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Agenda

Southern California Regional Rail Authority

AUDIT AND FINANCE COMMITTEE

MARCH 14, 2025

Los Angeles County Metropolitan Transportation Authority

Orange County Transportation Authority

Riverside County Transportation Commission

San Bernardino County Transportation Authority

Ventura County Transportation Commission

Director Trembley will be participating via teleconference from Camarillo City Hall, 601 Carmen Drive, Camarillo, CA 93010

Director Najarian will be participating via teleconference from 500 N. Brand Blvd. Ste 830, Glendale, CA 91203

Director Ohlsen will be participating via teleconference from Palmdale City Hall, 38300 Sierra Highway, Suite A, Palmdale, CA 93550

Director Dutrey will be participating via teleconference from Montclair City Hall Mayor's Office, 5111 Benito Street, Montclair, CA 91763

AUDIT AND FINANCE COMMITTEE ROSTER
SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

COUNTY	MEMBER
Riverside: 1 vote	Brian Berkson *(Chair)* Linda Molina
Ventura: 1 vote	Tony Trembley *(Vice-Chair)*
Los Angeles: 1 vote	Ara Najarian Pam O'Connor Eric Ohlsen VACANT
Orange: 1 vote	Doug Chaffee Tam Nguyen
San Bernardino: 1 vote	Larry McCallon Javier John Dutrey

Updated 03.04.25

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AUDIT AND FINANCE COMMITTEE MEETING

FRIDAY, MARCH 14, 2025 – 9:45 AM
LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY (METRO)
BOARD ROOM
ONE GATEWAY PLAZA, 3RD FLOOR
LOS ANGELES, CALIFORNIA 90012

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.

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SUPPORTING DOCUMENTATION
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PUBLIC COMMENTS ON AGENDA ITEMS AND ITEMS NOT ON THE AGENDA
Metrolink welcomes comments from the public. Please fill out a Speaker's Form and submit it to the Board Clerk before the start of the meeting. If you know in advance of the meeting that you would like to make a public comment during the meeting, you may also email BoardSecretary@scrra.net. Please include your name and the number of the agenda item on which you would like to speak, or if you would like to speak on a non-agenda item. Each speaker will be allotted no more than 3 minutes to speak. This time frame may be extended or limited by the Board Chair in a manner that achieves the purpose of public communication and assures the orderly conduct of the meeting. **Public Comment on Non-Agenda Items:** Please indicate on your speaker form that you wish to speak on a non-agenda item. Comments should be limited to matters within Metrolink's subject matter jurisdiction. **Public Comment on Agenda Items:** Speakers on individual agenda items will be called in order of sign-up before any Board action is taken on the item. Comments should be limited to the agenda item.

1. **Call to Order**

2. **Safety Briefing**

3. **Pledge of Allegiance**

4. **Roll Call**

5. **Public Comment**

6. **REGULAR CALENDAR**

6.A Approval of Meeting Minutes - February 14, 2025 Audit and Finance Committee

It is recommended that the Committee approve the Minutes of the February 14, 2025 Audit and Finance Committee Meeting.

6.B FY25 Mid-Year Operating Budget Review Amendment

It is a practice of Metrolink to perform a review of the Annual budget at mid-year to identify any revisions that may be needed as a result of changed circumstances. Any needed revisions are then recommended to Member Agencies for approval prior to request for adoption by the Metrolink Board as an Amendment to the existing budget. Needed revisions have been identified for FY25 and are presented in this item.

It is recommended the Committee recommend the Board adopt this Amendment to the FY25 Operating Budget and that no additional funds be requested from or returned to Member Agencies as a result of this Amendment. Instead, a reconciliation will be completed at the end of Fiscal Year 2025.

The adoption of this Amendment will revise the FY25 budget.
New total Revenue will be = $66.4M or $1.6M less.
New total Expense will be = $329.5M or $2.5M less.
Total support required will be = $263.1M or $0.9M less

6.C Performance Audit: Deactivation of Badges for Employees, Board members, and IDTS contractors (2025-05-IA)

The Internal Audit Department (Internal Audit) completed the Performance Audit: Deactivation of Badges for Employees, Board members and Integrated Digital and Technology Services (IDTS) Contractors (2025-05-IA).

Receive and file.

6.D Financial Results for the First Seven Months of FY25 - January 2025 Ridership, Revenue, and Operating Results

"Metrolink Reimagined" is the Metrolink term for the transition from commuter rail-based service to a regional provider of general transport. Initiatives designed to realize that transition require timely review of Ridership, Revenue, and Financial Operating Performance to provide assessment of the effectiveness of our efforts. Primary among these initiatives are the optimized services we began providing on October 21, 2024.

This report covers monthly reporting on Ridership, Revenue, and Financial Operating Performance for the seven months ended January 31, 2025.

Receive and file.

7. Chief Executive Officer's Report

8. Committee Members' Comments

9. Chair's Comments

10. ADJOURNMENT

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ITEM ID:	**2025-160-0**
TRANSMITTAL DATE:	**March 7, 2025**
MEETING DATE:	**March 14, 2025**
TO:	**Audit and Finance Committee**
FROM:	**Michelle Pena, Board Clerk**
SUBJECT:	**Approval of Meeting Minutes - February 14, 2025 Audit and Finance Committee**

Recommendation

It is recommended that the Committee approve the Minutes of the February 14, 2025 Audit and Finance Committee Meeting.

Prepared by:	Michelle Pena, Board Clerk
Approved by:	Noelia Rodriguez, Chief of Staff Don Del Rio, General Counsel

Attachment(s)

Attachment A - DRAFT 02.14.25 AFCOM Minutes

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MINUTES OF THE AUDIT AND FINANCE COMMITTEE

Friday, February 14, 2025

BOARD MEMBERS/ALTERNATES IN ATTENDANCE:

COUNTY	MEMBER
Riverside: 1 vote	Brian Berkson *(Chair)*
Ventura: 1 vote	Tony Trembley *(Vice-Chair)*
Los Angeles: 1 vote	Ara Najarian Pam O'Connor Eric Ohlsen
Orange: 1 vote	Doug Chaffee
San Bernardino: 1 vote	Javier John Dutrey

STAFF/PRESENTERS:
DARREN KETTLE, Chief Executive Officer
DON DEL RIO, General Counsel
VIVIEN AVELLA, Assistant Director, Finance
ALEX BARBER, Assistant Director, General Accounting
SAMANTHA CERDA, Assistant Board Clerk
GEOFFREY FORGIONE, Associate General Counsel
ELISABETH LAZUARDI, Audit Director
CODY NELSON, Assistant Director, System Safety
MICHELLE PENA, Board Clerk
NOELIA RODRIGUEZ, Chief of Staff
TOM SCHAMBER, Director. Grants
CHRISTINE WILSON, Assistant Director, Finance

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 Meeting and Agendas link or from the Board Clerk at (213) 452-0255.

1. Call to Order

The February 14, 2025 Audit and Finance Committee Meeting was called to order at 9:45 a.m. by Chair Berkson in the Metro Board Room, One Gateway Plaza, 3rd Floor, Los Angeles, CA 90012. The following Directors participated via teleconference: Director Dutrey from Montclair City Hall, Director Trembley from Camarillo City Hall, Director Najarian from 500 N. Brand Blvd., and Director Ohlsen from Palmdale City Hall.

2. Safety Briefing

Cody Nelson, Assistant Director, System Safety, conducted the safety briefing.

3. Pledge of Allegiance

Director Chaffee led the group in the pledge of allegiance.

4. Roll Call

The Board Clerk called roll and confirmed that a quorum of the Committee was present.

5. Public Comment – None.

6. REGULAR CALENDAR

6.A Approval of Meeting Minutes - October 11, 2024 Audit and Finance Committee

ACTION: Upon a motion by Vice-Chair Trembley and seconded by Director Chaffee, the Committee unanimously approved the minutes of October 11, 2024.

6.B Adoption of Investment Policy 2025

Finance Assistant Director Vivien Avella explained California Government Code Section 53607 provides investing authority to the governing body and may be delegated to the

Authority’s Treasurer for one-year periods. Under the Authority’s executive management structure, the Chief Financial Officer effectively functions as the Treasurer with approval of the designation by the Board. This item is to recommend the approval of said delegation for an additional year. In addition, the Authority’s Investment Policy (Policy) requires that the Policy is reviewed and approved annually by its Board of Directors. Ms. Avella stated the Policy establishes guidelines under which the Authority’s funds can be invested with the objectives of ensuring safety of principal, availability of funds to meet current and future expenditures and achieving a reasonable rate of return on its cash and investments.

Director Trembley asked what the maximum length of term is for the negotiable CDs.

Ms. Avella stated the ones that Metrolink can invest in are five years per the government code.

Director Trembley requested the definition of a code qualified financial institution be added under the diversification guidelines.

Ms. Avella explained it is incorporated by reference to the code, but it can be added.

ACTION: Upon a motion by Vice-Chair Trembley and seconded by Director Chaffee, the Committee (5-0) recommended the Board approve the proposed Investment Policy FIN-3.1 annual revision and the designation of the Chief Financial Officer as Treasurer for an additional year with the addition of the definition of a code-qualified institution to the diversification guidelines.

6.C FY2024-25 Preliminary Quarterly Investment Report - Quarter Ended December 31, 2024

Ms. Avella provided the quarterly investment report for the quarter ended December 31, 2024, and contains estimated information published prior to the conclusion of the Authority's fiscal year close and is subject to adjustment.

Director Trembley asked if there are any statutory ramifications from the State Controller or Treasurer for not being able to confirm sufficiency to fund the next six months.

Ms. Avella clarified the State Treasurer does not have a function that audits that confirmation, so it is a self-imposed internal requirement intended to provide transparency to the governing body. There is no direct penalty, audit or ramification.

The committee received and filed this report.

6.D FY2024-25 Quarterly Accounts Receivable Status Report - Quarter Ended December 31, 2024

Ms. Avella presented an update on the Authority’s Accounts Receivable for the quarter ended December 31, 2024. The report covers outstanding receivables, unbilled balances and provides a status related to billing and collection efforts.

The committee received and filed this report.

6.E FY2024-25 Quarterly Fuel Purchase Program Update - Quarter Ending December 31, 2024

Alex Barber, Assistant Director, General Accounting, provided an update on the Authority's Fuel Purchase Program for the quarter ended December 31, 2024, stating the hedging account had a value of $13M.

Chair Berkson asked if the increased demand for renewable diesel is increasing the supply.

Mr. Barber explained staff meets with the fuel hedge advisor on a monthly basis and discusses that topic. There are more suppliers entering the market for renewable diesel and the advisor is keeping a close eye on available contracts to purchase to hedge against. Currently the agency hedges against regular diesel contracts as they are chemically identical.

The committee received and filed this report.

