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

# Supplemental Report on Metro Gold Line Foothill Extension, Exposition Metro Line, and Alameda Corridor-East Construction Authorities

**Report No. 12-AUD-15** **June 6, 2012**

Metro

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Los Angeles County
Metropolitan Transportation Authority

Metro

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**DATE:** June 6, 2012

**TO:** Metro Board of Directors

**FROM:** Karen Gorman
Acting Inspector General

**SUBJECT:** Supplemental Report on Metro Gold Line Foothill Extension, Exposition Metro Line, and Alameda Corridor-East Construction Authorities
(Report No. 12-AUD-15)

# INTRODUCTION

At the direction of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority (Metro) on February 24, 2012, the Office of the Inspector General (OIG) provided the Board a report on the staffing plans, Chief Executive Officers' (CEO) compensations, and policies regarding expenditures of the Metro Gold Line Foothill Extension Construction Authority, the Exposition Metro Line Construction Authority, and the Alameda Corridor-East Construction Authority.

On March 22, 2012, the Metro Board passed a motion (Attachment A) that requested "the Exposition Metro Line Construction Authority, the Metro Gold Line Foothill Extension Construction Authority, and the Alameda Corridor-East Construction Authority to take action to implement the full set of recommendations made by the Inspector General." At this meeting, Director Antonovich gave direction to "investigate the cost of living allocation policies and practices of the independent construction authorities and compare them to the Metro policies and practices provided in a report for a future meeting." This report presents our review of the matters directed by the Metro Board.

# OBJECTIVES, SCOPE, AND METHODOLOGY OF REVIEW

The objectives of the review were to (1) follow up on the status of the implementation of the OIG recommendations by Metro Gold Line Foothill Extension Construction Authority (Gold Line), the Exposition Metro Line Construction Authority (Expo), and the Alameda Corridor-East Construction Authority (ACE), and (2) determine policies and practices for employee salary increases for the three Authorities and Metro.

After the OIG report was issued in February 2012, the Acting Inspector General, Karen Gorman, gave a presentation of the report's contents and answered questions at the scheduled board meetings of the three Authorities.

To meet the requirements of the Metro Board direction, we:

- Followed up with each Authority concerning the actions taken on recommendations in the prior OIG reports.[1] Where possible, we verified the actions taken by the Authorities such as reviewing revised policies and verifying modifications to public websites.

- Requested information from each Authority and Metro (non-contract employees) concerning salary adjustments given to employees during fiscal years (FY) 2007 through 2012. We also requested information on various types of salary increases provided to employees to make meaningful comparisons because each Authority and Metro provide different types of salary adjustments to their employees and use different terminology such as cost of living adjustment (COLA), merit pay increase, and competitive increase. We reviewed payroll data maintained by Metro[2] to identify salary increases for Expo employees.

- Obtained and reviewed Human Resources policies for salary adjustments for each Authority and Metro.

# BACKGROUND

Each Authority has a small number of core in-house employees and utilizes contract employees and consultants for additional needed services. As of May 1, 2012, full-time staffing for the Authorities was 14 for the Gold Line, 20 for Expo, and 21 for ACE. The Authorities provide salary increases for reasons such as COLA and merit pay. These salary increases can be provided to all employees such as in the case of a COLA increase or provided to only some of the employees in the case of a merit pay increase. Any such increases are approved by the respective governing board of directors through the budget approval process.

[1] The OIG issued an overall report that had contained five recommendations and individual reports to each Authority that contained additional recommendations.
[2] Metro maintains payroll and accounting data for Expo.

# RESULTS OF REVIEW

## Part I - Status of Implementing Recommendations in Prior OIG Report

We followed up on the actions taken by each Authority to implement the recommendations in our prior report issued on February 24, 2012. Our follow-up review found that the Authorities have completed actions on all of the recommendations, except one recommendation, which is in progress. The in-progress recommendation concerns including language in the funding agreement or memorandum of understanding to demonstrate commitment to best practices and industry standards. Action on this recommendation is ongoing because the Authorities are working with Metro to include appropriate language when modifications or new agreements are entered into. Specific actions taken on the remaining recommendations by each Authority include the following:

### A. <u>Metro Gold Line Foothill Extension Construction Authority</u>

Actions taken by the Gold Line to implement the recommendations included:

- Adopting best practices by revising policies to require:
  - Original itemized receipts for business meals and documentation to show who attended the business meal, subject discussed, and the purpose and benefit to the Authority.
  - Written approval of exceptions to travel policies.
  - Use of Government per diem rates for lodging and travel meals.
  - Travelers to make prior arrangement to pay for personal items incurred at hotels.

- Preparing a letter on Authority letterhead certifying that the Authority is a Government agency to provide to travelers so they can obtain Government lodging rates.

- Revising policy to prohibit employees from personal gain from merchant rewards, rebates, and gifts from the use of credit cards; and any such rewards, rebates, or gifts shall become the property of the Authority.

- Increasing transparency by including budget and financial information on the Gold Line public website and links to hotlines of the Metro OIG and State Attorney General.

- Revising the Gold Line Code of Conduct to add a reference to obtain assistance from the Metro OIG as circumstances arise. (See Attachment B-1 for additional details of actions taken.)

Gold Line officials also stated that the Authority will consider integrating language to demonstrate commitment to best practices into future agreements with Metro.

## B. Exposition Metro Line Construction Authority

Actions taken by Expo to implement the recommendations included increasing transparency by including information concerning Metro OIG contact, budget, and salary ranges on the Expo public website. Expo provided the following comments to other recommendations:

- Expo has adopted best practices for travel, per diem, and other expenditures.
- Expo will work with Metro to incorporate appropriate language in the MOU to demonstrate commitment to best practices and industry standards.
- Expo will request as needed assistance from the Metro Ethics Office or the Metro OIG.
- Expo works with and seeks assistance from the Metro Travel Coordinator.
- Expo is working with technology staff to ascertain options for making the Expo public website more searchable. (See Attachment B-2 for additional details of actions taken.)

## C. Alameda Corridor-East Construction Authority

Actions taken by ACE to implement the recommendations included:

- Adopting best practices and revising policies to reflect recommendations regarding transportation, rental cars, business meals, and meals for in-house staff.
- Increasing transparency by including information on salary ranges and Metro OIG contact information on the ACE public website.
- Meeting with the Metro Travel Coordinator to discuss ways to obtain Government lodging rates. Based on this meeting, ACE is working on obtaining a travel credit card that will allow employees to obtain Government rates at hotels. (See Attachment B-3 for additional details of actions taken.)

