

Report to the



ORANGE COUNTY TRANSPORTATION AUTHORITY

*for the*

---

**EXECUTIVE SUMMARY:  
FY07 – FY09 TRIENNIAL PERFORMANCE AUDIT OF  
LAGUNA BEACH MUNICIPAL TRANSIT LINES**

---

*Prepared by*

**BOOZ ALLEN HAMILTON INC.**

*and*



May 26, 2010

## **TRANSIT OPERATORS THAT RECEIVE TRANSPORTATION DEVELOPMENT ACT FUNDS ARE REQUIRED TO UNDERGO TRIENNIAL PERFORMANCE AUDITS**

- Triennial performance audits are a requirement for the continued receipt of State Transportation Development Act (TDA) funds for public transit under California Public Utilities Code (PUC) Section 99246.
- This report represents the state-mandated performance audit of Laguna Beach Municipal Transit Lines (Laguna Beach Transit, LBMTL) for the period July 1, 2006 through June 30, 2009.
- This performance audit is administered by the Orange County Transportation Authority (OCTA) and prepared by PMC, as a subcontractor to Booz Allen Hamilton.
- The TDA triennial performance audit of LBMTL includes evaluations of:
  - Compliance with pertinent sections of the Public Utilities Code
  - Progress to implement prior performance audit recommendations
  - Agency goals and objectives and performance monitoring systems
  - Systemwide and functional area performance trends
  - Conclusions and recommendations
- The objective of the performance audit is to assess compliance with PUC requirements, identify significant achievements as well as opportunities for improvement, and provide recommendations for short- and long-term efficiency and effectiveness improvements.

## **LBMTL ACHIEVED MANY ACCOMPLISHMENTS DURING THE PERFORMANCE AUDIT PERIOD**

- LBMTL operations and maintenance moved to the City of Laguna Beach's new yard, which provides more space and functionality for maintenance, operations, and inventory. TDA funds contributed 20% to the construction cost, as transit comprises about 20% of the yard's operations.
- LBMTL's Transit Services Division recently completed an upgrade to all bus stops by installing new posts with more visible bus stop signage and with cases attached to the posts for viewing of bus schedules.
- The Downtown Laguna Beach Transit Center/Bus Depot is well designed to allow easy ingress and egress by both local and regional bus carriers (LBMTL, OCTA, and Amtrak bus connections). The platform design of the depot, with designation of the adjacent parking curb area as part of the transit center, allows the depot to expand its vehicle staging capacity during peak summer season, and then contract to allow on-street car parking during non-peak times.
- LBMTL completed two service planning documents, the City of Laguna Beach Short Range Transit Plan (SRTP) and the City of Laguna Beach Mainline Route Feasibility Study, in 2007 and implemented most of the studies' recommendations.

**LBMTL ACHIEVED MANY ACCOMPLISHMENTS DURING THE AUDIT PERIOD (CONTINUED)**

- Overall ridership has increased during the performance audit period, primarily with the Summer Festival Shuttle service. Efforts made by LBMTL to increase the visibility and frequency of the Shuttle service resulted in ridership increases above 30% over the past three years.
- The City redesigned its Web site, including its transit page, to a more user-friendly and appealing format: <http://www.lagunabeachcity.net/cityhall/pw/transit/default.asp>. It includes maps and schedules in PDF format and a link to OCTA schedules.

## **LBMTL HAS BEEN SUCCESSFUL WITH FUNDING EFFORTS AND PARTNERSHIPS**

- The City of Laguna Beach and OCTA engaged in new cooperative agreements detailing their respective roles and responsibilities in procuring state and federal funding for LBMTL including State Transit Assistance, Proposition 1B, Federal Transit Administration Section 5307, and American Recovery and Reinvestment Act (ARRA) funds. These agreements became effective June 2009 and replaced previous agreements and prior funding levels.
- In partnership with OCTA, the City of Laguna Beach secured \$500,000 in ARRA funds and a \$75,000 grant to purchase new propane-fueled buses for the Summer Festival Shuttle service.
- LBMTL has maintained its Free Ride to Work Program that provides free bus passes for any person who works in the City of Laguna Beach. This program is funded through an annual subsidy of between \$13,000 and \$15,000 made available by the South Coast Air Quality Management District (AQMD) through an increase in the motor vehicle registration fees. The program decal is clearly advertised with contact phone number on each exterior side of all LBMTL Mainline transit vehicles. As an indicator of the program's importance, the decal is the only allowable advertising on the transit vehicles.