6.F Internal Audit Department Quarterly Update for Q2 FY2025

Audit Director Elisabeth Lazuardi provided quarterly updates on internal and external audits and other activities. This item represents the second quarter of FY25.

The committee received and filed this report.

6.G PMO Module Performance Audit (2024-14-IA)

Ms. Lazuardi explained the Program Management Office Module Performance Audit (#2024-14-IA) is completed as part of the 2024 Annual Internal Audit Plan approved by the Board of Directors.

The committee received and filed this report.

6.H Corrective Action Status Update - Second Quarter Ended December 31, 2024

Ms. Lazuardi presented a quarterly report on the status of the corrective actions of prior audits. Two items were implemented and verified, three were implemented pending verification, no past due items, and 19 items not yet due.

The committee received and filed this report.

6.I Grants Quarterly Update - 2nd Quarter, Fiscal Year 2025

Grants Director Tom Schamber provided an update of grant acquisition, reprogramming and closeout activity for the period of October 1, 2024 to December 31, 2024.

Director Dutrey asked if there will be any perceived difficulty getting federal grants moving forward.

Mr. Schamber stated it is too vague at this point to say, but there have not been issues getting reimbursed.

The committee received and filed this report.

6.J Financial Results for the First Six Months of FY25 - December 2024 Ridership, Revenue, and Operating Results

Assistant Finance Director Christine Wilson shared the ridership performance through December. She went over ridership and farebox revenue recovery, operating statement results, budget savings and cost avoidance, and Arrow Service’s revenue and operating statement. She touched on the accounts receivables past due and the agency’s cash position and provided a ridership update for the Student Adventure Pass.

The committee received and filed this report.

7. Chief Executive Officer's Report

Mr. Kettle shared he was wearing a baseball cap as part of Customer Appreciation Day earlier in the morning and reported a successful Transit Equity Day on February 4. He shared the schedule adjustments on the San Bernardino Line are working as intended to improve on-time performance and reliability. He introduced new Chief of System Safety, Security, and Compliance Hilary Konczal.

8. Committee Members' Comments

Director O’Connor shared her experience greeting Metrolink and Metro customers at Union Station for Customer Appreciation Day.

Director Trembley echoed his positive experience at the Moorpark station greeting riders and commended staff for the event.

9. Chair's Comments – None.

10. ADJOURNMENT

There being no further business for consideration by the Committee, the meeting was adjourned at 10:19 a.m.

Prepared by,

Michelle Peña

Michelle Peña
Board Clerk

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ITEM ID:	**2025-152-0**
TRANSMITTAL DATE:	**March 7, 2025**
MEETING DATE:	**March 14, 2025**
TO:	**Audit and Finance Committee**
FROM:	**Arnold Hackett, Chief Financial Officer**
SUBJECT:	**FY25 Mid-Year Operating Budget Review Amendment**

Issue

It is a practice of Metrolink to perform a review of the Annual budget at mid-year to identify any revisions that may be needed as a result of changed circumstances. Any needed revisions are then recommended to Member Agencies for approval prior to request for adoption by the Metrolink Board as an Amendment to the existing budget. Needed revisions have been identified for FY25 and are presented in this item.

Recommendation

It is recommended the Committee recommend the Board adopt this Amendment to the FY25 Operating Budget and that no additional funds be requested from or returned to Member Agencies as a result of this Amendment. Instead, a reconciliation will be completed at the end of Fiscal Year 2025.

Strategic Commitment

This report aligns with the Strategic Business Plan commitments of:

- **Modernizing Business Practices**: We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on Member support while bringing our system into a state of good repair and investing in the development of our employees. Providing current and accurate information to our Board enhances their oversight, and ability to provide direction based on factual data.

- **Customers Are Our Business**: We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to bring them on board. Our close monitoring of our ridership is a reflection of our unflagging concern for ridership trends, and to ensure our actions are serving their needs.

Background

This amendment addresses five issues with respect to the FY25 Operating Budget as Adopted.

1. The revision of Farebox Revenue per the updated Sperry Capital / KPMG forecast.
2. Inclusion of the Student Adventure Pass Pilot Revenue in the FY25 Operating Budget.
3. Expense changes as a result of revisions to the Optimized schedule as budgeted:
    - Removal of 2 Orange County line round trips
    - Removal of 10 round trips - LAUS to Covina
    - Addition of 5 round trips - LAUS to Montclair
4. Reduction of the estimated Mini-Bundle Mobilization costs consistent with the negotiated contract.
5. Addition of the San Bernardino County Transportation Authority request to add San Bernardino Sheriff services beginning April 1, 2025.

Discussion

Revised Revenue Forecast

Changed student ridership prompted staff to request a reforecast of Ridership and Revenue from Sperry Capital/KPMG. Student revenue in this forecast is at zero. Only funds from LCTOP will be recognized as described below. Changes to the San Bernardino line occurred too late to be included in this reforecast.

Student Adventure Pass Program Revenue

When the FY25 Budget was constructed, there was no surety that the Student Adventure Pass Program Pilot would continue. Thus, the budget was constructed with current student rider levels at a 25% discount.

The updated Sperry Capital/KPMG forecast includes no student revenue.

Staff is recommending that the funding received from the LCTOP grant be included in the Budgeted Operating Income.

Changes to Optimized Schedule

Orange County Line –

- Metrolink planned to implement the Optimized Service adding 36 new trains in October of 2024. However, before service implementation four (4) of the Orange County Line trains scheduled to be included in the Optimized Service were removed. This change resulted in the addition of 32 trains instead of 36 trains. This information came after the FY25 Budget was completed.

San Bernardino Line –

- Upon implementation, it was determined that the 20 “bounce-back" trains between Union Station and Covina were not feasible. Those trains were revised to 10 “bounce-back" trains between Union Station and Montclair.

San Bernardino Sheriffs

San Bernardino County Transportation Authority (SBCTA) decided to fund additional law enforcement through assigning San Bernardino Sheriffs to the San Bernardino Line within San Bernardino County. The San Bernardino Sheriffs will begin service on April 1, 2025.

Mobilization

Mobilization for the Mini-Bundle was estimated at over $10.3M, while the actual negotiated amount is $7.9M.

Budget amendments amounts required for each of these items are as follows:

- Revenue Reforecast ($7.9M)
- Student Adventure Pass $6.3M
    - Total Revenue Effect ($1.6M)

- OC Line Trains ($0.6M)
- Optimize New ($0.3M)
- SBCTA Sheriffs $0.8M
- Mobilization Cost ($2.5M)
    - Total Expense Effect ($2.5M)

Total change to Member Support = ($0.9M)

The presentation Power Point included displays the amounts by Member Agency, and the changes to the individual Operating Statement categories.

Budget Impact

The adoption of this Amendment will revise the FY25 budget.
New total Revenue will be = $66.4M or $1.6M less.
New total Expense will be = $329.5M or $2.5M less.
Total support required will be = $263.1M or $0.9M less

Prepared by: Christine J. Wilson, Assistant Director, Finance

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

Presentation - Mid Year Budget Amendment

METROLINK

FY2025 Mid-Year Budget Adjustment

Mid-Year Budget Review

Each year, Metrolink does a review of the current financial situation to determine if a Budget Amendment is required.

This year’s review indicates that an Amendment is required

Need for Operating Budget Revision are Driven by the Following:

- Change to Ridership Effecting Revenue
- Change to Service Schedule Effecting Expense
- Negotiation Effect
- Member Agency Request

FY25 Budget Amendment

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
FY25 Adopted Budget						
Total Revenue	37,152,823	15,178,020	5,506,389	7,743,559	2,446,712	68,027,502
Total Expense	174,912,654	65,509,497	35,795,584	37,313,236	18,524,893	332,055,865
Loss / Member Support Required	**(137,759,830)**	**(50,331,477)**	**(30,289,196)**	**(29,569,677)**	**(16,078,182)**	**(264,028,362)**

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Amendments						
Revenue Amendments						
[1]Reforecasted Farebox Revenue	(4,396,851)	(1,394,813)	(882,446)	(935,706)	(279,098)	(7,888,913)
[2]Student Adventure Pass	3,624,803	1,224,116	538,121	499,136	370,069	6,256,244
Total Revenue Amendments	**(772,048)**	**(170,697)**	**(344,325)**	**(436,571)**	**90,971**	**(1,632,669)**
Expense Amendments						
Removal of 4 LAUS-Laguna Niguel trains	(142,941)	(612,494)	76,115	67,237	31,079	(581,004)
[3]Optimized New	(641,169)	135,443	63,288	109,048	32,126	(301,263)
SBCTA SB Sheriffs	0	0	0	822,538	0	822,538
Mobilization Cost Adjustment	(1,340,710)	(535,939)	(249,331)	(248,837)	(93,808)	(2,468,625)
Total Expense Amendments	**(2,124,820)**	**(1,012,990)**	**(109,928)**	**749,986**	**(30,602)**	**(2,528,355)**
Change in Member Support Increase / (Decrease)	**(1,352,772)**	**(842,293)**	**234,397**	**1,186,556**	**(121,573)**	**(895,686)**

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
FY25 Budget as Amended						
Total Revenue	36,380,776	15,007,323	5,162,064	7,306,988	2,537,683	66,394,833
Total Expense	172,787,833	64,496,507	35,685,656	38,063,222	18,494,291	329,527,510
Loss / Member Support Required	**(136,407,058)**	**(49,489,184)**	**(30,523,592)**	**(30,756,234)**	**(15,956,608)**	**(263,132,677)**

[1]Optimized service changes other than removal of 4 LAUS-Laguna Niguel trains not included in the reforecasted farebox revenue

[2]Student Adventure Pass revenue allocation is an estimate, final amounts unavailable until year-end

[3]Optimized New adjustments include:
Removal of 6 daily LAUS-Covina trains effective 11/23/24
Removal of 14 daily LAUS-Covina trains effective 1/20/25
Addition of 10 daily LAUS-Montclair trains effective 1/20/25

FY2024-25 Amended Metrolink Operating Budget Revenue

	FY25 Amended Budget						Variance: Adopted to Amended
	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL	TOTAL
Operating Revenue							
Farebox Revenue	19,475,865	9,194,147	3,255,743	4,361,512	1,171,860	37,459,127	(7,888,913)
Fare Reduction Subsidy	255,491	0	0	171,608	0	427,099	0
Student Adventure Pass	3,624,803	1,224,116	538,121	499,136	370,069	6,256,244	6,256,244
Other Train Subsidies	2,565,421	0	0	0	0	2,565,421	0
Special Trains	0	0	0	0	0	0	0
Subtotal-Pro Forma FareBox	**25,921,580**	**10,418,263**	**3,793,864**	**5,032,256**	**1,541,928**	**46,707,891**	**(1,632,669)**
Dispatching	1,117,402	692,612	17,991	131,385	247,626	2,207,017	0
Other Revenues	2,196,756	883,891	487,425	508,819	276,359	4,353,250	0
MOW Revenues	7,145,037	3,012,557	862,783	1,634,528	471,769	13,126,675	0
Total Operating Revenue	**36,380,776**	**15,007,323**	**5,162,064**	**7,306,988**	**2,537,683**	**66,394,833**	**(1,632,669)**

