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*Final*

# FY10-FY12 TDA Performance Audit

## Orange County Transportation Authority

Prepared for



Orange County Transportation Authority

May 9, 2013

**CH2MHILL®**

6 Hutton Centre Drive, Suite 700  
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in association with





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# Section 1: Introduction

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## 1.1 Performance Audit Scope and Methodology

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 performance audit is administered by the Orange County Transportation Authority (OCTA) and prepared by CH2M HILL in association with PMC. This report represents the state-mandated performance audits of OCTA as the Regional Transportation Planning Entity (RTPE) and as a transit operator. The audit covers the period from July 1, 2009 through June 30, 2012 (i.e., FY2010 – FY2012).

TDA performance audits of RTPEs and transit operators include:

- Assessments of compliance with applicable sections of the California PUC.
- Reviews of progress to implement prior audit recommendations.
- Recommendations of opportunities to improve efficiency and effectiveness.

In addition, RTPE performance audits provide assessments of the efficiency and effectiveness of the agency’s regional transportation planning and TDA administration functions. Operator performance audits also review performance trends and functional area performance results.

This review was conducted in accordance with Generally Accepted Government Auditing Standards, except for the triennial peer review requirement which has not yet been fulfilled. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Extensive background documents and other written information were collected and reviewed, including those listed in Table 1-1:

TABLE 1-1  
**OCTA Organization Chart (as of September 10, 2012)**

Organization and staffing charts	OCTA Adopted Budgets, FY09-FY12
OCTA Comprehensive Business Plans	CHP Terminal Inspection Certificates
OCTA Strategic Plan	OCTA TDA Guidelines
OCTA website: <a href="http://www.octa.net">http://www.octa.net</a>	OCTA TDA Claim Files, FY10-FY12
Coach operator labor agreements in effect during the audit period	Quarterly Transit Division Performance Measurements Reports
Purchased Transportation Contracts	Data provided by operating units to support specific analyses and functional performance review (customer service, maintenance, operating statistics)
National Transit Database Reports, FY09-FY12	Service maps and brochures
State Controller Reports, FY09-FY12	FY07-FY09 Performance Audit Report and OCTA’s response to prior audit recommendations
Comprehensive Annual Financial Reports, FY09-FY12	
Transmittal letters for compliance assessments	

The audit team also conducted on-site interviews with OCTA management and staff responsible for administration, management, and operations, including planning and TDA administration functions, transit system functions, and transit support functions. These interviews were conducted in October and November 2012 (October 15-17, November 5-9, and November 12-15) and included the following OCTA staff:

- Chief Executive Officer
- General Manager, Transit
- Assistant General Manager, Transit
- Executive Director, Capital Programs
- Executive Director, External Affairs
- Executive Director, Finance & Administration
- Executive Director, Government Relations
- Executive Director, Human Resources & Organizational Development
- Executive Director, Planning
- Program Manager, Regional Initiatives
- Director, Contracts Administration & Materials Management
- Director, Finance & Administration
- Director, Motorist Services & Special Projects
- Director, Strategic Planning
- Chief Information Officer
- Manager, Community Transportation Services
- Manager, Financial Planning & Analysis
- Manager, Maintenance
- Manager, Marketing
- Manager, Bus Operations
- Manager, Metrolink Expansion
- Manager, Security and Emergency Preparedness
- Manager, Service Planning and Customer Advocacy
- Manager, Transit Program Management
- Section Manager, Accounting/Reporting
- Section Manager, Budget Activity Reporting/Comprehensive Business Plan
- Section Manager, Budget Development
- Section Manager Operations, Community Transportation Services Operations
- Section Manager, General Accounting
- Section Manager, Motorist Services
- Section Manager, Revenue/Grant Administration
- Section Manager, Transit & Non-Motorized Planning
- Section Manager, Vanpool & Bike Programs
- Principal Financial Analyst, Revenue/Grant Administration
- Section Accountant, General Accounting
- Analysis Project Manager, Operations Analysis
- Business Unit Analyst, Operations Analysis
- Financial Analyst, Revenue/Grant Administration

The audit team also visited OCTA's five operating facilities:

- Anaheim Base (directly operated fixed route)
- Construction Circle Base, Irvine (contracted demand response)
- Garden Grove Base (directly operated fixed route)

- Sand Canyon Base (contracted fixed route)
- Santa Ana Base (directly operated fixed route)

## 1.2 OCTA Overview

OCTA was established by state law on June 20, 1991 to consolidate the transportation planning and operating agencies within Orange County. Today OCTA serves as both the Regional Transportation Planning Entity and the primary transit service provider for Orange County.