## **ALONG WITH ITS ACCOMPLISHMENTS, LBMTL FACED CHALLENGES**

- Systemwide operating costs increased by 37% over the performance audit period, which is more than three times the growth in inflation over the same time period. The majority of the cost increase resulted from the free Summer Festival Shuttle service, which grew by close to 70% over the three-year period as more frequent service was provided. Casualty and liability costs also more than doubled during the performance audit period, partly as a result of increased service.
- LBMTL transit vehicles operate along some narrow streets and amidst heavy traffic, resulting in a growing number of minor incidents including scratches, nicks, dented bumpers, and lost mirrors. The majority of these incidents occur during the Summer Festival Shuttle service.
- The transit fleet includes a number of vehicle models. While this does not necessarily create significant challenges to the transit system, it does require transit staff to cultivate the knowledge and experience to ensure the vehicles' proper inspection, operation, maintenance, and functionality.
- Transit funding provided through TDA has been constrained by various forces including the economic downturn, state budget constraints, and statutory limitations on the amount of funding available to the City of Laguna Beach's transit system. Continued trouble with state finances and loss of sales tax revenue that contribute to TDA will require the City of Laguna Beach to make up the difference with locally generated funds, which the City has been doing during the performance audit period.

**LBMTL IS IN COMPLIANCE WITH PUC REQUIREMENTS, MADE PROGRESS IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS, AND HAS ADEQUATE MANAGEMENT CONTROLS**

- Compliance with PUC Requirements – LBMTL is in compliance with most PUC requirements. One exception is that the agency did not correctly report full-time equivalent employees (FTEs) in the annual State Controller’s Report. Another is the late submittal of an annual fiscal audit in FY06-07.
- Progress to Implement Prior Audit Recommendations – Of four prior audit recommendations, LBMTL has fully implemented one recommendation by submitting its TDA claims on time to OCTA. Two prior audit recommendations, one concerning data reporting to OCTA and the other formalizing a complaints process, were partially implemented and are carried forward to this performance audit for full implementation. The last recommendation was related to inventory control and is no longer applicable due to the relocation of transit maintenance to the new yard.
- Management Control and Reporting – LBMTL engaged in transit planning, with consultant assistance, to review and recommend strategies to improve current services. LBMTL management implemented all but a few of the short-range transit plan recommendations. It is a recommendation of this performance audit that management establish performance targets to measure service productivity. Internally, the Finance division and the Transit Services division meet regularly to review budgets and expenditures. LBMTL improved its compliance reporting and successfully entered into new funding cooperative agreements with OCTA.

**LIKE OTHER TRANSIT AGENCIES, LBMTL STRUGGLED WITH COST GROWTH, BUT ACHIEVED SERVICE PRODUCTIVITY GAINS**

- TDA Performance Indicators – Operating cost per vehicle service hour, an indicator of cost efficiency, exhibited an increase of 36.4% between FY06 and FY09. Operating cost per passenger, an indicator of cost effectiveness, exhibited a more modest increase of 12.4% between FY06 and FY09. Both indicators exceeded the inflation rate (Consumer Price Index) of 10% during the performance audit period. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, increased 21.4% between FY06 and FY09 from 23.5 passengers to 28.5 passengers per vehicle service hour. This indicates productivity gains. The rate of increase in productivity is comparable to the 21.9% increase in systemwide ridership from FY06 to FY09.
- Functional Performance – Significant growth in Summer Festival Shuttle service resulted in increased operations and maintenance costs, but also increased ridership. Efforts made by LBMTL to increase the visibility and frequency of the Summer Festival Shuttle service resulted in ridership increases above 30% over the past three years. Mainline ridership decreased over the performance audit period, partly due to the reduction in the Downtown–Ritz route in 2008, before the service was reinstated in full with public support. Fare revenues remained relatively stable as local subsidies helped defray the cost of free rides during the summer festival season.

## **FIVE RECOMMENDATIONS ARE OFFERED FOR LBMTL'S CONSIDERATION**

- As a result of the performance audit, five recommendations are offered for LBMTL's consideration:
  - **Recommendation 1:** Monitor system performance against performance benchmarks developed for the transit system.
  - **Recommendation 2:** Report actual performance data on TDA claim forms.
  - **Recommendation 3:** Properly report FTEs in State Controller's Report in compliance with state statute.
  - **Recommendation 4:** Separately track AQMD pass ridership on trip sheets.
  - **Recommendation 5:** Enhance the customer complaints log and procedures.
- These recommendations are discussed in Chapter VI – Conclusions and Recommendations of the final report of the LBMTL performance audit. LBMTL's management responses to the performance audit recommendations are also included in that section.

