

- Initiate or approve accounting transactions external to the IA; or
- Direct the activities of any employee not part of the IA except to the extent such employees have been appropriately assigned to auditing teams.

The IA, in the discharge of duties, is accountable to the CEO and EMAC/Board to:

- Report significant issues related to the processes for controlling the activities, including potential improvements to those processes and provide information concerning such issues through their resolution; and
- Provide periodic information on the status and results of the annual audit plan and the adequacy of progress as it relates to SCRRA management action plans.

INDEPENDENCE

The IA is independent of the activities it reviews. Specifically, the IA staff may not review areas where they were responsible for the design or operation of the area. Auditors are responsible for maintaining their independence and integrity in all services they provide.

All IA activities shall remain free from interference relative to matters of audit selection,
Internal Audit Charter

scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The Chief Auditor shall report any impairment to independence, or unjustified restriction or limitation to audit selection, scope, procedures, frequency, timing or report content promptly to the CEO and EMAC/Board.

As a means of ensuring independence, the IA will report to the CEO and EMAC/Board. This structure permits the rendering of impartial and unbiased judgment essential to the proper conduct of audits. The EMAC/Board will review and concur in the appointment, replacement, or dismissal of the Chief Auditor.

APPROVED by the Board of Directors on ________________

______________________________
Shawn Nelson, Andrew Kotyuk, Chair, SCRRA Board

ATTESTED to by:

______________________________
Kari Holman, Board Secretary

PROCEDURE HISTORY

DATE May 9, 2014 ___4___ New Audit Department Charter approved.
DATE ________________ October 9, 2015 ____Updated to reflect Board changes in reporting structure.
DATE October 27, 2017___________-Updated to adopt the 2017 IIA Model Internal Audit Activity Charter and to address the May 2017 External Quality Control Review recommendations.
Internal Audit Charter

PURPOSE AND MISSION

The purpose of the Southern California Regional Rail Authority's (SCRRA) Internal Audit Department (IA) is to provide independent, objective assurance and consulting services designed to add value and improve SCRRA's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IA helps SCRRA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The IA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. The IA will also comply with the Government Auditing Standards promulgated by the Comptroller General of the United States.

AUTHORITY

The Chief Audit Executive (head of IA) will report functionally to the Executive Management and Audit Committee (EMAC)/Board and administratively (i.e., day-to-day operations) to the CEO. To establish, maintain, and assure that SCRRA’s IA has sufficient authority to fulfill its duties, the EMAC/Board will:

- Approve the IA’s charter.
- Approve the risk-based internal audit plan.
- Receive communications from the Chief Audit Executive on the IA’s performance relative to its plan and other matters.
- Approve performance evaluation and the remuneration of the Chief Audit Executive.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

The Board will make the final determination regarding the appointment, selection, and termination of the Chief Audit Executive.
Internal Audit Charter

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the EMAC/Board, including in private meetings without management present.

The EMAC/Board authorizes the IA to:

- Have full, free and unrestricted access to all information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. However, the IA will coordinate with, and seek the consent of, the General Counsel's office prior to accessing any employee medical records, personnel files, employee emails, or any other separate records which are prepared, used, or maintained by the General Counsel's office in order to ensure maintenance of SCRRA's attorney-client privilege and the protection of the attorney work product doctrine. To the extent the General Counsel's office and IA cannot agree as to any specific access request of the IA, the question should be referred first to the Chairman of the Board and if necessary to the EMAC/Board. All employees will cooperate fully in making available material or information requested by the IA or any external auditors managed by the IA. Access to contracted third parties will be handled in accordance with contractual terms. Documents provided to the IA will be handled in the same prudent manner as by those employees normally accountable for them.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of SCRRA, as well as other specialized services from within or outside SCRRA, in order to complete the engagement.

INDEPENDENCE AND OBJECTIVITY

The Chief Audit Executive will ensure that the IA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
Internal Audit Charter

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for SCRRRA
- Initiating or approving transactions external to the IA
- Directing the activities of any SCRRRA employee not employed by the IA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the EMAC/Board, at least annually, the organizational independence of the IA.

SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the EMAC/Board and management on the adequacy and effectiveness of governance, risk management, control processes for SCRRRA. Internal audit assessments include evaluating whether:

- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact SCRRRA.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Executive also coordinates SCRRRA external audit activities, where possible, and considers relying upon the work of other internal and external assurance services.
and consulting service providers as needed. The IA may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the IA does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of SCRRRA management.

RESPONSIBILITY

The Chief Audit Executive has the responsibility to

- Submit, at least annually, to the CEO and EMAC/Board a risk-based internal audit plan for review and approval.
- Communicate to the CEO and the EMAC/Board the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in SCRRRA’s business, risks, operations, programs, systems, and controls.
- Present quarterly reports to the CEO and EMAC/Board highlighting progress on the Audit Plan. Communicate to the CEO and the EMAC/Board any significant interim changes to the internal audit plan.
- Periodically review the IA’s charter and present it to the EMAC/Board for approval for any changes in the IA’s charter.
- Periodically report to the CEO and EMAC/Board the results of audit engagements or other activities.
- Report to the CEO and EMAC/Board if there are any significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of the CEO and/or EMAC/Board.
- Report to the CEO and EMAC/Board if there is any response to risk by management that may be unacceptable to SCRRRA.
- Ensure each engagement of the internal audit plan is timely executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement recommendations and corrective actions, and report periodically to the CEO and EMAC/Board on the status of corrective actions.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IA collectively possesses or obtains the knowledge, skills, experience, and other competencies needed to meet the requirements of the IA’s charter.
- Establish and ensure adherence to policies and procedures designed to guide the IA.
QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The IA will maintain a quality assurance and improvement program that covers all aspects of the IA. The program will include an evaluation of the IA’s conformance with the Standards, an evaluation of whether internal auditors apply the IIA’s Code of Ethics, and an evaluation of the IA’s compliance with the Government Auditing Standards. The program will also identify opportunities for improvement.

The Chief Audit Executive will communicate to the CEO and the EMAC/Board on the IA’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every three years by a qualified, independent assessor or assessment team from outside SCRRA.

APPROVED by the Board of Directors on ______________

Andrew Kotyuk, Chair, SCRRA Board

ATTESTED to by:

____________________________
Kari Holman, Board Secretary

PROCEDURE HISTORY

DATE _May 9, 2014_ New Audit Department Charter approved.

DATE _October 9, 2015_ Updated to reflect Board changes in reporting structure.

DATE _October 27, 2017_ Updated to adopt the 2017 IIA Model Internal Audit Activity Charter and to address the May 2017 External Quality Control Review recommendations.
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
ITEM 34

TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Adoption of Revised Internal Audit Policies and Procedures

Issue
Approval is needed for revisions to current Board adopted Internal Audit Policies and Procedures.

Recommendation
The Executive Management and Audit Committee approved and recommended that the Board approve updates to the following Internal Audit Policies and Procedures:
1) IA-1.1 Internal Audit Policies & Procedures
2) IA-1.2 Employee Hotline Reporting Policy

Alternatives
The Board may request modifications to proposed policies and procedures.

Committee Review
This item was approved at the Executive Management and Audit Committee meeting held on October 27, 2017.

Strategic Goal Alignment
This report aligns with the strategic goal to improve organizational efficiency.

Background
IA-1.1 Internal Audit Policies & Procedures
The purpose of this policy is to establish the methods, guidelines, and accountability for the Internal Audit Department. This policy has been updated to be consistent with the
updates made to the Internal Audit Charter, to clarify and improve audit processes, and to adopt recommendations from the external peer review.

IA-1.2 Employee Hotline Reporting Policy

The purpose of this policy is to provide guidelines for employees to effectively utilize the Employee Hotline to submit complaints of misconduct, to establish a uniform procedure for the Authority to consider and respond to such complaints and to affirm protection for employees who utilize the hotline in good faith. This policy has been updated to clarify procedures for submitting complaints and responding to submitted complaints, to align policy with the existing Human Resources Policy, and to reflect recent changes in title and third-party hotline provider.

Attachment 1 shows the policies with redlines to reflect the recommended changes to the latest version of the policy. Attachment 2 has clean versions of the policies.

Budget Impact

There is no budgetary impact as a result of this report.

Prepared by: Elisabeth Lazuardi, Senior Manager, Audit

Elisabeth Lazuardi
Senior Manager, Audit
Internal Audit Policies and Procedures Manual

TITLE: Internal Audit Policies & Procedures No.: IA-1.1
ORIGINATING UNIT: Internal Audit Department
EFFECTIVE DATE: June 12, 2015 REVISION: October 27, 2017

PURPOSE

The purpose of this policy is to establish the methods, guidelines and accountability for the Southern California Regional Rail Authority’s (SCRRRA or Authority) Internal Audit Department (IA).

APPLICATION

This policy and procedures document applies to all SCRRRA employees.

The Chief Auditor - Audit Executive (Head of Internal Audit Department) is responsible for the administration of this policy; the Chief Executive Officer (CEO) is responsible for ensuring cooperation between the IA and management in the execution of this policy’s adherence to this policy. Management is responsible for establishing and implementing adequate internal controls, responding to audit findings and recommendations, and the timely implementation of corrective action related to deficiencies identified in audit reports.

POLICY STATEMENT

1.0 1.0 PROCEDURES

1.1 Implementation of Policy

The Chief Audit Executive - Auditor will implement this policy through activities including, but not limited to, the following:

1.1.1 Develop and execute an Annual Audit Plan that includes a risk based approach.

1.1.2 Provide reports periodically on the results of all audit activities to the Executive Management & Audit Committee (EMAC)/ Board of Directors (Board)/Executive Management & Audit Committee (EMAC).
1.1.3 Act as Audit Liaison by coordinating and monitoring audits by external auditors, including those conducted by independent financial statement auditors and state and federal officials.

1.1.4 Adherence to the mandatory elements of the Institute of Internal Auditors’ (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. Comply with Generally Accepted Government Auditing Standards (GAGAS), as prescribed by the Comptroller General of the United States (GAGAS), International Standards for the Professional Practice of Internal Auditing (IIA Standards), and Information Systems Audit and Control Association Standards for IS Audit, and Assurance (ISACA IS Standards).

1.1.5 Manage professional audit staff with sufficient knowledge, skills, experience, and professional credentials to maintain adherence to the IIA’s International Professional Practices Framework and compliance with the GAGAS, the IIA Standards, and the ISACA IS Standards.

1.1.6 Develop and monitor a quality assurance program for the IA and contracting for a triennial Quality Assurance (Peer) Review of the IA.

1.1.7 Assist the Board/EMAC/Board in fulfilling its audit oversight responsibilities, as specified in "Roles & Responsibilities of the SCRRRA Executive Management & Audit Committee” as included in the SCRRRA Bylaws.

1.2 1.2—Professional Standards and Ethics

The Authority, the IA, and the internal auditors adhere to the mandatory elements of the IIA’s International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. The IA and the internal auditors also comply with GAGAS, which includes the Definition of Internal Auditing, the Code of Ethics and the IIA Standards, the GAGAS, and the ISACA IS Standards.

1.3 1.3—Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. The final audit report including auditee responses should be reviewed by the SCRRRA General Counsel before being presented to the Board/EMAC/Board for purposes of identifying any legal issues.
1.4  **1.4---Reporting Procedures to EMAC**

At EMAC meetings, the Chief [Audit Executive-Auditor](#) will present information, including but not limited to, the IA’s [annual financial budget](#), audit plan and its progress, any adjustments made to its annual audit plan, results of audit engagements, or other activities, strategic plan, annual objectives and various status reports on actual audit days, activity any staffing or resource limitations, quality assurance and improvement program, and adherence to the IIA’s [International Professional Practices Framework](#) and compliance with Standards, the GAGAS, and the ISACA IS Standards.

The audit plan must be presented to and adopted by the Board/EMAC. No audit will be initiated unless it is either included in the adopted audit plan or subsequently approved by the Board/EMAC.

1.5  **1.5---Audit Services**

In executing its annual audit plan, the IA will employ protocols designed to clarify and provide consistency to the internal audit process. These general protocols are in no way meant to restrict audit objectives, scope or access to records or information and are as follows:

1.5.1  **Planning (Phase I) includes:**

1.5.1.1

- Step 1—Engagement Letter/Audit Initiation Memo
- Step 2—Entrance Conference with auditee
- Step 3—Preliminary Survey & Documentation
- Step 4—Review of Processes and Internal Control
- Step 5—Conduct Risk Assessment (for applicable audit activities)
- Step 6—Develop Audit Programs

1.5.2  **Fieldwork/Execution (Phase II) includes:**

1.5.2.1

- Step 1—Detailed Tests of Internal Controls and Transaction Testing
- Step 2—Continuous Communication
- Step 3—Exit Conference

During the course of conducting fieldwork, the IA staff will advise the Chief Audit Executive of any significant findings or concerns, including those which will require a significant deviation from, or additions to, the planned objectives or scope of the audit. The IA will communicate significant findings and scope changes to management during the course of the audit when feasible.

1.5.3  **Reporting Results (Phase III)**
Step 1—Write a draft report of the audit, findings, and/or recommendations
Audit participants’ review of draft report
Exit Conference
Step 2—Management Response (for applicable audit activities)
Discussion with CEO and Senior Executive
Independent Report Review
Step 3—Final Report

A preliminary draft report will be circulated to all audit participants prior to the exit conference. Draft reports are considered unofficial working papers, subject to revisions and will, therefore, remain restricted, in use and distribution, to the IA and audit participants.

An exit conference will be held with audit participants. The purpose of the exit conference is to:

1.5.3.1 Confirm the accuracy of all information presented in the draft report.
1.5.3.2 Determine if all pertinent information and data has been considered.
1.5.3.3 Answer questions about the practicality of the recommendations and the accuracy of the findings.
1.5.3.4 Discuss proposed revisions or changes.
1.5.3.5 For applicable audit activities, discuss the audit responses and identify an agreed upon due date for responses to be provided.
1.5.3.6 Discuss input or suggestions regarding the audit process.

Following the exit conference, agreed upon revisions will be made to the draft report and the report will be recirculated to audit participants.

For applicable audit activities, responses to audit recommendations will be prepared by management and submitted to the Chief Audit Executive within 10 business days (depending on the urgency of the report). Management requests for response submissions subsequent to 10 business days will be at the discretion of the Chief Audit Executive or the Board/EMAC/Board. In general, responses should include:

- Whether management agrees or disagrees with the findings and recommendations;
- Improvement plan;
• Target completion date for implementation.

The CEO and EMAC will be advised of any significant findings and recommendations for which there is disagreement between management and the IA concerning fact, finding, or recommendation. The Chief Auditor will prepare and recirculate to management draft report with management responses along with the date the audit report will be included on the EMAC agenda.

Responses to audit recommendations will be incorporated into the final report. Management’s signature indicating their review and acknowledgement of the final report will be requested and included in the report, and the final audit report will be issued to all audit participants. Only final audit reports will be presented and distributed to Board/EMAC/Board.

The CEO and EMAC will be advised of any significant findings and recommendations for which there is disagreement between management and the IA concerning fact, finding, or recommendation.

1.6 Follow-up Review

One of the primary responsibilities as professional internal auditors is determining that the auditee takes corrective or improvement action on audit recommendations. Periodic follow-up communications will therefore be conducted with management generally three (3) months after the issuance of an audit report, and every three (3) months thereafter until all recommendations have been satisfactorily addressed.

1.7 Special Audit Requests

From time to time, management or the Board/EMAC/Board or the CEO may request ad hoc audits or reviews of projects, programs or activities. IA will allocate a portion of time specifically to these requests within its annual audit plan. Special Requests made by the CEO should be made to the IA in writing with a clearly stated objective and the EMAC/Board should be notified of the Special Audit Requests. If the Special Audit Requests will result in significant changes to the Annual Audit Plan Reports, the EMAC/Board should be informed. Reports issued, if any, pursuant to these requests will be provided to the Board/EMAC/Board.

1.8 Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, Waste or Abuse Investigations

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetuated for the benefit or detriment of individuals and the Authority. It can be committed by anyone at the Authority, no matter what level, and can
be done by persons outside the Authority acting alone or in collusion with others inside or outside the Authority. GAGAS prescribe internal auditors' responsibilities for considering fraud, illegal acts, violations of provisions of contracts or grant agreements, waste or abuse during their planning for, and execution of, audits.

The IA operates a confidential hotline in coordination with the Legal Department for the Authority’s employees, contractors, and other interested parties to report fraud, waste and abused affecting the Authority’s resources. The Employee Hotline Reporting Policy is provided in Policy 1.2.

1.9 **Record Access**

All employees will cooperate fully in making available material or information requested by an internal auditor. The IA shall have no authority over, or responsibility for, any of the activities audited, and shall not perform any functions that might require subsequent audit will have no direct operational responsibility or authority over any of the activities audited.

The Board/EMAC/Board has authorized the IA to perform internal audits within SCRRA. Therefore, only personnel within the IA should be referred to as internal auditors and only their work should be referred to as internal audit activities. SCRRA employees performing work involving review and verification of various aspects of SCRRA operations should not be referred to as auditors and their work should not be referred to as audits or audit activities.

1.10 **1.10 External Audits**

All external audits of SCRRA will be coordinated through or with the Chief Audit Executive of the IA, including audits conducted by state, federal, or local officials. From time to time, the IA will retain the services of audit consultants to supplement internal audit staff and assist with internal audits and reviews. Audit consultants will be selected using SCRRA’s approved procurement process, and will comply with this policy. The IA will immediately notify the Board Chairman/EMAC/Board and the CEO regarding the initiation of any required external audits by independent third parties.

When a department is notified by the outside auditors of an impending audit or review, the department head should immediately contact the Chief Audit Executive and forward a copy of the notification letter to the Chief Audit Executive.

1.11 **1.11 Contract Compliance Audits**

The Purchasing/Procurement, Contracts, and Contract Compliance Department will ensure that provision is made in all contracts and agreements for examinations by the IA of the counterparty's books and records relating to such contracts and grant agreements.
2.0 DEFINITION OF TERMS

External Audits – Audit of SCRRA being conducted by a government or other legal entity that is independent of SCRRA.

Financial Audits – Financial Audits provide an independent assessment of whether SCRRA’s reported financial information (e.g. financial condition, results, and use of resources) are presented fairly in accordance with recognized criteria. Financial audits performed in accordance with GAGAS include financial statement audits and other related financial audits. Financial are external examinations audits of SCRRA’s financial statements and accompanying disclosures are conducted by an independent auditor on an annual basis. The result of the audit is a report by the independent auditor, attesting to the fairness of presentation of the financial statements and related disclosures.

