

Report to the



ORANGE COUNTY TRANSPORTATION AUTHORITY

for the

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

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and



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I. INTRODUCTION

THE FY07–FY09 TRIENNIAL PERFORMANCE AUDIT OF LAGUNA BEACH MUNICIPAL TRANSIT LINES FOLLOWS STATE GUIDELINES FOR TDA 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 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.
- The TDA triennial performance audit of Laguna Beach Transit covers:
 - 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 PERFORMANCE AUDIT IS INTENDED TO PROVIDE AN OBJECTIVE ASSESSMENT OF LAGUNA BEACH TRANSIT'S PERFORMANCE AND SERVE AS A USEFUL MANAGEMENT TOOL

- Significant accomplishments and positive performance trends are discussed as well as opportunities for improvement, thereby providing a balanced perspective on overall operator performance.
- Laguna Beach Transit and OCTA should be able to use the performance audit results to:
 - satisfy State requirements
 - provide clear direction that enables Laguna Beach Transit to verify that it is making satisfactory progress in implementing recommendations to improve effectiveness and efficiency
 - verify that operator productivity is improving
 - provide recommendations that identify opportunities to further improve productivity and fully comply with the TDA statute.
- In addition, recommendations include suggested actions for Laguna Beach Transit to implement the recommendation, where appropriate.

INTERVIEWS AND SITE VISITS WERE AN INTEGRAL PART OF THE LBMTL PERFORMANCE AUDIT

- Interviews were conducted with LBMTL staff responsible for the management and oversight of LBMTL services:
 - Director of Public Works
 - Deputy Director of Public Works
 - Finance Officer
 - Senior Fleet Maintenance Supervisor
 - Lead Mainline Bus Driver

- Site visits were conducted at the following locations:
 - City of Laguna Beach City Hall
 - City of Laguna Beach Corporation Yard
 - Laguna Beach Transit Center/Bus Depot
 - OCTA Headquarters

A VARIETY OF DOCUMENTS AND DATA WERE REVIEWED AND ANALYZED

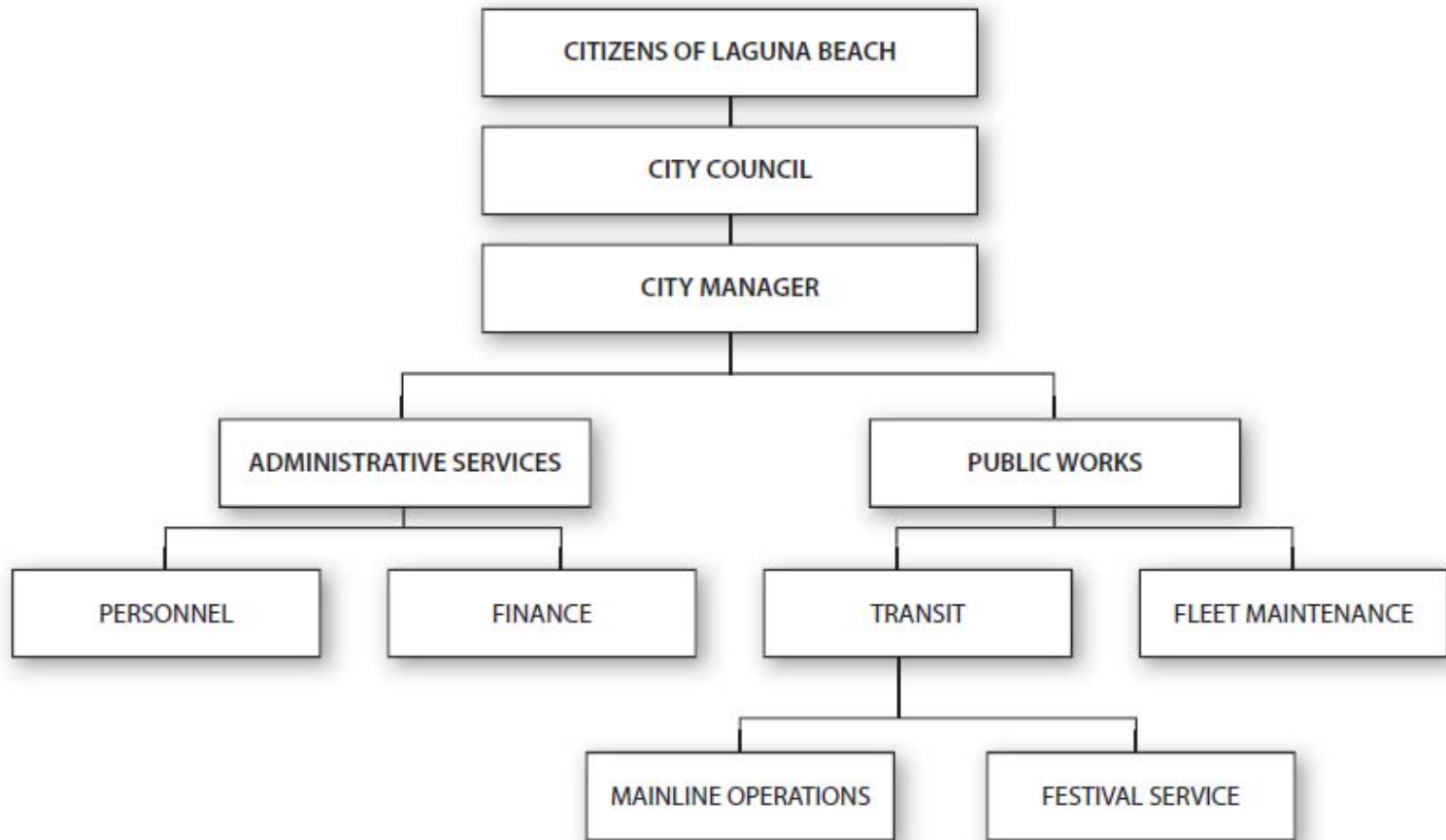
- Organization and Staffing Charts
- Financial Audits and State Controller's Reports, FY06–FY09
- National Transit Database Reports, FY06–FY09
- City of Laguna Beach Adopted Budget, FY07–FY10
- City of Laguna Beach Short-Range Transit Plan, May 2007
- City of Laguna Beach Mainline Route Feasibility Study, December 2007
- Correspondence Regarding Full Reinstatement of Downtown-Ritz Service
- TDA Performance Measurements for Mainline & Summer Festival Shuttle Services
- Memorandums of Understanding (MOUs) with OCTA
- Samples of Routine Performance Reports used by managers
- CHP Terminal Inspection and Pull-Notice Reports
- Maps and Brochures Regarding Services Offered
- City of Laguna Beach web site (<http://www.lagunabeachcity.net/cityhall/pw/default.asp>)
- Prior TDA Triennial Performance Audit
- Responses to Prior Performance Audit Recommendations

LBMTL IS MANAGED AND SUPPORTED BY OTHER CITY OFFICERS AND DEPARTMENTS

- Although the Transit Services Division operates under the Public Works Department, its operations depend upon other City of Laguna Beach departments and offices such as the City Council, City Manager, and Administrative Services. These relationships are illustrated in the organization chart on the following page.
- The **Public Works Department** maintains the City's equipment and infrastructure and administers capital improvements. Public Works is organized into eight divisions including Transit and Fleet Maintenance:
 - **Transit** is tasked with budgeting, administering, and operating the City's transit system. The division coordinates with OCTA on transit issues and funding as an intracity service provider. The division is headed by a Deputy Public Works Director and has five full-time staff. An additional 80 to 100 part-time staff are employed during the summer festival season.
 - **Fleet Maintenance** has three employees who are responsible for the routine repair, replacement, and maintenance of City vehicles and equipment. The division maintains over 200 pieces of equipment, including 22 transit vehicles.
- The **Administrative Services** department supports transit through the Finance and Personnel divisions:
 - **Finance** performs all financial and accounting functions including preparing the City's annual budget, Comprehensive Annual Financial Report, and TDA claims, and coordinating agency audits.
 - **Personnel** provides internal support to all departments including recruitment, selection, hiring, training, and orientation of all new employees.

LAGUNA BEACH TRANSIT IS A DIVISION OF THE LAGUNA BEACH DEPARTMENT OF PUBLIC WORKS

CITY OF LAGUNA BEACH ORGANIZATION CHART - TRANSIT SERVICES



(Organization chart shows only those City of Laguna Beach Department's that support the Transit Division)

LBMTL OPERATES YEAR-ROUND SERVICE AND SEASONAL SUMMER FESTIVAL SHUTTLE SERVICE

- City of Laguna Beach transit services consist of a year-round Mainline service and a seasonal Summer Festival Shuttle service that operates from late June to late August. Some charter services are also provided during the spring leading up to the summer festival. The Summer Festival Shuttle service is designed to maximize public transit options for visitors during community arts festivals including the Sawdust Art Festival, Art-A-Fair, and Festival of Arts/ Pageant of the Masters.
- The City of Laguna Beach employs about 100 part-time seasonal employees to serve as transit drivers, supervisors, and maintenance staff for the Summer Festival Shuttle service. These employees complement existing full-time City of Laguna Beach transit staff who operate the Mainline service.
- All transit routes originate and terminate at the Laguna Beach Transit Center/Bus Depot (Transit Center) located on Broadway Street inland of Beach Street downtown. The Transit Center provides a central transfer location between LBMTL and OCTA regional buses and connecting Amtrak buses.
- All Mainline vehicles are ADA accessible and can accommodate up to two bicycles and surfboards up to 6 feet in length. Summer Festival Shuttle trolley vehicles are also ADA accessible and have wheelchair tiedowns.

LBMTL OPERATES YEAR-ROUND SERVICE AND SEASONAL SUMMER FESTIVAL SHUTTLE SERVICE (CONTINUED)

- The City of Laguna Beach provides park-and-ride lots along the Summer Festival Shuttle routes that are served by both LBMTL and OCTA regional buses. All-day parking is provided at designated lots adjacent to City Hall and at the Act V parking lot along Laguna Canyon Road. Free parking is also provided during the summer along the South Route at the South Coast Medical Center during the week after 5:00 p.m. and all day on the weekends.
- Demand-response services are provided through ACCESS under contract with OCTA for persons who meet the Americans with Disabilities Act (ADA) eligibility criteria.