ACE officials also stated that ACE will amend the next MOU to incorporate the statement that travel and subsistence expenses shall not exceed the rates authorized by the ACE travel policy. In addition, ACE:

- Will utilize the Metro OIG hotline for reporting fraud, waste, and abuse and develop signage on reporting fraud, waste, and abuse to post at construction sites.

- Requested the Metro Ethics Office to provide ethics training to its employees.
- Will request the Metro Ethics Office to participate in pre-construction conferences.

## Part II – Salary Adjustment Policies and Practices

The Metro Board requested the OIG to compare cost of living allocation policies and practices for Gold Line, Expo, and ACE to those of Metro. Since the four agencies use different terminology for their salary increases, we requested information on all salary adjustments given to employees.[3] These adjustments come in the form of percentages that are applied to the employee's individual salary to increase the employee's base salary. We categorized these salary adjustments into the following three categories:

- **Cost of Living Adjustment (COLA):** This is an increase in salary based on changes in a cost of living index, typically the Consumer Price Index (CPI). It allows for salaries to keep pace with inflation and is usually given across the board to all employees.
- **Merit-Based Pay Increase:** This salary increase is awarded to employees based on performance, and some or all employees might receive an increase. The four agencies use different terms for this type of increase: "merit pay increase" (Gold Line), "merit adjustment" (Expo), "merit-based pay adjustment" (ACE), and "performance-based compensation" (Metro).
- **Other Salary Increases:** These increases include competitive or retention salary increases, which are given as an incentive to keep employees on the job and from seeking employment elsewhere.

We reviewed policies, interviewed construction authority and Metro officials, and gathered financial data from the Gold Line, Expo, ACE, and Metro. We found that the three Authorities and Metro had written policies for providing salary increases to employees. The Authorities and Metro used various factors such as the CPI for determining the size and frequency of the salary increases. Our review found the salary increases provided to employees of the three Authorities were higher than increases provided to Metro employees. During the period FYs 2007 through 2012, the Authorities gave employees generally larger and more frequent salary increases; and in some cases, they gave two types of salary

[3] We excluded salary increases given to individual employees for promotions, position reclassifications, and additional duties.

increases in a year. The following salary adjustments were provided to employees[4] of the three Authorities and Metro during the 6 years, FYs 2007 through 2012 (see Attachment C for summary of all salary adjustments and Attachment D for summary of employees receiving merit pay increases):

- The Gold Line gave 10 salary adjustments to employees during 5 of the 6 years. The average[5] salary increases totaled 33.8% for those employees who received the increases. Also, the Gold Line CEO received 8 salary increases totaling 38.5%.

- Expo provided 5 salary adjustments to employees during 3 of the 6 years. The average salary increases totaled 14.6% for the employees who received the increases. Also, the Expo CEO received 4 salary increases totaling 14.8%.

- ACE gave 5 salary increases to employees during 5 of the 6 years. The average salary increases totaled 27.1% for the employees who received the increases. Also, the ACE CEO received 2 salary increases totaling 5%.

- Metro provided 3 salary increases to non-contract employees totaling 10.5% during 3 of the 6 years. Metro provided no salary increases in FYs 2010 through 2012. The former Metro CEO received one salary increase in FY 2007, and the current CEO who was hired in April 2009 did not receive any salary increases.

## A. Metro Gold Line Foothill Extension Construction Authority

1. Policy: Attachment 2 (Salary Administration Guidelines) of the Metro Gold Line Foothill Extension's Personnel Policy & Procedures Manual states: "Each fiscal year, in the submission of the budget, staff will request a cost of living adjustment based on a salary adjustment percentage. Additionally, staff may request a merit adjustment…Salary adjustments during the course of the year will be limited to the percentages approved by the Board of Directors for cost of living adjustments and merit adjustments as included in the adopted budget. Individual increases are limited up to a maximum of 10%. Salary adjustments will be limited to the range for a given position." The Metro Gold Line Foothill Extension Board of Directors reviews the requested amount and can make changes as deemed necessary. Once it is approved

[4] All employees did not receive the salary adjustments. For example, recently hired employees might not have received COLA adjustments and merit pay increases are provided to employees based on performance.
[5] Because merit increases varied by individual at the Gold Line, Expo, and Ace, we determined a weighted average of the merit increases.

by the Board, staff calculates a COLA based on reviewing 12 months of CPI data for Los Angeles/Riverside/Orange County.

As discussed previously, the Gold Line's Board of Directors approves a fiscal year operating budget which includes a maximum amount for COLAs and merit-based pay increases combined. After the COLA is determined, the remaining budgeted money goes towards the merit-based pay increases. Formal performance reviews are conducted. Employees are eligible for the increase when they have a satisfactory performance evaluation or better. The merit-based pay increase can vary among employees; however, individual increases are limited up to a maximum of 10 percent combined for COLA and merit.

2. Practice: Gold Line employees received COLA adjustments in 5 of the 6 years, merit pay increases in 4 of the 6 years, and other salary adjustments in FY 2008. For the 6-year period, the weighted average salary increases totaled 33.8% for employees who received salary adjustments and totaled 38.5% for the CEO.

    - In FY 2007, Gold Line employees and the CEO received a COLA increase of 5.4%. In addition, 5 employees received merit pay increases averaging 3.2% (ranging from 2% to 4.7%). The CEO received the 5.4% COLA, which is not specifically included in his contract. The Board approved a COLA for all staff. The CEO did not receive a merit pay adjustment.

    - In FY 2008, Gold Line employees received a COLA increase of 2.7%. In addition, 5 employees received merit pay increases averaging 3.5% (ranging from 2% to 5%). In addition, six employees received a 5% salary increase to "maintain competitiveness with the industry" according the Chief Financial Officer. The CEO also received the 2.7% COLA increase, the 5% increase to maintain competiveness with the industry, and a 10% salary increase based on a new contract beginning on July 1, 2007. The COLA increase and increase to maintain competitiveness are not specifically included in the CEO's contract. The Board approved these increases for all staff.

    - In FY 2009, Gold Line employees received a COLA increase of 6.1%. In addition, 5 employees received merit pay increases averaging 2% (ranging from 1.9% to 2%). The CEO received the 6.1% COLA, which is not specifically included in his contract. The Board approved a COLA for all staff. The CEO did not receive a merit pay adjustment.

- There were no salary adjustments in FY 2010.

- In FY 2011, Gold Line employees received a 1% COLA increase. The CEO received the 1.0% COLA, which is not specifically included in his contract. The Board approved a COLA for all staff.

- In FY 2012, Gold Line employees received a COLA increase of 3.3%. In addition, 10 employees received merit pay increases averaging 1.6% (ranging from 1% to 1.7%). The CEO received a 3.3% COLA increase, and a 5% merit pay increase. The COLA increase is not specifically included in the CEO's contract. The Board approved these salary increases for all staff.