Internal Audits – Independent, objective assurance activity designed to add value to improve SCRRA’s operations by SCRRA’s IA Department. Internal Audits can include an array of audit activity such as:

Performance Audits – Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis assist management and those in charge with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Information Technology (IT) Audits – Examination of management controls within an IT infrastructure. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organization’s goals or objectives.

Attestation Engagements – Attestation engagements can cover a broad range of financial or non-financial objectives about the subject matter or assertion depending on the users’ needs.

Non-audit (Consulting) Services:

- Management or the Board/EMACEMAC/Board requested ad hoc independent reviews, fraud investigations, or other advisory/consulting services – May include requests for advice regarding the establishment of new or revised operational procedures, questions on best practices or guidance in policy and procedures development and responses to Ethics Hotline Reports.

- Audit Liaison – The IA serves as an audit liaison between SCRRA departments and external auditors: attending most entrance and exit conferences, assist in ensuring that audit needs are met, and audit findings are adequately addressed.

3.0 RESPONSIBILITIES

3.1 Chief Audit Executive
The Chief Audit Executive has overall responsibility for the IA. The Chief Audit Executive reports functionally to the EMAC of the Board, with administratively (i.e., day-to-day operations) reporting to the CEO.

4.0 REFERENCES

4.1 Government Auditing Standards promulgated by the Comptroller General of the United States (GAGAS), The Generally Accepted Government Auditing Standards (GAGAS 2011)—commonly referred to as the "Yellow Book”.

4.2 Mandatory elements of the IIA International Standards for the Professional Practice of Internal Auditing—Institute of Internal Auditors’ (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. They are (IIA Standards) commonly referred to as the “Red Book.”

IS Auditing Standard, Guideline and Procedures (ISACA IS Standards).

5.0 PROCEDURE HISTORY

DATE June 12, 2105 New Policy and Procedures document approved
DATE October 27, 2017 Updated to reflect changes in the Internal Audit Charter and to improve and clarify audit protocols

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TITLE: Employee Hotline Reporting Policy

ORIGINATING UNIT: Internal Audit Department

APPLICATION

This policy applies to all SCRRA employees (i.e., which will includes SCRRA’s employees, contractors, and other interested parties).

POLICY STATEMENT

SCRRA elected and appointed officials and employees are responsible for conducting themselves in compliance with a state or federal statute, rule or regulation, or SCRRA policy, procedure, rule or regulation, the law and SCRRA policies and procedures. SCRRA encourages all employees to report as soon as possible any conduct that is believed to violate a state or federal statute, rule or regulation, or SCRRA policy, procedure, rule or regulation, the law and SCRRA policies and procedures.

In order to ensure that employees have a means of safely reporting complaints and allegations of misconduct, without fear of reprisal, SCRRA has created an Employee Hotline for receiving such complaints. Pursuant to this policy, upon receipt of a hotline complaint from SCRRA’s third party hotline provider, the General Counsel and Chief Audit Executive (Head of Internal Audit Department), or designee, will jointly review and consider complaints made to the Hotline. If warranted, based upon the information provided, the General Counsel and Chief Audit Executive may conduct or solicit further investigation, and take the appropriate corrective action SCRRA deems necessary. If the General Counsel and/or Chief Audit Executive are named in the complaint, the person(s) named will not receive a copy of the
Employee Hotline Reporting Policy- IA-1.2

complaint. Instead, the third-party hotline provider, or General Counsel or Chief Auditor if unnamed in the complaint, will contact the Chair of the SCRRA Board of Directors, who will participate in the review of the complaint and related decision-making.

Employees who utilize the Employee Hotline in good faith shall be protected from retaliation.

The General Counsel and Chief Auditor, or designees, depending on the seriousness of the complaints, shall provide a report of the disposition of hotline complaints to the Chair of the Board, and any other designated Board members, on a monthly basis. If a hotline complaint contains significant issues in the organization that require a formal investigation by the Legal Department or the Human Resources Department, or a formal audit, the General Counsel and Chief Auditor will notify the Chair of the Board.

1.0 PROCEDURE

The following procedure is applicable to situations when an employee believes that an SCRRA elected or appointed official or employee has engaged in violations of the law or SCRRA policy and wishes to report the violation via the Employee Hotline.

1.1 Types of Complaints/Issues That May Be Submitted to the Employee Hotline

Generally, the following types of complaints and issues are appropriate for submission to the Employee Hotline, but are not limited to:

- Accounting/Audit Irregularities
- Conflicts of Interest
- Customer Relations Concerns
- Discrimination
- Employee Relations Concerns
- Falsification of Customer Records
- Fraud
- Fraudulent Insurance Claims
- Illegal Activity
- Improper Loans
- Kickbacks
- Policy Issues
- Personnel Issues (of a Sensitive Nature or if Complainant Wishes to Remain Anonymous)
- Improper Release of Information
- Retaliation
- Safety Issues
- Sanitation
- Sexual Harassment
- Substance Abuse
- Theft of Cash
1.2 Process for Submitting Complaints to the Employee Hotline

SCRRA has contracted with a third-party hotline provider, The Network, to operate the Employee Hotline to provide a means of reporting complaints falling within the above categories. SCRRA employees may report concerns by contacting the Employee Hotline at any time by calling (855) 224 - 8426 to speak with an Employee Hotline representative. You may also visit the Employee Hotline website at https://www.reportlineweb.com/metrolink to submit complaints via an online form.

The Employee Hotline is carefully designed and managed to maintain your confidentiality and anonymity throughout the reporting process, to the extent possible given legal and reporting requirements.

When submitting complaints, employees are urged to provide as much specific, detailed information as possible including, but not limited to, the following:

- A clear and concise statement of what you are alleging is an improper act including the date and time of the act, identification of any applicable laws or SCRRA policies, if known, and why you believe the act is improper.

- The first and last names of the individuals involved (i.e., the alleged perpetrators and victims, if applicable) and the departments in which they work. If you do not provide a name or other information that clearly identifies the person you are alleging to have acted improperly, and the department where that person works, SCRRA may not know who to investigate.

- The identities of any witnesses and a description of any documentary evidence that confirms the information you are providing. If you do not identify witness and/or documents that will support what you are saying, SCRRA may not be able to verify that what you are saying is true.

- Any other information that may be relevant to a full and complete investigation.

Information provided to the Employee Hotline is immediately transmitted to the General Counsel and Chief Auditor – Audit Executive (unless named in the complaint) for evaluation as to whether further investigation is warranted.
While you may submit a complaint anonymously, SCRSA may not be able to determine whether your complaint has merit if you cannot be interviewed. Should you choose to remain anonymous, with either method of reporting (telephone or web) you will receive a confirmation number and you will elect a password that will allow you to communicate anonymously with SCRSA via the third-party provider. After 6-10 business days, you are encouraged to use your password to check your report for feedback or questions from recipients of the complaint. If you identify yourself during the complaint process, to the extent possible given legal and reporting requirements, SCRSA will not reveal your identity to anyone else without your permission, except to appropriate investigator or law enforcement personnel who are conducting a criminal investigation.

Following up complaints made to the Employee Hotline by submitting copies of any documents that will support your complaint is extremely helpful to the evaluation process. However, please submit copies of the documents, rather than the original documents, as they cannot be returned. If SCRSA needs the original documents we will ask you for them later.

The Employee Hotline is not intended to replace management or supervisory oversight. You may always report your concerns directly to your supervisor or management. Personnel issues may also be addressed to Human Resources. If you wish to report personnel an issues of a sensitive nature, and wish to remain anonymous, or prefer not to report your complaint to Human Resources, you may use the hotline to report complaints pertaining to personnel issues.

1.3 SCRSA Response to Employee Hotline Complaints

In response to a complaint provided to the Employee Hotline, SCRSA may conduct an investigation into the facts alleged in the complaint to determine whether violation of the law or SCRSA policy or other misconduct has occurred.

Before launching an investigation, the recipients of the complaint will conduct a careful evaluation of the complaint to determine whether sufficient information has been provided and whether the complaint has enough potential merit to warrant the expenditure of SCRSA resources to conduct a full investigation.

Investigations can be complex and can take many months to complete. To ensure the confidentiality of the reporting process to the extent possible given legal and reporting requirements, SCRSA will not confirm or deny the existence of any complaint or investigation and SCRSA cannot provide any updates about what is being done to investigate the complaint or what information has been uncovered. SCRSA will not disclose a completed investigation report except as it deems necessary to support disciplinary action, to take remedial action, to defend itself in adversarial proceedings, or to comply with the law or a court order.
The General Counsel and Chief Audit Executive, depending on the seriousness of the complaint, will prepare and provide a monthly report of the complaint Employee Hotline activity to the Chair of the Board and other designated Board members. The reports will reflect the number and general nature of the complaints received and the status of disposition of the complaints. The reports will not include any information that could compromise the anonymity of reporter(s) or identify those accused or found to have engaged in wrongdoing.
1.4 Employee Protection Against Retaliation

This Policy strictly prohibits retaliation against anyone who utilizes the Employee Hotline to report or provide information in good faith about suspected wrongdoing. Any act of reprisal against an employee who files a hotline report violates this Policy and will result in appropriate disciplinary action. Examples of actions that might be retaliation include, but are not limited to: (1) singling a person out for harsher treatment; (2) lowering a performance evaluation; (3) failing to hire, failing to promote, withholding pay increases, assigning more onerous work, abolishing a position, demotion or discharge; or (4) real or implied threats of intimidation to prevent an individual from reporting wrongdoing.

Any act of retaliation will be treated and investigated as a separate and distinct incident, regardless of the outcome of the complaint made to the Employee Hotline. Any person found to have retaliated against an individual for making an Employee Hotline complaint will be subject to disciplinary action, up to and including termination. Disciplinary action may also be taken against any supervisor or manager who condones or ignores potential violations of this Policy, or who otherwise fails to take appropriate action to enforce this Policy.

2.0 DEFINITION OF TERMS

Whistleblower. Any employee who contacts the Employee Hotline or a supervisor or management in good faith to report information which the employee has reasonable cause to believe discloses a violation or noncompliance with a state or federal statute, rule or regulation, or SCRRA policy, procedure, rule or regulation.

3.0 RESPONSIBILITIES

Employees are urged to report as quickly as possible any conduct that is believed to violate the law and SCRRA policies and procedures, either through use of the Employee Hotline or by notifying supervisors or management.

The General Counsel and Chief Auditor-Audit Executive shall receive and evaluate complaints made to the Employee Hotline in order to determine whether sufficient information has been provided and whether the complaint has enough potential merit to warrant a full investigation. The General Counsel and Chief Auditor-Audit Executive are also responsible for maintaining the confidentiality of the identities of employees who make reports to the Employee Hotline, to the extent possible given legal and reporting requirements.

The General Counsel and Chief Auditor-Audit Executive, depending on the seriousness of the complaint, shall also prepare and provide monthly a reports of the complaint Employee Hotline activity to the Chair of the Board and other designated Board members.
Managers and Supervisors are responsible for immediately reporting to appropriate Human Resources personnel all complaints of whistleblower retaliation that come to the attention of the manager or supervisor, ensuring no directors, supervisors or other employees retaliate against known whistleblowers, and following up with those who have complained to ensure the behavior complained of has ceased and that there are no reprisals.

4.0 REFERENCES

Labor Code § 1102.5

5.0 ATTACHMENTS

Not Applicable.

6.0 PROCEDURAL HISTORY

June 12, 2015 – New Policy and Procedures document approved

October 27, 2017 – Updated to clarify procedures for submitting complaints and responding to submitted complaints, to align with the Human Resources Policy, and to reflect recent changes in title and third-party hotline provider.

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Chief Auditor         General Counsel         Chair of the SCRRA Board of Directors
TITLE: Internal Audit Policies & Procedures  No.: IA-1.1
ORIGINATING UNIT: Internal Audit Department
EFFECTIVE DATE: June 12, 2015  REVISION: October 27, 2017

PURPOSE

The purpose of this policy is to establish the methods, guidelines and accountability for the Southern California Regional Rail Authority’s (SCRRRA or Authority) Internal Audit Department (IA).

APPLICATION

This policy and procedures document applies to all SCRRRA employees.

The Chief Audit Executive (Head of Internal Audit Department) is responsible for the administration of this policy; the Chief Executive Officer (CEO) is responsible for management’s adherence to this policy. Management is responsible for establishing and implementing adequate internal controls, responding to audit findings and recommendations, and the timely implementation of corrective action related to deficiencies identified in audit reports.

POLICY STATEMENT

1.0 PROCEDURES

1.1 Implementation of Policy

1.1.1 The Chief Audit Executive will implement this policy through activities including, but not limited to, the following: Develop and execute an Annual Audit Plan that includes a risk based approach.

1.1.2 Provide reports periodically on the results of all audit activities to the Executive Management & Audit Committee (EMAC)/ Board of Directors (Board).

1.1.3 Act as Audit Liaison by coordinating and monitoring audits by external auditors, including those conducted by independent financial statement auditors and state and federal officials.
1.1.4 Adherence to the mandatory elements of the Institute of Internal Auditors’ (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. Comply with the Government Auditing Standards promulgated by the Comptroller General of the United States (GAGAS).

1.1.5 Manage professional audit staff with sufficient knowledge, skills, experience, and professional credentials to maintain adherence to the IIA’s International Professional Practices Framework and compliance with GAGAS.

1.1.6 Develop and monitor a quality assurance program for the IA and contracting for a triennial Quality Assurance (Peer) Review of the IA.

1.1.7 Assist the EMAC/Board in fulfilling its audit oversight responsibilities, as specified in "Roles & Responsibilities of the SCRRA Executive Management & Audit Committee” as included in the SCRRA Bylaws.

1.2 Professional Standards and Ethics

The IA and the internal auditors adhere to the mandatory elements of the IIA’s International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. The IA and the internal auditors also comply with GAGAS.

1.3 Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. The final audit report including auditee responses should be reviewed by the SCRRA General Counsel before being presented to the EMAC/Board for purposes of identifying any legal issues.

1.4 Reporting Procedures to EMAC

At EMAC meetings, the Chief Audit Executive will present information, including but not limited to, the IA’s annual audit plan and its progress, any adjustments made to its annual audit plan, results of audit engagements, or other activities, any staffing or resource limitations, quality assurance and improvement program, adherence to the IIA’s International Professional Practices Framework, and compliance with GAGAS.

The audit plan must be presented to and adopted by the EMAC/Board annually. **No audit will be initiated unless it is either included in the adopted audit plan or subsequently approved by the EMAC/Board.**
1.5 Audit Services

In executing its annual audit plan, the IA will employ protocols designed to clarify and provide consistency to the internal audit process. These general protocols are in no way meant to restrict audit objectives, scope or access to records or information and are as follows:

1.5.1 Planning (Phase I) includes:

- Engagement Letter/Audit Initiation Memo
- Entrance Conference with auditee
- Preliminary Survey & Documentation
- Review of Processes and Internal Control
- Conduct Risk Assessment (for applicable audit activities)
- Develop Audit Programs

1.5.2 Fieldwork/Execution (Phase II) includes:

- Detailed Tests of Internal Controls and Transactions
- Continuous Communication

During the course of conducting fieldwork, the IA staff will advise the Chief Audit Executive of any significant findings or concerns, including those which will require a significant deviation from, or additions to, the planned objectives or scope of the audit. The IA will communicate significant findings and scope changes to management during the course of the audit when feasible.

1.5.3 Reporting Results (Phase III)

- Write a draft report of the audit, findings, and/or recommendations
- Audit participants’ review of draft report
- Exit Conference
- Management Response (for applicable audit activities)
- Discussion with CEO and Senior Executive
- Independent Report Review
- Final Report

A preliminary draft report will be circulated to all audit participants prior to the exit conference. Draft reports are considered unofficial working papers, subject to revisions and will, therefore, remain restricted, in use and distribution, to the IA and audit participants.

An exit conference will be held with audit participants. The purpose of the exit conference is to:

1.5.3.1 Confirm the accuracy of all information presented in the draft report.
1.5.3.2 Determine if all pertinent information and data has been considered.

1.5.3.3 Answer questions about the practicality of the recommendations and the accuracy of the findings.

1.5.3.4 Discuss proposed revisions or changes.

1.5.3.5 For applicable audit activities, discuss the audit responses and identify an agreed upon due date for responses to be provided.

1.5.3.6 Discuss input or suggestions regarding the audit process.

Following the exit conference, agreed upon revisions will be made to the draft report and the report will be recirculated to audit participants.

For applicable audit activities, responses to audit recommendations will be prepared by management and submitted to the Chief Audit Executive within 10 business days (depending on the urgency of the report). Management requests for response submissions subsequent to 10 business days will be at the discretion of the Chief Audit Executive or the EMAC/Board. In general, responses should include:

- Whether management agrees or disagrees with the findings and recommendations;
- Improvement plan;
- Target completion date for implementation.

The CEO will be advised of any significant findings and recommendations for which there is disagreement between management and the IA concerning fact, finding, or recommendation.

Responses to audit recommendations will be incorporated into the final report. Management’s signature indicating their review and acknowledgement of the final report will be requested and included in the report. The final audit report will be issued to all audit participants and presented and distributed to EMAC/Board.

1.6 Follow-up Review

One of the primary responsibilities as professional internal auditors is determining that the auditee takes corrective or improvement action on audit recommendations. Periodic follow-up communications will therefore be conducted with management after the issuance of an audit report until all recommendations have been satisfactorily addressed.

1.7 Special Audit Requests

From time to time, the EMAC/Board or the CEO may request ad hoc audits or reviews of projects, programs, or activities. IA will allocate a portion of time specifically to these requests within its annual audit plan. Special Requests made by the CEO should be made
to the IA in writing with a clearly stated objective and the EMAC/Board should be notified of the Special Audit Requests. If the Special Audit Requests will result in significant changes to the Annual Audit Plan Reports, the EMAC/Board should be informed. Reports issued, if any, pursuant to these requests will be provided to the EMAC/Board.

1.8 Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, Waste or Abuse Investigations

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit or detriment of individuals and the Authority. It can be committed by anyone at the Authority, no matter what level, and can be done by persons outside the Authority acting alone or in collusion with others inside or outside the Authority. GAGAS prescribe internal auditors' responsibilities for considering fraud, illegal acts, violations of provisions of contracts or grant agreements, waste or abuse during their planning for, and execution of, audits.

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All employees will cooperate fully in making available material or information requested by an internal auditor. The IA will have no direct operational responsibility or authority over any of the activities audited.

The EMAC/Board has authorized the IA to perform internal audits within SCRRA. Therefore, only personnel within the IA should be referred to as internal auditors and only their work should be referred to as internal audit activities. SCRRA employees performing work involving review and verification of various aspects of SCRRA operations should not be referred to as auditors and their work should not be referred to as audits or audit activities.