With its creation, the Authority assumed the responsibilities of several formerly separate agencies: the Orange County Transportation Commission (OCTC), the Orange County Transit District (OCTD), the Consolidated Transportation Services Agency (CTSA), the Service Authority for Freeway Emergencies (SAFE), the Orange County Local Transportation Authority, and the Orange County Congestion Management Agency (CMA). OCTA is also the Orange County Service Authority for Abandoned Vehicles (SAAV), which was established subsequent to the consolidation.

OCTA works with federal, state, regional and local agencies to plan, fund, implement, and maintain transportation programs and services throughout Orange County. It is responsible for providing coordinated, effective, and accountable multimodal transportation services within Orange County, including countywide bus and demand response services, Metrolink rail service, the 91 Express Lanes, freeway, street and road improvement projects, and motorist aid services. OCTA is also responsible for regulating taxi operations.

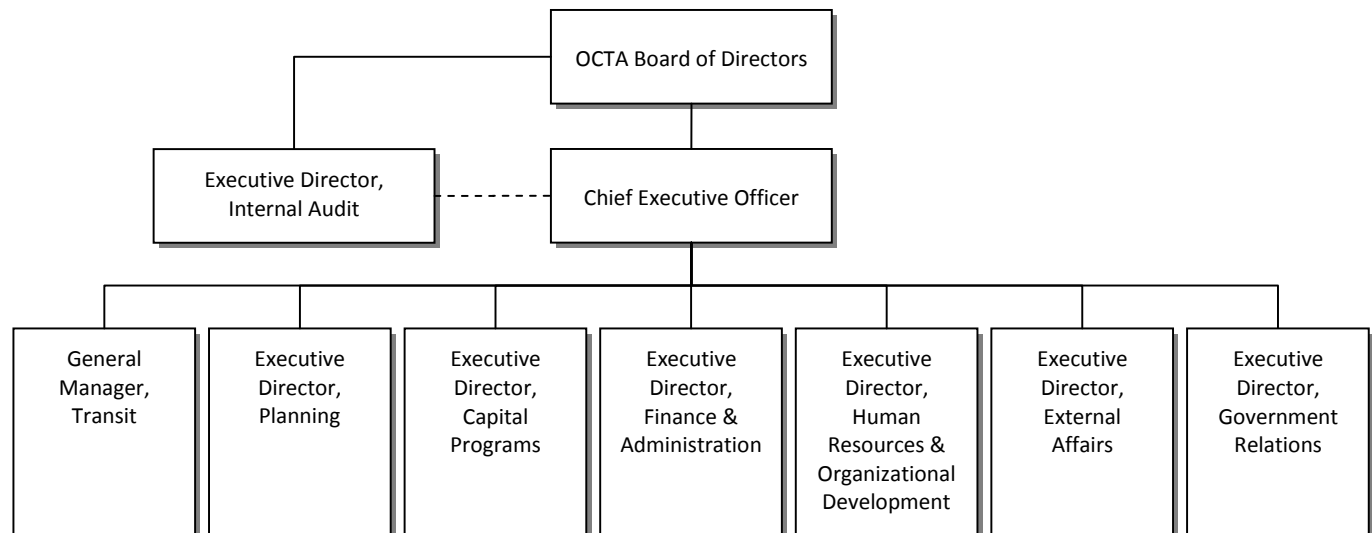
The rest of this section provides an overview of OCTA in the context of its regional transportation planning and transit service delivery responsibilities. It also discusses significant initiatives, accomplishments, and challenges of the performance audit period.

### Organization Structure

OCTA is currently organized in seven divisions that report directly to the Chief Executive Officer, as shown in Figure 1-1. During the audit period, planning was separated from capital programs. Now, instead of a Development Division and a Rail Programs Division, the OCTA organization structure includes a Planning Division and a Capital Programs Division.

FIGURE 1-1

**OCTA Organization Chart (as of September 10, 2012)**



- The **Executive Office** provides management direction to all OCTA divisions and programs and implements the Board of Director's policy directives.