Our review of the Gold Line's CPI calculation found that it did not conform to best practices when the CPI index decreases such as when the 222.4 CPI in June 2008 decreased to 216.1 in June 2009. When this occurred the Gold Line used the 216.1 CPI level as the new base and gave employees salary adjustments in FYs 2011 and 2012 for the CPI increases from 216.1 to 225.5. However, this methodology gave employees a salary adjustment twice because they were already given an increase to the CPI 222.4 level in FY 2009. The COLA's for FYs 2011 and 2012 would have been 2.9% less if the Gold Line had used best practices to calculate the COLAs (see Attachment E for details).

## B. Exposition Metro Line Construction Authority

1. Policy: The Expo Personnel Policy and Employee Manual states: "Each fiscal year, in the submission of the budget, the CEO may request a cost of living adjustment based on a salary adjustment percentage. Additionally, the CEO may request a merit adjustment based on a salary adjustment percentage."

2. Practice: We reviewed payroll data for all Expo employees for FY 2007 to FY 2012, and calculated the percentage of salary increases for each employee. We found that Expo provided employees salary adjustments in 3 of the 6 years. For the 6-year period, the weighted average salary increases totaled 14.6% for employees who received salary adjustments and totaled 14.8% for the CEO.

   - The FY 2008 Expo budget included a "3% CPI increase for all Authority staff as well as funding for merit raises up to 3%." Twelve employees received a 3% CPI increase, and the merit increases averaged 2.2% (ranging from 0.5% to 3%). In addition, one employee received an additional 4% salary adjustment. The Expo CEO received two increases (3.5% CPI increase and

4% merit increase) totaling 7.5%. The CEO's contract states that the Board (a) shall pay the CEO based on the Consumer Price Index for the previous year, and (b) may pay the CEO a merit increase not to exceed 7.5%.

- The FY 2009 Expo budget included a "3.3% CPI increase for Authority staff as well as funding for merit raises up to 3.7%." Ten of 11 employees received a 3.3% CPI increase and one received a 3% increase, and 8 of these employees received merit increases averaging 3.15% (ranging from 2.2% to 6.3%). The Expo CEO received two salary increases (3.3% CPI increase and 4% merit increase) totaling 7.3%.

- In FY 2012, the Expo budget included "CPI/merit increases of up to 3%." Eleven employees received a 3% increase and one employee received a 5% increase. Although the CEO's contract entitles him to the CPI increase he declined the increase; he also did not receive a merit salary adjustment in FY 2012.

- There were no increases in FYs 2007, 2010, and 2011.

## C. Alameda Corridor-East Construction Authority

1. Policy: The ACE Employee Policy Manual states: "Merit-based adjustments may be awarded by ACE as part of the formal performance evaluation process and in accordance with its salary administration guidelines in an effort to fairly recognize employee performance. The decision to award such an adjustment is dependent upon numerous factors, including the inclusion funding for such adjustments in the ACE Board-approved annual budget."

   According to an ACE official, the CEO develops a proposed merit-based pay adjustment based on a number of factors, including inflation, past performance of the overall staff, anticipated workload, and salary adjustment practices of other peer agencies. The percentage is then proposed in the annual budget. The budget process requires review and approval by the ACE Board of Directors as well as the San Gabriel Valley Council of Governments Board.[6] The salary increase given to each employee varies in accordance to performance evaluation and recommendations made by the supervisor.

[6] The joint powers authority that created the Alameda Corridor-East Construction Authority.

2. Practice: Merit-based adjustments were given to ACE employees for 5 of the 6 years from FY 2007 to FY 2012. The percent of staff who received the increases ranged from 42.9% in FY 2008 to 100% in FY 2007 when there were only 11 employees. For the 6-year period, the weighted average merit-based adjustment increases totaled 27.1% for employees[7] who received salary adjustments and totaled 5% for the CEO. The increases by year are:

- In FY 2007, 10 employees received merit increases averaging 5.9% (ranging from 4% to 9%). The ACE Board approved a 2% salary increase for the CEO effective on his anniversary date.
- In FY 2008, 9 employees received merit increases averaging 7.2% (ranging from 4% to 10%).
- In FY 2009, 16 employees received merit increases averaging 6.1% (ranging from 4% to 10%). The ACE Board approved a 3% salary increase for the CEO retroactive to his anniversary date.
- In FY 2010, 16 employees received merit increases averaging 4.2% (ranging from 3% to 6%).
- In FY 2011, 20 merit increases were given averaging 3.7% (ranging from 2% to 6%).
- There were no salary adjustments in Fiscal Year 2012.

## D. Metro

1. Policy: Metro Policy HR 27 (Individual Performance Plan) states: "The Performance-Based Compensation Program will be reviewed and approved by the Metro Board each fiscal year on the basis of employment market conditions, changes in cost of living, budgetary and fiscal conditions, and the overall progress of Metro in meeting its goals and objectives and service levels. The overall performance rating will be the key factor in determining an employee's salary increase. When the Board approves an agency-wide performance compensation allocation, an employee who

[7] The merit-based pay adjustment percentages discussed in the ACE approved budgets might not match the weighted average percentages shown for the ACE employees on Attachments C and D. The merit-based pay adjustment percentage in the budget is applied to the budget salary amount for all employees to determine the total amount of funds authorized for merit increases. The merit-based adjustment is distributed among staff at varying percentages, and some employees might not receive an adjustment. Because of this, the weighted average of merit-based pay adjustments received by employees might in some instances be higher than the budget percentage but in compliance with the approved budget for merit adjustments.

receives a performance rating of Outstanding, Commendable, or Effective is eligible to receive a salary increase." The employees who have reached the salary ceiling for their grade are ineligible for a performance-based compensation allocation. The percent of the performance-based compensation allocation proposed to the Metro Board is determined by reviewing the CPI data for Los Angeles/Riverside/Orange County and salary increases offered to union employees.

2. Practice: During the 6-year period, Metro has given non-contract employees 3 performance-based compensation increases — 3.0% in FY 2007, 3.5% in FY 2008, and 4.0% in FY 2009. These increases did not vary by individual. The percent of staff who received performance-based compensation increases were 95.5% in FY 2007, 93.5% in FY 2008, and 97.7% in FY 2009. The employees who did not receive the performance-based compensation increases were at or above the top of the pay range for their position or received unsatisfactory performance ratings and did not subsequently raise their performance to a satisfactory level. Metro did not provide any salary increases in FY 2010, 2011, or 2012. No salary increases are expected for FY 2013 at this time.