1.10 External Audits

All external audits of SCRRA will be coordinated through or with the Chief Audit Executive of the IA, including audits conducted by state, federal, or local officials. From time to time, the IA will retain the services of audit consultants to supplement internal audit staff and assist with internal audits and reviews. Audit consultants will be selected using SCRRA’s approved procurement process, and will comply with this policy. The IA will notify the EMAC/Board and the CEO regarding the initiation of any required external audits by independent third parties.

When a department is notified by the outside auditors of an impending audit or review, the
department head should immediately contact the Chief Audit Executive and forward a copy of the notification letter to the Chief Audit Executive.

1.11 Contract Compliance Audits

The Purchasing, Contracts, and Contract Compliance Department will ensure that provision is made in all contracts and agreements for examinations by the IA of the counterparty's books and records relating to such contracts and grant agreements.

2.0 DEFINITION OF TERMS

External Audits – Audit of SCRRRA being conducted by a government or other legal entity that is independent of SCRRRA.

Financial Audits – Financial Audits provide an independent assessment of whether SCRRRA’s reported financial information (e.g. financial condition, results, and use of resources) are presented fairly in accordance with recognized criteria. Financial audits performed in accordance with GAGAS include financial statement audits and other related financial audits. Financial audits of SCRRRA’s financial statements and accompanying disclosures are conducted by an independent auditor on an annual basis.

Internal Audits – Independent, objective assurance activity designed to add value to improve SCRRRA’s operations by SCRRRA’s IA Department. Internal Audits can include an array of audit activity such as:

Performance Audits – Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis assist management and those in charge with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Attestation Engagements – Attestation engagements can cover a broad range of financial or non-financial objectives about the subject matter or assertion depending on the users’ needs.

Non-audit (Consulting) Services:

- Management or the EMAC/Board requested ad hoc independent reviews, fraud investigations, or other advisory/consulting services – May include requests for advice regarding the establishment of new or revised operational procedures, questions on best practices or guidance in policy and procedures development and responses to Ethics Hotline Reports.

- Audit Liaison – The IA serves as an audit liaison between SCRRRA departments and external auditors: attending most entrance and exit conferences, assist in ensuring that audit needs are met, and audit findings are adequately addressed.
3.0 RESPONSIBILITIES

Chief Audit Executive

The Chief Audit Executive has overall responsibility for the IA. The Chief Audit Executive reports functionally to the EMAC/Board and administratively (i.e., day-to-day operations) to the CEO.

4.0 REFERENCES

4.1 Government Auditing Standards promulgated by the Comptroller General of the United States (GAGAS), commonly referred to as the “Yellow Book”.

4.2 Mandatory elements of the Institute of Internal Auditors’ (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. They are commonly referred to as the “Red Book.”

5.0 PROCEDURE HISTORY

DATE June 12, 2105 New Policy and Procedures document approved
DATE October 27, 2017 Updated to reflect changes in the Internal Audit Charter and to improve and clarify audit protocols

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Internal Audit Policies and Procedures Manual

TITLE: Employee Hotline Reporting Policy  NO. IA-1.2

ORIGINATING UNIT: Internal Audit Department

EFFECTIVE DATE: June 12, 2015  REVISED: October 27, 2017

PURPOSE

To provide guidelines for employees to effectively utilize the Employee Hotline to submit complaints of misconduct, to establish a uniform procedure for SCRRA to consider and respond to such complaints and to affirm protections for employees who utilize the hotline in good faith.

APPLICATION

This policy applies to all SCRRA employees (i.e. SCRRA’s employees, contractors, and other interested parties).

POLICY STATEMENT

SCRRA elected and appointed officials and employees are responsible for conducting themselves in compliance with a state or federal statute, rule or regulation, or SCRRA policy, procedure, rule or regulation. SCRRA encourages all employees to report as soon as possible any conduct that is believed to violate a state or federal statute, rule or regulation, or SCRRA policy, procedure, rule or regulation.

In order to ensure that employees have a means of safely reporting complaints and allegations of misconduct without fear of reprisal, SCRRA has created an Employee Hotline for receiving such complaints. Pursuant to this policy, upon receipt of a hotline complaint from SCRAA’s third party hotline provider, the General Counsel and Chief Audit Executive (Head of Internal Audit Department), will jointly review and consider complaints made to the Hotline. If warranted, based upon the information provided, the General Counsel and Chief Audit Executive may conduct or solicit further investigation, and take the appropriate corrective action SCRRA deems necessary. If the General Counsel and/or Chief Audit Executive are named in the complaint, the person(s) named will not receive a copy of the complaint. Instead, the third-party hotline provider, or General Counsel or Chief Audit Executive if unnamed in the complaint, will contact the Chair of the SCRRA Board of Directors, who will participate in the review of the complaint and related decision-making.
Employees who utilize the Employee Hotline in good faith shall be protected from retaliation.

The General Counsel and Chief Audit Executive, depending on the seriousness of the complaints, shall provide a report of the complaints to the Chair of the Board. If a hotline complaint contains significant issues in the organization that require a formal investigation by the Legal Department or the Human Resources Department, or a formal audit, the General Counsel and Chief Audit Executive will notify the Chair of the Board.

1.0 PROCEDURE

The following procedure is applicable to situations when an employee believes that an SCRRRA elected or appointed official or employee has engaged in violations of the law or SCRRRA policy and wishes to report the violation via the Employee Hotline.

1.1 Types of Complaints/Issues That May Be Submitted to the Employee Hotline

Generally, the following types of complaints and issues are appropriate for submission to the Employee Hotline, but are not limited to:

- Accounting/Audit Irregularities
- Conflicts of Interest
- Falsification of Records
- Fraud
- Fraudulent Insurance Claims
- Illegal Activity
- Improper Loans
- Kickbacks
- Theft
- Unauthorized Discounts

1.2 Process for Submitting Complaints to the Employee Hotline

SCRRA has contracted with a third-party hotline provider, to operate the Employee Hotline to provide a means of reporting complaints falling within the above categories. SCRRRA employees may report concerns by contacting the Employee Hotline at any time by calling (855) 224 - 8426 to speak with an Employee Hotline representative. You may also visit the Employee Hotline website at https://www.reportlineweb.com/metrolink to submit complaints via an online form.

The Employee Hotline is carefully designed and managed to maintain your confidentiality and anonymity throughout the reporting process, to the extent possible given legal and reporting requirements.

When submitting complaints, employees are urged to provide as much specific, detailed information as possible including, but not limited to, the following:
- A clear and concise statement of what you are alleging is an improper act including the date and time of the act, identification of any applicable laws or SCRRA policies, if known, and why you believe the act is improper.

- The first and last names of the individuals involved (i.e., the alleged perpetrators and victims, if applicable) and the departments in which they work. If you do not provide a name or other information that clearly identifies the person you are alleging to have acted improperly, and the department where that person works, SCRRA may not know who to investigate.

- The identities of any witnesses and a description of any documentary evidence that confirms the information you are providing. If you do not identify witness and/or documents that will support what you are saying, SCRRA may not be able to verify that what you are saying is true.

- Any other information that may be relevant to a full and complete investigation.

Information provided to the Employee Hotline is immediately transmitted to the General Counsel and Chief Audit Executive (unless named in the complaint) for evaluation as to whether further investigation is warranted.

While you may submit a complaint anonymously, SCRRA may not be able to determine whether your complaint has merit if you cannot be interviewed. Should you choose to remain anonymous, with either method of reporting (telephone or web) you will receive a confirmation number and you will elect a password that will allow you to communicate anonymously with SCRRA via the third-party provider. After 6-10 business days, you are encouraged to use your password to check your report for feedback or questions from recipients of the complaint. If you identify yourself during the complaint process, to the extent possible given legal and reporting requirements, SCRRA will not reveal your identity to anyone else without your permission, except to appropriate investigator or law enforcement personnel who are conducting a criminal investigation.

Following up complaints made to the Employee Hotline by submitting copies of any documents that will support your complaint is extremely helpful to the evaluation process. However, please submit copies of the documents, rather than the original documents, as they cannot be returned. If SCRRA needs the original documents we will ask you for them later.

The Employee Hotline is not intended to replace management or supervisory oversight. You may always report your concerns directly to your supervisor or management. Personnel issues may also be addressed to Human Resources. If you wish to report personnel issues and wish to remain anonymous, you may use the hotline to report complaints pertaining to personnel issues.
1.3 SCRRRA Response to Employee Hotline Complaints

In response to a complaint provided to the Employee Hotline, SCRRRA may conduct an investigation into the facts alleged in the complaint to determine whether violation of the law or SCRRRA policy or other misconduct has occurred.

Before launching an investigation, the recipients of the complaint will conduct a careful evaluation of the complaint to determine whether sufficient information has been provided and whether the complaint has enough potential merit to warrant the expenditure of SCRRRA resources to conduct a full investigation.

Investigations can be complex and can take many months to complete. To ensure the confidentiality of the reporting process to the extent possible given legal and reporting requirements, SCRRRA will not confirm or deny the existence of any complaint or investigation and SCRRRA cannot provide any updates about what is being done to investigate the complaint or what information has been uncovered. SCRRRA will not disclose a completed investigation report except as it deems necessary to support disciplinary action, to take remedial action, to defend itself in adversarial proceedings, or to comply with the law or a court order.

The General Counsel and Chief Audit Executive, depending on the seriousness of the complaint, will provide a report of the complaint to the Chair of the Board. The report will reflect the general nature of the complaints received and the status of disposition of the complaints. The report will not include any information that could compromise the anonymity of reporter(s) or identify those accused or found to have engaged in wrongdoing.

1.4 Employee Protection Against Retaliation

This Policy strictly prohibits retaliation against anyone who utilizes the Employee Hotline to report or provide information in good faith about suspected wrongdoing. Any act of reprisal against an employee who files a hotline report violates this Policy and will result in appropriate disciplinary action. Examples of actions that might be retaliation include, but are not limited to: (1) singling a person out for harsher treatment; (2) lowering a performance evaluation; (3) failing to hire, failing to promote, withholding pay increases, assigning more onerous work, abolishing a position, demotion or discharge; or (4) real or implied threats of intimidation to prevent an individual from reporting wrongdoing.

Any act of retaliation will be treated and investigated as a separate and distinct incident, regardless of the outcome of the complaint made to the Employee Hotline. Any person found to have retaliated against an individual for making an Employee Hotline complaint will be subject to disciplinary action, up to and including termination. Disciplinary action may also be taken against any supervisor or manager who condones or ignores potential violations of this Policy, or who otherwise fails to take appropriate action to enforce this Policy.

Page 4 of 6
2.0 DEFINITION OF TERMS

Whistleblower. Any employee who contacts the Employee Hotline or a supervisor or management in good faith to report information which the employee has reasonable cause to believe discloses a violation or noncompliance with a state or federal statute, rule or regulation, or SCRRA policy, procedure, rule or regulation.

3.0 RESPONSIBILITIES

Employees are urged to report as quickly as possible any conduct that is believed to violate the law and SCRRA policies and procedures, either through use of the Employee Hotline or by notifying supervisors or management.

The General Counsel and Chief Audit Executive shall receive and evaluate complaints made to the Employee Hotline in order to determine whether sufficient information has been provided and whether the complaint has enough potential merit to warrant a full investigation. The General Counsel and Chief Audit Executive are also responsible for maintaining the confidentiality of the identities of employees who make reports to the Employee Hotline, to the extent possible given legal and reporting requirements.

The General Counsel and Chief Audit Executive, depending on the seriousness of the complaint, shall also provide a report of the complaint to the Chair of the Board.

Managers and Supervisors are responsible for immediately reporting to appropriate Human Resources personnel all complaints of whistleblower retaliation that come to the attention of the manager or supervisor, ensuring no directors, supervisors or other employees retaliate against known whistleblowers, and following up with those who have complained to ensure the behavior complained of has ceased and that there are no reprisals.

4.0 REFERENCES

Labor Code § 1102.5

5.0 ATTACHMENTS

Not Applicable.

6.0 PROCEDURAL HISTORY

June 12, 2015 – New Policy and Procedures document approved
October 27, 2017 – Updated to clarify procedures for submitting complaints and responding to submitted complaints, to align with the Human Resources Policy, and to reflect recent changes in title and third-party hotline provider.
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TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017

TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Contract Audit: Veolia Transportation Maintenance and Infrastructure, Inc. – Contract No. MS214-09

Issue

The Internal Audit Department completed the Contract Audit: Veolia Transportation Maintenance and Infrastructure, Inc. (VTMI) – Contract No. MS214-09 for the audit period of July 1, 2016 to June 30, 2017 (Audit Report #2017-15-CA).

Recommendation

The Board may receive and file this report.

Committee Review

The Executive Management and Audit Committee received and filed this report at its meeting held on October 27, 2017.

Strategic Goal Alignment

This report aligns with the strategic goals to maintain fiscal sustainability, increase regional mobility, and improve organizational efficiency.

Background

Contract No. MS214-09 was competitively procured and awarded on August 22, 2008 for a six-year term with one four-year option. The option was exercised in February 2014 extending the period of performance to December 31, 2018. VTMI was contracted to provide maintenance of the track and structures as well as capital and recollectable projects listed in the Authority’s Rehabilitation program. The contract audit was conducted according to the FY2017-18 Annual Internal Audit Plan as approved by the Board.
Objectives

The two objectives of this audit were to evaluate 1) the efficiency and effectiveness of contract administration and 2) operations contract management internal controls.

Conclusion

Our evaluation of the effectiveness and efficiency of the contract administration and contract management internal controls has found that the internal controls need significant improvement (Refer to Attachment A).

Management Response

Management indicated general agreement with audit findings and recommendations. Management established corrective action plans with target dates to implement recommendations. Internal Audit will continue to follow up on management implementation progress.

Budget Impact

There is no budgetary impact as a result of this report.

Prepared by: Elisabeth Lazuardi, Senior Manager, Audit

Elisabeth Lazuardi
Senior Manager, Audit
Contract Audit:  
Veolia Transportation Maintenance and Infrastructure, Inc. (VTMI)  
Contract No. MS214-09  

Audit Period: July 1, 2016 to June 30, 2017  
Audit Report 2017-15-CA  
Report Date: October 20, 2017
EXECUTIVE SUMMARY

The Internal Audit Department (Internal Audit) has completed an audit of the administration of Southern California Regional Rail Authority’s (SCRRA or Authority) Contract No. MS214-09 with Veolia Transportation Maintenance and Infrastructure, Inc. (VTMI) for the period July 1, 2016 through June 30, 2017. This audit was included in the fiscal years 2017-2018 Annual Internal Audit Plan approved by the Southern California Regional Authority (SCRRA) Board of Directors. The objectives of the audit were to evaluate the efficiency and effectiveness of the contract administration and operations contract management internal controls.

Contract No. MS214-09 was competively procured and awarded on August 22, 2008 to VTMI for a six-year term with one four-year option. VTMI began track/structures maintenance and other maintenance responsibilities on January 1, 2009. The option was exercised in February 2014 extending the period of performance to December 31, 2018.

VTMI was contracted to provide maintenance of the track and structures as well as capital and recollectable projects listed in the Authority’s Rehabilitation Program consisting of the replacement of rail, crossties, turnouts, road crossings, bridges, and culverts. The majority of the recollectable projects are done on behalf of third parties and freight railroads for grade crossing upgrades, grade separations, spur track maintenance, and right-of-way and property maintenance.

The third party recollectable work is done under Contract Task Orders (CTOs) on an as-needed basis. The total contract funding approved by the Board on June 2016 for the Fiscal Year (FY) 2017 was $18,202,129, composed of $11,202,129 for annual operating maintenance and $7,000,000 of CTO contracting capacity for the performance of rehabilitation projects and support of reimbursable third-party projects to be incurred within FY2017. At the March 24, 2017 meeting, the Board increased the contract CTO by $2,000,000 for a total annual contact authority of $20,202,129.

Conclusion and Key Findings

Our evaluation of the effectiveness and efficiency of the contract administration, and contract management internal controls, has found that the internal controls need significant improvement.

The key findings are as follows:

1. Internal Controls for Contract Strategy Development are Inadequate
2. Inadequate Internal Controls for Summary Records of Negotiation
3. Inadequate Enforcement of Controls for Independent Fair Cost Estimates
4. Noncompliance with Contractual Scope of Services
5. Inadequate Controls for Emergency Contracting
6. Inadequate Monitoring and Recording of Base Contract and CTO Work
7. Improve Business Processes for Reporting
Recommendations

We recommend:

1. Project Management, in conjunction with PMO, should update the PMO SOP or other applicable process and procedure documents to establish a specific dollar threshold and require determination documentation for using CTOs to ensure SCRRA is receiving the best value.

2. Project Management should train staff as to the updated PMO SOP requirements.

3. Project Management, in conjunction with PMO and Contracts & Procurements Department, should determine the specific dollar threshold that would trigger a Summary Record of Negotiation.

4. PMO should amend PC-9.0: a. to require a Summary Record of Negotiations at a specific dollar threshold level to be completed at the end of each negotiation; b. require the record of negotiations to list the most important aspects of the procurement: (1) the purpose of the procurement; (2) history of negotiations describing the most important aspects of the procurement; (3) names and positions of each person who participated in the negotiations; (4) an explanation of how the final price was negotiated and; (5) a description of important contract terms and conditions.

5. Project Management and Business Administration should train staff as to the requirements of PC-9.0.


7. Project management should refrain from using Contract No. MS214-09 for new construction and rehabilitation in the future.

8. PMO should enhance PMO SOP PC-9.0 to ensure that Contracts & Procurements Department has a role in determining the appropriateness of the projects that are contracted under the Special Supplementary Maintenance Section prior to the RFP release.

9. Project Management should train staff as to the updated PMO SOP requirements.

10. Project Management, in conjunction with the PMO, should update the PMO SOP to establish internal control activities for the authorization, scope, cost, and
duration risks that may occur in emergency and emergency preparation situations. PMO and Contracts should be included in the approval process and the Authority’s verbal approvals for Emergency Work should be put in writing as well.

11. Project Management to train staff to implement the newly designed controls.

12. Project Management, in conjunction with PMO, should enhance the PMO SOP to establish internal controls for mitigating cost risks associated with Time and Material contracting.

13. Project Management should implement the newly designed controls and train staff in accordance with the new procedure.

14. Project Management should collaborate with Contract and Procurement to update the contract to respond to changed conditions.

15. Project Management should enforce all reporting requirements and train staff regarding the contractual changes.

16. Project Management should collaborate with Facilities and Fleet Maintenance Division to ensure that fuel reports are sent to Track Division for review and have the Track Division request the VTMI fueling logs on a regular basis for their review.

Details of findings, recommendations, and management responses are included in Findings and Recommendations section.

**Review of Report**

We discussed our findings and recommendations with SCRRRA management on September 13, 2017. The SCRRRA management indicated general agreement with audit findings and recommendations.