FY2024-25 Amended Metrolink Operating Budget Expense

	FY25 Amended Budget						Variance: Adopted to Amended
	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL	TOTAL
Operating Expenses							
Operations & Services							
Train Operators	25,827,821	10,238,442	4,925,728	4,925,728	1,858,495	47,776,213	0
Train Dispatch	3,499,059	1,051,138	461,648	580,020	326,705	5,918,570	0
Equipment Maintenance	16,258,464	6,084,631	3,730,723	4,054,306	1,595,709	31,723,832	0
Materials	6,329,373	2,368,729	1,452,360	1,578,329	621,205	12,349,996	0
Fuel	17,620,165	6,984,834	3,360,412	3,360,412	1,267,896	32,593,720	(699,461)
Non-Scheduled Rolling Stock Repairs	79,919	28,677	16,263	19,114	6,027	150,000	0
Operating Facilities Maintenance	1,324,525	475,267	269,538	316,783	99,883	2,485,996	0
Other Operating Train Services	478,374	192,967	122,241	107,470	72,212	973,264	0
Security - LA Sheriffs	6,811,677	2,444,169	1,386,164	1,629,130	513,673	12,784,813	0
Security - SB Sheriffs	0	0	0	822,538	0	822,538	822,538
Security - Guards	2,533,244	920,063	794,576	560,688	531,319	5,339,890	0
Supplemental Security	130,637	60,879	21,547	30,026	7,751	250,840	0
Public Safety Program	25,306	9,191	7,938	5,601	5,308	53,344	0
Passenger Relations	1,025,277	416,494	184,849	285,633	62,346	1,974,599	0
TVM Maintenance/Revenue Collection	2,153,787	1,058,658	803,358	620,507	292,264	4,928,574	0
Marketing	1,562,454	634,231	278,677	435,133	92,492	3,002,986	0
Media & External Communications	144,146	52,353	45,213	31,904	30,233	303,850	0
Utilities/Leases	1,282,810	465,911	402,365	283,927	269,055	2,704,068	0
Transfers to Other Operators	1,474,258	552,507	183,090	322,134	82,806	2,614,796	0
Amtrak Transfers	282,215	292,672	0	0	95,800	670,687	0
Station Maintenance	4,023,220	857,478	387,856	717,393	279,929	6,265,876	0
Rail Agreements	1,970,299	1,782,538	1,644,072	419,504	922,349	6,738,762	(182,806)
Holiday Trains	0	0	0	0	0	0	0
Special Trains	237,500	99,000	55,500	72,000	36,000	500,000	0
Subtotal Operations & Services	**95,074,530**	**37,070,830**	**20,534,117**	**21,178,280**	**9,069,457**	**182,927,214**	**(59,729)**

FY2024-25 Amended Metrolink Operating Budget Totals

	FY25 Amended Budget						Variance: Adopted to Amended
	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL	TOTAL
Maintenance-of-Way							
MoW - Line Segments	30,530,699	10,380,089	3,408,165	6,763,999	2,894,846	53,977,798	0
MoW - Extraordinary Maintenance	375,078	91,561	61,019	68,254	44,372	640,284	0
Subtotal Maintenance-of-Way	**30,905,777**	**10,471,650**	**3,469,184**	**6,832,254**	**2,939,218**	**54,618,082**	**0**
Administration & Services							
Ops Salaries & Fringe Benefits	8,427,276	3,060,750	2,643,294	1,865,228	1,767,525	17,764,073	0
Ops Non-Labor Expenses	5,982,485	2,349,126	1,378,347	1,213,254	690,015	11,613,227	0
Indirect Administrative Expenses	11,519,660	4,183,890	3,613,249	2,549,672	2,416,117	24,282,588	0
Ops Professional Services	1,259,253	457,355	394,977	278,713	264,114	2,654,412	0
Subtotal Admin & Services	**27,188,674**	**10,051,121**	**8,029,867**	**5,906,866**	**5,137,772**	**56,314,300**	**0**
Contingency	**23,720**	**8,615**	**7,440**	**5,250**	**4,975**	**50,000**	**0**
Total Operating Expenses	**153,192,700**	**57,602,216**	**32,040,608**	**33,922,650**	**17,151,421**	**293,909,595**	**(59,729)**
Insurance and Legal							
Liability/Property/Auto	10,229,925	3,670,707	2,081,772	2,446,662	771,445	19,200,511	0
Net Claims / SI	980,741	351,910	199,579	234,561	73,958	1,840,750	0
Claims Administration	1,169,775	419,739	238,047	279,772	88,213	2,195,547	0
Total Net Insurance and Legal	**12,380,441**	**4,442,356**	**2,519,398**	**2,960,995**	**933,617**	**23,236,808**	**0**
Total Expense	**165,573,141**	**62,044,572**	**34,560,006**	**36,883,646**	**18,085,038**	**317,146,403**	**(59,729)**
Loss	**(129,192,366)**	**(47,037,249)**	**(29,397,942)**	**(29,576,657)**	**(15,547,356)**	**(250,751,570)**	**(1,572,940)**
Mobilization	**4,274,092**	**1,708,535**	**794,850**	**793,277**	**299,053**	**7,869,807**	**(2,468,625)**
Student Adventure Pass	**1,640,600**	**743,400**	**330,800**	**386,300**	**110,200**	**3,211,300**	**0**
Outside 20'	**1,300,000**	**0**	**0**	**0**	**0**	**1,300,000**	**0**
Total Expense	**172,787,833**	**64,496,507**	**35,685,656**	**38,063,222**	**18,494,291**	**329,527,510**	**(2,528,355)**
Loss/Member Support Required	**(136,407,058)**	**(49,489,184)**	**(30,523,592)**	**(30,756,234)**	**(15,956,608)**	**(263,132,677)**	**895,686**

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Thank you.

ITEM 6.C

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ITEM ID:	**2025-147-0**
TRANSMITTAL DATE:	**March 7, 2025**
MEETING DATE:	**March 14, 2025**
TO:	**Audit and Finance Committee**
FROM:	**Elisabeth Lazuardi, Director, Audit**
SUBJECT:	**Performance Audit: Deactivation of Badges for Employees, Board members, and IDTS contractors (2025-05-IA)**

Issue

The Internal Audit Department (Internal Audit) completed the Performance Audit: Deactivation of Badges for Employees, Board members and Integrated Digital and Technology Services (IDTS) Contractors (2025-05-IA).

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Through the audit of badges deactivation process, improvement will be implemented through corrective actions addressing areas of secure access control deficiencies.

Background

This audit was included in the *FY 2025 Internal Audit Annual Plan* approved by the Board of Directors on July 26, 2024.

Discussion

The objective of the audit was to evaluate the effectiveness of the Agency's badge deactivation policies and procedures for secure access control for employees, board members, and IDTS contractors.

There were three (3) findings and three (3) recommendations in the audit report. Management agreed with the findings and developed corrective actions.

Next Steps

Internal Audit will track the progress of the corrective actions developed by management.

Prepared by:	Claudia Casasola, Auditor II
Approved by:	Elisabeth Lazuardi, Director, Audit

Attachment(s)

Attachment A - Final Report 2025-05-IA Deactivation of Employee Badges

Southern California Regional Rail Authority (SCRRA)

Internal Audit Department

Performance Audit: Deactivation of Badges for Employees, Board members, and IDTS contractors

Project Code: 2025-05-IA

February 27, 2025

Presented to:	Board of Directors and Audit and Finance Committee
Prepared by:	Elisabeth Lazuardi, Director, Audit Andrew Hong, Senior Auditor Claudia Casasola, Auditor II
Distributed to:	Darren Kettle, Chief Executive Officer Noelia Rodriguez, Chief of Staff Alberto Lara, Chief People Officer Hilary E. Konczal, Chief Safety, Security & Compliance Officer Kevin Gray, Chief Technology Officer

Executive Summary

The Internal Audit Department (Internal Audit) completed the performance audit of *Deactivation of Badges for Employees, Board Members, and Integrated Digital & Technology Services (IDTS) Contractors* (2025-05-IA). This audit is part of the *Fiscal Year 2025 Annual Internal Audit Plan*.

Objective

The Human Resources (HR) Department issues badges to agency employees, board members, and Integrated Digital & Technology Services (IDTS) contractors. The primary objective of this audit was to evaluate the effectiveness of the Agency's badge deactivation process for badges issued by the HR Department, including related policies, procedures, and practices (this audit was separate and distinct from the previous audit of the Safety, Security & Compliance's badge protocol as explained on page 1). Specifically, the audit aimed to achieve the following objectives:

- Validate the adequacy of badge deactivation policies and procedures.
- Evaluate the roles and responsibilities related to badge deactivation.
- Examine the processes for badge authorization and monitoring.
- Assess the validity of access cards.
- Review the timeliness of badge deactivation.
- Ensure that badges are returned upon termination.

Summary of Findings and Recommendations

The following are the areas for improvement:

1. **SOP Access Control Program Needed Improvement.** Notification timelines and clarity of roles and responsibilities regarding IDTS contractors and board members' badge management processes were not included in the SOP. Stakeholders should develop and update the standard operating procedures for managing the badging processes.

2. **Inconsistent Records and Process for Validating Active Badge Holders.** Badge records were incomplete, there were active access records for terminated employees, and access review was not performed consistently.

3. **Lack of Audit Trail for Returned Badges.** There were inconsistent processes to track returned badges for terminated employees and IDTS contractors. Management should establish standard operating procedures to document the collection and destruction of badges.

Review of Report

The Human Resources Department and the SSC Department management reviewed and agreed with this report's audit findings and recommendations and developed a corrective action plan to address the recommendations.

Internal Audit thanks the Office of the Chief of Staff, the Human Resources Department, the SSC Department, and IDTS Department management and staff for their assistance and cooperation during our audit. Additionally, Internal Audit would like to extend its appreciation to Timothy Morehead, who served as the Interim Chief Safety, Security, and Compliance Officer throughout the audit process. If you have any questions or comments, please contact Elisabeth Lazuardi, Director of Audit, at (213) 452-0335 or LazuardiE@scrra.net.