   The former CEO received the same salary increase as other employees in FY 2007 and chose not to receive the increase given to employees in FY 2008. The current Metro CEO, who has been with Metro since April 2009, has not received an increase. The CEO's contract states that "the Board may choose to increase the CEO's base salary consistent with his performance or salary changes given to other Metro employees."

# PRELIMINARY REPORT INFORMATION PROVIDED TO CONSTRUCTION AUTHORITIES

During this review, we provided each Construction Authority with preliminary results.

- Between May 11 to 14, 2012, we provided each Authority draft report sections and schedules concerning their salary increases and actions taken to implement recommendations in the prior OIG report. Each Authority provided feedback, and any appropriate changes were made to the report.

- On May 24, 2012, we provided the Gold Line and Expo revised draft report sections and schedules concerning salary increases and requested feedback. There were no revisions applicable to ACE. Expo provided us with comments and appropriate changes were made to the report. We did not receive a response from the Gold Line although we requested that any comments be submitted by May 30.

On June 1, 2012, we provided a complete draft report to each Authority and requested a response by the close of business June 5 to meet the timeframes mandated by the Metro

Board to complete this review. The response time is reasonable because much of the information in the report was obtained from the Authorities and substantial portions of the draft report were previously provided to each Authority in May. Both Expo and ACE provided feedback to the draft report and appropriate changes were made to the report. On June 5, 2012, the Gold Line informed us that they require additional time to respond and will try to have comments to the OIG in a week. If we receive comments from the Gold Line, we will provide them to the recipients of this report at that time as warranted.

# CONCLUSION

We found that the three Authorities have completed action on all of the recommendations in our prior report issued on February 24, 2012, except for one recommendation which concerns the inclusion of language in the funding agreement or memorandum of understanding to demonstrate a commitment to best practices and industry standards. Action on this recommendation is in progress and ongoing because the Authorities need to work with Metro to include appropriate language when modifications or agreements are entered into.

We also found that the three Authorities and Metro had written policies for providing salary increases to employees. The Authorities and Metro used various factors such as the CPI for determining the size and frequency of the salary increases. During FY 2007 through FY 2012, the Authorities gave employees generally larger and more frequent salary increases than increases provided to Metro employees; and in some cases, they gave two types of salary increases in a year.

During the review period, local and national economic conditions declined. Many government agencies had to reduce costs by furloughing, freezing, or in some cases reducing salaries. Given the reality of the economic and budgetary condition, in the last 3 years, Metro froze salaries for its employees and laid off a number of employees to further "tighten the Metro budget belt." The Authorities did this to a lesser extent. The Gold Line and ACE did not give salary increases in one of the last 3 years, and Expo did not give salary increases in 2 of these years. For the most part, the Authorities and Metro receive funding from the same or similar sources (such as Measure R, State, or Federal). To demonstrate prudent stewardship of public funds and maintain public confidence, we believe that the Authorities should adopt salary increase practices that are closer to and more consistent with those of Metro, other governmental agencies, and the condition of the local economy.

The FY 2013 proposed budget for Metro does not include any salary increases for non-contract employees. For FY 2013, the Gold Line budget includes a "pro-rata 10% combined allowance[8] for potential COLA and merit increases," and the Expo budget includes up to 3%

[8] The actual COLA will be set by future Board action and has historically been based on the June CPI. After the COLA amount is determined, the remainder of the 10% allowance could be used at the CEO's discretion for merit

for salary increases on a discretionary basis to retain Authority staff. ACE did not propose a salary increase for employees in its FY 2013 budget request.

Although the salary increases of the Authorities are for a limited number of people, there is a disparity in salary increases between Metro and the Authorities to whom Metro provides funds, which impacts the overall delivery cost of the projects. Government salary increases should have some correlation to economic conditions; otherwise it can jeopardize projects if the public or higher governmental authorities perceive inadequate stewardship of public funds and might also erode public confidence in prudent decision making in government. A key reason the Authorities cite to increase salaries is the limited project life which impacts the job life of the staff and makes recruitment and retention more difficult.

# RECOMMENDATIONS

1. Each Construction Authority should continue to maintain best practices on travel, per diem, and other expenditures; increase transparency; and work with Metro to include appropriate language to demonstrate commitment to best practices and industry standards when modifications or new agreements are entered into.

2. Each Construction Authority and Metro should work to incorporate language in the funding agreement or memorandum of understanding with the Authorities to include budgetary, fiscal, and market conditions as part of the determination of the frequency and size of any employee salary increase including COLA, merit, retention, or any other types of salary increases.

3. Metro should consider options to contain costs such as:

   a. In agreements with the Authorities, limit Metro's obligation to fund combined salary annual increases for COLA, merit pay, employee retention, or other increases given to authority employees to the amount of salary increase that Metro is providing that year for non-contract employees. Salary increases that the Authorities seek which are above those Metro is providing should be disclosed in the Metro budget as a separate line item for transparency and require approval by the Metro Board. This will provide full disclosure of the amount of any salary increase that is above what Metro is providing for Board approval, in lieu of the current practice of approving the Metro budget that includes the amounts to be provided to the Authorities as a lump sum that does not give visibility on salary increases to the Metro Board.

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increases. In the past, the Gold Line budget has included similar pro-rata 10% combined allowances for COLA and merit increases, but the actual increases were less than 10%.

b. Work with each Authority to increase the percentage of contractual services Metro provides to the Authority such as providing seconded Metro employees whose jobs are not slated to end at the completion of the project to work at the Authority. Expo is currently using a few seconded Metro staff. In addition, consider providing Authority staff the option of transferring after completion of their project to another Metro project if the individual (a) is the best qualified for any vacancies that may exist, and (b) transfers to the Metro project at a salary and benefits equivalent to what Metro is providing its employees with similar, education, experience, and skills in the same type of position. These options would help mitigate the premise that recruitment and retention of employees for limited term projects compel higher salaries and more frequent salary increases.

4. The Gold Line should:

   a. Revise its methodology for COLA calculations. The Gold Line should use the CPI from the last COLA given as the base, not the CPI from the previous year, to determine the COLA increase. This will prevent COLA increases in year(s) when the CPI index declines until the CPI index rises above the CPI level when the last COLA was given.

   b. If the intent of the Gold Line Board is to provide COLA or other salary increases to the CEO in addition to the amounts already outlined in his contract:

      - The CEO's contract should be amended by adding language that explicitly states whether the CEO is eligible to receive COLA, merit increase, or any other salary increases generally provided to staff in addition to or in lieu of other amounts in his contract; and/or

      - Language should be added in the approved budget and in the report to the Board that explicitly identifies whether the CEO shall be a recipient of a COLA, merit increase, or any other salary increases generally given to staff to provide transparency.