**Management Response and Corrective Action Plan**

SCRRRA management established corrective action plans and targeted implementation dates. Some recommendations have already been implemented during our audit period. Internal Audit will verify management's progress towards full implementation.

We thank SCRRRA management and staff for their assistance and cooperation during our audit. If you have any questions or comments, please contact Elisabeth Lazuardi, Senior Manager, Audit at (213) 452-0335 or LazuardiE@scrra.net.
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Abbreviations
CA			Contract Administrator
C&S			Communication and Signals
FCE			Fair Cost Estimate
FRA			Federal Railroad Administration
GAO			U.S. Government Accountability Office
MOC			Metrolink Operation Center
NCTD			North County Transit District
PMO			Project Management Office
QCP			Quality Control Program
RFP			Request for Proposal
RSIA08		Rail Safety Improvement Act of 2008
SCRRRA		Southern California Regional Rail Authority
SOP			Standard Operating Practice
VTMI		Veolia Transportation Maintenance and Infrastructure, Inc.
INTRODUCTION

Background

The Internal Audit Department (Internal Audit) has completed an audit of the administration of Southern California Regional Rail Authority’s (SCRRRA or Authority) Contract No. MS214-09 with Veolia Transportation Maintenance and Infrastructure, Inc. (VTMI) for the period July 1, 2016 through June 30, 2017. This audit was included in the fiscal years 2017-2018 Annual Internal Audit Plan approved by the Southern California Regional Authority (SCRRRA) Board of Directors. The objectives of the audit were to evaluate the efficiency and effectiveness of the contract administration and operations contract management internal controls.

Contract No. MS214-09 was competitively procured and awarded on August 22, 2008 to VTMI for a six-year term with one four-year option. VTMI began track/structures maintenance and other maintenance responsibilities on January 1, 2009. The option was exercised in February 2014 extending the period of performance to December 31, 2018.

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The third party recyclable work is done under CTOs on an as-needed basis. The total contract funding approved by the Board on June 2016 for the FY2017 was $18,202,129, composed of $11,202,129 for annual operating maintenance and $7,000,000 of CTO contracting capacity for the performance of rehabilitation projects and support of reimbursable third-party projects to be incurred within FY2017. At the March 24, 2017 meeting, the Board increased the contract CTO by $2,000,000 for a total annual contact authority of $20,202,129.

Audit Objectives, Scope, and Methodologies

Objectives

Objectives of audit include:

- To evaluate the efficiency and effectiveness of the contract administration (the Contracts and Procurements Department) and operations contract management (Operations) internal controls.
**Scope**

The scope of this audit covered the period July 1, 2016 through June 30, 2017. The range of items in the audit scope included:

- Veolia Transportation Maintenance and Infrastructure, Inc., Contract No. MS214-09, Article 3.10 Extraordinary Work
- Veolia Transportation Maintenance and Infrastructure, Inc., Contract No. MS214-09, Special Supplemental Maintenance Section 3.9.1
- Veolia Transportation Maintenance and Infrastructure, Inc. Contract No. MS214-09, Appendix Q Schedule of Reporting Requirements

**Methodology**

The testing methodologies utilized to achieve the objectives included:

- Review SCRRRA Board Reports
- Interviews and inquiries with selected employees within the Track and Structures Rehabilitation Engineering Department in the Operations Department, Contracts and Procurements Department, Business Management, and Program Management Office.
- Review of the Transportation Maintenance and Infrastructure Contract with VTMI Contract No. MS214-09 administration included:
  - Review Contract, Contract Amendments, and Appendices
  - Review of field review reports
  - Review of Contract Task Orders
  - Review of applicable forms and procedures
  - Appendix Q reporting requirements

We conducted the audit in accordance with generally accepted government auditing standards and in conformance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**CONCLUSION**

Our evaluation of the effectiveness and efficiency of contract administration and contract management internal controls has found that the internal controls need significant improvement.
FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

Finding 1. Internal Controls for Contract Strategy Development are Inadequate

Time and Material Contract Task Orders are considered by FTA Best Practices as the least preferable contracting strategy; yet, it is used consistently by Project Management.

Criteria

- SCRRA Program Management Office Standard Operating Procedure (PMO SOP) PC-9.0, Contact Task Order Approval Change Management states:
  “The project manager may choose to perform work by a combination of the following contract mechanism: Contract Task Orders (CTO), Invitation for Bids (IFB), Request for Proposals (RFP), or Job Order Contracts (JOC). The contract strategy is determined based on several factors like the type of contractor needed for the job, the level of requirements definition to allow for a fixed-price type contract, uncertainties involved in contract performance that do not permit costs to be estimated with sufficient accuracy, the desired quality, time constraints, technical skills...”

- Federal Transit Administration (FTA) Best Practices Procurement & Lessons Learned Manual – October 2016:
  3.1.8 Time and Materials – Restricted
  “Recipients are permitted to use time and materials contracts only: (1) after determining that no other type of contract is suitable; and (2) if the contract specifies a ceiling price that the contractor will not exceed except at its own risk. ...The reason this type of contract is the least preferable of all allowable types is that it creates a disincentive for the contractor to complete the contract in a timely manner. Since each labor hour expended carries with it a profit (and a predetermined overhead charge) built into the fixed hourly rate, the contractor is motivated to work as many hours as possible. There is no incentive to complete the contract quickly and minimize total costs to the buyer, which is why FTA restricts its use by recipients on FTA funded contracts.”

4.7 Documentation of Procurement Actions
  “Recipients are required to maintain and make available to FTA written records detailing the history of each procurement action. ...These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type...”

- Best Practice – *GAO Standards for Internal Control in the Federal Government – Principle Design Control Activities 10.01* states, “Management should design control activities to achieve objectives and respond to risks.”

Condition

Based on our audit, there were 55 non-emergency Contract Task Orders (CTOs) authorized under the Contract for Fiscal Year 2017 which included:
Two CTOs between $400,000 - $499,999, two between $600,000 - $699,999, and one for $899,915. The total authorized value for the five CTOs was approximately $3 million.

17 CTOs between $100,000 - $399,999. The total authorized value for the 17 CTOs was approximately $3.4 million.

According to the FTA Best Practices Procurement & Lessons Learned Manual, Time and Materials contracts (i.e. utilizing CTOs) are only permitted after a determination is made that no other type of contract is suitable. We noted no determination documentation for the 55 CTOs. When we asked the Project Manager about the lack of documentation, we were told such documentation is maintained at the Project Charter level (project initiation phase) as required by PMO SOP PC-9.0. We were additionally informed that most CTO work does not have a project charter and all of it falls within the Contract Scope of MS214-09. At a previous occasion, the Project Manager stated that the CTO is what is convenient to get the job done expeditiously and his actions are guided by overall goals to maintain safety, avoid FRA rules violations, provide on-time performance, prevent train delays, and assure passing FRA inspections.

In most cases, a fixed price bid received in a competitive market place would produce better financial results than a CTO.

However, we found:

1. For CTOs with over $100,000 in overtime costs, for every dollar of straight time on the average there is approximately $.95 of overtime expended
2. There were four CTOs totaling approximately $1.1 million issued by the same Project Manager in close proximity to each other for culvert replacement
3. Large CTOs running into multiple hundreds of thousands of dollars

In these cases, it may have been more cost effective to go out for bid for a single, fixed-price contract to avoid the overtime cost, create economies of scale as in the case of culvert replacement, or create more incentives for increased economy for the large CTOs. However, there was no best-value strategy documentation available to support the contracting determinations.

**Cause**

There is no requirement under the PMO SOP for Project Management to document the rationale for using CTOs.

**Effect**

Since the Time and Materials contracting method (i.e. utilizing CTOs) does not create an incentive to complete the contract quickly and efficiently, SCRRRA has no assurance that the CTOs awarded are best values.
Recommendation

1. Project Management, in conjunction with PMO, should update the PMO SOP or other applicable process and procedure documents to establish a specific dollar threshold and require determination documentation for using CTOs to ensure SCRRA receives the best value.

2. Project Management should train staff as to the updated PMO SOP requirements.

Management Response

Agree with audit finding number 1.

Contract Task Orders (CTOs) for work not covered in the annual fiscal year Operating Budget have historically been used to perform a variety of tasks in a time effective manner to responsively meet the varying needs of the operating railroad, as described and provided in the Contract.

Corrective Action Plan

Implement audit recommendations number 1 and 2.

Target Implementation Dates

December 15, 2017, but dependent on the CTO Improvement Process.

Responsible for Implementation

Darrell Maxey, Deputy Chief Operating Officer, PTC and Engineering
Kimberly Yu, Deputy Chief Operating Officer, Planning and Project Delivery

Accountable for Implementation

Gary Lettengarver, Chief Operating Officer

Finding 2. Inadequate Internal Controls for Summary Records of Negotiation

Summary records of negotiation describing the purpose, history and accountable parties for the contract task order are not prepared.

Criteria

- PMO SOP PC-9.0 states the Project Manager performs negotiations with the selected vendor and, if necessary, documents all negotiations on the CTO Summary Record of Negotiations form. It also requires the project manager, with support of the Business Analyst, to include a Summary Record of Negotiations (RON) in the CTO package.
• Federal Transit Administration Circular 4220.1F, Third Party Contracting Guidance. Chapter III 3 d. Record Keeping states that the Common Grant Rules require the recipient to prepare and maintain adequate and readily accessible project performance and financial records, covering procurement transactions as well as other aspects of project implementation.

• Federal Transit Administration Best Practices Procurement Manual 4.7.3 states that the record of negotiation should describe: the most important aspects of the procurement history and its purpose; history of negotiations, the names and positions of each person who participated in the negotiations; an explanation of how the final price was negotiated; and a description of important contract terms and conditions.

• Best Practice – GAO Standards for Internal Control in the Federal Government –Principle Design Control Activities 10.01 states, “Management should design control activities to achieve objectives and respond to risks.”

**Condition**

Our review of the 70 CTOs, including their revisions, did not find any Summary Records of Negotiation, although negotiation emails were maintained. When this lack was discussed with Business Administration staff, we were told that they were unaware of a need for the summary record of negotiation. The Project Management staff asserted that there was very little negotiation required and it was typically handled verbally or by email due to the nature of the on-going working relationship with the contractor and the knowledge of work needed.

Without a summary record of negotiations, there is no assurance that a complete record of the most important aspects of the negotiation are retained with readily available supporting documentation as to how the contractor was selected, how the price was determined or negotiated, or who was responsible.

**Cause**

PMO SOP PC-9.0 does not mandate that a summary record of negotiation is required. Project management does not recognize the importance of a summary record of negotiation.

**Effect**

Without a record of negotiation, SCRRA management, the member agencies, and grant authorities will not be able to determine the reasonableness of the contract actions and project management will have difficulty defending their positions.
Recommendation

3. Project Management, in conjunction with PMO and Contracts & Procurements Department, should determine the specific dollar threshold that would trigger a Summary Record of Negotiation.

4. PMO should amend PC-9.0: a. to require a Summary Record of Negotiations at a specific dollar threshold level to be completed at the end of each negotiation; b. require the record of negotiations to list the most important aspects of the procurement: (1) the purpose of the procurement; (2) history of negotiations describing the most important aspects of the procurement; (3) names and positions of each person who participated in the negotiations; (4) an explanation of how the final price was negotiated and; (5) a description of important contract terms and conditions.

5. Project Management and Business Administration should train staff as to the requirements of PC-9.0.

Management Response

Agree with audit finding number 2.

Most CTO’s have been negotiated but often not documented in writing except by e-mails. The negotiation process did include phone calls, field meetings, or emails or a combination of all three. However, these past processes were not formally documented with an established process and forms.

Corrective Action Plan

Implement audit recommendations number 3, 4 and 5.

Target Implement Dates

December 15, 2017, but dependent on the CTO Improvement Process.

Responsible for Implementation

Darrell Maxey, Deputy Chief Operating Officer, PTC and Engineering
Evangelia McNeil-Kakaris, Assistant Director, Contracts, Purchasing and Contract Compliance
Steve Holman, Senior Manager, Business Operations, Office of the Chief Operating Officer
Kimberly Yu, Deputy Chief Operating Officer, Planning and Project Delivery

Accountable for Implementation

Elissa Konove, Deputy Chief Executive Officer
Gary Lettengarver, Chief Operating Officer
Finding 3. Inadequate Enforcement of Controls for Independent Fair Cost Estimates

There were CTOs in which the Independent Fair Cost Estimate (FCE) followed the receipt of the Contractor's proposal. Additionally, one FCE was not prepared.

Criteria

- PMO SOP PC-9.0, Contact Task Order Approval Management, requires an FCE as support for the Request for Proposal (RFP).
- Federal Transit Administration Best Practices Procurement Manual cites having an Independent FCE in advance of the contractor’s proposal as a best practice. Obtaining an independent cost estimate before the receipt of the offers removes the question of whether the particular data and analysis was consciously or unconsciously intended to justify the award.

Condition

During our audit, we observed that for non-emergency CTOs there are seven instances where the contractor’s proposals were dated before the FCEs were obtained. Additionally, one FCE could not be located, and four cost estimates did not use the FCE template included in PMO SOP PC-9.0.

We asked Project Management about these observations and Project Management responded as follows:

1. For the contractor proposals dated before the FCEs were obtained, the Project Manager cited various possibilities but understood that this is a potential “flag” and going forward they will ensure compliance with the standard.
2. Regarding the non-use of the required FCE template, the Project Manager stated that going forward all FCE’s will use the FCE template.
3. For the missing FCE, the CTO was a request from the Equipment Division for one day’s use of a welding crew and truck for miscellaneous cutting of scrap locomotive parts. Since the request defined the duration of the task, an FCE would not have contributed any additional “verification” or “check and balance” to the CTO review or decision-making process. However, going forward all CTO's will have an FCE as a matter of procedure.

Cause

Project management has not adequately implemented the PMO SOP PC-9.0 requirement for an FCE.
Effect

There is no assurance that the proposal was objectively evaluated before being awarded.

Recommendation


Management Response

Agree with audit finding number 3.

CTO FCE are prepared for CTO, generally in conformance with requirement (7 out of 114 had later dates).

Corrective Action Plan

Implement audit recommendation number 6.

Target Implementation Date

December 15, 2017, but dependent on the CTO Improvement Process.

Responsible for Implementation

Darrell Maxey, Deputy Chief Operating Officer, PTC and Engineering

Accountable for Implementation

Gary Lettenganver, Chief Operating Officer

Finding 4. Noncompliance with Contractual Scope of Services

Project Management authorized CTOs for new construction and rehabilitation contrary to contract terms.

Criteria

- VTMI Contract MS214-09, Special Supplemental Maintenance Section 3.9.1 “Special Supplementary Maintenance,” is defined as specialized work performed in support of New Capital, R&R (Rehabilitation and Renovation) and Third Party Recollectable Projects.
• California Public Code Sections 20161 and 20162 mandate that California public works projects be competitively bid.

**Condition**

Our audit revealed that Project Management has been authorizing CTOs for New Capital Construction and Rehabilitation using this contract. For the audit period, we found seven CTOs totaling approximately $3,000,000 for New Capital and Rehabilitation construction:

- **CTO 635** – To construct a new enviro-block wall which did not exist before. $462,277
  
  Project Number 860891; CTO 635 Rev. 1 $479,636.

- **CTO 660** – Replace Bridge Ties and Culvert – Olive Subdivision. $481,852, Project Number 515100; CTO 660 Rev. 1 $481,829.

- **CTO 661** – Replace Culverts – Orange Subdivision. $353,328, Project Number 515100; CTO 661 Rev. 1 $365,975.

- **CTO 662** - Replace Culvert – Orange Subdivision. $142,170, Project Number 515100; CTO 662 Rev. 1 $141,169.

- **CTO 665** – Replace Culverts – Orange Subdivision. $218,583, Project Number 515100.

- **CTO 673** – Remove two turnouts and install concrete tie track and turnout with underlayment; install power switch point derail on track and associated required items.
  
  CP Fourth Street, $693,630, Project Number 417007 (an explicit new construction project code).

- **CTO 691** – Replace Bridge 35.75. $587,404, Project Number 591701.

The contract does not allow for new construction and rehabilitation. Contract No. MS214-09 scope of services is for track, structures, and right-of-way maintenance services. However, the contract does allow for special supplemental maintenance. Section 3.9.1 of the Contract “Special Supplementary Maintenance” is defined as specialized work performed in support of New Capital, R&R (Rehabilitation and Renovation) and Third Party Recollectable Projects; such as, “removal and replacement of existing track to allow an underpass bridge to be constructed; the construction of a shoofly detour track, live track connections at the end of a shoofly track, graffiti removal, flagging for single grade crossing renewal...”

We asked the Project Manager about the seven CTOs above and he responded that CTO 635 was not for new construction but rather to reinforce the tunnel portal and stabilize the adjacent slope. The other CTOs cited were to replace existing track or culverts. We conferred with the PMO and Contract Administration. They are of the opinion, and Internal Audit concurs, that these seven CTOs are not work in support of New Capital and R&R but are actual new construction and R&R. This work is out of scope with the terms of the contract and require that they be competitively bid according to California Public Contract Code sections 20161 and 20162.
**Cause**

Project Management has an expanded understanding of Contract Section 3.9.1 *Special Supplemental Maintenance* allowing for construction beyond the intended contractual margins and there are no checks and balances from Contract Administration.

**Effect**

Project management interpreted the contract contrary to its intent and thereby has exceeded its contracting authority and may be in violation of the California Public Contracting Code.

**Recommendation**

7. **Project management should refrain from using Contract No. MS214-09 for new construction and rehabilitation in the future.**

8. **PMO should enhance PMO SOP PC-9.0 to ensure that Contracts & Procurements Department has a role in determining the appropriateness of the projects that are contracted under the Special Supplementary Maintenance Section prior to the RFP release.**

9. **Project Management should train staff on the updated PMO SOP requirements.**

**Management Response**

Agree with audit finding number 4.

Project Management along with PMO and Contracts will establish specific guidelines for CTOs. Definitions, monetary, schedule and scope thresholds will be developed. These guidelines will be added to the applicable control manuals and documents. A two or three step process may be required whereby short-term recommendations are implemented quickly and mid and longer-term changes dealing with more complex contract issues are implemented in a longer time period.

**Corrective Action Plan**

Implement audit recommendations 7, 8, and 9.

**Target Implementation Dates**

Implement audit recommendations 8, 9, and short-term provisions of recommendation 7 by December 15, 2017, but dependent on the CTO Improvement Process. Implement the mid-term recommendations for number 7 by March 15, 2018 and the long-term recommendations to be incorporated into the new merged Track, Signal, Train Control Systems and Maintenance Contract, expected award in 24 months or summer of 2019.
**Finding 5. Inadequate Controls for Emergency Contracting**

Emergency contracting procedures lack sufficient definition to adequately control cost.