Table of Contents

Abbreviations

COBIT	Control Objectives for Information and Related Technologies
COBRA	Consolidated Omnibus Budget Reconciliation Act
FISCAM	Federal Information System Controls Audit Manual
GAO	U.S. Government Accountability Office
HR	Human Resources
IDTS	Integrated Digital & Technology Services
NIST	National Institute of Standards and Technology
SCRRA	Southern California Regional Rail Authority
SOC	Security Operations Center
SOP	Standard Operating Procedure
SSC	The Safety, Security & Compliance Department
SSE	Short-Service Employees
RACI	Responsible, Accountable, Consulted, and Informed

Background

Effective badge management ensures the Agency's security and operational efficiency. Badges are physical and digital access credentials regulating entry to facilities and systems. Effective policies and standard operating procedures (SOPs) are essential to prevent unauthorized access and reduce risks in environments with many employees and contractors. Badges serve as train tickets as well; by presenting the badges to the train conductors, employees, and board members are allowed to ride the train. This audit evaluated the adequacy and effectiveness of badge deactivation process policies and practices at the Southern California Regional Rail Authority (SCRRA or Agency), focusing on the Human Resources (HR), the Board Clerk, the Safety, Security & Compliance (SSC) Department, and Integrated Digital & Technology Services (IDTS) Department roles. This was the second phase of the badge deactivation process audit.

The first phase of the audit was completed in December 2023. The audit scope covered the deactivation process for inactive contractors' and consultants' badges, excluding employees', board members,' and IDTS contractors' badges. The SSC Department was responsible for managing the contractors' badges; however, HR manages the issuance of the IDTS contractors' badges. Please refer to *the Performance Audit: Contractors' Physical Access Deactivation Process* audit report in the January 26, 2024, Board agenda.

The Agency's badge management process is governed by the Standard Operating Procedure (SOP) 3000.09 Access Control Program, which outlines procedures for issuing, monitoring, and deactivating badges. This includes defining roles and responsibilities, timelines for action, and requirements for maintaining documentation. The SSC Department owns the SOP 3000.09.

The audit was initiated to assess whether the badge deactivation management process effectively ensures the following: (1) Standard Operating Procedures (SOPs) are properly established and regularly updated to address evolving threats; (2) Roles and responsibilities among the HR Department, Board Clerk, IDTS Department, the SSC Department, and the Security Operations Center (SOC)[1] are clearly defined to prevent overlaps and gaps and ensure accountability; and (3) Only active employees, active board members, and authorized IDTS contractors possess valid badges, with all access being deactivated upon termination or separation.

This audit aimed to evaluate the integration of automation in the badge deactivation processes, assess the effectiveness of communication protocols among HR, the Board Clerk, the IDTS Department, the SSC Department, and the Security Operations Center

[1] Metrolink's Security Operations Center (SOC) operates 24/7 with Metrolink staff, LA Sheriff's deputies, and security guards. They ensure train safety by responding to emergencies and coordinating with the Dispatch Center. Security cameras monitor key locations, and the SOC manages employee and contractor badges.

(SOC), and ensure compliance with relevant measures. The audit period covered January 1, 2023, to July 31, 2024.

Given the significant reliance on contractors and third-party vendors, managing access effectively has become more complex. Please refer to *the Performance Audit: Contractors' Physical Access Deactivation Process* audit report. Contractors often present unique challenges due to shorter tenures and higher turnover rates. Additionally, the absence of real-time monitoring and automated workflows in badge deactivation further exacerbates the risk of unauthorized access. These vulnerabilities underscore the importance of robust processes to safeguard the Agency's assets and reduce security risks.

Objectives, Scope, and Methodology

Objectives

The primary objective of this audit was to evaluate the effectiveness of the Agency's badge deactivation policies and procedures for secure access control for employees, board members, and IDTS contractors. Key objectives included: (1) validating badge deactivation policies and procedures, (2) assessing roles and responsibilities, (3) examining authorization and monitoring, (4) checking access card validity, (5) reviewing the timeliness of deactivation, and (6) ensuring badge return upon termination.

Scope

The audit reviewed badge deactivation management from January 1, 2023, to July 31, 2024. It focused on how the Agency deactivates badges for employees, board members, and IDTS contractors and assessed whether it followed the SOP 3000.09 Access Control Program. The audit also used best practices guidelines, including GAO's Standards for Internal Control,[2] FISCAM 2024,[3] COBIT 2019,[4] and the NIST Cybersecurity Framework 2.0.[5] This was the second phase of the badge deactivation process audit.

The first phase of the audit was completed in December 2023. The audit focused on the deactivation process for badges belonging to inactive contractors and consultants while excluding badges for employees, board members, and IDTS contractors. For more details, please refer to the Performance Audit: Contractors' Physical Access Deactivation Process report in the Board agenda dated January 26, 2024.

Methodology

The following methodologies were used:

- Examined the Standard Operating Procedure (SOP) 3000.09 to assess its adequacy, alignment with organizational policies, and adherence to industry standards such as GAO's Standards for Internal Control in the Federal Government (Green Book), FISCAM 2024, COBIT 2019, and NIST Cybersecurity Framework 2.0.

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[2] Standards for Internal Control in the Federal Government (the "Green Book"), sets the standards for an effective internal control system for federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system.
[3] FISCAM stands for Federal Information System Controls Audit Manual, which is a guide for auditors to assess data reliability. The U.S. Government Accountability Office (GAO) maintains the FISCAM.
[4] COBIT is an IT management framework developed by the ISACA to help businesses develop, organize, and implement strategies around information management and governance.
[5] The NIST Cybersecurity Framework (CSF) 2.0 guides industry, government agencies, and other organizations to manage cybersecurity risks.

- Verified the existence of annual reviews and updates to the SOP to ensure relevance and effectiveness.
- Conducted interviews with key personnel from HR, the SSC Department, and the Board Clerk to understand their roles, responsibilities, and challenges in badge management.
- Compared HR termination records with the PremiSys system data to identify discrepancies in badge deactivation.
- Compared Board member roster with the PremiSys system data to identify active badges linked to former Board members.
- Reviewed contractor records from IDTS and procurement departments to ensure alignment with badge access authorizations.
- Reviewed four (4) IDTS support service contracts for the security provision.
- Evaluated the timeliness of badge deactivation by tracing terminated employee and contractor records.
- Evaluated the documentation of badge return processes, including any gaps in tracking and compliance.

We conducted this performance audit using *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. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Conclusion

Several key improvements are needed in the Agency's badge deactivation process. Badges are often not deactivated in a timely manner, and there are gaps identified in the process. Additionally, the Agency lacks effective monitoring, which results in inconsistent management of badges and incomplete records. There are also unclear procedures for returning badges when individuals leave, leading to security risks and inefficiencies. Implementing these changes will reduce the risk of unauthorized access and reinforce the Agency's commitment to security and compliance.

Observations, Recommendations, and Responses

Finding 1: SOP for Access Control Program Needed Improvement

Criteria

GAO's Standards for Internal Control in the Federal Government (Green Book): Documentation of Control Activities through Policies and Procedures

> 12.02 Management establishes control activities by documenting in policies what is expected and in procedures specified actions.
>
> 12.03 Management documents in policies for each unit its responsibility for a business process's objectives and control activity design, implementation, and operating effectiveness. Doing so mitigates related risks to acceptable levels. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the business process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity. The documentation may appear in management directives, administrative policies, or operating manuals.

Condition

SOP 3000.09 Access Control Program is the only formal procedure for issuing, monitoring, and deactivating badges for employees and contractors. Notification timelines, clarity of roles and responsibilities regarding IDTS contractor badge management, and board member badge management process are missing in the SOP:

- The SOP does not have a clear timeline, such as 24 hours, for HR to inform the SOC about employee terminations to start the badge deactivation process.
- HR currently issues IDTS contractor badges but is not part of the IDTS contractors' badge deactivation process. HR does not issue other contractors' badges. HR managed the employees' badge deactivation process through the NeoGov[6] program and checklist but did not deactivate the badges in Premisys.[7] The roles of HR and the SOC in deactivating IDTS contractors' badges were unclear in SOP 3000.09.

[6] NEOGOV provides HR solutions for public sector organizations. It automates routine tasks and streamlines processes to help public sector organizations manage their employee lifecycle, including the annual employee evaluation process (performance evaluation), onboarding, and offboarding processes.

[7] PremiSys is an access control system, primarily used for managing door security and user access within a facility, allowing for features like locking/unlocking doors, monitoring activity, and generating reports, often integrated with other security components like photo ID badging through its "PremiSys ID" software.

- Additionally, HR also issues badges to new board members in coordination with the Board Clerk in the Office of the Chief of Staff. However, the badge deactivation process for board members is not formally established.

Cause

The focus of the SOP was primarily on the contractors' badge management process. HR took on the responsibility of issuing badges for IDTS contractors as a practice outside the SOP.

Effect

Delays in badge deactivation and gaps in the process heighten the risk of unauthorized access.

Recommendations 1:

The HR Department, in collaboration with the SSC Department, the IDTS Department, and the Board Clerk, should:

a. Develop HR standard operating procedures for actively managing employee and board member badges and collaborate with SSC to centralize the procedures. (The HR Department)

b. Update the SOP 3000.09 to clarify the roles and responsibilities for issuing and monitoring badges for employees, and IDTS Contractors and ensure compliance with SOP 3000.09. (The SSC Department)

Management Response

Management agrees.

SCC Management is currently in the process of updating SOP 3000.09 to clarify roles and responsibilities for the issuance and monitoring of badges for the agency. Additionally, SCC is working to upgrade its current access control badging system software PremiSys. This system upgrade will allow for more security capabilities ensuring only authorized individuals have access to respective locations, monitors all security access points, and will allow badges to be deactivated remotely.

IDTS will add implementing a centralized Identity and Access Management (IAM) platform to the agency's cyber security roadmap for future implementation. An IAM platform will enhance cyber and physical security by enabling automated provisioning and deprovisioning capabilities across all agency systems, providing single sign-on and identity federation capabilities. Identity federation is where employee's and contractor's user identities are recognized and linked across multiple systems, like Premisys, Active Directory, Oracle ERP and more.

Corrective Action Plan

a. The HR Department will develop a standard operating procedure for managing badges for employees and board members to address this finding. They will work with the other departments mentioned above to ensure clear roles and responsibilities.

b. The SSC Department will update the SOP 3000.09 to manage all contractors' and consultants' badges, including IDTS contractors, and ensure compliance with the revised SOP 3000.09.

Target Implementation Date

a. May 31, 2025

b. May 31, 2025

Responsible for Implementation

a. Roxanne Randolph, Director, Human Resources

b. Tinh Quach, Manager II, Security

Accountable for Implementation

a. Alberto Lara, Chief People Officer

b. Hilary Konczal, Chief Safety, Security, & Compliance Officer

Finding 2: Inconsistent Records and Processes for Validating Active Badge Holders

Criteria

SOP 3000.09 Access Control Program, Section 5.0 Procedures states that

> employees or contractors who separate from the agency, or for whatever reason will no longer be authorized to enter SCRRA facilities or properties, will have their access control cards collected by Human Resources, their manager or designee, and names/access removed from the system within 24 hours of the SOC receiving notification that access is no longer needed unless notified to immediately terminate access. The card shall be returned to Human Resources or the SOC within five (5) business days of the loss of authorization.