LAGUNA BEACH OPERATES THREE YEAR-ROUND MAINLINE ROUTES

- LBMTL operates three fixed Mainline route services year-round serving the principal commercial, residential, and tourist areas of the City of Laguna Beach:
 - **Blue Route (Arch Beach Heights–Bluebird Canyon):** Provides service along Glenneyre Street, Bluebird Canyon, and part of South Coast Highway. Key destinations include the Transit Center, Senior Center, Laguna Beach High School, Bluebird Park, Moulton Meadows Park, and Legion Hall.
 - **Gray Route (Top of the World–Laguna Canyon–North Laguna):** Provides service along North Coast Highway, Laguna Canyon Road, Skyline Drive, and Temple Hills Drive. Key destinations along the route include the Transit Center, Legion Hall, Laguna Beach High School, Top of the World Elementary School, Alta Laguna Park, Thurston Intermediate School, and Heisler Park.
 - **Red Route (Downtown–Ritz):** Provides service along South Coast Highway from the Downtown Bus Depot to the Ritz-Carlton Resort. Key destinations include the Downtown Bus Depot, Senior Center, Laguna Beach High School, Albertson’s Shopping Center, South Coast Medical Center, and the Ritz-Carlton Resort.
- Service during the week operates between the hours of 6:30 a.m. and 6:30 p.m. Saturday service operates between the hours of 9:30 a.m. and 6:30 p.m. There are hourly headways with the exception of between 11:30 a.m. and 1:30 p.m., when the headway is lengthened to two hours. Mainline service does not operate on Sundays or major holidays.
- Every Mainline bus stop features updated signage and schedules of all routes displayed in a weather-resistant cassette. The City enforces a zero graffiti and litter policy at all public facilities, including on buses and at all bus stops.

THREE ADDITIONAL ROUTES PROVIDE SERVICE FOR THE SUMMER FESTIVAL SHUTTLE

- Summer Festival Shuttle service operates on three routes free of charge to riders from late June to late August.
 - **Green Route (North):** Provides service along North Coast Highway and Cliff Drive. Key destinations along the route include the Transit Center, Main Beach, Laguna Art Museum, Heisler Park, Diver’s Cove, and Shaw’s Cove.
 - **Purple Route (Canyon):** Provides service along Laguna Canyon Road as well as to many key festival attractions and parking lots. Destinations include the Transit Center, Art-A-Fair, Sawdust Art Festival, Act V parking lot, Festival of Arts, and Laguna Playhouse.
 - **Red Route (South):** Provides service along South Coast Highway between the Transit Center and the South Coast Medical Center. Key destinations include Sleepy Hollow Beach, Arch Cove, Treasure Island Park, and Aliso Creek Beach.
- The Summer Festival Shuttle service is operated daily between the hours of 9:30 a.m. and 11:30 p.m. with 20-minute headways. On Independence Day, the service operates on an abbreviated schedule from 9:30 a.m. to 7:00 p.m.
- Festival trolley service between the Act V parking lot on Laguna Canyon Road and the Transit Center commences daily at 8:30 a.m.
- Stops along the three routes are numbered and serve key attractions, hotels, and park-and-ride lots. The transfer point between the routes is the Transit Center.

ALL SERVICES (MAINLINE AND SUMMER SHUTTLE) ARE FREE DURING THE SUMMER, BUT FARES ARE CHARGED ON MAINLINE SERVICES THE REST OF THE YEAR

FARE STRUCTURE

MAINLINE BUS (year-round service)

| | |
|--------------------------------------|---------|
| Adult Cash Fare | \$0.75 |
| Senior Fare (age 65 & above) | \$0.30 |
| Handicapped/Disabled | \$0.30 |
| Medicare Card Carrier | \$0.30 |
| 20-Ride Pass | \$15.00 |
| Monthly Pass (unlimited rides) | \$30.00 |
| Children (under age 7 with an adult) | Free |
| Free Ride to Work Pass (50 rides) | Free |
| Low-Income Senior Pass | Free |

SUMMER SHUTTLE (TROLLEY AND MAINLINE BUSES) –

LAGUNA BEACH FESTIVAL SERVICE ROUTES (late June to late August)

| | |
|----------------|------|
| All Passengers | Free |
|----------------|------|

CHARTER SERVICE (September to mid-June)

| | |
|----------------------------------|-----------|
| Trolley Rental (minimum 3 hours) | \$103/hr. |
|----------------------------------|-----------|

LBMTL ACHIEVED MANY ACCOMPLISHMENTS DURING THE AUDIT PERIOD

- LBMTL moved its operations and maintenance to the City's new yard located at 1900 Laguna Canyon Road. The new yard provides adequate space and functionality for maintenance, operations, and inventory storage. TDA funds contributed 20% to the construction cost, as transit comprises about 20% of the corporation yard's operations.
- The Transit Services Division of LBMTL 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 transfer 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.
- Overall ridership has increased during the audit period, especially with the Summer Festival Shuttle service. Efforts made by LBMTL to increase the visibility and frequency of the trolley shuttle service resulted in ridership increases above 30% for 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>. The site 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 (STA), Proposition 1B, Federal Transit Administration (FTA) Section 5307, and federal 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 federal stimulus funds and a \$75,000 grant to purchase new propane-fueled trolleys.
- 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 relevance, the decal is the only allowable advertising on the transit vehicles.

LBMTL HAS TAKEN STEPS TO INCREASE TRANSIT OPTIONS DURING THE SUMMER FESTIVAL

- Downtown routing for Summer Festival Shuttle service was restructured to reduce delays and incidents while additional vehicles were placed into service for more frequent service.
- The City leased 150 parking spaces at South Coast Medical Center during summer evenings and weekends to supplement the City's peripheral parking program and Summer Festival Shuttle system.
- A color brochure outlining the Summer Festival Shuttle routes, running times, and coded stop locations is provided at tourist locations including hotels, retail and arts outlets, and restaurants. The brochure is intended to simplify and encourage the use of public transportation for visitors during the summer festival. Transit management indicated about 90,000 brochures are printed and distributed annually.
- Ridership on the Summer Festival Shuttle services increased 31% during the performance audit period from 351,516 passengers in FY06 to 460,692 passengers in FY09. Laguna Beach Transit reports up to 10,000 daily passenger boardings during the summer months. Much of the increase in ridership is attributed to more frequent service, marketing and visibility, and continuation of free rides on both Trolley and Mainline buses during the festival season.

LBMTL MADE ADDITIONAL STRIDES TO UNDERTAKE SERVICE PLANNING

- The City of Laguna Beach Short Range Transit Plan (SRTP) was completed in April 2007 and adopted by the City Council in May 2007. The SRTP analyzed the Mainline and Summer Festival Shuttle transit services. It also included a passenger survey and explored the concept of a shuttle connector between the Transit Center and the Irvine Metrolink station. Some of the recommendations included:
 - Adjusting schedules to ensure on-time performance for the Mainline and operating the Summer Festival Shuttle service without a fixed schedule
 - Operating a Metrolink connection for the summer festival
 - Encouraging tourist use of the Mainline service.
- The City of Laguna Beach Mainline Route Feasibility Study (Feasibility Study), completed in December 2007, reviewed the service effectiveness of several routes. Recommendations included service adjustments to the Downtown-Ritz and Laguna Canyon/North Laguna routes, and consolidation of longer routes with shorter routes to ensure efficiency and timely arrivals at the high school. Most service recommendations were implemented.
- In response to the Feasibility Study, Red Route service between Downtown and the Ritz-Carlton Resort was reduced for a six-month period during 2008 to provide limited peak period service. OCTA Regional Route 1 would accommodate remaining trips at all other times. In November 2008, however, the City Council reinstated the full service with public support effective December 2008, including deviated routing from South Coast Highway to the South Coast Medical Center.

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 the 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 audit period.

THE REMAINDER OF THE PERFORMANCE AUDIT REPORT IS ORGANIZED IN THE FOLLOWING SECTIONS

- II. Compliance Review**, which examines compliance with PUC requirements and the status of prior audit recommendations.
- III. Management Control and Reporting**, which discusses the agency's goals and objectives and performance monitoring systems.
- IV. Performance Trends**, which examines systemwide and modal performance trends for TDA performance indicators.
- V. Functional Area Performance Trends**, which describes performance of major functional areas involved in delivering transit services (e.g., transportation operations, maintenance, planning, and administration).
- VI. Conclusions and Recommendations**, which outlines recommendations and potential implementation strategies to capitalize on improvement opportunities for Laguna Beach Transit.

AN EXECUTIVE SUMMARY OF THIS REPORT IS PROVIDED AS A SEPARATE DOCUMENT

II. COMPLIANCE REVIEW

THE COMPLIANCE REVIEW ASSESSES COMPLIANCE WITH STATE MANDATES

- The compliance review assesses compliance with state mandates:
 - data collection and reporting procedures for the five TDA performance indicators required under Sections 99246 (d) and 99247 of the Public Utilities Code
 - PUC requirements for transit operators
 - progress to implement recommendations of the previous triennial performance audit.

- PUC requirements verified as part of this performance audit include the compliance requirements for transit operators stipulated in the *TDA Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities (2008)*.