- The **Transit Division** delivers fixed route and demand response bus services and motorist services for Orange County. Transit's fixed route and demand response responsibilities are discussed further in Section 5 of this audit report. Motorist Services, also under the Transit Division, include the Service Authority for Freeway Emergencies, the Service Authority for Abandoned Vehicles, and the Orange County Taxi Administration Program.
- **Planning Division** provides planning and programming for transportation projects to meet Orange County's mobility needs. These responsibilities include developing future transportation solutions and securing funding for projects in collaboration with local and regional transportation agencies.
- **Capital Programs Division** ensures that OCTA's highway and rail improvements are delivered consistent with Board direction. This division includes three functional areas: highway programs, rail programs, and project controls.
- **Finance & Administration Division** conducts OCTA's fiduciary and administrative activities, including long-term financing, fund planning, budgeting, accounting, grant management and compliance, contract management, purchasing, materials management, information systems and technology, and general services (including facilities and record management).
- **Human Resources & Organizational Development Division** is responsible for employee development and welfare, including employment, compensation, benefits, risk management, training, labor and employee relations, health, safety, environmental compliance, management services, and organizational development.
- **External Affairs Division** provides communications, marketing, rideshare, media relations, customer relations (including telephone information), and community outreach programs.
- **Government Relations Division** serves as the liaison between OCTA and federal, state and local legislative bodies and governmental and regulatory agencies. The Grants Department develops and maintains OCTA's grant funding program.

Two additional divisions report to or support the Board of Directors:

- **Internal Audit Division** examines and evaluates OCTA's financial, administrative, and operational activities and controls, to assist management staff with their responsibilities for asset and operations control. Internal Audit Division reports directly to the Board of Directors, with a dotted line reporting relationship to the CEO.
- The **Clerk of the Board**, which is budgeted in the CEO's office, is responsible for recording and preserving OCTA's official and historical records. This office manages the Board and Committee agenda processes, provides meeting and administrative support to the Board of Directors, and receives and processes all legal documents served on the Authority.

## Board of Directors

OCTA's 18-member Board of Directors includes 17 voting members: the five members of the Orange County Board of Supervisors, ten city members selected by the cities in the supervisorial district they represent, and two public members selected by the other 15 Board members. There is a non-voting representative appointed by the Governor. The District 12 Director of the California Department of Transportation (Caltrans) is the Governor's appointee to the Board of Directors. Board members are elected or appointed for four-year terms.

Board members serve on standing committees that reflect OCTA's roles and responsibilities:

- **Executive Committee** monitors overall activities at OCTA, develops policy and strategy recommendations, and reviews policy issues.



- **Finance and Administration Committee** reviews and provides recommendations on financial and administrative matters, including investments, debt financing, financial operations, human resources, risk management, and information systems.
- **Legislative and Communications Committee** evaluates and recommends strategies and action plans to advance OCTA priorities at the local, state, and federal levels of government, and provides guidance on communications, community and customer relations, and marketing activities.
- **Regional Planning and Highways Committee** reviews the planning, programming, and delivery of regional planning and highway programs; provides recommendations on OCTA's compliance with federal, state, and regional planning and programming requirements; and reviews local agency eligibility and compliance with Measure M and Renewed Measure M (M2) safeguards and requirements.
- **Transit Committee** reviews and provides recommendations on bus and commuter rail operations, including ACCESS and other demand response services.

OCTA's Board members represent the Authority on multi-agency advisory committees where OCTA has an interest, including:

- **State Route 91 Advisory Committee**, which also includes a voting representative from the Riverside County Transportation Commission (RCTC) and non-voting members from Caltrans Districts 8 and 12 and the San Bernardino Associated Governments (SANBAG). This committee was created by the state enabling legislation for OCTA's purchase of the State Route 91 toll road.
- **Riverside Orange Corridor Authority (ROCA)**, which was formed to develop and manage geotechnical studies for a proposed transportation and utility corridor linking Riverside and Orange Counties. Committee members include representatives of RCTC, OCTA, the Foothill Eastern Transportation Corridor Agency, and Caltrans.

Board members also represent OCTA and its interests on regional organizations and committees, including the Orange County Council of Governments, California Association of Councils of Government, Southern California Regional Rail Authority, LOSSAN Corridor Agency, the Southern California Association of Governments (SCAG), and the South Coast Air Quality Management District (AQMD).

Support is also provided to OCTA and its Board of Directors by project-specific citizen input committees (e.g., two M2-related committees: the Environmental Cleanup Allocation Committee and the Environmental Mitigation and Resource Protection Oversight Committee) and three legislatively-mandated standing citizens committees. The standing committees are:

- The **Citizens Advisory Committee (CAC)**, which helps to examine traffic solutions and provide input to OCTA's transportation studies, in part by identifying ways to obtain public input on specific issues and serving as a liaison between the public and OCTA. The 34 members of the CAC are selected by OCTA's Board of Directors to represent a broad spectrum of interests from all geographic areas of the county. The CAC also has a Bicycle Program subcommittee.
- The **Special Needs Advisory Committee (SNAC)**, which advises OCTA about issues related to fixed route and demand response services for customers with special transportation needs. SNAC also recommends mechanisms for obtaining input on issues from disabled and senior service users, communicates with care providers and agency clients regarding service-related information, and assists with special needs service evaluations. The 34 members represent individuals with disabilities and senior citizens.
- **Taxpayers Oversight Committee (TOC)**, which monitors the use of M2 funds and ensures that M2 revenues are spent on voter approved projects.