## Metro Board Motion (Item 37)

37

**Executive Management Committee**
**Item #37**
**March 15, 2012**

**MOTION**

**DIRECTOR ANTONOVICH**

The Inspector General's report on the salaries, reporting practices and transparency related to three independent construction authorities – the Exposition Metro Line Construction Authority, the Metro Gold Line Foothill Construction Authority and the Alameda Corridor-East Construction Authority – provides recommendations on how each construction authority can improve its policies and level of transparency to make each agency more accountable to MTA and the public on how it spends public funds, including Measure R dollars.

**I THEREFORE MOVE** that the MTA Board request that the Exposition Metro Line Construction Authority, the Metro Gold Line Foothill Extension Construction Authority and the Alameda Corridor-East Construction Authority take action to implement the full set of recommendations made by the Inspector General in this report within 45 days.

Should these recommendations not be implemented within that timeframe, the MTA CEO will bring to the MTA Board recommendations on how the MTA Board can make the implementation of these recommendations mandatory as each construction authority is a direct recipient of Measure R and other monies controlled by the MTA.

# Status of Implementing Recommendations in Prior OIG Report
# Metro Gold Line Foothill Extension Construction Authority

| Recommendations in OIG Overall Report[9] | Corrective Actions Taken by Gold Line | OIG Evaluation of Action Taken |
|---|---|---|
| 1. Adopting best practices for travel, per diem, and other expenditures to the extent that the Authority's policies do not encompass them. | On March 28, 2012, the Authority Board approved revisions to the Gold Line policy to adopt best practice for travel and other expenditures (as identified in responses to specific recommendations A2, B1, B2 and B3 below addressed to the Gold Line). | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its policy to include language recommended in the OIG report. |
| 2. Seeking advice from the Metro Travel Coordinator on how to obtain Government rates at hotels or provide a letter on Authority letterhead certifying the traveler is on official business for the Authority to enable them to obtain Government rates at hotels. | See response to Suggestion B2 below. | Recommendation completed.<br><br>The OIG verified that Gold Line has prepared a letter on the Authority's letterhead certifying the traveler is on official business for the Authority to enable them to obtain Government rates at hotels. |
| 3. Making websites more transparent by providing information on financial and other matters of public interest to promote public confidence and demonstrate accountability. | See response to Suggestion C1 below. | Recommendation completed.<br><br>The Gold Line has added budget and financial information and links to fraud hotlines on its public website. |
| 4. Working with Metro to increase public confidence by including in MOUs or Funding Agreements language to demonstrate commitment to best practices and industry standards. | The Construction Authority will consider integrating this language into future agreements. No agreements are currently being drafted. | Recommendation completed.<br><br>The Gold Line agreed to consider our recommendation for the future agreement and MOU. |
| 5. Requesting assistance from the Metro Ethics Department or OIG to review policies, investigate fraud, seek ethics advice, or other assistance to ensure compliance and ethics, and best practices to promote public confidence, with limits of Metro Ethics Department available resources and subject to permission of the Metro Board. | On March 28, 2012, the Authority Board approved revisions to the Gold Line policy on the Code of Conduct to add reference to obtaining assistance from Metro OIG as circumstance arises. | Recommendation completed.<br><br>Gold Line revised its policy to include language recommended by the OIG. |

[9] "Review of Staffing Plans, Compensation, and Expenditure Policies of the Metro Gold Line Foothill Extension, the Exposition Metro Line, and the Alameda Corridor-East Construction Authorities," Report No. 12-AUD-08, dated February 24, 2012.

# Status of Implementing Recommendations in Prior OIG Report
# Metro Gold Line Foothill Extension Construction Authority

| Recommendations in Advisory Letter to Gold Line[10] | Corrective Actions Taken by Gold Line | OIG Evaluation of Action Taken |
|---|---|---|
| A1. The Gold Line should ensure that all business meal reimbursements follow Authority policy and include the original receipt, documentation of attendees, date, name, title, affiliation, subject discussed, amount paid, purpose and benefit to the Authority | On March 28, 2012, the Authority Board approved revisions to the Gold Line policy to require itemized receipts. Also, the revised policy requires the requester of business meal reimbursement to submit an original itemized receipt, documentation of attendees, date, name, title, affiliation, subject discussed, amount paid, purpose and benefit to the Authority. | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its policy to include language recommended in the OIG report. |
| A2. The Gold Line should ensure that all employees, officers, and Board Members obtain written approval on the "Travel Authorization Form" prior to any travel per the Authority policy. Also, CEO and Board Members should obtain written approval from the Board Chair, and the Chair should obtain written approval from the Board Vice Chair. This approval hierarchy should be included in the travel policy. | On March 28, 2012, the Authority Board approved revisions to the Gold Line policy to include the hierarchical approval process recommended in the OIG report. Authority will follow these policies. | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its policy to include language recommended in the OIG report. |
| B1. To further strengthen controls, we believe that the Gold Line should revise travel policies to require (a) written approval and reason for exceptions to the prohibition of the use of First Class and Business Class airfare, and (b) the CEO and Board Members receive written approval for any exceptions for the Board Chair, and the Board Chair's travel should receive written approval from the Board Vice Chair. | On March 28, 2012, the Authority Board approved revisions to the Gold Line policy to require written approval of exceptions to the policy, as well as the hierarchical approval process (as recommended in Suggestion A2). | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its policy to include language recommended in the OIG report. |

[10] "Advisory Letter to the Metro Gold Line Foothill Extension Construction Authority, Report No. 12-AUD-09, Dated February 24, 2012.

| Recommendations in Advisory Letter to Gold Line | Corrective Actions Taken by Gold Line | OIG Evaluation of Action Taken |
|---|---|---|
| B2. The Gold Line should revise its travel policies to require the use of Government (IRS or GSA) per diem rates for lodging and meals apply, unless original receipts for meals are produced in which case the reimbursement shall be actual meal expenses up to $90 per day. The policies should also require that any exceptions to the Government per diem rates be approved in writing by the CEO or by the Board Chair for CEO and other Board Member travel. In addition, if Gold Line travelers cannot obtain Government lodging rates they should consider seeking the assistance of the Metro Travel Coordinator or creating a letter certifying the Authority is a government entity and providing a copy of the letter to travelers. | On March 28, 2012, the Authority Board approved revisions to the Gold Line policy to require the use of GSA per diem rate for lodging and travel meals.<br><br>On March 28, 2012, the Authority Board also approved revisions to the Gold Line policy to require written approval for exceptions to the policy, as well as the hierarchical approval process (as recommended in Suggestion A2 and B1).<br><br>Staff has prepared a letter certifying the Authority is a government entity. A copy of the letter was provided to the Metro OIG. | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its policy to include language recommended in the OIG report. |
| B3. The Gold Line should revise travel policies to require written approvals and written reasons for any exceptions to the existing policy to use public transportation when available. Any exceptions for the CEO should be approved by the Board Chair. | On March 28, 2012, the Authority Board approved revisions to the Gold Line policy to require written approval for exceptions and written reasons, as well as the hierarchical approval process (as recommended in Suggestion A2, B1 and B2). | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its policy to include language recommended in the OIG report. |