- Compliance with PUC requirements and progress to implement prior audit recommendations are assessed as follows:

| PUC Compliance | Prior Audit Recommendations |
|---|---|
| <ul style="list-style-type: none"> ▪ Full compliance ▪ Partial compliance (additional actions required to achieve full compliance) ▪ Noncompliance or not applicable | <ul style="list-style-type: none"> ▪ Fully implemented ▪ Partially implemented (further progress is warranted) ▪ Not implemented or not applicable |

LAGUNA BEACH TRANSIT COMPLIES WITH MOST DATA COLLECTION AND REPORTING REQUIREMENTS

LAGUNA BEACH TRANSIT TDA DATA COMPLIANCE

| Data Item | Data Definition | Compliance Finding | Comments |
|---------------------|--|--|---|
| Operating Costs | Total cost of providing transit services exclusive of capital costs, depreciation, direct costs of providing charter service, and vehicle lease costs. | Full compliance | Operating costs are collected and reported correctly and accurately, with capital, depreciation/amortization, charter, and lease costs readily identifiable and verifiable. Charter and lease costs are noted in the State Controller’s Report data, whereas the depreciation/ amortization costs are noted in the Comprehensive Annual Financial Report (CAFR). |
| Farebox Revenues | Revenue earned from carrying passengers, including base fare and transfer costs. | Full compliance | Farebox revenues include cash, multiple ride pass revenues, including the Free Ride to Work Program subsidy received from the South Coast Air Quality Management District (AQMD). |
| Unlinked Passengers | Total number of unlinked passenger trips; total passenger boardings, whether revenue producing or not. | Full compliance, with recommendation for further improvement | Unlinked passengers are the total number of passenger boardings. Passengers are counted manually for each service mode and categorized by type of fare paid. However, passengers using Free Ride to Work passes are recorded in the same category as fare-paying adult passengers in driver assignment sheet and summary tables. Free Ride to Work trips should be reported separately. |

LAGUNA BEACH TRANSIT COMPLIES WITH MOST DATA COLLECTION AND REPORTING REQUIREMENTS

LAGUNA BEACH TRANSIT TDA DATA COMPLIANCE

| Data Item | Data Definition | Compliance Finding | Comments |
|--------------------------------|---|--------------------|---|
| Total Vehicle Hours | Total hours of travel consumed in normal scheduled service, including deadhead to and from the service area. | Full compliance | Total vehicle hours are the total hours that revenue vehicles travel during the course of a year, including scheduled deadhead. Trip sheets include driver start and ending time readings. |
| Vehicle Service Hours | Total hours that vehicles are in revenue service, from first to last scheduled stop. For demand response, includes times between first scheduled pick-up and last scheduled drop-off. | Full compliance | Revenue hours are the total hours that vehicles are in revenue service each year. LBMTL reports data from the daily trip sheets. First and last stop times are recorded separately from starting and ending times (bus pull out/in). |
| Total Vehicle Miles | The total distance traveled by transit vehicles, including both revenue miles and deadhead miles. Excludes miles traveled during training, hostelling, maintenance work, and charters | Full compliance | Total vehicle miles are the total miles that revenue vehicles travel during the course of a year, including scheduled deadhead. Trip sheets include start and ending odometer readings. |
| Vehicle Service Miles | Total number of miles traveled by vehicles in revenue service; excludes deadhead (i.e., travel to/from storage facilities, roadcalls). | Full compliance | Revenue miles are the total miles that vehicles are in revenue service each year. The procedure for determining revenue miles is comparable to that described above for revenue hours. Data are reported by LBMTL from the daily trip sheets. First and last stop mileage are recorded separately from starting and ending mileage (bus pull out/in). |
| Employee Full-Time Equivalents | 2,000 person-hours of work in one year constitute one employee. | Noncompliance | LBMTL reports FTEs using headcounts rather than based on pay hours. |

LAGUNA BEACH TRANSIT IS IN COMPLIANCE WITH REQUIREMENTS FOR REPORTING FINANCIAL AND OPERATING DATA

- LBMTL correctly reports operating costs and farebox revenues. Although the data differs between annual reports such as State Controller, National Transit Database (NTD), and fiscal audits due to use of unaudited versus audited information, the data are verifiable and reconcilable:
 - Capital expenditures, depreciation, charter and vehicle lease costs are identifiable and have been excluded from operating costs for purposes of calculating TDA indicators.
 - TDA farebox revenues include cash fares and customer paid passes, while other special transit fares are reported separately, including local contributions from the City's parking authority, Act V lot park and ride revenue, charter revenue, and grant funds from the South Coast Air Quality Management District for the Free Ride to Work Program. The City's trial balance accounting separately accounts for these revenues.

- Budgeted revenues and expenditures for the transit fund can be traced to the fiscal audits and NTD reporting. In lieu of meeting a required farebox recovery ratio, the transit system is subject to the TDA 50% funding limitation, which is calculated in the fiscal audit as well as in the annual TDA claims.

LAGUNA BEACH TRANSIT IS NOT IN COMPLIANCE WITH REPORTING REQUIREMENTS FOR EMPLOYEE FULL TIME EQUIVALENTS (FTE'S)

- LBMTL has consistently reported total headcount in all State Controller’s Reports for FY07–FY09. The State Controller requirement is to report FTEs by summing total pay hours and dividing by 2,000 hours. If the number was being reported correctly, the number of FTEs would be less than that reported by LBMTL in the Controller’s Report.
- For comparison, the following table shows the actual person count of full- and part-time employees reported in the National Transit Database. This is compared to the State Controller data, which also shows person count rather than FTEs. By correctly calculating FTEs, the count would be much lower, as shown in the table.

| Statistic | Source | Base Year FY06 | Performance Audit Period | | |
|--|-------------------------------|-------------------|-----------------------------|-----------|-----------|
| | | | FY 07 | FY 08 | FY 09 |
| Actual Person Count | State Controller's Report | 80 | 80 | 86 | 94 |
| | FTA National Transit Database | 80 | 84 | 93 | 101 |
| Full-Time Equivalent | NTD pay hours reported | 33,022 | 33,904 | 38,773 | 45,724 |
| (Data that should be shown in State Controller’s Report) | FTE hours/year | 2,000 | 2,000 | 2,000 | 2,000 |
| | FTE calculation | 17 | 17 | 19 | 23 |

LAGUNA BEACH TRANSIT IS NOT IN COMPLIANCE WITH REPORTING REQUIREMENTS FOR EMPLOYEE FTES (CONTINUED)

- Pay hours reported to NTD are often the best available source to calculate FTEs. Laguna Beach should use these hours and divide by 2,000 hours to arrive at the correct FTE count for the State Controller's Report. Laguna Beach staff indicated that the reporting of FTEs, which represents an annual figure, is inaccurate due to the unique condition of the service in which the majority of pay hours is for part-time workers and occurs during the summer for the shuttle service during the summer arts festivals. However, notwithstanding this concern, the appropriate application of FTEs should be calculated and recorded in the State Controller's Report.

LBMTL IS IN FULL OR PARTIAL COMPLIANCE WITH APPLICABLE PUC REQUIREMENTS

| Code Reference | Operator Compliance Requirements | Compliance Finding | Verification Information |
|-------------------|--|--------------------|--|
| PUC Section 99243 | <p>Uniform System of Accounts and Records: The transit operator submitted annual reports to the Regional Transportation Planning Entity (RTPE) based upon the Uniform System of Accounts and Records established by the State Controller.</p> | Full compliance | <p>State Controller’s Report submittal dates: FY06-07: October 18, 2007 FY07-08: October 20, 2008 FY08-09: October 13, 2009</p> <p><i>Reports were submitted electronically.</i></p> |
| PUC Section 99245 | <p>Annual Fiscal Audit: The operator has submitted annual fiscal and compliance audits to its RTPE and to the State Controller within 180 days following the end of the fiscal year (December 30), or has received the 90-day extension allowed by law.</p> | Partial compliance | <p>Annual fiscal audit submittal dates: FY06-07: June 20, 2008 FY07-08: January 9, 2009 FY08-09: February 1, 2010</p> <p><i>Partial compliance since the FY 06-07 annual fiscal audit was submitted more than 180 days after the end of the fiscal year, plus 90-day extension. Should the fiscal audits be submitted after the 180-day timeline, Laguna Beach should submit a request to OCTA for the 90-day extension as necessary.</i></p> |
| PUC Section 99251 | <p>CHP Certifications: The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator’s terminal.</p> | Full compliance | <p>CHP certification dates: FY06-07: November 1, 2005 FY07-08: October 18, 2006 FY08-09: October 15, 2007</p> |

**LBMTL IS IN FULL OR PARTIAL COMPLIANCE WITH APPLICABLE PUC REQUIREMENTS
(CONTINUED)**

| Code Reference | Operator Compliance Requirements | Compliance Finding | Verification Information |
|-------------------|--|--|--|
| PUC Section 99261 | Transportation Planning Agency Regulations: Claims for TDA funds are submitted in compliance with RTPPE's rules and regulations for such claims. | Full compliance, with recommendation for improvement | The City submits its annual claims for funds in compliance with OCTA's rules and regulations, including submission of annual performance data. However, the City should report actual performance data, as opposed to estimates, for services that occurred prior to submission of the claims. As an example, Summer Festival Shuttle service performance data should include actual data for both the past year and current year. |
| PUC Section 99266 | Budget Changes: The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s). | Full compliance | Percentage growth in budget: FY06–07: 2.8% FY07–08: 14.8% FY08–09: 10.4% <i>Source: Laguna Beach TDA claim forms FY07, FY08, and FY09.</i> |
| PUC Section 99247 | Data Reporting: The operator's definitions of performance measures are consistent with PUC Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee | Partial compliance | Performance measures reported in the annual State Controller's Report prepared by Laguna Beach are consistent with PUC Section 99247, with the exception of full-time equivalent employees (FTEs). The PUC section includes the assumption that 2,000 person-hours of work in one year constitute one employee. The City reports headcount, whether full time or part time, leading to an overstatement of FTEs. |