GAO's Standards for Internal Control in the Federal Government (Green Book):

> 10.03 Management designs appropriate control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.
>
> *Accurate and timely recording of transactions.* Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities to record all transactions completely and accurately.

Condition

Verifying access cards for active employees, active board members, and IDTS contractors showed inconsistencies. Most records from HR, Board member roster, and PremiSys aligned; however, discrepancies were noted below.

When comparing PremiSys and HR data for active employees, 20 (6.7%) out of 299 records did not match. The unmatched records were caused by issues such as:

- Different employee numbers in PremiSys compared to HR records,
- Records in PremiSys lacked an employee number,

During the audit, HR staff addressed the issues for the employee data in PremiSys.

PremiSys records for IDTS contractors were incomplete, with missing fields such as company name, employee name, department, and job title.

In addition, the access for several terminated employees, former board members, and IDTS contractors no longer with the Agency was not removed on PremiSys upon their termination or separation as required by the SOP. Specifically, badges for 109 terminated employees, eight (8) former board members, and five (5) terminated IDTS contractors were active in the PremiSys system. During the audit, the SSC Department deactivated the contractors' access.

There was also a lack of evidence that periodic access review was performed as required by the SOP.

Cause

Inconsistent use of required fields in PremiSys for employee and IDTS contractor records. Absence of verification processes to ensure alignment of employee, board members, and IDTS contractor records across all systems. Lack of adherence to established SOP 3000.09 procedures for timely badge deactivation.

Effect

Discrepancies in records increase the risk of unauthorized access due to active badges linked to terminated individuals or IDTS contractors. Inconsistent data in PremiSys makes auditing and monitoring access control systems challenging.

Recommendations 2:

The Human Resources Department, in collaboration with the SSC Department and IDTS Department, should:

a. Deactivate the badges associated with terminated employees and former board members immediately.

b. Create clear instructions for filling out the necessary PremiSys fields for employee and board member records.

c. Establish a procedure in the HR SOP (Recommendation 1a) to review the badge records at least every six months, including PremiSys reports, and manually verify unmatched records to resolve discrepancies.

d. Implement the badge management process for IDTS contractors by SOP 3000.09. (The IDTS Department)

Management Response

Management agrees.

Corrective Action Plan

HR, SSC, and IDTS will follow the recommendations provided by the audit team.

Target Implementation Date

May 31, 2025

Responsible for Implementation

Roxanne Randolph, Director, Human Resources (Recommendations 2a-2c)

Tinh Quach, Manager II, Security

Vadim Grosman, Manager II, Helpdesk & Cybersecurity, IT (Recommendation 2d)

Accountable for Implementation

Alberto Lara, Chief People Officer (Recommendations 2a-2c)

Hilary Konczal, Chief Safety, Security, & Compliance Officer (Recommendations 2a-2c)

Kevin Gray, Chief Technology Officer (Recommendation 2d)

Finding 3: Returned Badges Lack an Audit Trail

Criteria

SOP 3000.09 Access Control Program, Section 5.0 Procedures states that

> Employees or contractors who separate from the agency, or for whatever reason will no longer be authorized to enter SCRRA facilities or properties, will have their access control cards collected by Human Resources, their manager or designee, and names/access removed from the system within 24 hours of the SOC receiving notification that access is no longer needed unless notified to terminate access immediately. The card shall be returned to Human Resources or the SOC within five (5) business days of the loss of authorization.

Condition

The audit identified inconsistent processes for ensuring terminated employees or IDTS contractors return their badges on their last day of employment or that returned badges are properly destroyed. Management could not provide documentation confirming badge returns or disposal for terminated individuals.

- **Documentation Gaps:** Selected 25 badge records to test for badge returns and destructions noting no supporting records. No evidence was available to confirm whether badges were received after termination or separation and securely disposed of.
- **Policy Gaps:** Lacked procedures to ensure accountability for collecting and disposing of badges from terminated individuals.

Cause

Absence of a formalized process for tracking and verifying badge returns and destruction. Lack of clear accountability assigned to HR, IDTS, or SOC for ensuring terminated individuals comply with badge return requirements.

Effect

Unreturned badges increase the risk of unauthorized access, particularly if they are not deactivated or destroyed promptly. The lack of documentation and accountability hinders compliance with organizational access control policies.

Recommendations 3:

The Human Resources Department, in collaboration with the SSC Department, should establish standard operating procedures to document the collection and destruction of badges, keep thorough records, and perform regular audits to verify compliance.

Management Response

Management agrees

Corrective Action Plan

a. HR will use current technology (NEO Gov) to track ID badges and create a process to document the collection and destruction of badges. (The HR Department)

b. SSC will update SOP 3000.09 for tracking returned badges and destruction of badges. (The SSC Department)

Target Implementation Date

May 31, 2025

Responsible for Implementation

a. Roxanne Randolph, Director, Human Resources

b. Tinh Quach, Manager II, Security

Accountable for Implementation

a. Alberto Lara, Chief People Officer

b. Hilary Konczal, Chief Safety, Security, and Compliance Officer

Reviewed and acknowledged by:

Darren M. Kettle, Date February 27, 2025
Chief Executive Officer

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metrolinktrains.com/meeting

ITEM ID:	**2025-157-0**
TRANSMITTAL DATE:	**March 7,2025**
MEETING DATE:	**March 14, 2025**
TO:	**Audit and Finance Committee**
FROM:	**Arnold Hackett, Chief Financial Officer**
SUBJECT:	**Financial Results for the First Seven Months of FY25 - January 2025 Ridership, Revenue, and Operating Results**

Issue

"Metrolink Reimagined" is the Metrolink term for the transition from commuter rail-based service to a regional provider of general transport. Initiatives designed to realize that transition require timely review of Ridership, Revenue, and Financial Operating Performance to provide assessment of the effectiveness of our efforts. Primary among these initiatives are the optimized services we began providing on October 21, 2024.

This report covers monthly reporting on Ridership, Revenue, and Financial Operating Performance for the seven months ended January 31, 2025.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitments of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over -reliance on Member support while bringing our system into a state of good repair and investing in the development of our employees. Providing current and accurate information to our Board enhances their oversight, and ability to provide direction based on factual data.

- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to bring them on board. Our close monitoring of our ridership is a reflection of our unflagging concern for ridership trends, and to ensure our actions are serving their needs.

Background

This item will report on the ridership and revenue recovery as measured against FY2018-19 (FY19) results, which was the last full year of operations pre-pandemic. Comparisons and variance are shown between the forecast or budget and actual recovery.

Comparisons will also be shown between the Ridership, Revenue and Expenses as adopted in the FY25 Budget and actual performance.

For FY25, Staff continued its engagement with Sperry Capital/KPMG to lend assistance and additional expertise to our ridership forecasting. Sperry Capital/KPMG provided an analysis to determine the change in ridership and revenue which can be expected as a result of our Optimized Service Schedule. The Farebox Revenue in the FY25 Budget is based on the forecast provided by Sperry Capital/KPMG on February 21, 2024.

Ridership and Revenue from the Student Adventure Pass Program Pilot are not included in the FY25 Budgeted Revenue.

Operating Statement Comparisons

On June 28, 2024, the SCRRA Board of Directors adopted the FY25 Operating Budget for Metrolink. The FY25 Operating Budget reflected Operating Revenue of $68.0M, Expense of $332.1M, and Member Agency Support of $264.0M.

On June 28, 2024, the SCRRA Board of Directors also adopted the FY25 Operating Budget for Arrow Service. The FY25 Arrow Service Budget reflects Operating Revenue of $212K, Expense of $15.7M, and Member Agency Support of $15.5M.

On September 13, 2024, the SCRRA Board approved an amendment to the FY25 Arrow Service Budget to adjust for a new equipment and facility maintenance agreement. The amendment added $1.1M in Stadler Mobilization expense and $0.7 in equipment and facility maintenance expense. The amended FY25 Arrow Service budget now has Operating Revenue of $0.2M, Expense of $17.5M, and Support of $17.3M.

Staff intends to propose a Mid-Year adjustment to the FY25 budget in the form of an amendment brought to Audit and Finance Committee Meeting, on March 14, 2025 and for adoption in the March 28, 2025 Board Meeting. This amendment has to be adopted, all comparisons are to the current adopted budget.

Discussion

Ridership
For the seven months ended January 31, 2025, ridership recovery was forecast at a recovery of 60% or 4.2M boardings, while the actual recovery through January is 62% or 4.3M boarding, over forecast by 0.1M boardings.

Total ridership generated by the Student Adventure Pass Pilot program through January was 1.3M.

Revenue
Through the first seven months of FY25, the Authority's farebox revenue is budgeted at $24.4M or a 54% recovery, while the actual farebox revenue is $23.4M, a 52% recovery, under budget by $1.1M. These revenue amounts include the Student Adventure Pass Program Pilot.

The total amount of revenue from the Student Adventure Pass Pilot program for the seven months ended January 31 is $4.4M.

Operating Results
The Metrolink Operating Statement for the seven months ended January 2025 is based on accruals not actuals.

- Operating Revenue is $37.6M, or <$0.1 under budget
- Expenses (excluding un-utilized Mobilization) are $169.8M, below budget by $17.6M.
- Support required is $134.4M, below budget by $21.4M.

A copy of the Metrolink Operating Statement for the period ended January 31, 2025 is attached for your review.

Cash Issues

Outstanding Receivables
As of January 31, 2025, Metrolink had $40.5M of past due receivables outstanding.

The majority of the past due amount (81%) is owed for the Working Capital Fund, Member Agency Support is 11%. Staff is in the final stages of approving an agreement for the Working Capital Fund monies.

Available Cash
In January 2025, cash available is $86.1M, which exceeds the $50M threshold established by the Board.

Arrow Service

Ridership
For the first seven months of FY25 ridership was forecasted at 81K boardings, while the actual ridership is 85K boardings, 85K over forecast. Total ridership generated by the Student Adventure Pass Pilot program though the first seven months was 45K boardings.

Revenue
Through January 2025, Arrow Service farebox revenue was budgeted at $114K. Actual farebox revenue was $217K, above budget by $103K. This revenue includes $109K generated by the Student Adventure Pass Program Pilot.

Operating Results
The Arrow Service January 2025 Operating Statement is based on accruals not actuals.

- Total Operating Revenue is $365K, above budget by $246K.
- Expenses are $8.9M, below budget by $1.1M.
- Support required is $8.6M, below budget by $1.3M.

A copy of the Arrow Service Operating Statement for the period ended January 31, 2025 is attached for your review.

Next Steps

Staff will continue to report on Ridership, Revenue, and Financial Results monthly.