**Criteria**

- Veolia Transportation Maintenance and Infrastructure, Inc., Contract No. MS214-09, Article 3.10 Extraordinary Work states that the Contractor will perform Extraordinary Work as required to maintain and/or restore railroad operations during and/or after accidents or natural disasters. This contract section goes on to state that the Contractor may begin work without Authority’s verbal approval when work is valued up to $50,000. Contractor may begin work with Authority’s verbal approval for Extraordinary Work that exceeds $50,000 per incident. Contractor may initiate Extraordinary Work based upon observations made by Contractor’s employees or direction from Authority or Train Operations Contractor staff, but will report such actions to Authority staff as quickly as practicable.

- Best Practice - *GAO Standards for Internal Control in the Federal Government – Principle Design Control Activities 10.01:* Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:
  - Response to Objectives and Risks
  - Design of Appropriate Types of Control Activities
  - Design of Control Activities at Various Levels

- Best Practice – *Caltrans Construction Manual, Section 5, Emergency Contract Administration* states, 1. that the California Contract Code section 1102 defines emergency as “a sudden unexpected occurrence that poses clear and imminent danger, requiring immediate action to prevent or mitigate the loss of life, health, property, or essential public services. 2. requires the resident engineer to establish a realistic cost and duration of the emergency project, discuss scope of work, types of equipment and personnel, and expectations of performance. Labor, equipment and material used are...
tracked on a daily basis and the contractor is encouraged to submit a weekly bill itemizing labor equipment and material used.

**Condition**

During the audit period, there were five CTOs for a total value of approximately $567,000 that did not include detailed emergency scopes of work and limits of work, daily tracking, or estimating of work, and did not establish funding limits above $50,000. These procedures were not required by the Contract nor by PMO SOP procedures. This condition is contrary to the best practices cited in *Caltrans Construction Manual, Section 5, Emergency Contract Administration* and is contrary to the best practices in GAO's *Principle Design Control Activities 10.01* which states, “management should design control activities to achieve objectives and respond to risks.”

Additionally, there were three storm preparation CTOs totaling approximately $94,000 labeled as emergency, which followed emergency procedures and therefore did not have FCEs. Emergency preparation is not defined in the PMO SOP procedures, nor in the contract terms, so it is ambiguous as to when emergency preparations can be categorized as emergency work.

**Cause**

Lack of procedures in the current PMO SOP detailing requirements for emergency CTOs and emergency preparation.

**Effect**

The internal control activities are not adequately designed to control for the authorization, scope, cost, and duration risks that occur in an emergency situation.

**Recommendation**

10. Project Management, in conjunction with the PMO, should update the PMO SOP to establish internal control activities for the authorization, scope, cost, and duration risks that may occur in emergency and emergency preparation situations. PMO and Contracts should be included in the approval process and the Authority’s verbal approvals for Emergency Work should be put in writing as well.

11. Project Management will train staff to implement the newly designed controls.

**Management Response**

Agree with audit finding 5.

Project Management’s actions are consistent with current controls and will work towards their enhancement.
Corrective Action Plan

Implement Audit Recommendations 10 and 11.

Target Implementation Dates

December 15, 2017, but dependent on the CTO Improvement Process.

Responsible for Implementation

Darrell Maxey, Deputy Chief Operating Officer, PTC and Engineering
Evangelia McNeil-Kakaris, Assistant Director, Contracts, Purchasing and Contract Compliance
Kimberly Yu, Deputy Chief Operating Officer, Planning and Project Delivery

Accountable for Implementation

Elissa Konove, Deputy Chief Executive Officer
Gary Lettengarver, Chief Operating Officer

Finding 6. Inadequate Monitoring and Recording of Base Contract and CTO Work

Project Management does not record hours of personnel and equipment at job sites, a practice which limits the ability to validate contractor invoices and promote efficiency.

Criteria

- PMO SOP PC-9.0, the CTO Approval Management Project Manager is responsible to review daily progress reports submitted by the construction management team or construction contractor.
  “Recipients are permitted to use time and materials contracts only: (1) after determining that no other type of contract is suitable; and (2) if the contract specifies a ceiling price that the contractor will not exceed except at its own risk. ...The reason this type of contract is the least preferable of all allowable types is that it creates a disincentive for the contractor to complete the contract in a timely manner. Since each labor hour expended carries with it a profit (and a predetermined overhead charge) built into the fixed hourly rate, the contractor is motivated to work as many hours as possible. There is no incentive to complete the contract quickly and minimize total costs to the buyer, which is why FTA restricts its use by recipients on FTA funded contracts.”
• Best Practice - *Federal Transit Administration Circular 4220.1F, Contracting Guidance Chapter III 3 Recordkeeping* requires a recipient to prepare and maintain adequate and readily accessible project performance records.

• Best Practice – *California State Local Assistance Procedures Manual Chapter 16.7 Engineer’s Daily Report* – The daily reports shall record the hours worked by men and equipment where work is paid based on the cost of labor, equipment and material.

• Best Practice – *Office of the President, OMB Memorandum of March 27, 2009 Subject "Increasing Competition and Structuring Contracts for Best Results,*" suggests that the use of regular assessment and reporting of the contractor’s quality, timeliness, and cost control as a method of motivating the contractor to mitigate the risk of T&M Contracts.

• Best Practice – *GAO Standards for Internal Control in the Federal Government – Principle Design Control Activities* 10.01 states, “Management should design control activities to achieve objectives and respond to risks.”

**Condition**

We found that there is no SCRRRA requirement for inspectors to record daily labor, equipment, and material, on a T&M base contract or CTO work. This condition exists despite the fact that the Office of the President OMB, the FTA Contracting Guidelines, the FTA Best Practices, and the State of California Local Assistance Manual, all provide cautionary advice regarding the use of T&M contracts and the need to record daily labor, equipment, and material, on T&M work.

**Cause**

PMO SOP procedures are not adequately designed to deal with Time and Material contracting.

**Effect**

Without reports which capture and record labor, equipment, and material data, the Authority is at risk of promoting inefficient practices and unnecessary payments.

**Recommendation**

12. Project Management, in conjunction with PMO, should enhance the PMO SOP to establish internal controls for mitigating cost risks associated with Time and Material contracting.

13. Project Management should implement the newly designed controls and train staff in accordance to the new procedure.
Management Response

Agree with audit finding 6.

Regular monitoring of Contractor field activities does take place as time allows with available staff. Staff does review all timesheets and discrepancies reviewed by PM or his assistant and returned to Contractor for correction and clarification. Staff work assignments will be assessed and reviewed to improve Contractor oversight.

Corrective Action Plan

Implement audit recommendations 12 and 13.

Target Implementation Dates

December 15, 2017, but dependent on the CTO Improvement Process.

Responsible for Implementation

Darrell Maxey, Deputy Chief Operating Officer, PTC and Engineering
Kimberly Yu, Deputy Chief Operating Officer, Planning and Project Delivery

Accountable for Implementation

Gary Lettengarver, Chief Operating Officer

Finding 7. Improve Business Processes for Reporting

There is general contract enforcement of contract reporting requirements. However, there are few areas for business process improvements and there was one instance of noncompliance.

Criteria

- Contract No. MS214-09, Appendix Q, Schedule of Reporting Requirements – provides the track, structural, and other operational data needed by SCRRA to monitor the contract.
- Best Practice - GAO Standards for Internal Control in the Federal Government – Information and Communication Principle 13 provides that, “management should use quality information to achieve the entity's objectives.”
- Best Practice - GAO Standards for Internal Control in the Federal Government - Monitoring Principle 16 provides that, “management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.”
- Best Practice - GAO Standards for Internal Control in the Federal Government - Section 1 Fundamental Concepts of Internal Control: Definition of Internal Control OV1.03 -
Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.

**Condition**

For Contract No. MS214-09, *Appendix Q Schedule of Reporting Requirements*, we found that there was general compliance and enforcement of the contract reporting requirements. However, there are a few places for business process improvement and one instance of noncompliance.

1. **Business Process Improvements**
   a. Update *Appendix Q Schedule of Reporting Requirements* to reflect current contract requirements:

   (1) Daily Track Inspection – The contract states daily reports are required. During our review, we found that this was not being done on a daily basis. When we asked the SCRRRA staff, they stated that a daily inspection is not necessary since, according to Federal Railroad Administration, Subpart F Subsection 213.233(c) – Track Inspections requirement sets frequency as weekly with at least three calendar day interval. They stated that they have been reviewed by FRA and this was not considered an issue.

   (2) *Appendix Q Schedule of Reporting Requirements* lists that VTMI needs to provide written reports within four hours of the First Telephonic Report of Personal Injury. SCRRRA staff states this contract requirement needs further clarification.

   (3) Quarterly Training - VTMI is required to submit quarterly training record reports. This is not being done because SCRRRA staff considers the requirement duplicative since VTMI regularly submits completed training reports.

   (4) Annual Physical Inventory and Inventory Adjustments reports are listed as a requirement, but the material management function was removed from the contract with Amendment 5.

   (5) Terminal Yard Switch Report requirements need updating according to SCRRRA staff.

   (6) Annual Structures Inspection Report – There is a once a year requirement to report all structure inspections made. SCRRRA staff stated there are no written reports and no written report is required; rather, VTMI enters the information into SCRRRA’s Bridge Report Railroad Asset Management System (RAMS) which is available to SCRRRA for review and printing, which precludes the need for VTMI to provide a report.

   b. **Daily Fuel Usage** – This requirement is unclear and makes reporting difficult because there are three different categories of vehicles with different fuel requirements and different responsible parties.
(1) For F250 vehicles, VTMI is paid on a “wet rate” where fuel is included in the rate.
(2) For SCRR A vehicles, a SCRR A/VTMI fuel card is provided specific to the vehicle with a pin number for the driver. This fuel is managed and monitored by the SCRR A Facilities and Fleet Maintenance Division.
(3) For heavy trucks and work equipment, the diesel fuel required is provided by the Central Maintenance Facility and the quantity is monitored by Materials Management and Warehousing Division. The VTMI fuel truck keeps a log of fuel supplied to each piece of equipment, but logs have not been submitted by SCRR A.

This diffusion of responsibility between the divisions results in a control gap where Track Division, the division responsible for monitoring fuel usage, is not getting the requisite reports detailing the fuel used.

2. **Noncompliance with Contractual Reporting**
   a. VTMI has not provided Vehicle Inspections reports.

**Cause**

There has been a failure to update the contract and administrative requirements to current operating conditions. The noncompliance issue is due to an omission in contract enforcement.

**Effect**

VTMI’s performance is difficult to monitor if the information required is not correctly stipulated and requested.

**Recommendation**

14. Project Management should collaborate with Contract and Procurement to update the contract to respond to changed conditions.
15. Project Management should enforce all reporting requirements and train staff regarding the contractual changes.
16. Project Management should collaborate with Facilities and Fleet Maintenance Division to ensure that fuel reports are sent to Track Division for review and have the Track Division request the VTMI fueling logs on a regular basis for their review.

**Management Responses:**

Agree with audit findings 7. More detailed responses are provided below.

(1) The FRA 213 Inspection Form is called a “Daily Report”, but FRA Inspections are performed twice a week and as Special Conditions (heat, flooding) dictate. These reports are submitted monthly in the QCP. As part of the corrective action plan, the Contract will be clarified and revised accordingly.
(2) VTMI does provide (telephonic) notifications of injuries within 4 hours. As part of the corrective action plan, the Contract will be clarified and revised accordingly.

(3) Quarterly Training – VTMI does not submit a Quarterly report but instead submits monthly reports in the QCP. As part of the corrective action plan, the Contract will be clarified and revised accordingly.

(4) Inventory – Removed from Contract. As part of the corrective action plan, the Contract will be clarified and revised accordingly.

(5) As part of the corrective action plan, the Contract will be clarified and revised accordingly.

(6) Structure Reports and maintained in the RAMS, which SCRRRA has access to. Annual submittal not required. As part of the corrective action plan, the Contract will be clarified and revised accordingly.

Daily Fuel Usage - Per audit findings, Project Management Staff agrees that this a confusing and somewhat obsolete requirement. Need to determine necessary fuel monitor requirements. As part of the corrective action plan the Contract will be clarified and revised accordingly.

Vehicle reports are maintained by VTMI but not submitted – need to include in Quality Control Plan (QCP). As part of the corrective action plan, the Contract will be clarified and revised accordingly.

**Corrective Action Plan**

Implement audit recommendations number 14, 15 and 16.

**Target Implementation Dates**

December 15, 2017, but dependent on the CTO Improvement Process.

**Responsible for Implementation**

Darrell Maxey, Deputy Chief Operating Officer, PTC, C&S and Engineering

**Accountable for Implementation**

Gary Lettengarver, Chief Operating Officer
Reviewed and acknowledged by:

Arthur T. Leahy, Chief Executive Officer  
10/19/17

Elissa K. Konove, Deputy Chief Executive Officer  
10/20/17

Gary Lettengarver, Chief Operating Officer  
10/20/17

Darrell Maxey, Deputy Chief Operating Officer  
10/20/17

Kimberly Yu, Deputy Chief Operating Officer  
10/20/17
Issue

The Internal Audit Department has completed the Contract Audit of the National Railroad Passenger Corporation (Amtrak) for Metrolink Operator Services Contract No. OP136-10 for the audit period of July 1, 2014 to June 30, 2015 (Audit Report #2017-08-CA).

Recommendation

The Board may receive and file this report.

Committee Review

The Executive Management and Audit Committee received and filed this report at its meeting held on October 27, 2017.

Strategic Goal Alignment

This report aligns with the strategic goal to maintain fiscal sustainability, increase regional mobility, and improve organizational efficiency.

Background

*The Contract Audit of the National Railroad Passenger Corporation (Amtrak) for Metrolink Operator Services Contract No. OP136-10 #2017-08-CA* was conducted according to the FY2017-18 Annual Internal Audit Plan as approved by the Board.

Objectives

The objectives of this audit were to:
1) Determine whether the costs billed from July 1, 2014 through June 30, 2015 were accurate and consistent with contract terms,

2) Evaluate efficiency and effectiveness of selected internal controls for the administration of the contract, and

3) Determine compliance with contract terms for fare compliance and inspection policy and reporting requirements.

**Conclusion**

The audit found that costs billed were generally in compliance with the contract; however, overhead and general and administrative (G&A) charges were not in compliance with the contract terms and were inequitable and excessive. The audit also found that improvements are needed for strengthening internal controls for contract administration, monitoring the implementation of the fare compliance and inspection policy, and enforcing the reporting requirements (Refer to Attachment A).

**Management Response**

Management generally concurs with the findings and recommendations and established corrective action plan with target dates to implement recommendations. Internal Audit will continue to follow up on management implementation progress.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by:  Elisabeth Lazuardi, Senior Manager, Audit

Elisabeth Lazuardi
Senior Manager, Audit
Contract Audit:
National Railroad Passenger Corporation (Amtrak) - Metrolink Operator Services Services
Contract No. OP136-10

Audit Period: July 1, 2014 to June 30, 2015
Audit Report 2017-08-CA
Report Date: August 1, 2017

Presented to: Board of Directors and Executive Management and Audit Committee
Prepared by: Elisabeth Lazuardi, CPA, Audit Manager
Beni Warshawsky, Audit Consultant
Distributed to: Arthur T. Leahy, Chief Executive Officer
Elissa Konove, Deputy Chief Executive Officer
Gary Lettengarver, Chief Operating Officer
Rod Bailey, Deputy Chief Operating Officer
EXECUTIVE SUMMARY

The Internal Audit Department (Internal Audit) has completed the Contract Audit of National Railroad Passenger Corporation (Amtrak) for Metrolink Operator Services Contract No. OP136-10 for the audit period of July 1, 2014 to June 30, 2015. This audit is included in the fiscal years 2017-2018 Annual Internal Audit Plan approved by the Southern California Regional Authority (SCRRA) Board of Directors. This audit had three objectives 1) to determine whether the costs billed from July 1, 2014 through June 30, 2015 were accurate and consistent with contract terms, 2) to evaluate efficiency and effectiveness of selected internal controls for the administration of the contract, and 3) to determine compliance with contract terms for fare compliance and inspection policy and reporting requirements.

Contract No. OP136-10 was awarded on March 26, 2010 to Amtrak for train operation services, based on a sole source non-competitive negotiated procurement, for a four-year base term with two three-year options. Amtrak began operating service responsibilities on June 26, 2010. At the December 13, 2013 meeting, the SCRRRA Board approved exercising the first three-year option to extend the period of performance to June 30, 2017 and at the June 24, 2016 meeting, the SCRRRA Board unanimously approved a motion to authorize the CEO to exercise the final three-year option with Amtrak and extend the end-date of the contract to June 30, 2020.

Contract No. OP136-10 specifies a budgeting process that requires Amtrak to submit an annual budget based upon service assumptions provided by the Dispatch and Operator Services Department and approved by the Board. Amtrak's proposed budget was reviewed and the final submittal approved in the amount of approximately $38,814,000 for fiscal year 2015. Total expenditures for the fiscal year 2015 was approximately $37,104,000.

We conducted the audit in accordance with generally accepted government auditing standards and in conformance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSION AND KEY FINDINGS

Our audit found that costs billed were generally in compliance with the contract; however, overhead and general and administrative (G&A) charges were not in compliance with the contract terms and were inequitable and excessive. Our audit also found that improvements are needed for strengthening internal controls for contract administration, monitoring the implementation of the fare compliance and inspection policy, and enforcing the reporting requirements.
Our findings are as follows:

1. Noncompliance with contract Overhead cost requirements
2. Inequitable G&A rate calculation utilized in Amtrak's billing
3. Excessive G&A and management charges for layover
4. Inadequate internal controls for monitoring wage labor and cell phone usage
5. Inadequate internal controls for monitoring engineer and conductor backfill training charges
6. Inadequate internal controls for monitoring conductor compliance with the Fare Compliance and Inspection Policy
7. Noncompliance with the Appendix 10 requirement to annually report a list of changes to inventory

**RECOMMENDATIONS**

We recommend the following:

1. **The Contracts and Procurement Department should initiate discussion with Amtrak to clarify Amtrak’s understanding of Management Fee, Overhead, and Profit in the contract and seek recovery of all excess charges for this audit period and all other contract periods of performance.**

2. **Dispatch and Operator Services Department and Contracts and Procurement Department should review contract provisions with Amtrak management to clarify Amtrak’s position, request Amtrak to recalculate their G&A by eliminating all non-Metrolink-related cost, and seek recovery of any unallowable and unallocable charges for this audit period and all other contract periods of performance.**

3. **Dispatch and Operator Services Department and Contracts and Procurement Department, for future contracts, should review and define, in advance, the elements of a contractor’s G&A that benefit Metrolink Operator Services and therefore chargeable.**

4. **Dispatch and Operator Services Department and Contracts and Procurement Department should review the Amtrak contract to determine whether it is possible to seek recovery from Amtrak for unreasonable indirect costs for layover.**

5. **In all future negotiations with Amtrak, Dispatch and Operator Services Department and Contracts and Procurement Department should negotiate a lower administration charge for layover, or consider deleting the contract provision for this service and have SCRRRA internally administer this service.**

6. **Dispatch and Operator Services Department and Contracts and Procurement Department should review the existing Amtrak contract and pending contracts to determine whether there are excessive pass-through conditions and correct them.**
7. Dispatch and Operator Services Department and Business Management should request supporting documents and implement the necessary procedures to ensure labor charges and cellphone usage charges billed to SCRRA are accurate.