PUC Requirements

**LBMTL IS IN FULL OR PARTIAL COMPLIANCE WITH APPLICABLE PUC REQUIREMENTS
(CONTINUED)**

| Code Reference | Operator Compliance Requirements | Compliance Finding | Verification Information |
|--|--|--------------------|---|
| PUC Section 99268 | 50% Expenditure Limitation: Funding provided through the TDA makes up no more than 50% of the operator’s operating, maintenance, capital, and debt service requirements after federal grants are deducted | Full compliance | As contained in each year’s TDA claim, Laguna Beach conducts a grant eligibility calculation to determine its permissible Local Transportation Fund expenditure under the 50% limitation. |
| PUC Sections 99268.2, 99268.3, 99268.1 | Revenue Ratios: If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20%), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenue to operating cost at least three-twentieths (15%), of so determined by the RTPE. | Not applicable | Laguna Beach is subject to provisions of PUC Section 99268 (see above). |
| PUC Section 99268.2, 99268.4, 99268.5 | Revenue Ratios: If the operator serves a rural area, it has maintained a ratio of fare revenue to operating cost at least equal to one-tenth (10%). | Not applicable | Laguna Beach is subject to provisions of PUC Section 99268 (see above). |
| PUC Section 99270.1 | Revenue Ratios: If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPE. | Not applicable | Laguna Beach is subject to provisions of PUC Section 99268 (see above). |

PUC Requirements

**LBMTL IS IN FULL OR PARTIAL COMPLIANCE WITH APPLICABLE PUC REQUIREMENTS
(CONTINUED)**

| Code Reference | Operator Compliance Requirements | Compliance Finding | Verification Information |
|------------------------|---|--------------------|--|
| PUC Section 99271 | Employee Retirement System: The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPA-approved plan to fully fund the retirement system within 40 years | Full compliance | Transit is an enterprise program within the City of Laguna Beach. The retirement system for eligible transit employees is part of the City retirement program. |
| CAC Section 6754(a)(3) | Required Findings: If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted. | Not applicable | Laguna Beach does not receive direct state or federal funding per the cooperative agreements between the City and OCTA. However, through the agreements, OCTA provides equivalent local funding assistance to Laguna Beach in lieu of direct STA and FTA grants. |

Prior Audit Recommendations

THE PRIOR PERFORMANCE AUDIT OFFERED FOUR RECOMMENDATIONS FOR LBMTL'S CONSIDERATION (VERBATIM FROM PRIOR PERFORMANCE AUDIT)

- **Recommendation 1** – LBMTL should amend its process for submitting TDA claims to include a recitation of all required performance indicators and, where appropriate, provide explanations for major changes reflected in these key indicators.
- **Recommendation 2** – LBMTL should ensure the implementation of a process to submit its annual claim in a timely manner.
- **Recommendation 3** – LBMTL should implement the prior triennial performance audit recommendations to institute an inventory value, process, and procedure to ensure adequate control over inventory items.
- **Recommendation 4** – LBMTL should establish a formal process for recording and tracking customer complaints on an annual basis.

THE FOLLOWING PAGES DISCUSS LBMTL'S RESPONSE AND PROGRESS TO IMPLEMENT EACH PRIOR AUDIT RECOMMENDATION

LBMTL HAS ENHANCED ITS DATA MANAGEMENT AND REPORTING CAPABILITIES, BUT FURTHER IMPROVEMENTS ARE RECOMMENDED

- **Prior Audit Recommendation:** LBMTL should amend its process for submitting TDA claims to include all required performance indicators and, where appropriate, provide explanations for major changes reflected in these key indicators.
- **Understanding of the Issue:** Pursuant to PUC Section 99261, claims for TDA are required to be submitted in compliance with the Regional Transportation Planning Entity's (RTPE) rules and regulations. According to OCTA's "TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims," OCTA requires that performance indicators by mode of service be submitted as an attachment to the transit claims form to reflect the project year, current year, and prior year.
- **Actions Taken and Results:** For the FY 2007–08 and FY 2008–09 TDA claim submittals, LBMTL provided a matrix of performance indicators spanning a triennial period for each service category: Summer Festival Shuttle, charter, and Mainline service. The matrix includes a recitation of 15 performance indicators and measures for each service mode which complies with OCTA's TDA Guidelines and allows OCTA to monitor LBMTL's performance measures in relation to operations results and expenditures.

LBMTL HAS ENHANCED ITS DATA MANAGEMENT AND REPORTING CAPABILITIES, BUT FURTHER IMPROVEMENTS ARE RECOMMENDED

- **Actions Taken and Results (continued):** Actual performance data for the Summer Festival Shuttle service should be available to report for the current year because the service was provided the summer prior to the claims submission. However, key Summer Festival Shuttle data, including service hours, miles, and ridership, are rounded estimates in the claims form for the current year. LBMTL should make an effort to properly report actual Summer Festival Shuttle data for the current year and justify the trends to fully comply with OCTA's guidelines.
- **Conclusion:** LBMTL has partially implemented this recommendation. A summary of actual performance data for Summer Festival Shuttle service would help reach full implementation.

LBMTL HAS ENHANCED ITS COMPLIANCE SUBMITTAL CAPABILITIES

- **Prior Audit Recommendation:** LBMTL should ensure the implementation of a process to submit its annual claim in a timely manner.
- **Understanding of the Issue:** Pursuant to PUC Section 99261, claims for TDA are required to be submitted in compliance with the Regional Transportation Planning Entity's (RTPE) rules and regulations. According to OCTA's "TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims," the due date for claimants to submit their claims to OCTA is at least 90 days prior to the beginning of the fiscal year, or by April 1.
- **Actions Taken and Results:** OCTA and Laguna Beach have taken steps to ensure that the City's annual TDA claims are submitted in a timely manner. Claims for FY06–07 and FY07–08 were submitted March 30, 2007 and 2008, respectively, and the claim for FY 2008–09 was submitted April 13, 2008, slightly after the due date. This is a significant improvement over the prior audit period, when claims were submitted well after the April due date.
- **Conclusion:** LBMTL has fully implemented this recommendation.

LBMTL HAS IMPROVED INVENTORY CONTROL THROUGH FACILITY IMPROVEMENTS

- **Prior Audit Recommendation:** LBMTL should implement the recommendation from the FY 01-03 performance audit to institute an inventory value, process, and procedure to ensure adequate control over inventory items.
- **Understanding of the Issue:** During the FY04-FY06 performance audit, maintenance of City vehicles, including the transit buses, was conducted at the old corporation yard located behind City Hall. The maintenance area and inventory storage room were very cramped and antiquated, leading to inefficient inventory control. There was no room for central parts storage.
- **Actions Taken and Results:** In 2007, the City constructed a new yard a few miles away from City Hall. The new yard enabled adequate space for inventory as well as better security of parts and equipment. Transit parts are consolidated and stored in a dedicated area within the secured parts storeroom. While maintenance staff indicated they do not conduct formal inventory counts of transit parts, the rationale provided is that parts are ordered using just-in-time supply management, which limits the amount and value of parts kept on hand. In turn, procurement of parts is done relatively quickly and easily with fast delivery as needed from local vendors.

LBMTL HAS IMPROVED INVENTORY CONTROL THROUGH FACILITY IMPROVEMENTS (CONTINUED)

- According to the Fleet Manager, the estimated value of LBMTL's parts inventory is under \$4,000. The vehicle parts LBMTL keeps in stock include wiper blades, ignition modules, oxygen sensors, and mirrors. The highest value part cited is an ignition module worth \$900. In lieu of formalized procedures, LBMTL relies on maintenance work orders to track its parts inventory. The work orders contain a listing of parts used which are input into the agency's fleet management software program. LBMTL also has an adequate spare fleet relative to its peak Mainline service fleet requirements, providing ample backup in case of a vehicle breakdown.
- **Conclusion:** This recommendation is no longer applicable. The facility improvements for the new corporation yard, plus existing processes to order parts as needed and track inventory passively through work orders, are adequate for controlling the limited inventory in stock for the transit system.

LBMTL HAS TAKEN STEPS TO MONITOR COMPLAINTS TO MAINTAIN A HIGH LEVEL OF CUSTOMER SERVICE

- **Prior Audit Recommendation:** LBMTL should establish a formal process for recording and tracking customer complaints on an annual basis.
- **Understanding of the Issue:** The recording and tracking of customer complaints ensures that high levels of customer service are maintained. Customer complaint procedures can serve as useful tools to improve driver training and conduct. They also can be utilized as part of LBMTL performance monitoring and reporting to the City Council and OCTA.
- **Actions Taken and Results:** LBMTL is commended for developing and maintaining a log form to record complaints. Each log sheet currently has space for four separate complaints with the date, time of complaint received, location, customer name, and space for comments. During the performance audit period, annual complaints have totaled in the single digits. Although complaints have been relatively low, it is recommended that LBMTL improve its complaint documentation by expanding the log and maintaining records electronically. Complaints could be better documented by distinguishing complaints by service type (Mainline vs. Summer Festival Shuttle) and including additional details such as driver's response, City's actions taken to remedy the complaint, status of resolution (whether closed or open, any disciplinary action taken, and date and actions to follow up with customer, etc.).
- **Conclusion:** LBMTL has partially implemented this recommendation. The City should build upon the existing complaints process and further document the activities, responses, and resolutions to fully implement this recommendation.

III. MANAGEMENT CONTROL AND REPORTING

LBMTL COMPLETED A SHORT RANGE TRANSIT PLAN THAT PROVIDES GUIDANCE FOR FUTURE SERVICE PROVISION

- In May 2007, Laguna Beach completed a Short Range Transit Plan (SRTP) with consultant assistance. The plan assessed existing operating conditions and developed a set of recommendations.
- The SRTP included three central elements:
 - Analysis of Summer Festival Shuttle service, based on a ridecheck and on-board survey
 - Identification of options for enhanced connections with Metrolink service
 - Analysis of Mainline Laguna Beach Transit service, based on a ridecheck and on-board survey
- The study explored the potential for Metrolink connections between Laguna Beach and either the Irvine or Laguna Niguel commuter rail stations. The Metrolink connections service was intended to serve during the summer festival season and be part of OCTA's "Go Local" program. OCTA and the City are continuing their study of these options.