Prepared by:	Christine J. Wilson, Assistant Director, Finance
Approved by:	Arnold Hackett, Chief Financial Officer

Attachment(s)

Attachment A - Metrolink Operating Statement
Attachment B - Arrow Operating Statement
Presentation - January 2025 Financial Results

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
PRELIMINARY OPERATING STATEMENT
FOR THE SEVEN MONTHS ENDING JANUARY 31, 2025

	FY25 BUDGET	FY25 ACTUAL	VARIANCE FROM BUDGET OVER/(UNDER) AMOUNT	%
Farebox Revenue	24,421,834	18,946,167	(5,475,668)	(22.42%)
SB Line Fare Reduction	236,962	221,194	(15,768)	(6.65%)
Mobility 4 All	0	452,768	452,768	0
Student Adventure Pass	0	4,406,945	4,406,945	0
Other Train Subsidies	1,496,496	1,522,453	25,958	1.73%
Special Trains	0	39,200	39,200	0
Subtotal Pro Forma Farebox	**26,155,292**	**25,588,727**	**(566,564)**	**(2.17%)**
Dispatching	1,287,412	1,621,966	334,554	25.99%
Other Revenues	2,539,397	2,568,512	29,115	1.15%
MOW Revenues	7,657,230	7,815,250	158,020	2.06%
Total Operating Revenues	**37,639,331**	**37,594,455**	**(44,876)**	**(0.12%)**
Student Adventure Pass Member Support	**3,211,300**	**3,211,300**	**0**	**0.00%**
Operating Expenses				
Operations & Services				
Train Operators	27,869,457	25,614,988	(2,254,469)	(8.09%)
Train Dispatch	3,283,924	3,205,713	(78,211)	(2.38%)
Equipment Maintenance	18,475,891	18,068,902	(406,989)	(2.20%)
Materials	7,233,842	7,919,187	685,345	9.47%
Fuel	19,417,017	16,703,881	(2,713,136)	(13.97%)
Non-Sched Rolling Stock Repairs	87,500	14,048	(73,452)	(83.95%)
Operating Facilities Maintenance	1,502,413	1,108,397	(394,016)	(26.23%)
Other Operating Train Services	567,742	322,816	(244,926)	(43.14%)
Security - LA Sheriffs	7,457,793	6,957,890	(499,903)	(6.70%)
Security - Guards	3,114,937	3,042,563	(72,374)	(2.32%)
Supplemental Security	109,229	0	(109,229)	(100.00%)
Public Safety Program	31,115	23,693	(7,422)	(23.85%)
Passenger Relations	1,155,856	1,058,659	(97,197)	(8.41%)
TVM Maint/Revenue Collection	2,651,499	2,678,751	27,252	1.03%
Marketing	1,745,917	1,021,598	(724,319)	(41.49%)
Media & External Communications	177,247	62,023	(115,224)	(65.01%)
Utilities / Leases	1,577,373	1,365,605	(211,768)	(13.43%)
Transfers to Other Operators	1,525,293	1,859,739	334,446	21.93%
Amtrak Transfers	391,237	395,140	3,903	1.00%
Station Maintenance	3,655,092	2,692,303	(962,789)	(26.34%)
Rail Agreements	4,037,579	3,590,385	(447,194)	(11.08%)
Special Trains	316,770	224,179	(92,591)	(29.23%)
Subtotal Operations & Services	**106,384,723**	**97,930,461**	**(8,454,262)**	**(7.95%)**
Maintenance-of-Way				
MoW - Line Segments	26,188,562	26,499,563	311,001	1.19%
MoW Labor & Benefits	2,630,477	2,394,668	(235,808)	(8.96%)
Overhead MoW Expenses	2,570,711	1,930,281	(640,429)	(24.91%)
MoW - Extraordinary Maintenance	373,499	271,054	(102,445)	(27.43%)
Subtotal Maintenance-of-Way	**31,763,248**	**31,095,567**	**(667,681)**	**(2.10%)**
Administration & Services				
Ops Salaries & Benefits	10,021,282	10,071,909	50,628	0.51%
Ops Non-Labor Expenses	6,941,291	4,454,943	(2,486,348)	(35.82%)
Indirect Administrative Expenses	14,305,987	10,943,141	(3,362,846)	(23.51%)
Ops Professional Services	1,546,288	1,689,443	143,155	9.26%
Subtotal Administration & Services	**32,814,848**	**27,159,437**	**(5,655,411)**	**(17.23%)**
Contingency	28,714	2,500	(26,214)	(91.29%)
Total Operating Expenses	**174,202,833**	**159,399,265**	**(14,803,568)**	**(8.50%)**
Insurance Expense (Recoveries)				
Liability/Property/Auto/Misc	10,882,046	9,468,638	(1,413,408)	(12.99%)
Net Claims / SI	1,073,772	165,652	(908,120)	(84.57%)
Claims Administration	1,280,734	774,353	(506,381)	(39.54%)
Subtotal Insurance Expense (Recoveries)	**13,236,552**	**10,408,642**	**(2,827,910)**	**(21.36%)**

Total Expenses	**187,439,385**	**169,807,907**	**(17,631,478)**	**(9.41%)**
Mini-Bundle Mobilization	6,030,752	2,248,516	(3,782,236)	(62.72%)
Total Expenses with Mobilization	**193,470,137**	**172,056,423**	**(21,413,714)**	**(11.07%)**
Unbudgeted Special Trains				
Holiday Trains				
Revenue	0	246,760	246,760	0
Expense	0	241,592	241,592	0
Surplus / (Deficit)	**0**	**5,168**	**5,168**	**0**
Insomniac Trains				
Revenue	0	61,739	61,739	0
Expense	0	33,958	33,958	0
Surplus / (Deficit)	**0**	**27,781**	**27,781**	**0**
Net Effect of Unbudgeted Special Trains	**0**	**32,949**	**32,949**	**0**
Net Loss before San Clemente	**(155,830,806)**	**(134,429,020)**	**21,401,786**	**(13.73%)**
Member Subsidies before San Clemente	**155,830,806**	**155,830,806**	**0**	**0.00%**
Surplus / (Deficit) before San Clemente	**(0)**	**21,401,786**	**21,401,786**	**N/A**
San Clemente Track Work	**1,666,191**	**18,556**	**(1,647,635)**	**(98.89%)**
San Clemente #2	**2,912,911**	**60,510**	**(2,852,401)**	**(97.92%)**
San Clemente #3	**4,003,301**	**368,347**	**(3,634,954)**	**(90.80%)**
Net Loss	**(164,413,209)**	**(134,876,433)**	**29,536,776**	**(17.96%)**
Member Subsidies	**164,413,209**	**164,413,209**	**0**	**0.00%**
Surplus / (Deficit)	**(0)**	**29,536,775**	**29,536,776**	**N/A**

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
PRELIMINARY OPERATING STATEMENT
FOR THE SEVEN MONTHS ENDING JANUARY 31, 2025

	FY25 BUDGET	FY25 ACTUAL	VARIANCE FROM BUDGET OVER/(UNDER) AMOUNT	%
Operating Revenue				
Farebox Revenue	113,840	108,091	(5,749)	(5.05%)
Mobility 4 All	5,661	4,313	(1,348)	(23.81%)
Student Adventure Pass	0	108,725	108,725	0
Subtotal Pro Forma Farebox	**119,501**	**221,128**	**101,628**	**85.04%**
MOW Revenues	0	144,216	144,216	0
Total Operating Revenues	**119,501**	**365,344**	**245,843**	**205.73%**
Student Adventure Pass Member Support	**0**	**0**	**0**	**0**
Operating Expenses				
Operations & Services				
Train Operators	2,448,915	2,240,989	(207,926)	(8.49%)
Train Dispatch	18,657	3,711	(14,946)	(80.11%)
Equipment Maintenance	1,954,988	1,987,608	32,620	1.67%
Materials	87,500	69,320	(18,180)	(20.78%)
Fuel	297,404	239,976	(57,428)	(19.31%)
Operating Facilities Maintenance	192,102	51,791	(140,311)	(73.04%)
Other Operating Train Services	9,723	3,651	(6,072)	(62.45%)
Security - SB Sheriffs	1,531,145	1,328,741	(202,404)	(13.22%)
Security - Guards	156,835	153,322	(3,513)	(2.24%)
Public Safety Program	9,723	0	(9,723)	(100.00%)
Passenger Relations	8,211	12,526	4,315	52.56%
TVM Maint/Revenue Collection	54,446	54,768	322	0.59%
Marketing	87,521	69,366	(18,155)	(20.74%)
Media & External Communications	2,429	0	(2,429)	(100.00%)
Utilities / Leases	207,032	187,409	(19,623)	(9.48%)
Transfers to Other Operators	2,335	5,372	3,037	130.06%
Mobilization Arrow	860,832	860,832	0	0.00%
Subtotal Operations & Services	**7,929,798**	**7,269,381**	**(660,417)**	**(8.33%)**
Maintenance-of-Way				
MoW - Line Segments	669,039	681,104	12,065	1.80%
MoW Labor & Benefits	58,041	46,844	(11,197)	(19.29%)
Subtotal Maintenance-of-Way	**727,080**	**727,948**	**868**	**0.12%**
Administration & Services				
Ops Salaries & Benefits	619,367	430,993	(188,374)	(30.41%)
Ops Non-Labor Expenses	130,976	141,607	10,631	8.12%
Indirect Administrative Expenses	518,746	259,894	(258,852)	(49.90%)
Ops Professional Services	4,214	40,875	36,661	869.97%
Subtotal Administration & Services	**1,273,303**	**873,369**	**(399,934)**	**(31.41%)**
Total Operating Expenses	**9,930,181**	**8,870,698**	**(1,059,484)**	**(10.67%)**
Insurance Expense (Recoveries)				
Liability/Property/Auto/Misc	60,935	60,935	0	0.00%
Net Claims / SI	5,397	0	(5,397)	(100.00%)
Claims Administration	2,919	0	(2,919)	(100.00%)
Subtotal Insurance Expense (Recoveries)	**69,251**	**60,935**	**(8,316)**	**(12.01%)**
Total Expenses	**9,999,432**	**8,931,633**	**(1,067,800)**	**(10.68%)**
Net Loss	**(9,879,932)**	**(8,566,289)**	**1,313,643**	**(13.30%)**
Member Subsidies	**9,879,932**	**9,879,932**	**(0)**	**(0.00%)**
Surplus / (Deficit)	**0**	**1,313,643**	**1,313,643**	**0**