8. Dispatch and Operator Services Department and Amtrak should develop an approved engineer and conductor registry with totals to act as the baseline and control number. For future backfills, Amtrak should submit to Dispatch and Operator Services Department and Business Management the supporting documents for each new chargeable backfill event to assure that the backfill charge is appropriate.

9. Dispatch and Operator Services Department and Contracts and Procurement Department should:
   a. Emphasize a safety-first approach and compliance with GCOR Duties for Crew Members above all other duties.
   b. Meet with Amtrak to address the passengers count data difference between scan reporting and the Daily Delay Reports. Ensure correct reports with accurate data are used to monitor percentage of ticket scanned by conductor and train number.
   c. Instruct Amtrak to scrub errant data caused by scanner system outages.
   d. Notify Amtrak that conductors failing to achieve 25% ticket scanning requirement, or failure to enter train number to the reports, should be counseled and informed they are subject to the Amtrak Discipline Policy.
   e. Instruct Amtrak to track incidence of conductor fare compliance discipline and periodically report those incidences, along with the counseling or disciplining actions, to Dispatch and Operator Services Department.
   f. Notify Amtrak that they should regularly inspect the scanners to ensure operability; non-operative scanners should be reported on daily delay report and returned for repair.
   g. Notify Amtrak that SCRRA will hold Amtrak responsible for failure to engage in conductor counseling or disciplining actions.

10. Dispatch and Operator Services Department should require Amtrak to comply with the contractual requirement to provide a list of all changes each fiscal year (additions, deletions, or transfers) to the inventory of equipment, materials, controllable items, and fixed assets paid for by SCRRA.
Review of Report

We discussed our findings and recommendations with SCRRA management on June 28, 2017. The SCRRA management indicated general agreement with audit findings and recommendations.

Management Response and Corrective Action Plan

SCRRA management established corrective action plans and target implementation dates. Internal Audit will, on a quarterly basis, verify management’s progress towards full implementation.

We thank SCRRA management and staff for their assistance and cooperation during our review.

If you have any questions or comments, please contact Elisabeth Lazuardi, Audit Manager at (213) 452-0335.
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INTRODUCTION

BACKGROUND

The Internal Audit Department (Internal Audit) has completed the Contract Audit of National Railroad Passenger Corporation (Amtrak) for Metrolink Operator Services (Contract No. OP136-10) from July 1, 2014 to June 30, 2015. This audit is included in the fiscal years 2017-2018 Annual Internal Audit Plan approved by the SCRRA Board of Directors. This audit had three objectives: 1) to determine whether the costs billed by Amtrak from July 1, 2014 through June 30, 2015 were accurate and consistent with contract terms; 2) to evaluate the efficiency and effectiveness of selected internal controls for the administration of the contract; and 3) to determine compliance with contract terms for fare compliance and inspection policy and reporting requirements.

The SCRRA Board, at its August 28, 2009 meeting, found that it was in the best interest of the Agency to pursue a sole source contract with Amtrak because Amtrak provided a depth of relevant experience and management for Metrolink operations that is unique in the passenger rail environment. The sole source procurement was made in accordance with Contract Administration and Procurement Policy CON-19, Sole-Source and Non-Competitive Negotiated Procurements.

At the October 23, 2009 meeting, the SCRRA Board authorized the Chief Executive Officer (CEO) to execute a Memorandum of Understanding (MOU) and issue a limited notice to proceed to Amtrak to allow mobilization efforts to begin for the start-up of Operator Services. Concurrently, staff was authorized to start negotiations on a non-competitive contract with Amtrak in accordance with the terms of the MOU to provide operator services for train and engine crews. Contract No. OP136-10 was awarded on March 26, 2010 to Amtrak for train operator services for a four-year base term with two three-year options. Amtrak began operating service responsibilities on June 26, 2010.

At the December 13, 2013 meeting, the SCRRA Board approved exercising the first three-year option to extend the period of performance to June 30, 2017 and at the June 24, 2016 meeting, the SCRRA Board unanimously approved a motion to authorize the CEO to exercise the final three-year option with Amtrak and extend the end date of the contract to June 30, 2020.

Contract No. OP136-10 specifies a budgeting process that requires Amtrak to submit an annual budget based upon service assumptions provided by the Dispatch and Operator Services Department. The annual budget also requires approval by the SCRRA Board. Amtrak’s proposed budget was reviewed and the final submittal approved in the amount of approximately $38,814,000 for the fiscal year (FY) 2015. Total expenditures for FY 2015 was approximately $37,104,000.
Audit Objectives, Scope, and Methodology

Objectives

Objectives of audit include:

- To determine whether the costs from July 1, 2014 through June 30, 2015 were accurate and consistent with contract terms
- To evaluate the efficiency and effectiveness of selected internal controls for the administration of the contract
- To determine compliance with contract terms for fare compliance and inspection policy and reporting requirements

Scope

The scope of the cost portion of the audit was for the period of July 1, 2014 through June 30, 2015.

Methodology

The testing methodologies utilized to achieve the objectives included the following:

- Reviewed all SCRRA Board meeting agenda items with respect to Contract No. OP136-10 for the period starting from August 28, 2009 to October 28, 2016
- Reviewed Contract No. OP136-10 – National Railroad Passenger Corporation (Amtrak) for Metrolink Operator Services and subsequent amendments
- Reviewed the Memorandum of Understanding between SCRRA and Amtrak Regarding Provision of Train and Engine Crews dated October 23, 2009
- Interviewed and inquired selected employees within the Dispatch and Operator Services Department, Business Management Department, and Contracts and Procurement Department
- Interviewed and inquired selected employees with Amtrak
- Reviewed contract cost for consistency with contract terms
- Reviewed contract cost for compliance with Federal Cost Principles
- Reviewed documentation for compliance to Fare Compliance and Inspection Policy
- Reviewed documentation for compliance to contractual reporting requirements

We conducted the audit in accordance with generally accepted government auditing standards and in conformance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Conclusion

Our audit found that costs billed were generally in compliance with the contract; however, overhead and general and administrative (G&A) charges were not in compliance with the contract terms and were inequitable and excessive. Our audit also found that improvements are needed for strengthening internal controls for contract administration, monitoring the implementation of the fare compliance and inspection policy, and enforcing the reporting requirements.
FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

Finding 1
Noncompliance with contract Overhead cost requirements
Amtrak failed to provide the basis and detailed information supporting their 3.75% Overhead cost to SCRAA.

Criteria

- Contract No. OP 136-10, Appendix 17 - GENERAL AND ADMINISTRATIVE (G&A) AND OVERHEAD COSTS:

  The Contractor is to propose G&A and Overhead rates that adequately compensate the Contractor for those costs, and is to provide detailed information on how those rates were calculated and the basis for data used in the calculation. The Management Fee described in section D.1 of the Contract includes components of both profit and overhead. G&A and Overhead expenses that are unallowable under the Federal Cost Principals should be excluded in the Contractor's rate calculations.

  Overhead

  The cost of those indirect activities not incurred specifically for a contract that can be allocated to cost objectives based on benefits received are Overhead costs. Overhead costs should be allocated to work or cost objectives using a base that allocates those costs in reasonable proportion to the benefits received by cost objectives.

- Amendment No. 2 to Contract No. OP 136-10, Section D.1.c. (1):

  A Management Fee shall be paid with respect to the Actual Direct Cost and G&A that is included in the Approved Budget, as may be amended during a fiscal year. For Fiscal Year 2015 (July 1, 2014 to June 30, 2015), the Management Fee shall reflect 6% Profit and 3.75% Overhead.

Condition

The contract clearly divides Management Fee into Profit of 6% and Overhead of 3.75% and provides a separate definition for Overhead. When we requested the detailed information and the basis for the Overhead cost, Amtrak maintains that there is no Overhead cost support requirement and that it is entitled to the entire 9.75% of Management Fee. Concurrently, based on our review of Amtrak’s cost calculation, we noted Amtrak includes Overhead cost as part of its G&A cost allocation (“G&A Overhead”) which it bills to SCRAA (see Finding 2). In this fashion, Amtrak is billing SCRAA 3.75% for Overhead as part of Management Fee utilizing a base of the Actual Direct Cost and G&A which already includes Overhead (“G&A Overhead”).
Cause
Amtrak reads the contract contrary to the explicit contract terms.

Effect
SCRRA has paid approximately $1.2 million to Amtrak for Overhead cost in the FY 2015 contract period as part of Management Fee even though SCRRA has already paid for Overhead cost as part of the G&A Overhead (see Finding 2).

Recommendation
1. The Contracts and Procurement Department should initiate discussion with Amtrak to clarify Amtrak's understanding of Management Fee, Overhead, and Profit in the contract and seek recovery of all excess charges for this audit period and all other contract periods of performance.

Management Response:
Management agrees.

Prior to exercising of the first three-year option, effective July 1, 2014 through June 30, 2017, negotiations were held with Amtrak officials in November 2013. This resulted in the following:

2. Retaining the G&A and Overhead rates at the existing levels for FY 2014.

Prior to exercising the second and final three-year options, effective July 1, 2017 – June 30, 2020, negotiations were held with Amtrak officials in May 2016. This resulted in the following:

1. A negotiated rate for Management Fee which was reduced by 2.5%.
2. A reduction in Overtime charges.
3. Eliminating the Contingency Fee in its entirety which produced a savings of $1.3 million.

Staff also intends to revisit with Amtrak officials the FY 2015 Management Fee, Overhead, and Profit to assess where corrective action can be taken.

Corrective Action Plan:
Contracts and Procurement Department will meet with Amtrak to negotiate these rates.

Target Implementation Dates:
Meetings will be set up for mid-August 2017 to start discussions and provide a final report by late October 2017.
Finding 2
Inequitable G&A rate calculation utilized in Amtrak’s billing
Amtrak included unallowable costs which were of no benefit to Metrolink Operator Services in their cost allocation to SCRRA.

Criteria

- Contract No. OP 136-10, Appendix 17 - GENERAL AND ADMINISTRATIVE (G&A) AND OVERHEAD COSTS:

  “…G&A and Overhead expenses that are unallowable under the Federal Cost Principles should be excluded in the Contractor’s rate calculations.”

  General and Administrative (G&A)

  G&A expenses are any management, financial, and other expenses that are incurred by, or allocated to, a business unit and that are for the general management and administration of the business unit as a whole, excluding those costs that can be distributed to cost objectives in reasonable proportion to the benefits received. The G&A rate should be calculated using a cost base representing the total activity of the Contractor.

- Federal Cost Principles:

  Federal Acquisition Regulation 31.201-2(a) - A cost is allowable only when the cost complies with all of the following requirements:
  1. Reasonableness
  2. Allocability
  3. Standards promulgated by the CAS Board, if applicable; otherwise, generally accepted accounting principles and practices appropriate to the circumstances
  4. Terms of the contract
  5. Any limitations set forth in this subpart

  Federal Acquisition Regulation 31.201-3(a) - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

  Federal Acquisition Regulation 31.201-4 - A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship.
**Condition**

During our audit, we requested Amtrak to provide us with their G&A rate. In their submission we noted that Amtrak includes Overhead cost as part of its G&A cost allocation (“G&A Overhead”) and provides us with the “G&A Overhead” rate rather than G&A rate. The term “G&A Overhead” is inconsistent with the contract term since the contract term defines G&A and Overhead separately.

In their submission, Amtrak calculates the G&A Overhead rate equals to G&A Overhead Pool over G&A Overhead Base. Based on our nomenclature review, we found the following:

**G&A Overhead Pool**

Amtrak’s G&A Overhead Pool included the following contractually unallowable accounts and subaccounts which are unrelated to the general management and administration of Amtrak as a whole and are not beneficial at all to Contract No. OP136-10 for Metrolink Operator Services:

- Human Capital subaccounts: Organizational Design & Development, Management Associate Program, Mechanical Training, and Mechanical High Speed
- Finance subaccounts: Grants Administration and Energy Management for the Northeast Corridor
- Information Technology subaccount: Business Strategy
- Legal subaccount: Public Health

Additionally, Human Capital subaccount for training Amtrak Engineers, Conductors and Assistant Conductors assigned to Metrolink did not provide credit for direct payments made by SCRRRA for their training.

**G&A Overhead Base**

Amtrak’s G&A Overhead Base excluded depreciation, inventory write-off, and expensed capital equipment purchases. This treatment is inconsistent with the contractual requirement which states that the cost base should represent the total activity of Amtrak.

The combination of a G&A Overhead Pool (numerator) with includes costs that are contractually unallowable and not beneficial to the SCRRRA contract and a G&A Overhead Base (denominator) with contractually required costs excluded, drives the G&A Overhead Rate up and inappropriately increases the amount charged to SCRRRA.

**Cause**

Amtrak’s G&A Overhead Rate calculation does not take the specific requirements of the contract into account when doing their calculation.
Effect

SCRRA paid an estimated $697,000 in G&A Overhead costs based on the above analysis of removing accounts that would be unallowable accounts in their entirety from the G&A Overhead Pool (the numerator) and returning costs eliminated from the G&A Overhead Base (the denominator) by Amtrak. The analysis was done for the G&A Overhead rate effective January 1, 2014.

Recommendation

2. Dispatch and Operator Services Department and Contracts and Procurement Department should review the contract provisions with Amtrak management to clarify Amtrak’s position, request Amtrak to recalculate their G&A by eliminating all non-Metrolink related cost, and seek recovery of any unallowable and unallocable charges for this audit period and all other contract periods of performance.

3. Dispatch and Operator Services Department and Contracts and Procurement Department, for future contracts, should review and define, in advance, the elements of a contractor’s G&A that benefit Metrolink Operators Services and therefore chargeable.

Management Response:

Management agrees. Contracts and Procurement Department will work in conjunction with the Dispatch and Operator Services Department to implement the corrective action plan.

Corrective Action Plan:

SCRRA Management will meet with Amtrak to clarify Amtrak’s position. Conditional upon clarification from Amtrak management, SCRRA management will request Amtrak to recalculate their G&A for all contract periods, and will seek recovery if such recalculation results in identification of unallowable and unallocable charges.

Further, in the event of a new RFP for operator services, a fixed-fee contract structure will be pursued that will eliminate the risk of charges not related to the contract.

Target Implementation Dates:

Meetings will be set up for mid-August 2017 to start discussion and provide a final report by late October 2017.

Responsible for Implementation:
Lia McNeil-Kakaris, Assistant Director, Contracts and Procurement
Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services

Accountable for Implementation:
Elissa Konove, Deputy Chief Executive Officer
Gary Lettengarver, Chief Operating Officer
Finding 3

Excessive G&A and management charges for layover

Amtrak charged full Overhead, G&A, and Profit for expenditures which were for a pass-through expense.

Criteria

- Contract No. OP 136-10, Appendix 17 - GENERAL AND ADMINISTRATIVE (G&A) AND OVERHEAD COSTS:

  "...G&A and Overhead expenses that are unallowable and allocable under the Federal Cost Principles should be excluded in the Contractor’s rate calculations.

- Federal Cost Principles:

  Federal Acquisition Regulation 31.201-3(a) - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

  Federal Acquisition Regulation 52.215-23 – Limitations on Pass-Through Charges

  (a) Definitions ... Excessive pass-through charge, with respect to a Contractor or subcontractor that adds no or negligible value to a contract or subcontract, means a charge to the Government by the Contractor or subcontractor that is for indirect costs or profit/fee on work performed by a subcontractor (other than charges for the costs of managing subcontracts and any applicable indirect costs and associated profit/fee based on such costs)

  (b) General – The Government will not pay excessive pass-through charges. The Contracting Officer shall determine if excessive pass-through charges exist

Condition

The Federal Railroad Administration Hours of Service laws control how many hours train employees may work. In order not to exceed the time-on-duty requirements, Amtrak needs to provide their crews an interim period at a rest place other than a terminal for a minimum of four hours (layover). Layover expense (the cost of hotel lodging) for train crews for their required rest from continuous service totaled approximately $843,000 for FY 2015. Amtrak’s managerial responsibilities are limited to making phone calls requesting service. The Amtrak Budgeting and Planning Manager stated his function with regard to these costs was to pay without any detailed review. Amtrak received indirect costs of approximately $147,000 for G&A, Overhead, and Profit (an additional 17.4%) for this service.

Cause

Contract provisions were not adequately scrutinized for unreasonable pass-through costs.

Effect

SCRRRA paid, and is paying, unreasonable and excessive amounts of indirect cost on its layover and transportation costs.
Recommendations

4. Dispatch and Operator Services Department and Contracts and Procurement Department should review the Amtrak contract to determine whether it is possible to seek recovery from Amtrak for unreasonable indirect costs for layover.

5. In all future negotiations with Amtrak, Dispatch and Operator Services Department and Contracts and Procurement Department should negotiate a lower administration charge for layover or consider deleting the contract provision for this service and have SCRRRA internally administer this service.

6. Dispatch and Operator Services Department and Contracts and Procurement Department should review the existing Amtrak contract and pending contracts to determine whether there are excessive pass-through conditions and correct them.

Management Responses:

Management agrees. The Dispatch and Operator Services Department will work in conjunction with the Contracts and Procurement Department to implement the corrective action plan.

Corrective Action Plan

SCRRRA Management will review whether it is possible to seek recovery from Amtrak for any unreasonable indirect costs. SCRRRA Management will negotiate with Amtrak to the extent allowable under the current contract to lower the administration charge for layover services or consider other options, like insourcing the services.

Further, in the event of a new RFP for operator services, a fixed-fee contract structure will be pursued that will eliminate the risk of charges not related to the contract.

Target Implementation Dates

Meetings will be set up for mid-August 2017 to start discussions and provide a final report by late October 2017.

Responsible for Implementation
Lia McNeil-Kakaris, Assistant Director, Contracts and Procurement
Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services

Accountable for Implementation
Elissa Konove, Deputy Chief Executive Officer
Gary Lettengarver, Chief Operating Officer
Finding 4

Inadequate internal controls for monitoring wage labor and cell phone usage

Amtrak’s review of wage labor prior to billing to SCRRA is performed manually and without a secondary review. Cell phone usage cost charges are not reviewed by Amtrak staff.