LBMTL SETS TRANSIT PLANNING PRIORITIES THROUGH ITS SRTP

- The SRTP prioritized the implementation of service improvements, including:
 - Three recommendations for Summer Festival Shuttle:
 1. Operate without a fixed schedule
 2. Operate short trips between Act V and Sawdust Festival on Canyon route
 3. Evening “combination” routes starting at Pageant of the Masters.
 - Three recommendations for Metrolink connector:
 1. Saturday/Sunday service during summer festival
 2. Irvine Metrolink station express to festival sites/Downtown Laguna Beach
 3. OCTA to operate the service.
 - Four recommendations for Mainline:
 1. Adjust schedules to ensure on-time performance
 2. Operate Bluebird Canyon route via Glenneyre instead of Catalina
 3. Reverse the order of the Laguna Canyon/North Laguna route
 4. Encourage tourist use.

LBMTL SETS TRANSIT PLANNING PRIORITIES THROUGH ITS SRTP

- By the end of the performance audit period, LBMTL was able to implement all recommendations except those related to Metrolink connections due to funding constraints and ongoing coordination efforts with OCTA.
- Opportunities for improvement to the Summer Festival Shuttle service were implemented including adjusting shuttle routes and decreasing headways from 30 minutes to 20 minutes in 2007, which resulted in increased ridership.
- However, increased Summer Festival Shuttle service has adversely impacted overall ridership on Mainline service, which operates concurrently but less frequently. During the festival season, service is free on both the Mainline and Summer Festival Shuttle services. Overall, service is enhanced during the summer festival by adding vehicles to meet an objective of capturing a greater proportion of local tourist ridership.

HOWEVER, NEITHER TRANSIT SYSTEM GOALS AND OBJECTIVES NOR A CONSTRAINED FINANCIAL PLAN ARE PROVIDED IN THE SRTP

- The SRTP does not contain overarching service goals and objectives for LBMTL to attain. There are no recommended performance measures for the agency to compare actual data and gauge relative success of improvements.
- SRTPs typically include performance measures that serve as benchmarks for comparison to actual data. These can include efficiency and effectiveness indicators that measure financial and ridership data against operating statistics. Examples include the TDA performance indicators such as cost per service hour, cost per passenger, and passengers per hour. Given the distinct services, separate benchmarks should be developed for Mainline service and Summer Festival Shuttle service.
- SRTPs also typically include a constrained financial capital and operations plan to determine the financial feasibility of implementing the recommended service improvements as well as expansion/replacement of transit vehicles. The financial plan helps project the financial impact from the recommended service improvements and forecast when funds are likely to be available in the short term for vehicle replacement. In spite of not having a financial plan in the SRTP, transit management has developed a vehicle replacement schedule that covers ten years from FY09 through FY18 as guidance for vehicle procurement costs.

A SUBSEQUENT MAINLINE SERVICE ANALYSIS PROVIDED ADDITIONAL RECOMMENDATIONS

- In December 2007, a study was conducted of the City's Mainline Route Feasibility. Two routes were examined to evaluate the extent to which these routes duplicate existing OCTA regional service. The feasibility study was conducted in response to cost-saving efforts by the City.
- Three alternatives for service changes were developed for the Laguna Canyon/North Laguna route. The changes included options to discontinue the service, continuing service with implementation of SRTP changes, and consolidating the route with one of the festival service routes. Benefits and disadvantages of each alternative were examined.
- Five alternatives for service changes were developed for the Downtown–Ritz route. The changes include options to discontinue the service, continue the service status quo, operate limited peak service, and truncate service at either of two key destinations. Benefits and disadvantages of each alternative were examined.
- The study recommended continuation of the Laguna Canyon/North Laguna route with implementation of SRTP changes. The Downtown–Ritz route was recommended to be reduced to morning and peak services, with OCTA Route 1 covering remaining service times.
- After a six-month reduction of service, the City Council reinstated the Downtown–Ritz route to hourly headways by December 2008. The reinstatement was met with public support.

LBMTL HAS IMPROVED ITS COMPLIANCE REPORTING TO OCTA

- As required by OCTA's TDA Guidelines, LBMTL submits detailed performance data that accompanies annual TDA claims forms. The performance data is divided by service type (Mainline, Summer Festival Shuttle, and charter) and includes 15 performance measures.
- Three years' performance data is submitted, including project year, current year, and prior year. Actual data is shown for the prior year; however current year data for some performance measures are estimates based on the rounded figures.
- LBMTL has improved its submittal of TDA claims forms to OCTA to meet statutory timelines. The forms and required attachments are generally submitted for approval by April 1 of each year.
- The cooperative agreements with OCTA require the City to submit NTD reports for federal funding purposes. Several clerical staff and technicians are assigned to assist in preparing these annual reports. The performance data entered daily into the Excel-based performance matrix by the Mainline lead bus driver are used to meet NTD data reporting requirements.

LBMTL CONTINUES TO IMPROVE ITS FINANCIAL MANAGEMENT AND REPORTING CAPABILITIES

- LBMTL continues to follow State Controller and Federal National Transit Database (NTD) guidelines for completion and submittal of the respective reports. Preparation of the NTD reports are a condition of the Cooperative Agreements relating to funding between OCTA and Laguna Beach.
- Mainline service performance data recorded by drivers on their assignment sheets are input daily by the lead bus driver into Excel spreadsheets. The spreadsheets are designed to generate performance reports and to comply with NTD reporting requirements. Similar data is input by the festival service coordinator for shuttle service.
- A technician verifies performance data and employee timecards and generates summary reports including weekly and monthly ridership reports.
- Budget staff from Finance meets monthly with transit management to review expenditures against budget. These checkups help to maintain financial health and accountability, control costs, and provide ongoing interaction between financial administration and transit program operations.

IV. TDA PERFORMANCE TRENDS

TDA PERFORMANCE INDICATORS ARE REQUIRED FOR STATE TRIENNIAL PERFORMANCE AUDITS

- Laguna Beach Transit's efficiency and effectiveness is assessed based on the results of the five TDA performance indicators that are required under Section 99246 (d) and Section 9947 of the Public Utilities Code (PUC). The review of TDA performance indicators identifies systemwide trends to assess the overall efficiency and effectiveness of LBMTL. Performance trends are also examined by service type (i.e., Mainline and Summer Festival Shuttle service) to provide additional clarification of performance results. Functional area performance indicators discussed in the next section provide further insights into performance results.
- The TDA performance indicators are as follows:
 - Operating Cost per Service Hour: measure of cost efficiency
 - Operating Cost per Passenger: measure of cost effectiveness
 - Passengers per Service Hour: measure of service productivity
 - Passengers per Service Mile: another measure of service productivity
 - Vehicle Service Hours per Full-Time Equivalent Employee (FTE): measure of labor productivity.
- The primary service level data for the analysis of systemwide performance are extracted from Laguna Beach Transit's NTD reports and audited trial balance of the transit fund, since they provide the most accurate and detailed performance data. Where necessary, other data sources (e.g., internal performance reports, State Controller's Reports, other internal reports) have been used to achieve the highest possible level of accuracy.

TDA PERFORMANCE INDICATORS ARE REQUIRED FOR THE STATE TRIENNIAL PERFORMANCE AUDITS (CONTINUED)

- Transit agencies in the California business environment are impacted by many cost escalation factors that are outside their direct control, including fuel costs, liability coverage, state-mandated employee benefits, and air quality laws/regulations. Therefore, it may not be realistic to expect a transit agency to keep the cost of doing business in line with the overall rate of inflation. The cost impacts associated with regulatory mandates (e.g., expanded drug and alcohol testing, revised labor regulations) are acknowledged but have not been quantified.

Performance Trends

SYSTEMWIDE TDA PERFORMANCE INDICATORS REFLECT INCREASED PRODUCTIVITY

TDA PERFORMANCE INDICATORS – SYSTEMWIDE

| Verified TDA Statistics & Performance Indicators | Base Year FY06 | Performance Audit Period | | | % Change FY06-FY09 |
|---|-------------------|--------------------------|-------------|-------------|-----------------------|
| | | FY07 | FY08 | FY09 | |
| Operating Costs | \$1,429,078 | \$1,615,055 | \$1,867,778 | \$1,958,073 | 37.0% |
| Unlinked Passengers | 445,625 | 462,654 | 477,823 | 543,361 | 21.9% |
| Vehicle Service Hours | 19,002 | 19,543 | 18,731 | 19,081 | 0.4% |
| Vehicle Service Miles | 189,226 | 184,406 | 183,399 | 168,960 | -10.7% |
| Employee FTEs | 17 | 17 | 19 | 23 | 38.5% |
| Passenger Fares | \$288,972 | \$286,296 | \$317,283 | \$289,378 | 0.1% |
| | | | | | |
| Operating Cost per Passenger | \$3.21 | \$3.49 | \$3.91 | \$3.60 | 12.4% |
| Operating Cost per Vehicle Service Hour | \$75.21 | \$82.64 | \$99.72 | \$102.62 | 36.4% |
| Passengers per Vehicle Service Hour | 23.5 | 23.7 | 25.5 | 28.5 | 21.4% |
| Passengers per Vehicle Service Mile | 2.3 | 2.5 | 2.6 | 3.2 | 36.6% |
| Vehicle Service Hours per Employee | 1,118 | 1,150 | 986 | 830 | -25.8% |
| | | | | | |
| Percentage Change Consumer Price Index (CPI-All) | | 3.9% | 4.2% | 1.6% | 10.0% |

Note: FTEs are calculated using NTD pay hours divided by 2,000 hours.

Source: National Transit Database Reports for ridership, pay hours for FTEs and service hours and miles; Trial Balance Account for costs and fare revenue.

- The performance trends cover the period from FY07 through FY09, with FY06 used as a base year to provide a point of reference for the analysis.