| Recommendations in Advisory Letter to Gold Line | Corrective Actions Taken by Gold Line | OIG Evaluation of Action Taken |
|---|---|---|
| B4:<br>a. Revise the credit card policy to prohibit card users from using the Gold Line's corporate card for personal expense items. Non-business expenses should be paid for with personal funds or personal credit cards. If personal items are included on the hotel bill, prior arrangement before check out should be set by the traveler to pay these personal items separately.<br><br>b. Develop and implement a policy that prohibits employees from personal gain from merchant rewards, rebates and gifts. Any such rewards, rebates, or gifts should become the property of the Authority if they were earned from business expenses of the Authority.<br><br>c. Ensure corporate credit card statement balances are paid on time to avoid late payment charges. | Authority will follow Authority policy that no personal item can be paid by Authority credit card. Also, on March 28, 2012, the Authority Board approved revisions to the Gold Line policy to require prior arrangement to be made to pay for personal items incurred in hotels.<br><br>On March 28, 2012, the Authority Board approved revisions to the Gold Line policy to prohibit employees from personal gain from merchant rewards, rebates, and gifts from the use of the credit cards. Any such rewards, rebates, or gifts should become the property of the Authority.<br><br>This issue was resolved in November 2011. | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its policy to include language recommended in the OIG report. |
| C1:<br>a. Add information on its budget and financial matters to the website to prompt public confidence and demonstrate accountability<br><br>b. Add link to the Authority website to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities, where employees and the public could report fraud, waste or abuse. | This information has been added to the Authority website.<br><br>This information has been added to the Authority website. | Recommendation completed.<br><br>The OIG verified that the Gold Line revised its public website to include links to:<br>• the current Gold Line budget,<br>• the current Authority Financial Plan,<br>• the Metro OIG hotline, and<br>• the California State Attorney General hotline. |

## Status of Implementing Recommendations in Prior OIG Report
## Exposition Metro Line Construction Authority

| Recommendations in OIG Overall Report[11] | Corrective Actions Taken by Expo | OIG Evaluation of Action Taken |
|---|---|---|
| 1. Adopting best practices for travel, per diem, and other expenditures to the extent that the Authority's policies do not encompass them. | Expo's policies already encompass best practices for travel, per diem and other expenditures | Recommendation completed. |
| 2. Seeking advice from the Metro Travel Coordinator on how to obtain Government rates at hotels or provide a letter on Authority letterhead certifying the traveler is on official business for the Authority to enable them to obtain Government rates at hotels. | Expo already obtains government rates at hotels | Recommendation completed. |
| 3. Making websites more transparent by providing information on financial and other matters of public interest to promote public confidence and demonstrate accountability. | Expo is committed to making our website more transparent. Added budget/financial information under the FAQ tab. | Recommendation completed.<br><br>The OIG verified that the Expo web site now contains links to FY 2013 budget information for Phase 1 and 2. |
| 4. Working with Metro to increase public confidence by including in MOUs or Funding Agreements language to demonstrate commitment to best practices and industry standards. | Metro is authoring the MOU with Expo and Expo will work with Metro to incorporate appropriate language.<br>Language has been proposed by OIG to be included in MCA and funding agreements, which are being negotiated. | Recommendation completed.<br><br>Expo is working with Metro on this matter. |
| 5. Requesting assistance from the Metro Ethics Department or OIG to review policies, investigate fraud, seek ethics advice, or other assistance to ensure compliance and ethics, and best practices to promote public confidence, with limits of Metro Ethics Department available resources and subject to permission of the Metro Board. | Expo will implement as needed | Recommendation completed. |

[11] "Review of Staffing Plans, Compensation, and Expenditure Policies of the Metro Gold Line Foothill Extension, the Exposition Metro Line, and the Alameda Corridor-East Construction Authorities," Report No. 12-AUD-08, dated February 24, 2012.

| Recommendations in Advisory Letter to Expo[12] | Corrective Actions Taken by Expo | OIG Evaluation of Action Taken |
|---|---|---|
| 1. Expo should continue working with the Metro Travel Coordinator when Expo needs assistance or it is efficient and economical to use this service. | Expo already does this. | Recommendation completed. |
| 2. Expo should consider making its public website more transparent by providing:<br>• Information on its annual budget, salaries of top executives,<br>• Website search capability or adding additional tabs or links to facilitate search for information, and<br>• Links to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities, where employees and the public could report fraud, waste, or abuse. | Expo is committed to making our website more transparent.<br><br>Information on budget added under the FAQ tab.<br><br>Information on salaries added under the About Expo tab.<br><br>Added section on Metro OIG under About Expo tab with information on where the public could report fraud, waste and abuse. | Recommendation completed.<br><br>The OIG verified that the following information was posted to the Expo public website:<br>• FY 2013 budget information for Phase 1 and 2,<br>• staff salary ranges of Expo positions,<br>• Metro OIG contact information and the OIG on-line complaint form. |

[12] "Advisory Letter to the Exposition Metro Line Construction Authority, Report No. 12-AUD-10, dated February 24, 2012.

| Recommendations in OIG Overall Report[13] | Corrective Actions Taken by ACE | OIG Evaluation of Action Taken |
|---|---|---|
| 1. Adopting best practices for travel, per diem, and other expenditures to the extent that the Authority's policies do not encompass them. | ACE has revised its policies to reflect all recommendations regarding: transportation, rental cars, business meals, and meals for in-house staff. | Recommendation completed.<br><br>The OIG verified that ACE has revised its policies to reflect best practices for travel, per diem, and other expenditures. |
| 2. Seeking advice from the Metro Travel Coordinator on how to obtain Government rates at hotels or provide a letter on Authority letterhead certifying the traveler is on official business for the Authority to enable them to obtain Government rates at hotels. | On April 5, 2012, ACE staff met with the Metro Travel Coordinator to discuss ways to obtain the Government rate at hotels. Based on the Metro Travel Coordinator's recommendation, ACE contacted the States General Service Department's Travel Specialist and is working on obtaining a travel credit card that would allow employees to obtain the Government rate at hotels that offer it. In the interim, if employees travel, ACE will provide a letter certifying the traveler is on official Government business for the Authority. | Recommendation completed.<br><br>ACE has prepared a letter for travelers to use to obtain Government lodging rates. This is an interim step until other enhancements are explored. |
| 3. Making websites more transparent by providing information on financial and other matters of public interest to promote public confidence and demonstrate accountability. | ACE has posted all salary positions and ranges on its website. ACE has met with the OIG staff (March 12) and will utilize the OIG website for reporting waste, fraud and abuse. Contact information for the OIG has been posted on the ACE public website. | Recommendation completed.<br><br>The OIG verified that the ACE public website now includes salary positions and ranges and contact information for the Metro OIG. |
| 4. Working with Metro to increase public confidence by including in MOUs or Funding Agreements language to demonstrate commitment to best practices and industry standards. | ACE will amend the next MOU to incorporate the statement that travel and subsistence expenses shall not exceed the rates authorized by the ACE travel expense policy. | Recommendation completed.<br><br>ACE has agreed to amend the next MOU incorporate additional language to demonstrate commitment to best practices. |