Criteria

- Best Practice - GAO Standards for Internal Control in the Federal Government - Information and Communication Principle 13 provides that, “management should use quality information to achieve the entity’s objectives.”

- Best Practice - GAO Standards for Internal Control in the Federal Government - Monitoring Principle 16 provides that, “management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.”

Condition

(a) During FY 2015, there was approximately $16 million in wage labor charged to the Amtrak contract. The wage labor charged to the contract was the result of a review conducted by the Amtrak Budgeting and Planning Manager. The Amtrak Budgeting and Planning Manager reviews all the labor charged (raw labor) from the payroll system to SCRRA and removes all charges that do not belong to SCRRA. This is a non-automated, manual process which is done alone by the Amtrak Budgeting and Planning Manager and without a secondary review. Although he does produce a monthly reconciliation of raw labor to billed labor, there is still a risk, which he recognizes, that he may not have removed all charges that do not belong to SCRRA.

(b) During FY 2015, there was approximately $15,000 in cell phone usage cost charged to the Amtrak contract. We were informed that Amtrak employees have fixed cell phone usage allowance. During our review, we noticed a cell phone monthly usage cost which appeared higher than normal. We noted these costs are not reviewed by the Amtrak Budgeting and Planning Manager. Upon our inquiry about the charge, the Amtrak Budgeting and Planning Manager obtained answer from personnel outside the area. Both the lack-of-charges review, and the reliance on out-of-area personnel who are not familiar with the Metrolink operation, increase the risk that non-Metrolink expenses are included in the invoice.

Cause

Lack of sufficient contract management oversight by Dispatch and Operator Services Department.

Effect

There is a risk that SCRRA paying for wage labor and cell phone usage charges not related to the contract.
Recommendations

7. Dispatch and Operator Services Department and Business Management should request supporting documents and implement the necessary procedures to ensure labor charges and cellphone usage charges billed to SCRRA are accurate.

Management responses:

Management agrees. The Dispatch and Operator Services Department will work in conjunction with the Business Manager and staff to provide for increased management oversight and internal controls for monitoring wage labor and cell phone usage.

Corrective Action Plan

An internal process will be established to provide for monitoring wage labor. SCRRA management will remedy the cellular issue by instructing the Contractor to switch their cellular plan to unlimited data usage. Further, in the event of a new RFP for operator services, a fixed-fee contract structure will be pursued that will eliminate the risk of charges not related to the contract.

Target Implementation Dates

December 31, 2017 – internal processes developed
July 1, 2020 – new fixed-fee contract

Responsible for Implementation
Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services
Steve Holman, Business Manager, Office of Chief Operating Officer

Accountable for Implementation
Gary Lettengarver, Chief Operating Officer

Finding 5
Inadequate internal controls for monitoring engineer and conductor backfill training charges

There are no written procedures for tracking engineer and conductor backfill charges for training.

Criteria

- Best Practice - *GAO Standards for Internal Control in the Federal Government* - Information and Communication Principle 13 provides that, “management should use quality information to achieve the entity's objectives.”

- Best Practice - *GAO Standards for Internal Control in the Federal Government* - Monitoring Principle 16 provides that, “management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.”
**Condition**

Based on the contract term, SCRRA is to reimburse Amtrak for backfill training charges a fixed amount per engineer and per conductor to fill or backfill vacant positions. For FY 2015, the fixed amounts per engineer and per conductor were $124,625 and $115,771, respectively. Amtrak does not charge SCRRA for backfill training when the vacancy occurs because an employee working on Metrolink bids on and secures another position in Amtrak Intercity Rail Passenger services ("non-chargeable backfill event"). Backfill training charges only apply when there is an expansion of Metrolink services or when an engineer or conductor leaves the Metrolink service due to illness, retirement, or death ("chargeable backfill event"). Total backfill training expenditures for FY 2015 were approximately $988,000.

We found that the Amtrak Budgeting and Planning Manager does maintain a listing of the chargeable and non-chargeable backfill event activities for FY 2015. However, we found no approved engineer and conductor registry with beginning or ending balances controlling for total backfill and there were no written procedures regarding this function/responsibility.

**Cause**

Due to the lack of adequate staffing, Amtrak Budgeting and Planning Manager focuses on items of immediate need.

**Effect**

The lack of an approved engineer and conductor registry with totals to act as the baseline and control number, together with the lack of written procedures, increases the risk of backfill overcharges.

**Recommendations**

8. Dispatch and Operator Services Department and Amtrak should develop an approved engineer and conductor registry with totals to act as the baseline and control number. For future backfills, Amtrak should submit to Dispatch and Operator Services Department and Business Management the supporting documents for each new chargeable backfill event to assure that the backfill charge is appropriate.

**Management Responses:**

Management agrees. The Dispatch and Operator Services Department will work in conjunction with the Business Manager and staff to provide for internal controls for monitoring engineer and conductor backfill training charges.

**Corrective Action Plan**

SCRRA management will require the Amtrak Budgeting and Planning Manager and the Operation Administrator position to develop a report to serve as an approved engineer and conductor registry.
**Target Implementation Dates**

July 1, 2018

**Responsible for Implementation**
Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services
Steve Holman, Business Manager, Office of the Chief of Operating Officer

**Accountable for Implementation**
Gary Lettengarver, Chief Operating Officer

**Finding 6**

**Inadequate internal controls for monitoring conductor compliance with the Fare Compliance and Inspection Policy**

Fare compliance enforcement relies on a ticket scanning system that Amtrak considers ineffective, which makes enforcing the Fare Compliance and Inspection Policy problematic.

**Criteria**

- Contract No. OP 136-10, Appendix 5, Section 3 Fare Compliance & Inspection Policy

  3.2.3 Conductor Responsibility

  Fare enforcement is a required duty of every conductor on every trip. Whenever possible, conductors shall inspect 25% of the passengers on the train.

- General Code of Operating Rules (GCOR)

  1.47 Duties of Crew Members

  The conductor and the engineer are responsible for the safety and protection of their train and observance of the rules.

  1.47.C. 1. All Crew Members’ Responsibilities

  To ensure the train is operated safely and rules are observed, all crew members must act responsibly to prevent accidents or rule violations.

- Best Practice - *GAO Standards for Internal Control in the Federal Government* – Design Control Activities Principle 10 provides that, “management should design control activities to achieve objectives and respond to risks.”

  10.03 Design of Appropriate Types of Control Activities

  Management of Human Capital: “... Management provides qualified and continuous supervision so that internal control objectives are achieved. Management designs a performance evaluation and feedback system, supplemented by an effective rewards system, to help employees understand the connection between their performance and the entity’s success...”
• Best Practice - *GAO Standards for Internal Control in the Federal Government* - Information and Communication Principle 13 provides that, “management should use quality information to achieve the entity’s objectives.”

• Best Practice - *GAO Standards for Internal Control in the Federal Government* - Monitoring Principle 16 provides that, “management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.”

**Condition**

We observed the following issues related to the current practice for monitoring conductor compliance for fare inspection:

• The Amtrak Assistant Supervisor of Operations asserted ineffectiveness of the ticket scanning system. We subsequently verified the Amtrak assertion with SCRRA employees who disputed the Amtrak assertions.

• We requested and obtained scan data for the period of February 2 – 24, 2017 from the Business Intelligence Architect team from the Information Technology Department (“Business Intelligence”) and found 27% of the reports lacked train numbers information. We also noted that 6 out the 87 conductors working during the period never put in train numbers. The lack of the train numbers makes the enforcement of the 25% passenger check per train requirement extremely problematic.

• Conductors also fill out Daily Delay Reports which are sent to Dispatch and Operator Services Department who reviews for completeness. These reports include train numbers, passengers counted, and fares checked. We reviewed a report provided by Business Intelligence comparing the scan data and Daily Delay Reports for the period February 1, 2017 to March 13, 2017. We noted data discrepancy between the scan data and Daily Delay Reports. Scan data showed a total of approximately 316,000 passengers checked while the Daily Delay Report data showed a total of approximately 503,000 passengers checked, a difference of approximately 187,000. This data discrepancy further complicates conductor fare compliance monitoring.

• Amtrak could not provide any evidence that conductors have been counseled or disciplined due to the lack of fare enforcement compliance.

**Cause**

Amtrak has not accepted that utilizing the ticket scanning system and its data as an authoritative method for monitoring Conductor performance for fare compliance. At the same time, Amtrak supervisors appear not to use the Daily Delay Reports to monitor conductor performance for fare compliance. Amtrak supervisors lack confidence in the automated ticket scanning system while it appears that they do not prioritize fare compliance sufficiently to use the Daily Delay Reports to monitor conductors for fare compliance.
Effect

Ineffective fare compliance monitoring leads to a risk of higher fare evasion and subsequent declines in fare revenue.

Recommendations

9. Dispatch and Operator Services Department and Contracts and Procurement Department should:
   a. Emphasize a safety-first approach and compliance with GCOR Duties for Crew Members above all other duties.
   b. Meet with Amtrak to address the passengers count data difference between the Scan Reporting and the Daily Delay Reports. Ensure that correct reports with accurate data are used to monitor the percentage of ticket scanned by conductor and train number.
   c. Instruct Amtrak to scrub errant data caused by scanner system outages.
   d. Notify Amtrak that conductors failing to achieve the 25% ticket scanning requirement or failure to enter train number to the reports should be counseled and informed they are subject to the Amtrak Discipline Policy.
   e. Instruct Amtrak to track incidence of conductor fare compliance discipline and periodically report those incidences, along with the counseling or disciplining actions, to Dispatch and Operator Services Department.
   f. Notify Amtrak that they should regularly inspect the scanners to ensure operability; non-operable scanners should be reported on daily delay report and returned for repair.
   g. Notify Amtrak that SCRRA will hold Amtrak responsible for failure to engage in conductor counseling or disciplining actions.

Management Responses:

Management agrees. To the extent possible in a safety-first environment, and in compliance with GCOR Duties for Crew Members, SCRRA management will strengthen internal controls for monitoring conductor compliance with Fare Compliance and Inspection Policy.

Corrective Action Plan

A new system and reporting output will be in place for the FY 2018 contract year. The new system will allow for electronic entry of Daily Delay information which will reduce the risk of errors in the prior, manual process. SCRRA Management has filled their Operations Administrator position who will provide support in this and other areas in the Amtrak contract.

The Dispatch and Operator Services Department will work with Amtrak to ensure correct use of functioning hardware. Further, SCRRA management will, to the extent allowable under the terms and conditions of the contract, leverage counseling and disciplinary methodology in an effort to achieve fare compliance monitoring goals and reduce the risk of fare evasion.
Target Implementation Dates
December 31, 2017

Responsible for Implementation
Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services
Lia McNeil-Kakaris, Assistant Director, Contracts and Procurement

Accountable for Implementation
Gary Lettengarver, Chief Operating Officer
Elissa Konove, Deputy Chief Executive Officer

Finding 7
Noncompliance with Appendix 10 requirement to annually report a list of changes to inventory
Dispatch and Operator Services Department has not requested, nor has Amtrak provided, the list of changes to inventory.

Criteria

- Contract No. OP 136-10, Appendix 10 REQUIRED REPORTS:

  I. Annually

    (a) By September 1 for the previous fiscal year, an annual report which shall include:

    1. A list of all changes during the fiscal year (additions, deletions, or transfers) to the inventory of equipment, materials, controllable items, and fixed assets provided to, and paid for by, SCRR.

- Best Practice - GAO Standards for Internal Control in the Federal Government - Information and Communication Principle 13 provides that, “management should use quality information to achieve the entity's objectives.”

- Best Practice - GAO Standards for Internal Control in the Federal Government - Monitoring Principle 16 provides that, “management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.”

- Best Practice - GAO Standards for Internal Control in the Federal Government - Section 1 Fundamental Concepts of Internal Control

Definition of Internal Control

OV1.03 Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.
**Condition**

Amtrak does not provide Dispatch and Operator Services Department with the required list of all changes during FY 2015 (additions, deletions, or transfers) to the inventory of equipment, materials, controllable items, and fixed assets paid for by SCRRA. Amtrak Budgeting and Planning Manager, however, does maintain the required inventory listing with type of equipment purchased consisting of printers, fax machines, and copiers and their location, make, model serial number, date acquired, and retired.

**Cause**

Dispatch and Operator Services Department has not enforced this requirement due to the lack of adequate staffing and Amtrak provides those reports that are of the greatest immediate need.

**Effect**

SCRRA management does not have a listing of the inventory to monitor and to assure the inventory is tracked and is being safeguarded.

**Recommendation**

10. Dispatch and Operator Services Department should require Amtrak to comply with the contractual requirement to provide a list of all changes each fiscal year (additions, deletions, or transfers) to the inventory of equipment, materials, controllable items, and fixed assets paid for by SCRRA.

**Management Responses:**

Management agrees. The Dispatch and Operator Services Department will require Amtrak to comply with Appendix 10 requirements to annually report a list of changes to inventory. A review of the FY 2015 contract year revealed $27,000 in office equipment expenses.

**Corrective Action Plan**

SCRRA Management has filled their Operations Administrator position who will provide support in requesting and reviewing an Amtrak annual report of changes to inventory.

**Target Implementation Dates**

December 31, 2017

**Responsible for Implementation**

Rod Bailey, Deputy Chief Operating Officer, Dispatch and Operator Services

**Accountable for Implementation**

Gary Lettengarver, Chief Operating Officer
Reviewed and acknowledged by:

Arthur T. Leahy  
Chief Executive Officer  
August 4, 2017  
Date

for Elissa Konove  
Deputy Chief Executive Officer  
August 8, 2017  
Date

Gary Lettengarver  
Chief Operating Officer  
August 8, 2017  
Date

Rod Bailey  
Deputy Chief Operating Officer  
Dispatch and Operator Services  
August 7, 2017  
Date
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Fiscal Year 2016-17 Internal Quality Assurance Review

Issue
An Internal Quality Assurance Review of the Internal Audit Department has been completed for the period of July 1, 2016, through June 30, 2017.

Recommendation
The Board may receive and file this report.

Committee Review
The Executive Management and Audit Committee received and filed this report at its meeting held on October 27, 2017.

Strategic Goal Alignment
This report aligns with the strategic goal to improve organizational efficiency and improve communications to customers and stakeholders.

Background
During the FY2016-17, Internal Audit underwent an external quality control review by the Association of Local Government Auditors (ALGA) as required by the Government Auditing Standards issued by the Comptroller General of the United States and International Standards for the Professional Practice of Internal Auditing (IIA Standards), promulgated by the Institute of Internal Auditors. The peer review result was presented at the May 12, 2017 Executive Management and Audit Committee (EMAC) meeting. While the Internal Audit passed the peer review, there was a recommendation made on the final report to help further strengthen our internal quality control system.

The recommendation made by the peer reviewer was for Internal Audit (IA) to establish a Quality Assurance Review (QAR) process that is performed and reported to the EMAC
/ Board and other personnel as deemed appropriate on an annual basis. As such, IA has addressed this recommendation by establishing and completing a self-assessment of its audit activities related to the FY2016-17.

**Objectives**

The overall objective of the QAR was to determine whether the IA department internal quality control system were in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards were followed. Specifically, the review determined whether:

- The IA Department established and implemented appropriate methods, policies, and procedures to conform with *IIA Standards* and comply with *Government Auditing Standards* for performance audits; and
- The IA Department’s methods, policies, and procedures were operating effectively for auditors, during the performance of an audit, to conform and comply with applicable auditing standards.

The review included the evaluation of reports and work papers from two (2) judgmentally selected performance audits. The review also included an examination of continuing education requirements, IA desk procedures and applicable auditing standards. The review covered reports issued from July 1, 2016 through June 30, 2017.

**Conclusion**

In conclusion, the IA Department followed established policies and procedures and applicable *IIA Standards* and *Government Auditing Standards*.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Elisabeth Lazuardi, Senior Manager, Audit

Elisabeth Lazuardi
Senior Manager, Audit
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
ITEM 38

TO:    Board of Directors
FROM:   Arthur T. Leahy
SUBJECT:   Internal Audit Department Update

**Issue**

The Internal Audit department is providing an update on audit activities for informational purposes.

**Recommendation**

The Board may receive and file this report.

**Committee Review**

The Executive Management and Audit Committee received and filed this report at its meeting held on October 27, 2017.

**Strategic Goal Alignment**

This report aligns with the strategic goal to *maintain fiscal sustainability* and *improve organizational efficiency*.

**Background**

I. Internal Audit Activities:

A. Internal Audit updated the Internal Audit Charter, Internal Audit Policies and Procedures, and Employee Hotline Reporting Policy to incorporate best practice recommendations made by the April 17, 2017 external quality control review (peer review) and clarify audit protocols. The updated Internal Audit Charter and respective policies and procedures are presented in Items 9 and 10.

B. The Internal Audit Charter requires a quarterly report highlighting the progress of the Annual Audit Plan be prepared for the Chief Executive Officer and the Executive Management and Audit Committee (EMAC) / Board. Attached is the FY2017-18
Audit Activities through September 30, 2017 (Attachment A) and the detailed progress status for Internal Audits and Contract Audits as provided in FY2017-18 Annual Internal Audit Plan – First Quarter Update (Attachment B).

C. Corrective Action Implementation Tracking - At the request of the Board, open audit recommendations and corrective action implementation tracking will be presented to the Board on a quarterly basis. The corrective action implementation tracking for quarter ended September 30, 2017 will be presented to the Board at the October 27, 2017 meeting.

D. Internal Audit has completed the Contract Audit: Veolia Transportation Maintenance and Infrastructure, Inc. (VTMI) (Item 11) and Contract Audit: National Railroad Passenger Corporation (Amtrak) – Metrolink Operator Services (Item 12). Internal Audit has been facilitating discussions between various Authority departments to assist them in the corrective action implementation to address the audit findings in the Contract Audit Amtrak.

II. External Audit Activities:


B. California Department of Transportation (Caltrans) Proposition 1B Audit – The draft report is expected to be received the week of October 16, 2017.

C. Management will be provided ten (10) working days to respond to any finding(s).

D. Federal Transit Administration (FTA) Subrecipient Compliance Review – The Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) conducted an on-site Subrecipient Compliance Review of the Authority as required by the FTA in December 2016. Internal Audit continues to follow-up with management on the status of the corrective action plans implementation.

E. OCTA Compliance Review – OCTA’s Internal Audit Department is conducting a review of Agreement No.C-6-1208 between OCTA and the Authority for design and construction of a control point at 4th Street in the City of Santa Ana and a new power turnout to the Union Pacific Railroad (UPPR) spur track. An entrance conference was held on October 11, 2017.