SYSTEMWIDE TDA PERFORMANCE INDICATORS REFLECT INCREASED PRODUCTIVITY

- **Operating costs** increased significantly over the performance audit period primarily due to growth in Summer Festival Shuttle service to decrease headways and increase frequency. The cost increased at a faster pace than the additional hours and miles of service.
- **Operating cost per passenger**, an indicator of cost effectiveness, exhibited a more modest increase of 12.4% from \$3.21 in FY06 to \$3.60 in FY09. Systemwide ridership, in particular from the Summer Festival Shuttle service, exhibited a steady increase of 21.9% from 445,625 passengers in FY06 to 543,361 passengers in FY09. This cost effectiveness indicator grew at about the same rate as the CPI over the same period.
- **Operating cost per vehicle service hour**, an indicator of cost efficiency, exhibited a 36.4% increase between FY06 and FY09 from \$75.21 in FY06 to \$102.62 in FY09. Actual systemwide operating costs increased by 37%, whereas the Consumer Price Index (CPI) grew by 10% over the same period. During this time, LBMTL significantly increased summer shuttle trolley service through hiring additional part-time drivers and maintenance personnel and leasing additional vehicles.
- **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 is similar to that of systemwide ridership.

**SYSTEMWIDE TDA PERFORMANCE INDICATORS REFLECT INCREASED PRODUCTIVITY
(CONTINUED)**

- **Passengers per vehicle service mile**, another indicator of service effectiveness, increased by 36.6% from 2.3 in FY06 to 3.2 in FY09. The sharpest change was from 2.6 in FY08 to 3.2 in FY09. This increase is in contrast with the trend in vehicle service miles, which exhibited an average annual decrease of 3.0% during the audit period. From the FY06 base year to FY09, total vehicle service miles declined 10.7% due in part to the reduction of the Downtown–Ritz route during 2008 until it was reinstated by the City Council.
- **Vehicle service hours per employee** declined 25.8% between FY06 and FY09. The most notable decrease in this systemwide indicator occurred in FY09 when it fell from 986 to 830 hours due to the temporary reduction in service hours from the Downtown–Ritz route coupled with an increase in FTEs for the Summer Festival Shuttle. This measure is based on the number of full-time equivalent employees (FTE) using employee pay hours from the NTD and dividing by 2,000 hours per employee.

Performance Trends

MAINLINE PERFORMANCE INDICATORS DEMONSTRATED IMPACTS OF HIGHER COSTS

TDA PERFORMANCE INDICATORS – MAINLINE FIXED ROUTE

| Performance Data and Indicators | Base Year FY06 | Performance Audit Period | | | % Change FY06-FY09 |
|--|-------------------|--------------------------|-----------|-----------|-----------------------|
| | | FY07 | FY08 | FY09 | |
| Operating Costs | \$758,983 | \$805,316 | \$956,750 | \$880,000 | 15.9% |
| Unlinked Passengers | 94,206 | 88,431 | 93,999 | 82,896 | -12.0% |
| Vehicle Service Hours | 9,914 | 10,378 | 9,900 | 7,500 | -24.3% |
| Vehicle Service Miles | 128,312 | 124,347 | 128,000 | 97,000 | -24.4% |
| Employee FTEs | 8.2 | 8.4 | 8.2 | 8.2 | 0.0% |
| Passenger Fares (regular fares, plus summer fares paid from parking revenue) | \$59,438 | \$53,853 | \$62,461 | \$60,157 | 1.2% |
| Operating Cost per Passenger | \$8.06 | \$9.11 | \$10.18 | \$10.62 | 31.8% |
| Operating Cost per Vehicle Service Hour | \$76.56 | \$77.60 | \$96.64 | \$117.33 | 53.3% |
| Passengers per Vehicle Service Hour | 9.5 | 8.5 | 9.5 | 11.1 | 16.3% |
| Passengers per Vehicle Service Mile | 0.73 | 0.71 | 0.73 | 0.85 | 16.4% |
| Vehicle Service Hours per Employee | 1,209 | 1,235 | 1,207 | 914 | -24.3% |
| Percentage Change Consumer Price Index (CPI-All) | | 3.9% | 4.2% | 1.6% | 10.0% |

Source: Internal Performance Measurement Documents, Trial Balance Account for fare revenue.

- Passenger fares** in the table above include summer fares paid from City of Laguna Beach parking authority revenue as well as regular fare revenue. Regular fare revenues decreased due to several factors including the reduction of the Downtown-Ritz service and overall economic influences affecting travel needs. However, beginning in FY08, the City reinstated a Mainline summer fare line item composed of parking authority revenue in its accounting trial balance, which led to some of the Mainline fare revenue growth in the later years of the audit period.

MAINLINE PERFORMANCE INDICATORS DEMONSTRATE THE IMPACTS OF HIGHER COSTS DESPITE SERVICE REDUCTIONS DURING THE AUDIT PERIOD

- **Operating cost per vehicle service hour** increased 53.3% from \$76.56 in FY06 to \$117.33 in FY09. Total Mainline operating costs increased 15.9%, somewhat exceeding CPI. This cost increase includes a sizable jump in FY08 that is attributed to vehicle repairs and staff maintenance cost increases as verified in the trial balance for the transit fund.
- **Operating cost per passenger** increased 31.8% from \$8.06 in FY06 to \$10.62 in FY09. This is close to three times the increase of the systemwide indicator and three times the CPI. Passenger boardings declined 12% from 94,206 in FY06 to 82,896 in FY09.
- **Passengers per vehicle service hour** increased 16.3% between FY06 and FY09. This indicator increased from 9.5 passengers to 11.1 passengers per vehicle service hour, despite the overall decline in ridership. Service hours declined noticeably due to the reduced Downtown–Ritz route.
- **Passengers per vehicle service mile** increased by 16.4% from 0.73 in FY06 to 0.85 in FY09. The sharpest change was from 0.73 in FY08 to 0.85 in FY09. This increase is in contrast with vehicle service miles, which declined 24.4% from the FY06 base year to FY09, which is the same pace as the decline in service hours.
- **Vehicle service hours per employee** declined 24.3% between FY06 and FY09. The most notable decline in this indicator occurred in FY09 when it fell from 1,207 to 914 hours due to the reduction of service hours. This measure is based on the number of full-time equivalent employees (FTE) derived from the daily trip reports.

SUMMER FESTIVAL SHUTTLE PERFORMANCE INDICATORS SHOW INCREASED SERVICES

TDA PERFORMANCE INDICATORS – SUMMER FESTIVAL SHUTTLE

| Performance Data and Indicators | Base Year FY06 | Performance Audit Period | | | % Change FY06–FY09 |
|---|-------------------|--------------------------|-----------|-------------|-----------------------|
| | | FY07 | FY08 | FY09 | |
| Operating Costs | \$649,761 | \$683,760 | \$832,799 | \$1,097,200 | 68.9% |
| Unlinked Passengers | 351,516 | 374,363 | 381,015 | 460,692 | 31.1% |
| Vehicle Service Hours | 9,336 | 8,809 | 10,000 | 12,000 | 28.5% |
| Vehicle Service Miles | 62,070 | 57,969 | 65,000 | 75,000 | 20.8% |
| Employee FTEs | 8.3 | 6.9 | 7.4 | 8.5 | 2.4% |
| Parking Revenue In Lieu of Fares | \$229,534 | \$232,443 | \$254,822 | \$229,221 | -0.1% |
| Operating Cost per Passenger | \$1.85 | \$1.83 | \$2.19 | \$2.38 | 28.8% |
| Operating Cost per Vehicle Service Hour | \$69.60 | \$77.62 | \$83.28 | \$91.43 | 31.4% |
| Passengers per Vehicle Service Hour | 37.7 | 42.5 | 38.1 | 38.4 | 2.0% |
| Passengers per Vehicle Service Mile | 5.6 | 6.4 | 5.8 | 6.1 | 8.5% |
| Vehicle Service Hours per Employee | 1,124 | 1,274 | 1,349 | 1,411 | 25.5% |
| Percentage Change Consumer Price Index (CPI-All) | | 3.9% | 4.2% | 1.6% | 10.0% |

Source: Internal Performance Measurement Documents; Trial Balance Account for fare revenue.

- Operating costs** increased significantly over the performance audit period due to efforts made to decrease headways and increase frequency. As the number of tourists increased during the annual festival season, additional shuttle service was provided.

SUMMER FESTIVAL SHUTTLE PERFORMANCE INDICATORS SHOW INCREASED SERVICES

- **Operating cost per vehicle service hour**, an indicator of cost efficiency, increased 31.4% from \$69.60 in FY06 to \$91.43 in FY09, whereas actual operating costs increased by 69%, more than twice as much during the same period for additional part-time operations and maintenance staff.
- **Operating cost per passenger**, an indicator of cost effectiveness, increased 28.8% from \$1.85 in FY06 to \$2.38 in FY09. Summer Festival Shuttle passenger boardings increased annually, and by 31.1% from 351,516 in FY06 to 460,692 in FY09 to partially offset the growth in operating cost from additional seasonal hiring.
- **Passengers per vehicle service hour** exhibited a modest increase of 2% between FY06 and FY09 from 37.7 passengers to 38.4 passengers per vehicle service hour, which is significantly lower in percentage terms than the increase in the number of passengers or service hours during the same period.
- **Passengers per vehicle service mile** increased 8.5% from 5.6 in FY06 to 6.1 in FY09. This indicator peaked at 6.4 passengers per vehicle service mile in FY07. From FY06 to FY09, total vehicle service miles increased 20.8%, but dropped 6.6% in FY07.
- **Vehicle service hours per employee** increased 25.5% between FY06 and FY09 from 1,124 to 1,411 hours per employee. The increase reflects increased hiring in FY08 and FY09 to meet the seasonal demand of the Summer Festival Shuttle service.

V. FUNCTIONAL AREA PERFORMANCE TRENDS

FUNCTIONAL AREA PERFORMANCE TRENDS ARE REVIEWED TO PROVIDE FURTHER INSIGHT INTO LAGUNA BEACH TRANSIT'S PERFORMANCE

- Functional area performance indicators have been developed using data reported by Laguna Beach Transit for the National Transit Database. The City's audited trial balance is also used to distribute the costs among the functional areas. The resulting performance measures and trends, which provide further insights into Laguna Beach Transit's performance during the audit period, are discussed in this section.
- Performance results are presented for three functional areas, Transportation, Maintenance, and Administration, using data specific to these areas to calculate relevant cost and service performance indicators.
- The functional area performance trends cover the period from FY07 through FY09, with FY06 used as a base year to provide a point of reference for the performance trends analysis.
- As noted previously, transit agencies in the California business environment are impacted by many cost escalation factors that are outside their direct control, including fuel costs, liability coverage, state-mandated employee benefits, and air quality laws/regulations. It therefore may not be realistic to expect a transit agency to keep the cost of doing business in line with the overall rate of inflation. The cost impacts associated with regulatory mandates (e.g., expanded drug and alcohol testing, revised labor regulations) are acknowledged but have not been quantified.