[13] "Review of Staffing Plans, Compensation, and Expenditure Policies of the Metro Gold Line Foothill Extension, the Exposition Metro Line, and the Alameda Corridor-East Construction Authorities," Report No. 12-AUD-08, dated February 24, 2012.

| Recommendations in OIG Overall Report | Corrective Actions Taken by ACE | OIG Evaluation of Action Taken |
|---|---|---|
| 5. Requesting assistance from the Metro Ethics Department or OIG to review policies, investigate fraud, seek ethics advice, or other assistance to ensure compliance and ethics, and best practices to promote public confidence, with limits of Metro Ethics Department available resources and subject to permission of the Metro Board. | On March 12, 2012, ACE met with OIG officials and will utilize the OIG hotline for reporting fraud, waste, and abuse. The OIG contact information has been posted on the ACE public website. In addition, the following will be implemented:<br>• Developing signage on reporting fraud, waste, and abuse to post at upcoming ACE project construction sites.<br>• The Metro Ethics Office will participate in pre-construction conferences.<br>• ACE has requested the Metro Ethics Office to provide ethics training to its employees. ACE personnel are required to complete AB1234 training every two years, and ACE has been obtaining this training from another source. | Recommendation completed.<br><br>ACE has met with the OIG to discuss obtaining assistance from the OIG and the Metro Ethics Office. |

| OIG Recommendations in Advisory Letter to ACE[14] | Corrective Actions Taken by ACE | OIG Evaluation of Action Taken |
|---|---|---|
| 1. ACE should:<br>a. Work with the Metro Travel Office to develop strategies for obtaining the Government rate for hotels.<br>b. Explore the possibility of obtaining Government badges for employees. If this is not feasible, another alternative to consider is for the CEO/Board to issue a letter on ACE letterhead certifying the traveler is on official business for ACE and that ACE is an entity created by the San Gabriel Valley Council of Governments. Travelling employees could provide a copy to the hotels. | On April 5, 2012, ACE staff met with the Metro Travel Coordinator to discuss ways to obtain the Government rate at hotels. Based on the Metro Travel Coordinator's recommendation, ACE contacted the States General Service Department's Travel Specialist and is working on obtaining a travel credit card that would allow employees to obtain the Government rate at hotels that offer it. In the interim, if employees travel, ACE will provide a letter certifying the traveler is on official Government business for the Authority. | Recommendation completed. |

[14] Advisory Letter to the Alameda Corridor-East Construction Authority, Report No. 12-AUD-11, dated February 24, 2012.

| OIG Recommendations in Advisory Letter to ACE | Corrective Actions Taken by ACE | OIG Evaluation of Action Taken |
|---|---|---|
| 2. ACE should enforce the current policy (employees are instructed to follow the IRS per diem meal rates with a further limitation of 20% for breakfast, 25% for lunch, and 55% for dinner) or consider removing the additional limitations from its policy. | ACE has reviewed this policy with its employees at the staff meeting of February 28th and has implemented a revised reimbursement form which further specifies the policy. | Recommendation completed. |
| 3. ACE should consider revising travel and business expense policies to adopt best practices. | ACE has revised its policies to reflect all recommendations regarding: transportation, rental cars, business meals and meals for in-house staff. | Recommendation completed. |
| 4. ACE should consider making its public website more transparent by providing:<br><br>a. Information on the salaries of top executives<br>b. Links to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities, where employees and the public could report fraud, waste, or abuse. | ACE has posted all salary positions and ranges on its website. ACE has met with the IG's office (March 12) and will utilize the IG's office for report of waste, fraud & abuse. The contact information for the Metro OIG has been posted on the ACE website. | Recommendation completed.<br><br>The OIG verified that the ACE web site now contains salary positions and ranges and also has Metro OIG contact information. |

# Salary Adjustments for Gold Line, Expo, ACE, and Metro - FY 2007 to FY 2012

| Fiscal Year | Salary Increase | Gold Line | | Expo* | | ACE | | Metro (non-contract) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Employees | CEO | Employees | CEO | Employees | CEO | Employees | CEO |
| 2007 | COLA | 5.4% | 5.4% | - | - | - | - | - | - |
| | Merit^ | 3.2% | - | - | - | 5.9% | 2.0% | 3.0% | 3.0% |
| 2008 | COLA | 2.7% | 2.7% | 3.0% | 3.5% | - | - | - | - |
| | Merit^ | 3.5% | - | 2.2% | 4.0% | 7.2% | - | 3.5% | - |
| | Other | 5.0% | 15.0%** | - | - | - | - | - | - |
| 2009 | COLA | 6.1% | 6.1% | 3.3% | 3.3% | - | - | - | - |
| | Merit^ | 2.0% | - | 3.1% | 4.0% | 6.1% | 3.0% | 4.0% | - |
| 2010 | COLA | - | - | - | - | - | - | - | - |
| | Merit^ | - | - | - | - | 4.2% | - | - | - |
| 2011 | COLA | 1.0% | 1.0% | - | - | - | - | - | - |
| | Merit^ | - | - | - | - | 3.7% | - | - | - |
| 2012 | COLA | 3.3% | 3.3% | 3.0%^^ | - | - | - | - | - |
| | Merit^ | 1.6% | 5.0% | | - | - | - | - | - |
| **Total No of Increases** | | **10** | **8** | **5** | **4** | **5** | **2** | **3** | **1** |
| **Total Increases** | | **33.8%** | **38.5%** | **14.6%** | **14.8%** | **27.1%** | **5.0%** | **10.5%** | **3.0%** |

* The Expo approved budget for FY 2008 included a 3.0% COLA and funding for 3% merit increases. For FY 2008, Expo staff received pay increases from 3.5% to 10.0% (4% of the 10% was a salary adjustment). The increases were coded in the Metro's Human Resources system as "general/contractual increase." We concluded that it is for COLAs and merit pay together. To separate the COLA from the merit increase, we subtracted the budgeted 3.0% for COLAs from each individual's pay increase percentage. For example, if an employee received a 5.5% increase in FY 2008, we concluded that 3.0% was for a COLA and 2.5% was for merit.