III. Member Agency’s Risk Assessment of the Authority
Internal Audit reviewed the Los Angeles County Metropolitan Transportation Authority (Metro) Audit Plans produced by their Management Audit Services Department for fiscal years 2014-2018 (five fiscal years). It was discovered during the review that the Authority’s risk rating as scored by Metro Management Audit Services Department had decreased significantly over that five year span. The Authority has gone from one of Metro’s highest external audit risks during FY’s 2014 and 2015 to a low/moderate risk rating in FY2017-18.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Elisabeth Lazuardi, Audit Manager

Elisabeth Lazuardi  
Senior Manager, Audit
## Internal Audit Activity

### FY 2017-18 Audit Activities through 09/30/2017

<table>
<thead>
<tr>
<th>Audit Activity</th>
<th>Department</th>
<th>Audit Name</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit</td>
<td>Human Resources/Payroll</td>
<td>Audit of Employee Pay Rates and Paid Time-Off Donations (2015-04-IA)</td>
<td>Completed - Corrective Action Tracking</td>
</tr>
<tr>
<td>Annual Risk Assessment</td>
<td>Entity-Wide</td>
<td>Risk Assessment and Annual Audit Plan for FY 2017-18</td>
<td>Completed</td>
</tr>
<tr>
<td>CEO Request</td>
<td>Entity-Wide</td>
<td>Advisory Services on the Review of Corporate Credit Card Activities (2017-01-SR)</td>
<td>Completed - Corrective Action Tracking</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Fare Collections</td>
<td>Performance Audit Fare Revenue Ticket Inventory Controls (Phase II) (2017-03-IA)</td>
<td>Completed - Corrective Action Tracking</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>IT</td>
<td>Performance Audit of IT General Controls at LA Union Station &amp; Pomona Data Centers (2017-07-IA)</td>
<td>In Progress</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Finance</td>
<td>Performance Audit of Effectiveness of Fare Revenue Reconciliation Processes (Phase III) (2017-14-IA)</td>
<td>In Progress</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Operations</td>
<td>Performance Audit of Fare Revenue Data Integrity (Phase IV) (2017-13-IA)</td>
<td>In Progress</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Finance</td>
<td>Performance Audit of Grant Accounting &amp; Management of Receivables (2017-19-IA)</td>
<td>In Progress</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Finance</td>
<td>Performance Audit of Accounts Payables (2017-18-IA)</td>
<td>In Progress</td>
</tr>
<tr>
<td>Contract Audit</td>
<td>Operations</td>
<td>Contract Audit E740-14 - On-Call Professional Engineering Design Services (2017-17-CA)</td>
<td>In Progress</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Operations</td>
<td>Performance Audit of Fleet &amp; Equipment Maintenance (2017-16-IA)</td>
<td>In Progress</td>
</tr>
<tr>
<td>Audit Activity</td>
<td>Department</td>
<td>Audit Name</td>
<td>Status</td>
</tr>
<tr>
<td>---------------</td>
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</tr>
<tr>
<td>Internal Audit</td>
<td>Internal Audit</td>
<td>Internal Quality Assurance Review for Internal Audit (Internal Assessments)</td>
<td>In Progress</td>
</tr>
</tbody>
</table>

**EXTERNAL AUDIT ACTIVITY**

<table>
<thead>
<tr>
<th>Internal Audit Served as Liaison</th>
<th>Department</th>
<th>Audit Name</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Served as Liaison</td>
<td>Finance</td>
<td>2015-16 CAFR</td>
<td>Completed</td>
</tr>
<tr>
<td>Internal Audit Served as Liaison</td>
<td>Finance</td>
<td>2015-16 Single Audit</td>
<td>Completed - Corrective Action Tracking</td>
</tr>
<tr>
<td>Internal Audit Served as Liaison</td>
<td>Operations &amp; Finance</td>
<td>Agreed-Upon Procedure - Annual NTD report 2015-16</td>
<td>Completed - Corrective Action Tracking</td>
</tr>
<tr>
<td>Internal Audit Served as Liaison</td>
<td>Entity-Wide</td>
<td>OCTA &amp; RCTC FTA Subrecipient Review</td>
<td>Completed - Corrective Action Tracking</td>
</tr>
<tr>
<td>Internal Audit Served as Liaison</td>
<td>Finance</td>
<td>2015-16 LACMTA MOU Examination</td>
<td>Completed - Corrective Action Tracking</td>
</tr>
<tr>
<td>Internal Audit Served as Liaison</td>
<td>Entity-Wide</td>
<td>Caltrans Proposition 18 Audit</td>
<td>In Progress</td>
</tr>
<tr>
<td>Internal Audit Served as Liaison</td>
<td>Contracts, Operations, Finance</td>
<td>OCTA Compliance Review - Control Point 4th Street &amp; New Power Turnout Project</td>
<td>In Progress</td>
</tr>
<tr>
<td>#</td>
<td>Audit Activity</td>
<td>Auditable Unit</td>
<td>Description</td>
</tr>
<tr>
<td>---</td>
<td>----------------</td>
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</tr>
<tr>
<td><strong>Internal Audits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Fare Revenue Data Integrity (2017-13-IA)</td>
<td>Fare Revenue</td>
<td>Evaluate completeness and accuracy of data produced by Ticket Vending Machines and Mobile Ticketing Applications.</td>
</tr>
<tr>
<td>2</td>
<td>Fare Revenue Reconciliation Processes (2017-14-IA)</td>
<td>Finance</td>
<td>Evaluate effectiveness of fare revenue reconciliation processes.</td>
</tr>
<tr>
<td>3</td>
<td>Shared Use Agreements Revenue Process (2017-04-IA)</td>
<td>Planning &amp; Project Delivery/Contracts</td>
<td>Evaluate the adequacy of controls over shared-use agreements revenue process and revenue billing and collections.</td>
</tr>
<tr>
<td>4</td>
<td>Grant Accounting &amp; Management of Receivables (2017-19-IA)</td>
<td>Finance</td>
<td>Evaluate the adequacy of internal controls over grant accounting, billing processes, and collection.</td>
</tr>
<tr>
<td>5</td>
<td>Operating Receivable and Third Party Deposit Finance</td>
<td>Finance</td>
<td>Included in the FY 2017 Annual Audit Plan - Review of processes of tracking and collecting operating receivables and third party deposits.</td>
</tr>
<tr>
<td>6</td>
<td>Project Risk Management Processes Operations</td>
<td>Operations</td>
<td>Review compliance to guidelines for identifying, managing, and reporting risks associated with the planning and implementation of projects. *Outsourced/Co-sourced</td>
</tr>
<tr>
<td>7</td>
<td>IT General Controls Review (LAUS and Pomona Data Centers) (2017-07-IA)</td>
<td>Information Technology</td>
<td>Review the adequacy of IT General Controls in place within the IT Department.</td>
</tr>
<tr>
<td>9</td>
<td>Fleet &amp; Equipment Maintenance (2017-16-IA)</td>
<td>Planning &amp; Project Delivery</td>
<td>Evaluate processes over monitoring and tracking processes for fleet and equipment, maintenance activities and management of maintenance records.</td>
</tr>
<tr>
<td><strong>Contract Audits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#</td>
<td>Audit Activity</td>
<td>Auditable Unit</td>
<td>Description</td>
</tr>
<tr>
<td>----</td>
<td>-------------------------------------------------------------------------------</td>
<td>----------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>15</td>
<td>Pre-Award cost analysis</td>
<td>Various architectural &amp; engineering contractors</td>
<td>Pre-Award Cost Analysis Agreed Upon Procedures. *Outsourced/Co-sourced</td>
</tr>
<tr>
<td></td>
<td><strong>Total Hours - Internal + Contract Audits</strong></td>
<td>**</td>
<td></td>
</tr>
</tbody>
</table>
TRANSMITTAL DATE: November 9, 2017
MEETING DATE: November 17, 2017
ITEM 39

TO: Board of Directors
FROM: Arthur T. Leahy
SUBJECT: Fiscal Year 2016-17 Comprehensive Annual Financial Report and Single Audit Report Timeline

Issue

Moss Adams LLP is providing a summary of their services as well as a timeline for the FY2016-17 Comprehensive Annual Financial Report and Single Audit.

Recommendation

The Board may receive and file this report.

Committee Review

The Executive Management and Audit Committee received and filed this report at its meeting held on October 27, 2017. A copy of the PowerPoint presentation that was shown at the meeting is included as Attachment A.

Strategic Goal Alignment

This report aligns with the strategic plan to maintain fiscal sustainability and improve organizational efficiency.

Background

Moss Adams LLP (Moss Adams) is an independent public accounting firm engaged by the Authority under Contract No. QM145-45 to perform external audit services. Originally a three-year term, their contract was extended on March 24, 2017 for an additional two years. This will be the fourth year of audit services as outlined by the contract.

The Comprehensive Annual Financial Report (CAFR) presents the audited basic financial statements of the Authority, management discussion and analysis, supporting footnotes, required supplementary information and statistical information.
The Single Audit is an audit of the Authority’s compliance with the requirements of law, regulations, contracts, and grants applicable to its federal programs.

The Authority’s goal for the completion of the audit reports is December 31, 2017.

**Budget Impact**

There is no budgetary impact as a result of this report.

Prepared by: Ronnie Campbell, Chief Financial Officer

Elissa K. Konove
Deputy Chief Executive Officer
Audit Entrance

Better Together: Moss Adams & Southern California Regional Rail Authority

Dear Executive Management and Audit Committee Members:

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for local governments and transit agencies. We’re pleased to present our audit plan for Southern California Regional Rail Authority (the “SCRRA”) for the year ended June 30, 2017. We also included information on current-year developments and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.

Attachment A
Your Dedicated Team

- Olga A. Darlington
  Engagement Reviewer and Partner
- Julie Desimone
  Concurring Reviewer, Partner
- Matt Parsons
  Audit Senior Manager
- Francis Tam
  Information Systems Partner
- Jerry Roberts
  Federal Audit, Manager

- This is Moss Adams’ 4th year serving as the Authority’s independent auditors.
- Moss Adams is currently in year 1 of a 2 year extension following an initial contract that began in June 30, 2014.

Summary of Services and Deliverables

We will issue the following reports:

- Audit report on the Comprehensive Annual Financial Report of Southern California Regional Rail Authority as of and for the year ended June 30, 2017
- Audit report on internal control and compliance over financial reporting in accordance with Government Auditing Standards
- Audit report on compliance for the Major Federal Programs, the Schedule of Expenditures of Federal Awards and related internal controls in accordance with the Uniform Grant Guidance
- Agreed upon procedures for the Federal Transit Administration’s National Transit Database Reporting
- Report to those charged with governance
  ➢ Communicating required matters and other matters of interest
- Report to management and the audit committee
  ➢ Communicating required internal control related matters identified during the audit
Required Communications to Those Charged with Governance

Our Responsibility

Assess if the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with US GAAP. However, our audit doesn’t relieve you or management of your responsibilities.

Perform an audit in accordance with:
• Generally accepted auditing standards issued by the AICPA
• Government Auditing Standards issued by the Comptroller General of the United States

Design the audit to provide assurance about whether the financial statements are free of material misstatement.

Consider internal controls over financial reporting and compliance as a basis for designing effective audit procedures.

Communicate findings that are relevant to your responsibilities in overseeing the specific matters of financial reporting process and administering federal awards.
Management’s responsibilities

- Establish and maintain adequate records and internal controls over financial reporting
- Make accurate and complete financial statement information available to us
- Prepare financial statements that are materially correct and in compliance with applicable accounting standards
- Make entity personnel available to us
- Inform us about all known or suspected fraud affecting the entity
- Identify and ensure compliance with laws and regulations applicable to the entity’s activities
- Provide written representations about management’s responsibilities and assertions prior to issuance of our reports
- Prepare financial statements that are materially correct and in compliance with applicable accounting standards
- Provide written representations about management’s responsibilities and assertions prior to issuance of our reports
- Establish and maintain adequate records and internal controls over financial reporting

Audit Process

- Includes controls over Information Technology
- Revenue and expenses
- Trends, comparisons, and expectations
- Confirm account balances
- Vouch to supporting documentation
- Representations from attorneys and management
- Examine objective evidence

Attachment A
What’s Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements. It's calculated using certain quantitative (total assets) and qualitative factors (covenants, expectations, or industry factors).

It identifies:
1. Significant risk areas
2. Nature, timing, extent, and scope of test work
3. Findings or misstatements

Significant Audit Areas

- Internal controls over financial reporting
- Capital assets - testing of CIP additions, retirements, capitalized interest, depreciation policies
- Management’s estimates - unearned revenue and advances for construction, claims and judgements liability, pension liability
- Inventory – existence and valuation
- Compliance with federal and state grants and contracts
Consideration of Fraud

To identify fraud-related risks of material misstatement, we:
- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Auditors must consider fraud to “improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

Procedures we perform:
- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions

Non-attest Services

- Auditee portion of the Data Collection Form
- Consulting services related to the historical activity of member subsidy accounts
- Consulting services related to Oracle environment
Audit Timing

2017

- May 21 – June 1: Interim audit procedures, including test of implementation of internal controls for financial statements
- Sept 14 -15: Review of IT Controls
- October 23 – November 17: Final fieldwork procedures for financial statement audit and single audit

In Process

- November: Discuss draft financial statements and auditor’s reports with management

2018

- December: Finalize and issue auditor’s reports
- January: EMAC approval of statements and exit meeting with auditors

Accounting Update
New Standards

GASB 74 / 75 | Financial Reporting for Postemployment Benefits other than Pension Plans (OPEB)

- Effectively replaces GASB 43 and 45.
- Reporting essentially the same as pensions under GASB 67 and 68, respectively. Significant note disclosure and required supplementary information.
- This standard implementation is effective for the Authority for the year ended June 30, 2018.

New Standards

GASB 76 | The Hierarchy of GAAP for Governments

- Establishes two categories
  - Category A – Formally approved statements by the GASB Board
  - Category B – GASB Technical Bulletins and Implementation Guides
- Effective for annual periods beginning after June 15, 2016.
- This standard implementation is effective for the Authority for the year ended June 30, 2017; however, it is not anticipated to have a significant impact to the Authority.
New Standards

---

**GASB 77 | Tax Abatement Disclosures**

- Occurs when a government promises to forego tax revenue and second entity promises to take action to contribute to the economic development or otherwise benefit citizens of the foregoing government.
- Effective for annual periods beginning after June 15, 2016.
- This standard implementation is effective for the Authority for the year ended June 30, 2017; however, it is not anticipated to have a significant impact to the Authority.

---

**GASB 80 | Blending Requirements for Certain Component Units an amendment to GASB 14**

- Permits blending of a not-for-profit organization (which may be legally separate and have their own board) if the primary government is the sole corporate member.
  - The standard was established specifically because it was already common practice among health care entities.
- Effective for annual periods beginning after June 15, 2016.
- This standard implementation is effective for the Authority for the year ended June 30, 2017; however, it is not anticipated to have a significant impact to the Authority.
New Standards

**GASB 82 | Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73**

- This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.
- Effective for reporting periods beginning after June 15, 2016.
- This standard implementation is effective for the Authority for the year ended June 30, 2017; however, it is not anticipated to have a significant impact to the Authority.

**GASB 84 | Fiduciary Activities**

Clarifies fiduciary activities as having the following characteristics:

1. Government controls the assets of the activity.
2. Those assets are not derived solely from the government’s own source revenue.
3. One of the following:
   - The assets result from a pass-through grant or trust agreement.
   - Assets are used to benefit individuals not typical recipients of the government’s goods and services (i.e. employees receive the benefit instead of patients.)
   - Assets are to be used to benefit other organizations or governments.
- Would require stand alone business-type entities with pension and OPEB trusts or patient custodial accounts to report separate fiduciary fund financial statements within the financial statements.
- Effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
- This standard implementation is effective for the Authority for the year ended June 30, 2019; however, it is not anticipated to have a significant impact to the Authority.
New Standards

GASB 85 | Omnibus 2017

- This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

- This Statement addresses the following topics (and others):
  1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
  2. Reporting amounts previously reported as goodwill and “negative” goodwill.
  3. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
  4. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

- Effective for reporting periods beginning after December 15, 2017. Earlier application is encouraged.

- This standard implementation is effective for the Authority for the year ended June 30, 2019; however, it is not anticipated to have a significant impact to the Authority.

New Standards

GASB 86 | Certain Debt Extinguishment Issues

- The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.

- This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

- Effective for reporting periods beginning after December 15, 2017. Earlier application is encouraged.

- This standard implementation is effective for the Authority for the year ended June 30, 2019; however, it is not anticipated to have a significant impact to the Authority.
New Standards

GASB 87 | Leases

- Would treat all leases as financings (no classification of capital vs. operating) similar to FASB ASU 2016-02.
- Includes non-cancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received upfront + future payments (revenue recognized over lease term in a systematic and rational basis).
- Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
- This standard implementation is effective for the Authority for the year ended June 30, 2021.

About Moss Adams
Our Services for Governments

ASSURANCE
• Agreed-upon procedures
• Audits and reviews
• Federal awards audits
• Compliance examinations pursuant to federal reporting requirements
• Employee benefit plan services
• Written acknowledgments and agreed-upon procedure engagements in connection with tax-exempt bond offerings

CONSULTING
• Endowment management and investment consulting
• Fraud investigation and forensics accounting
• IT consulting
• Strategic business planning
• Sustainability services
• Systems Control & Operations Risk Evaluation (SCORE!)
• Wealth services

TAX
• Alternative investment issues
• Compensation, payroll, and employment tax issues, including fringe benefits, payroll administration, and payroll tax and tax deduction for the charitable deduction process
• Complex group structures, including non-501(c)(3) exempt organizations
• Due diligence fund planning and reporting
• Estate planning for donors and development department
• For-profit organization formation and operations
• Formation of new entities, including preparation of state filings
• Independent contractor versus employee determinations
• IRS audit and state audit representation.
• Joint venture formation and operations
• Lobbying and political expenditure classification and reporting
• Maintaining tax-exempt status and public charity status
• Member versus nonmember activity issues
• Preparation of Forms 990, 990-EZ, 1099, and related state forms
• Private foundation planning agreements
• Public support test planning
• Sales and use tax exemptions
• State and local tax services, including credits and incentives
• State solicitation registration and annual filings
• Tax-exempt bond consultation, including private business use and postissuance bond compliance procedures
• Third-party management agreements and sponsorship planning
• Transfer pricing and expense allocation methodology
• Unrelated business taxable income

Contact Us

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Insights and Resources

In today’s fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

We’ll keep you informed to help you stay abreast of critical industry issues.

Moss Adams closely monitors regulatory agencies, participates in industry and technical forums, and writes about a wide range of relevant accounting, tax, and business issues to keep you informed.

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