Functional Area Performance Trends – Transportation Efficiency

TRANSPORTATION PERFORMANCE INDICATORS

| Performance Data and Indicators | Base Year FY06 | Performance Audit Period | | | % Change FY06–FY09 |
|---|-------------------|--------------------------|-------------|-------------|-----------------------|
| | | FY07 | FY08 | FY09 | |
| A. Mainline Operations Costs | \$509,747 | \$663,153 | \$632,727 | \$628,777 | 23.4% |
| B. Summer Festival Shuttle Operations Costs | \$422,414 | \$352,697 | \$550,735 | \$603,664 | 42.9% |
| Transportation Operations Costs (sum of A&B) | \$932,161 | \$1,015,850 | \$1,183,462 | \$1,232,441 | 32.2% |
| Total Operating Costs | \$1,429,078 | \$1,615,055 | \$1,867,778 | \$1,958,073 | 37.0% |
| System Vehicle Service Hours | 19,250 | 19,187 | 19,900 | 19,500 | 1.3% |
| Total Vehicle Hours | 19,828 | 20,117 | 20,846 | 22,242 | 12.2% |
| System Vehicle Service Miles | 190,382 | 182,316 | 193,000 | 172,000 | -9.7% |
| Total Vehicle Miles | 193,443 | 186,924 | 189,683 | 182,861 | -5.5% |
| Total Passenger Boardings | 445,625 | 462,654 | 477,823 | 543,361 | 21.9% |
| Incidents | 1 | 6 | 24 | 30 | 2900.0% |
| Accidents | 1 | 1 | 7 | 3 | 200.0% |
| Transportation Costs Per Vehicle Service Hour | \$48.42 | \$52.94 | \$59.47 | \$63.20 | 30.5% |
| Transportation Costs as a % of Total Costs | 65.2% | 62.9% | 63.4% | 62.9% | -3.5% |
| Vehicle Service Hours Per Total Vehicle Hours | 97% | 95% | 95% | 88% | -9.7% |
| Vehicle Service Miles Per Vehicle Service Hours | 9.9 | 9.5 | 9.7 | 8.8 | -10.8% |
| Miles Between Incidents | 190,382 | 30,386 | 8,042 | 5,733 | -97.0% |
| Miles Between Collision Accidents | 190,382 | 182,316 | 27,571 | 57,333 | -69.9% |
| Percentage Change Consumer Price Index (CPI-All) | | 3.9% | 4.2% | 1.6% | 10.0% |

Source: National Transit Database Reports; LBMTL Internal Reports; Trial Balance Account for Mainline & Festival Ops. Costs

LBMTL HAD STABLE SERVICE LEVELS BUT EXPERIENCED LARGER OPERATIONAL COST INCREASES

- Transportation efficiency, measured as transportation operations costs per vehicle service hour, declined over the audit period. This indicator increased 30.5% from \$48.42 in FY06 to \$63.20 in FY09. Costs for Summer Festival Shuttle service grew each year as more part-time and seasonal help was hired to operate the trolley shuttle buses and provide road supervision. In contrast, service hours for the Mainline decreased when the Downtown–Ritz route was significantly reduced before being reinstated.
- Over the audit period, the share of total costs contributed by the transportation function dropped slightly by 3.5%, from 65.2% to 62.9%. In between the audit years, the percentage of transportation cost stayed within a narrow range, suggesting that the cost for other transit functions such as maintenance and administration also grew in similar proportion.
- Scheduling efficiency, measured by the ratio of vehicle service hours to total vehicle hours including deadhead, remained relatively stable throughout the audit period, although with a slight decline in the last year. The relatively small service area of LBMTL and frequent revenue service for the Summer Festival Shuttle created scheduling efficiency between 88% and 97%.

LBMTL HAD STABLE SERVICE LEVELS BUT EXPERIENCED LARGER OPERATIONAL COST INCREASES (CONTINUED)

- Although they remain relatively low, the number of recorded accidents and incidents increased, primarily due to increased transit service coupled with increased traffic conditions during the summer festival. Most damage is minor and occurs to external bus features like mirrors and lights due to tight roadway geometrics. Accidents are not reported unless they exceed \$750 in property damage and involve a police report. Any damage less than \$750 is reported as an incident.

Functional Area Performance Trends – Maintenance

VEHICLE MAINTENANCE PERFORMANCE INDICATORS

| Performance Data and Indicators | Base Year FY06 | Audit Period | | | % Change FY06–FY09 |
|---|-------------------|--------------|-------------|-------------|-----------------------|
| | | FY07 | FY08 | FY09 | |
| Vehicle Maintenance Costs | \$306,632 | \$366,819 | \$459,672 | \$491,700 | 60.4% |
| Total Operating Costs | \$1,429,078 | \$1,615,055 | \$1,867,778 | \$1,958,073 | 37.0% |
| Fuel Costs | \$121,427 | \$119,871 | \$118,968 | \$115,792 | -4.6% |
| Vehicle Service Hours | 19,002.0 | 19,543.0 | 18,731.0 | 19,081.0 | 0.4% |
| Total Miles | 193,443 | 186,924 | 189,683 | 182,861 | -5.5% |
| Roadcalls | 31 | 31 | 34 | 34 | 9.7% |
| Active Vehicles | 17 | 17 | 19 | 22 | 29.4% |
| Peak Vehicles | 15 | 17 | 17 | 17 | 13.3% |
| | | | | | |
| Vehicle Maintenance Cost Per Hour | \$16.04 | \$15.94 | \$24.42 | \$24.03 | 49.9% |
| Vehicle Maintenance Cost Per Mile | \$1.58 | \$1.67 | \$2.41 | \$2.51 | 59.2% |
| Operating Cost per Vehicle Service Mile | \$7.39 | \$8.64 | \$9.85 | \$10.71 | 44.9% |
| Vehicle Maintenance Costs as a % of Total Costs | 21.3% | 19.3% | 24.5% | 23.4% | 9.8% |
| Miles Between Roadcalls | 6,240 | 6,030 | 5,579 | 5,378 | -13.8% |
| Miles Per Active Vehicle | 11,379 | 10,996 | 9,983 | 8,312 | -27.0% |
| Average Fleet Age | 5.84 | 6.47 | 7.89 | 9.77 | 67.3% |
| Spare Ratio | 13% | 0% | 12% | 29% | 120.6% |
| | | | | | |
| Percentage Change Consumer Price Index (CPI-All) | | 3.9% | 4.2% | 1.6% | 10.0% |

Source: National Transit Database Reports, Trial Balance Account for Maintenance and Total Ops. Costs

THE GROWTH AND AGE OF THE FLEET IMPACTED MAINTENANCE PERFORMANCE STATISTICS

- Vehicle maintenance costs per hour increased about 50% from FY06 to FY09 from \$16.04 to \$24.03, which is five times the increase in the CPI. A sharp increase in maintenance costs in FY08 could be attributed to the increase in part-time maintenance labor to accommodate the expanded fleet size for the Summer Festival Shuttle. Vehicle repairs also increased 35% between FY07 and FY08. Maintenance as a percentage of total cost also increased from 21.3% in FY06 to 23.4% in FY09.
- Maintenance costs per mile increased 59.2% from \$1.58 in FY06 to \$2.51 in FY09. In contrast, total operating cost per service mile increased 44.9% from \$7.39 in FY06 to \$10.71 in FY09. The move to the new corporation yard and expanded space enabled fleet services to maintain the vehicles as overall operations increased.
- With the acquisition of alternative fueled and specialty vehicles for the Summer Festival Shuttle service, the size of the active fleet increased 29.4% from 17 vehicles in FY06 to 22 vehicles in FY09. At the same time, peak vehicle requirements grew 13.3% from 15 in FY06 to 17 in FY09. Consequently, the spare ratio fluctuated, dropping to a low of 0% in FY07 to a high of 29% in FY09. The FTA's 20% spare ratio guideline does not apply to fleets of 50 or fewer buses.

THE GROWTH AND AGE OF THE FLEET IMPACTED MAINTENANCE PERFORMANCE STATISTICS (CONTINUED)

- Miles between roadcalls dropped 13.8% from 6,240 in FY06 to 5,378 in FY09. In part, this trend may reflect the growth in the size of the fleet from 17 to 22 vehicles and the rotation with newer vehicles.
- The overall average age of the fleet continued to increase despite the addition of vehicles, growing from 5.84 years in FY06 to 9.77 years in FY09. However the miles per active vehicle declined 27% from 11,379 in FY06 to 8,312 in FY09. LBMTL leases additional trolley vehicles for the Summer Festival Shuttle on an as-needed basis, although the agency prefers to use its own fleet and color designs. Leased vehicles are not included in active fleet statistics.