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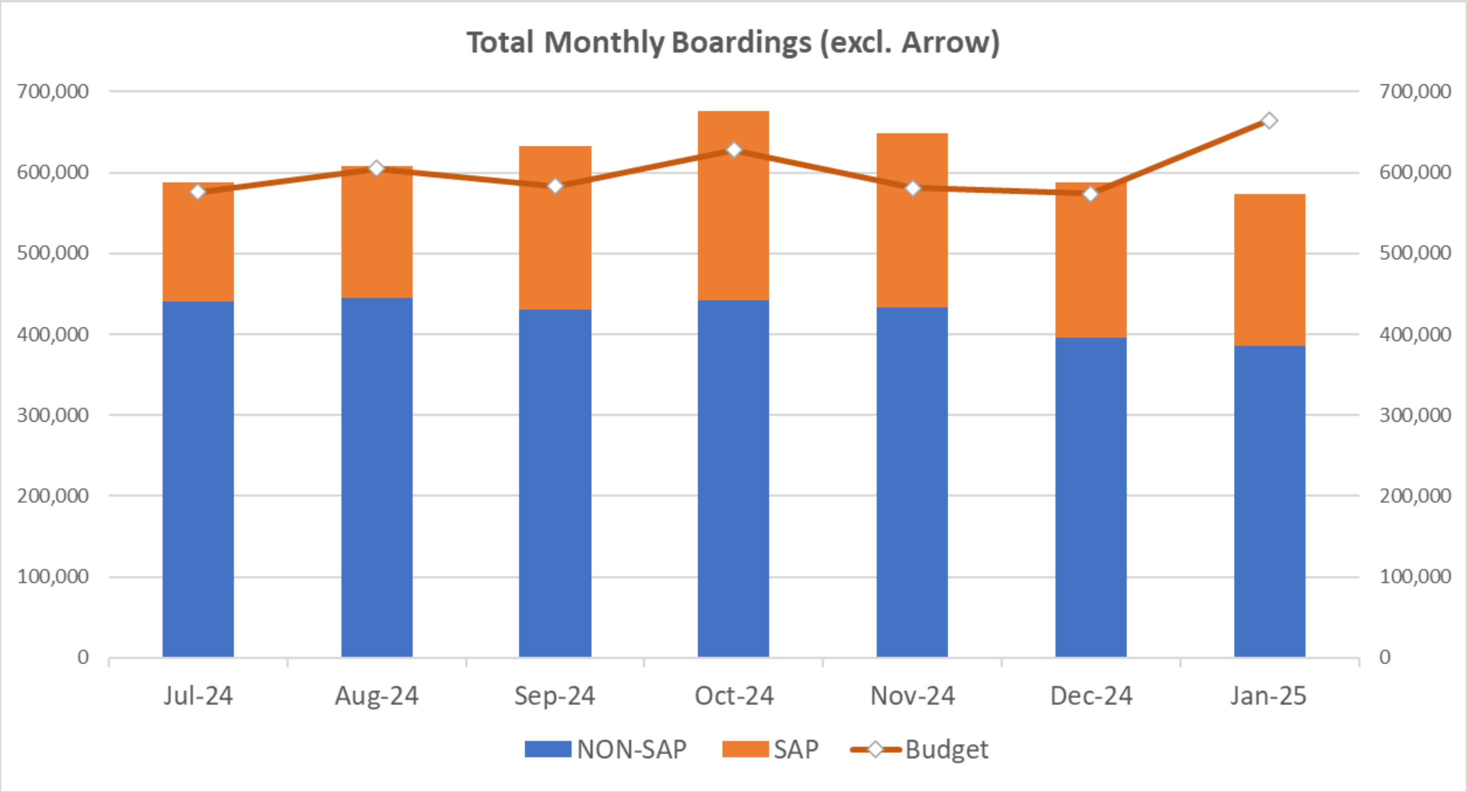
January 2025 – Financial Results

Receive and file

Ridership Actual vs Forecast by Month



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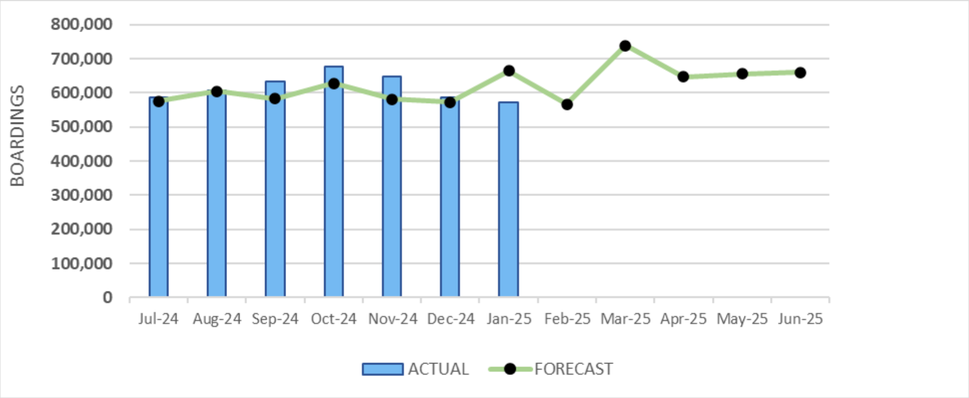
FY25 Ridership Forecast vs Actual



PERIOD	FORECAST BOARDINGS	FORECAST RECOVERY	ACTUAL BOARDINGS	ACTUAL VARIANCE	ACTUAL RECOVERY
JULY-24	575,794	58%	587,449	11,655	59%
AUGUST-24	604,565	59%	608,408	3,843	59%
SEPTEMBER-24	583,347	58%	632,386	49,039	62%
FY25 Q1 TOTAL	**1,763,706**	**58%**	**1,828,243**	**64,537**	**60%**
OCTOBER-24	627,777	59%	676,687	48,910	64%
NOVEMBER-24	581,182	59%	649,051	67,869	66%
DECEMBER-24	573,564	62%	587,337	13,773	64%
FY25 YTD Q2 TOTAL	**3,546,230**	**59%**	**3,741,319**	**195,089**	**62%**
JANUARY-25	664,863	68%	573,225	(91,638)	58%
Fiscal Year to Date	**4,211,093**	**60%**	**4,314,544**	**103,451**	**62%**

Student Adventure Pass

Month of January =	188,229
Year-to-Date =	1,341,928

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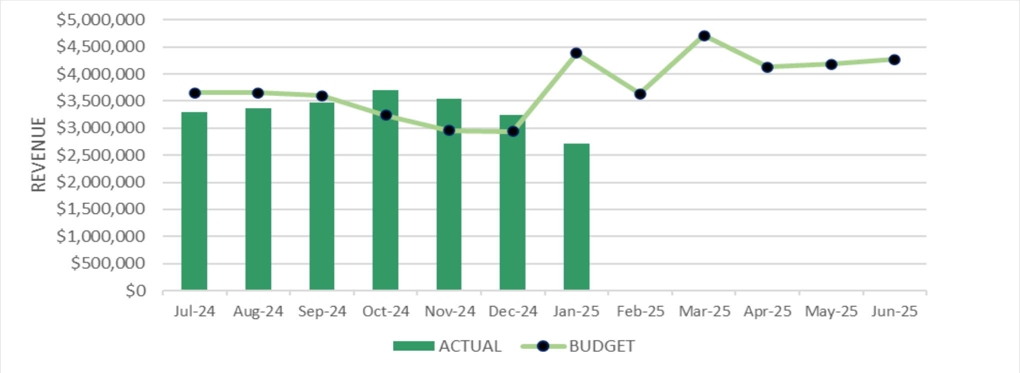
FY25 Budget vs Actual – Farebox Revenue



	BUDGET		ACTUAL		
PERIOD	REVENUE	RECOVERY	REVENUE	VARIANCE	RECOVERY
JULY-24	3,653,703	57%	3,297,409	(356,294)	52%
AUGUST-24	3,655,242	55%	3,369,765	(285,477)	51%
SEPTEMBER-24	3,596,102	56%	3,475,165	(120,937)	54%
FY25 YTD Q1 TOTAL	**$ 10,905,048**	**56%**	**$ 10,142,339**	**$ (762,709)**	**52%**
OCTOBER-24	3,234,541	48%	3,704,168	469,627	54%
NOVEMBER-24	2,958,164	46%	3,550,259	592,095	55%
DECEMBER-24	2,941,323	50%	3,250,032	308,710	55%
FY25 YTD Q2 TOTAL	**$ 20,039,075**	**52%**	**$ 20,646,799**	**$ 607,723**	**53%**
JANUARY-25	4,382,759	69%	2,706,313	(1,676,446)	43%
Fiscal Year to Date	**$ 24,421,834**	**54%**	**$ 23,353,112**	**$ (1,068,723)**	**52%**

Student Adventure Pass

Month of January =	$329,498
Year-to-Date =	$4,406,945

Note: FY25 Student Adventure Pass reimbursed @ 50%

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Financial Results for January 2025

SUMMARY:

- Before San Clemente, Total Expenses are under budget by $17.6*
- Overall Member Agency Support Required is currently in Surplus by $21.4M*

Total Operating Revenue $37.6M or <$0.1 Under Plan

Total Expenses $169.8M or $17.6M Under Budget*

Major Categories <u>below</u> budget:

- Administration & Services below budget by $5.7M
- Train Operators below budget by $2.3M
- Fuel below budget by $2.7M
- Insurance/Legal below budget by $2.8M

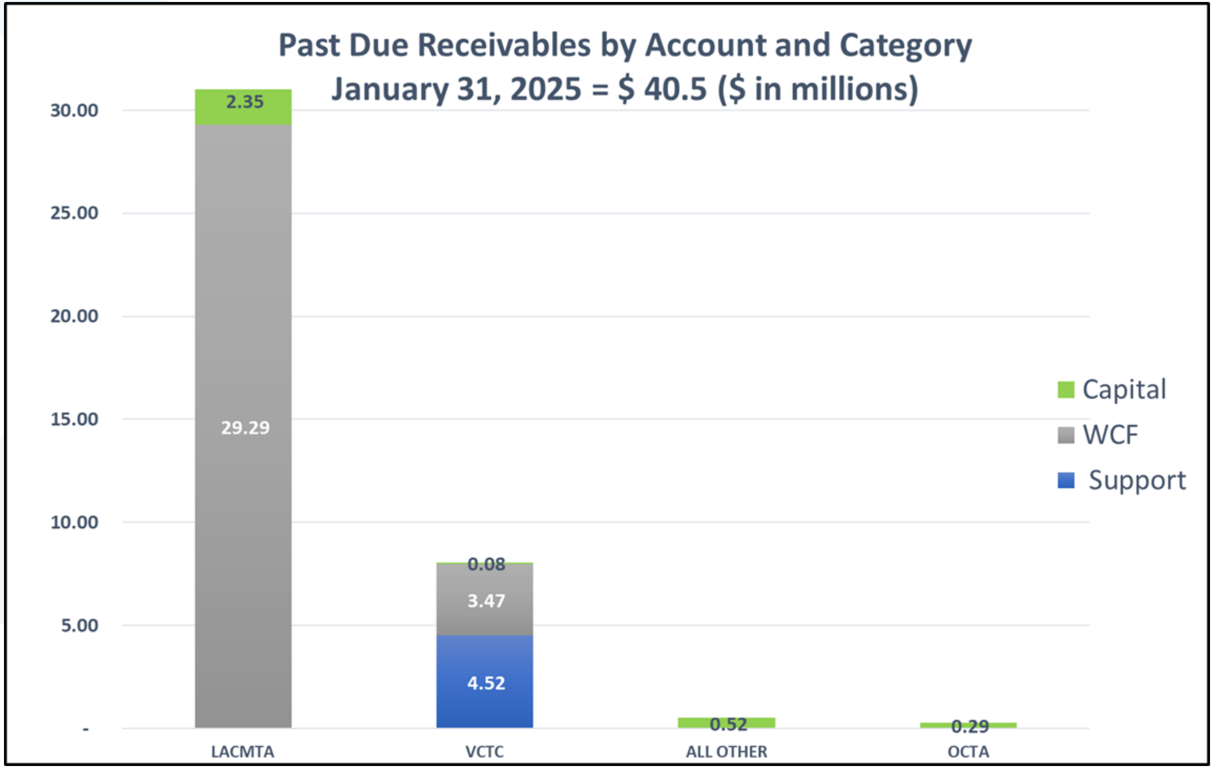
Note:

These Expenses are based on Accruals not Actuals

*Excludes $3.8M of unused Mobilization

Accounts Receivable Update

Past Due



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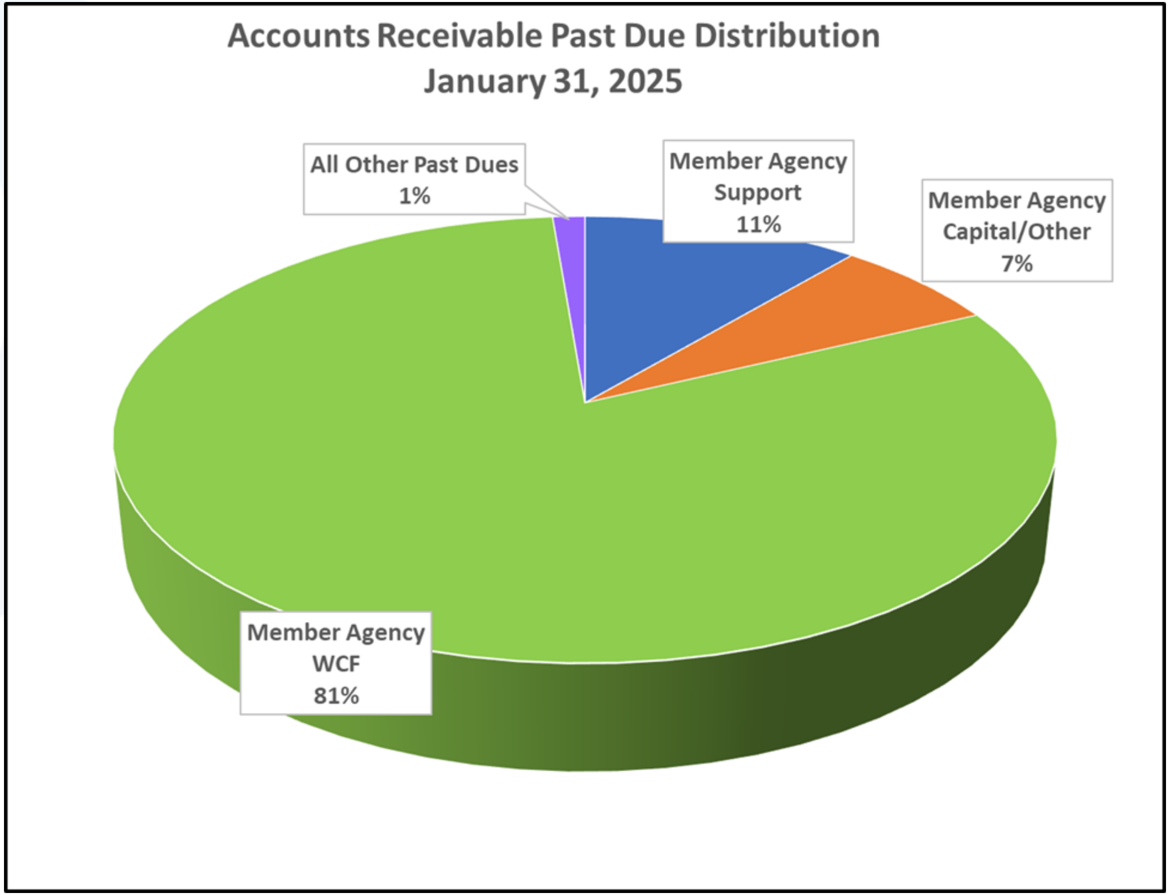
Accounts Receivable Update

Past Due



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November 2024 – January 2025

Agency Cash Position

SCRRA Cash Position

Cash Category Breakdown ($ in Millions)	Nov	Dec	Jan
Operating Cash	$89.4	$105.5	110.5
Board Threshold	50.0	50.0	50.0
Unrestricted Cash Before Claims:	**139.5**	**155.5**	**160.5**
Less: Claims on Cash	(76.7)	(75.6)	(74.4)
Available Cash to Spend:	**$62.8**	**$79.9**	**$86.1**

Notes:

- January Estimated prior to month/year-end close
- Does not include Prop 1B, and Reserve funds (legal, Working Capital Fund)

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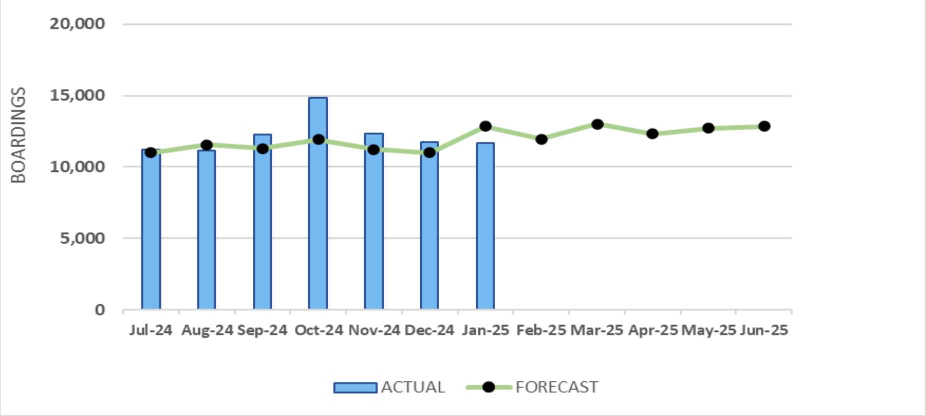
Arrow Service

FY25 Ridership Forecast vs Actual



PERIOD	FORECAST BOARDINGS	ACTUAL BOARDINGS	VARIANCE
JULY-24	11,008	11,201	193
AUGUST-24	11,566	11,173	(393)
SEPTEMBER-24	11,280	12,272	992
FY25 Q1 TOTAL	**33,855**	**34,646**	**791**
OCTOBER-24	11,931	14,871	2,940
NOVEMBER-24	11,243	12,323	1,080
DECEMBER-24	11,000	11,754	754
FY25 YTD Q2 TOTAL	**68,029**	**73,594**	**5,565**
JANUARY-25	12,858	11,672	(1,186)
Fiscal Year to Date	**80,887**	**85,266**	**4,379**

Student Adventure Pass

Month of January = 6,443

Year-to-Date = 45,382

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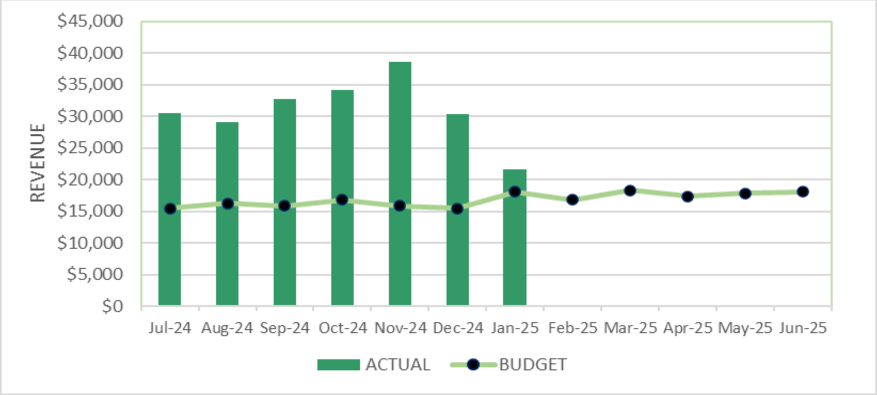
FY25 Budget vs Actual – Farebox Revenue



PERIOD	BUDGET REVENUE	ACTUAL REVENUE	VARIANCE
JULY-24	$15,492	$30,484	$14,992
AUGUST-24	$16,279	$29,023	$12,744
SEPTEMBER-24	$15,876	$32,683	$16,807
FY25 YTD Q1 TOTAL	**$47,647**	**$92,190**	**$44,543**
OCTOBER-24	$16,791	$34,194	$17,403
NOVEMBER-24	$15,823	$38,640	$22,817
DECEMBER-24	$15,482	$30,258	$14,776
FY25 YTD Q2 TOTAL	**$95,743**	**$195,282**	**$99,539**
JANUARY-25	$18,097	$21,533	$3,436
Fiscal Year to Date	**$113,840**	**$216,815**	**$102,975**

Student Adventure Pass

Month of January = $8,111

Year-to-Date = $108,725

METROLINK

FY25 Arrow Service Financial Results

Financial Results for January 2025

Operating Revenue is $365K or $246K over plan

Total Expenses are $8.9M or $1.1M below plan

Support is $8.6M or $1.3M below plan

METROLINK

Student Adventure Pass Pilot

Student Adventure Pass Ridership – TVD vs. Mobile App

FY25 Student Adventure Pass July 2024 – January 2025

	Ventura County	Antelope Valley	San Bernardino	Riverside	Orange County	IEOC	91 Line	Arrow	TOTAL	%
TVD	43,797	188,581	188,392	16,521	69,925	31,525	38,453	20,164	597,358	43%
Mobile App	85,194	114,820	198,447	22,623	154,211	81,916	107,523	25,218	789,952	57%
Total	128,991	303,401	386,839	39,144	224,136	113,441	145,976	45,382	1,387,310	100%

FY26 Budget Development Schedule

• Proposed Budget Presentation to Member Agency CFOs	02/05/2025 & 02/07/2025
• Proposed Budget Presentation to Member Agency CFOs	02/19/2025
• Proposed Budget Presentation to Member Agency CEOs	02/21/2025

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Thank you.