^ The weighted average is calculated by adding the merit percentages given into each individual and dividing the total by the total number of employees who received a merit pay increase during the year.

** Includes two increases: 5% to maintain competiveness with the industry and 10% based on new contract.

^^ One individual received a 5% increase.

# Summary of Authority Employees Receiving Merit Pay Increases (Excluding CEO)

| Authority | FY 2007 No. of Recipients | FY 2007 Merit | FY 2008 No. of Recipients | FY 2008 Merit | FY 2009 No. of Recipients | FY 2009 Merit | FY 2010 No. of Recipients | FY 2010 Merit | FY 2011 No. of Recipients | FY 2011 Merit | FY 2012 No. of Recipients | FY 2012 Merit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gold Line | 1 | 2.3% | 1 | 2.0% | 4 | 2.0% | 0 | 0.0% | 0 | 0.0% | 9 | 1.7% |
| | 1 | 3.5% | 2 | 5.0% | 1 | 1.9% | | | | | 1 | 1.0% |
| | 1 | 4.7% | 1 | 2.5% | | | | | | | | |
| | 1 | 3.5% | 1 | 3.0% | | | | | | | | |
| | 1 | 2.0% | | | | | | | | | | |
| | ^ Weighted Averages | 3.2% | | 3.5% | | 2.0% | | 0.0% | | 0.0% | | 1.6% |
| Expo* | 0 | 0.0% | 2 | 0.5% | 2 | 2.2% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| | | | 1 | 1.5% | 4 | 2.7% | | | | | | |
| | | | 6 | 2.5% | 1 | 3.7% | | | | | | |
| | | | 3 | 3.0% | 1 | 6.3% | | | | | | |
| | ^ Weighted Averages | | | 2.2% | | 3.1% | | 0.0% | | 0.0% | | 0.0% |
| ACE | 1 | 4.0% | 1 | 4.0% | 2 | 4.0% | 1 | 3.0% | 1 | 2.0% | 0 | 0.0% |
| | 1 | 4.5% | 1 | 5.0% | 3 | 5.0% | 10 | 4.0% | 1 | 2.5% | | |
| | 3 | 5.0% | 3 | 6.0% | 8 | 6.0% | 3 | 4.5% | 4 | 3.0% | | |
| | 1 | 6.0% | 1 | 8.0% | 1 | 6.5% | 1 | 5.0% | 3 | 3.5% | | |
| | 1 | 6.5% | 3 | 10.0% | 2 | 10.0% | 1 | 6.0% | 8 | 4.0% | | |
| | 2 | 7.0% | | | | | | | 1 | 4.5% | | |
| | 1 | 9.0% | | | | | | | 1 | 5.0% | | |
| | | | | | | | | | 1 | 6.0% | | |
| | ^ Weighted Averages | 5.9% | | 7.2% | | 6.1% | | 4.2% | | 3.7% | | 0.0% |

* The FY 2008 Expo approved budget included a 3.0% COLA and funding for 3% merit increases. For FY 2008, Expo staff received pay increases from 3.5% to 10.0% (4% of the 10% increase was a salary adjustment). The increases were coded in the Metro's Human Resources system as "general/contractual increase." We concluded that it is for COLAs and merit pay together. To separate the COLA from the merit increase, we subtracted the budgeted 3.0% for COLAs from each individual's pay increase percentage. For example, if an employee received a 5.5% increase in FY 2008, we concluded that 3.0% was for a COLA and 2.5% was for merit.

^ The weighted average is calculated by adding the merit percentages given to each individual and dividing the total by the total number of employees who received a merit pay increase during the year.

# Gold Line COLA Computation

Our review of the Gold Line's COLA methodology found that it did not conform to best practices when the CPI index decreases such as when the 222.4 CPI in June 2008 decreased to 216.1 in June 2009. The Gold Line correctly did not give a COLA in FY 2010. In FY 2011, the Gold Line gave a 1% COLA because the June 2010 CPI increased from 216.1 to 218.2. However, best practices including Social Security, do not give any CPI increases until the current CPI level is higher than the CPI level (222.4) when the last COLA was given. To give a COLA increase in this instance would amount to giving a salary adjustment twice. Because the employees' salaries were already adjusted to the 222.4 CPI level in FY 2009, using best practices would provide no COLA adjustment for FY 2011.

In FY 2012, The Gold Line gave a 3.3% COLA because the CPI rose from 218.2 in June 2010 to 225.5 in June 2011. However, using best practices, the CPI base should have been 222.4 (the last COLA given), which would result in a COLA of 1.4%, not 3.3%. The COLA's for FYs 2011 and 2012 would have been 2.9% less if the Gold Line had used best practices to calculate the COLAs. See tables below.

**Gold Line's COLA Methodology**

| Fiscal Year | Current CPI ^ | Prior Year CPI | Difference | % Increase or Decrease | Amount of COLA |
|---|---|---|---|---|---|
| FY 2007 | 204.2 | 193.7 | 10.5 | 5.4% | 5.4% |
| FY 2008 | 209.6 | 204.2 | 5.4 | 2.7% | 2.7% |
| FY 2009 | 222.4 | 209.6 | 12.8 | 6.1% | 6.1% |
| FY 2010 | 216.1 | 222.4 | -6.3 | -2.8% | 0.0% |
| FY 2011 | 218.2 | 216.1 | 2.1 | 1.0% | 1.0% |
| FY 2012 | 225.5 | 218.2 | 7.2 | 3.3% | 3.3% |
| **Total** | | | | | **18.5%** |

**Best Practices COLA Methodology**

| Fiscal Year | Current CPI ^ | CPI from last COLA | Difference | % Increase or Decrease | Amount of COLA |
|---|---|---|---|---|---|
| FY 2007 | 204.2 | 193.7 | 10.5 | 5.4% | 5.4% |
| FY 2008 | 209.6 | 204.2 | 5.4 | 2.7% | 2.7% |
| **FY 2009** | **222.4** | 209.6 | 12.8 | 6.1% | 6.1% |
| FY 2010 | 216.1 | **222.4** | -6.3 | -2.8% | 0.0% |
| FY 2011 | 218.2 | **222.4** | -4.2 | -1.9% | 0.0% |
| FY 2012 | 225.5 | **222.4** | 3.1 | 1.4% | 1.4% |
| **Total** | | | | | **15.6%** |

^ The Gold Line uses the June CPI that precedes the start of each fiscal year.

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