Functional Area Performance Trends – Administration

PLANNING AND ADMINISTRATION PERFORMANCE INDICATORS

| Performance Data and Indicators | Base Year FY06 | Audit Period | | | % Change FY06-FY09 |
|---|-------------------|--------------|-------------|-------------|-----------------------|
| | | FY07 | FY08 | FY09 | |
| Administrative Costs | \$190,285 | \$232,386 | \$224,644 | \$233,932 | 22.9% |
| Total Operating Costs | \$1,429,078 | \$1,615,055 | \$1,867,778 | \$1,958,073 | 37.0% |
| Casualty & Liability Costs | \$11,400 | \$11,800 | \$12,800 | \$23,400 | 105.3% |
| Vehicle Service Hours | 19,002.0 | 19,543.0 | 18,731.0 | 19,081.0 | 0.4% |
| Vehicle Service Miles | 189,226 | 184,406 | 183,016 | 168,556 | -10.9% |
| Peak Vehicles | 15 | 17 | 17 | 17 | 13.3% |
| Passenger Boardings | 445,625 | 462,654 | 477,823 | 543,361 | 21.9% |
| Passenger Miles | 784,464 | 792,785 | 710,970 | 888,056 | 13.2% |
| | | | | | |
| Administrative Costs Per Vehicle Service Hour | \$10.15 | \$9.56 | \$14.83 | \$13.87 | 36.7% |
| Administrative Costs Per Peak Vehicle | \$12,855 | \$10,993 | \$16,340 | \$15,568 | 21.1% |
| Administrative Costs as a % of Total Costs | 13.49% | 11.57% | 14.87% | 14.06% | 4.2% |
| Casualty & Liability Costs per Vehicle Service Mile | \$0.06 | \$0.06 | \$0.07 | \$0.14 | 130.4% |
| Vehicle Service Miles per Vehicle Service Hour | 10.0 | 9.4 | 9.8 | 8.8 | -11.3% |
| Passenger Miles per Passenger | 1.8 | 1.7 | 1.5 | 1.6 | -7.2% |
| Passengers Per Vehicle Service Hour | 23.5 | 23.7 | 25.5 | 28.5 | 21.4% |
| Passengers Per Vehicle Service Mile | 2.4 | 2.5 | 2.6 | 3.2 | 36.9% |
| | | | | | |
| % Change in Consumer Price Index (CPI-All) | | 3.9% | 4.2% | 1.6% | 10.0% |

Source: National Transit Database Reports, Comprehensive Annual Financial Reports, State Controller’s Reports, Trial Balance Account for Admin & Ops. Costs

SERVICE PRODUCTIVITY IMPROVED DESPITE GROWING ADMINISTRATIVE COSTS

- Transit administration costs increased 22.9% from \$190,285 in FY06 to \$233,932 in FY09, well in excess of the 10% growth in the CPI. The City includes depreciation expense in transit administration; that expense is subtracted for this report. Allocated costs of City government support services to Transit also increased in each audit year. Because service levels in terms of vehicle hours remained relatively constant, administrative cost efficiency declined, as hourly costs increased 36.7% from \$10.15 in FY06 to \$13.87 in FY09.
- From FY06 to FY09, administrative costs per peak vehicle increased 21.1% from \$12,855 to \$15,568. The administration function accounted for a growing percentage of total operating costs, increasing from 13.5% in FY06 to 14.1% in FY09, although the percentages fluctuated up and down in the interim audit years.
- Casualty and liability costs exhibited a marked increase of 105.3% from \$11,400 in FY06 to \$23,400 in FY09, more than 10 times the growth in the CPI. The sharpest increase occurred between FY08 and FY09, during which costs nearly doubled. This also pushed up the measure of insurance cost per vehicle service mile, which grew by 130%.
- Service productivity indicators grew over the audit period:
 - Passengers per hour increased 21.4%, from 23.5 in FY06 to 28.5 in FY09, although it remained virtually flat between FY06 and FY07.
 - Passengers per mile increased 36.9% from 2.4 in FY06 to 3.2 in FY09.
 - Passenger miles per passenger exhibited a modest decline of 7.2% during the period from 1.8 miles in FY06 to 1.6 in FY09, while passenger miles increased 13.2%.

VI. CONCLUSIONS AND RECOMMENDATIONS

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. This performance audit recommends that management should also establish performance targets to measure service productivity. Internally, the Finance division within the Administrative Services department and the Transit Services division within the Public Works department meet regularly to review budgets and expenditures. LBMTL also 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 (CPI) of 10% during the audit period. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, increased 21.4% between FY06 and FY09, indicating productivity gains. This indicator increased from 23.5 passengers to 28.5 passengers per vehicle service hour, mirroring the increase in systemwide boardings.
- **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 shuttle service resulted in ridership increases above 30% over the past three years. Mainline ridership decreased over the 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.

FIVE RECOMMENDATIONS ARE OFFERED FOR CONSIDERATION BY LBMTL

- Findings documented in previous sections of the performance audit indicate areas of positive performance as well as opportunities for improved compliance and improved effectiveness, efficiency, and economy of operations. More detailed recommendations are offered here to capitalize on improvement opportunities. Rather than viewing the recommendations as negative, they should be balanced against LBMTL's positive performance results during the performance audit review period, noted throughout this report.
- The following recommendations are provided for consideration by LBMTL:
 1. Monitor system performance against performance benchmarks developed for the transit system.
 2. Report actual performance data on TDA claims forms.
 3. Properly report FTEs in State Controller's Report in compliance with state statute.
 4. Separately track AQMD pass ridership on trip sheets.
 5. Enhance the customer complaints log and procedures.
- The following pages discuss these recommendations and the expected results of implementing them. Each recommendation also includes a management response from LBMTL.

RECOMMENDATION 1: MONITOR SYSTEM PERFORMANCE AGAINST PERFORMANCE BENCHMARKS DEVELOPED FOR THE TRANSIT SYSTEM

- **Issues and Opportunities** – LBMTL should regularly measure its productivity against benchmarks developed for the transit system. Currently, there are no established performance standards against which transit service could be measured.
- **Recommended Actions** – It is recommended that LBMTL develop a methodology to create specific performance benchmarks against which actual data could be compared on a regular basis. Suggested initial benchmark indicators include cost per service hour, cost per passenger, and passengers per hour. One method for establishing initial benchmarks is to calculate a three-year average for each indicator and then update the benchmarks annually using the most recent three-year average. Also, separate benchmarks should be developed for Mainline and Summer Festival Shuttle services because of their distinct services and ridership markets.
- **Expected Results** – Specific performance goals or trends against which to compare recent actual performance provides LBMTL a means to measure the efficiency and effectiveness of service adjustments and make productivity improvements as necessary.
- **Management Response** – *Performance standards will be developed in conjunction with the budget preparation and submission of the next TDA claim, Fiscal year 2011/2012 which will be submitted in March of 2011.*

RECOMMENDATION 2: REPORT ACTUAL PERFORMANCE DATA ON TDA CLAIMS FORMS

- **Issues and Opportunities** – OCTA’s TDA rules and regulations require transit claimants to submit specific performance data with their TDA claims, which are used by OCTA to review productivity improvements. The claims forms require three-year rolling performance data, including the past fiscal year, current fiscal year, and next fiscal year. The performance data submitted by LBMTL should reflect actual data rather than estimates for transit services that occurred prior to the submittal of the claims, such as Summer Festival Shuttle for the current fiscal year.
- **Recommended Actions** – It is recommended that Laguna Beach submit actual performance data including service hours, service miles, and passengers for Summer Festival Shuttle for the current year. The TDA claims forms are submitted by spring of the current fiscal year, which means actual data for trolley shuttle operations that occurred the summer before, but during the current fiscal year, should be available.
- **Expected Results** – Use of actual data provides OCTA, as the approving agency for TDA claims, more accurate performance records to review LBMTL trends and productivity improvements.
- **Management Response** – *Actual performance data will be included with the preparation of the next claim which will be submitted in March of 2011.*

RECOMMENDATION 3: PROPERLY REPORT FTES IN STATE CONTROLLER'S REPORTING IN COMPLIANCE WITH STATE STATUTE

- **Issues and Opportunities** – The PUC defines a full-time equivalent employee (FTE) under the assumption that 2,000 person-hours of work in one year constitute one employee. Currently LBMTL reports annual FTEs in the State Controller's Report using headcounts for both part-time and full-time employees connected with the transit system.
- **Recommended Actions** – It is recommended that LBMTL use the pay hours reported in the National Transit Database and divide those hours by 2,000 to arrive at the correct FTE count for the State Controller's Report.
- **Expected Results** – The correct application of FTEs will result in full compliance with the PUC and more accurate reporting to the State Controller.
- **Management Response** – *This will be implemented with the submission of the next State Controller's report in October of 2010.*

RECOMMENDATION 4: SEPARATELY TRACK AQMD PASS RIDERSHIP ON TRIP SHEETS

- **Issues and Opportunities** – The driver trip assignment sheet is used to record ridership during a work shift. Separate columns are available for the driver to enter passenger counts by fare type, such as regular fares for adults, seniors, disabled, and children, as well paid passes and transfers. Adult passengers who board using the Free Ride to Work pass are recorded with adults who pay regular cash fares on the driver sheet, leading to a blending of ridership using different fare media.
- **Recommended Actions** – LBMTL should add a new column to the driver trip sheet to account for passengers who use the Free Ride to Work pass. This would be consistent with other pass fare media, which are recorded separately from regular fare paying adults. As the program is advertised and marketed on the buses and in the transit brochures, ridership should be clearly separated from adults who pay regular cash fares and other pass types.
- **Expected Results** – Further distinguishing adult riders by fare type will more clearly identify rates of pass usage and the relative success of the AQMD-funded program. This separation by fare type should also help during the reconciliation of fares collected on board the buses and regular fare-paying passenger counts.
- **Management Response** – *This recommendation has already been implemented.*

RECOMMENDATION 5: ENHANCE THE CUSTOMER COMPLAINTS LOG AND PROCEDURES

- **Issues and Opportunities** – LBMTL is commended for developing and maintaining a log form to record complaints. Each log sheet currently has space for four separate complaints with the date, time of complaint received, location, customer name, and space for comments. Although complaints have been relatively minimal, it is recommended that LBMTL improve its documentation of complaints by expanding the log form and maintaining the records electronically.
- **Recommended Actions** – It is recommended that LBMTL improve its documentation by citing complaints by service type (Mainline vs. Summer Festival Shuttle) and including additional details on an expanded complaints log form such as driver’s response, City’s actions taken to remedy the complaint, and status of resolution (whether closed or open, any disciplinary action taken, etc.). The completed forms should also be entered electronically for backup record keeping and references to trends over time.
- **Expected Results** – LBMTL could demonstrate a more complete and consistent process for addressing complaints while also securing additional protection measures for the transit system.
- **Management Response** – *This recommendation has already been implemented.*