## OCTA as the Regional Transportation Planning Entity

OCTA sets programming policies for federal, state and local funding sources for eligible transit, highway, pedestrian, bicycle and other transportation projects and administers Calls for Projects to allocate funds to local agencies for projects that are consistent with public mobility needs and regulatory guidelines:

- State sources include the State Transportation Improvement Program (STIP), Proposition 1B, and TDA Article 3.
- Federal sources include the Regional Surface Transportation Program (RSTP), Congestion Mitigation and Air Quality (CMAQ) Improvement Program, MAP-21 Transportation Alternatives Program (previously Transportation Enhancement). During the audit period, OCTA administered funding under the American Recovery and Reinvestment Act (ARRA). ARRA funds have been fully committed and OCTA's on-going responsibilities are to complete ARRA-funded projects and manage and close-out the grants.
- With the conclusion of Measure M, the most significant source of local funding is now Measure M2, which provides funding for transit, freeways, and streets, as well as environmental clean-up.

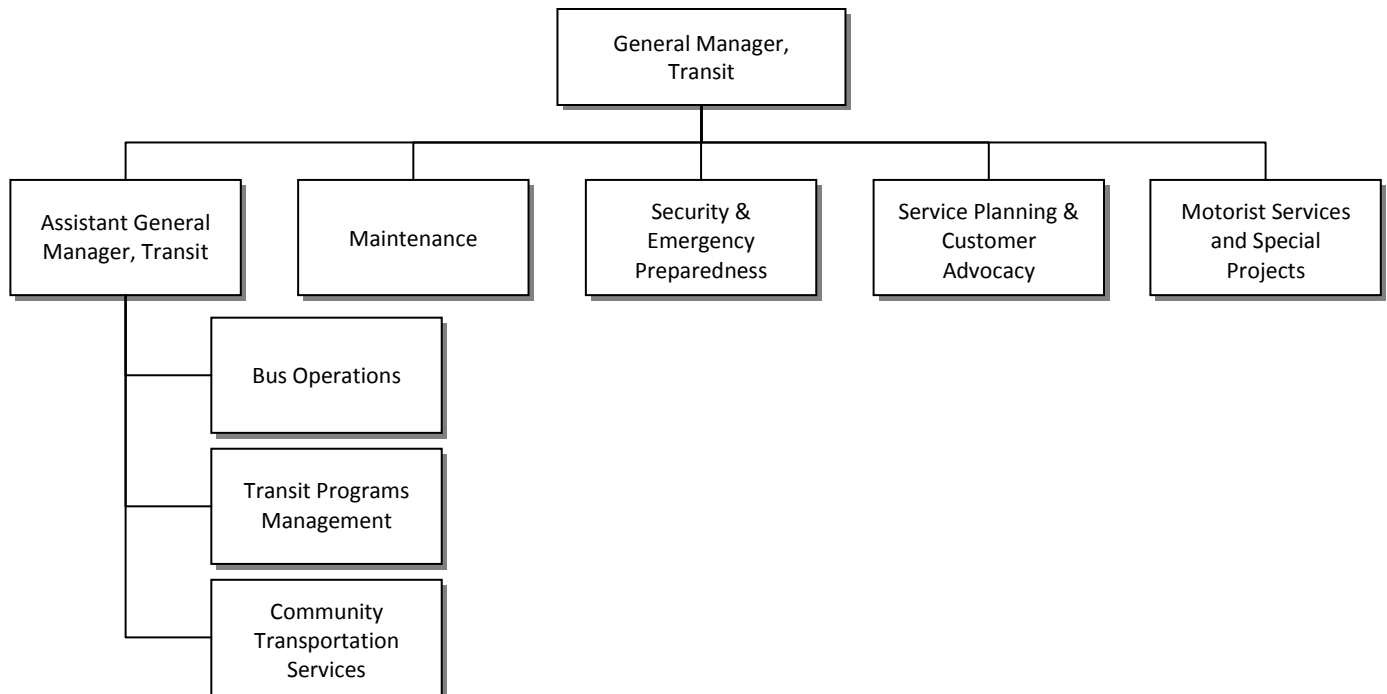
As the RTPE, OCTA is responsible for regional transportation planning and for administering the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA), working with and allocating those funds to eligible claimants, and handling grant applications and managing approved grants. OCTA also provides transportation planning and regional coordination services for Orange County, and plans, evaluates, and markets alternative transportation programs.

## OCTA as the Regional Transit Operator

The Transit Division consists of seven departments that are responsible for operations and maintenance of fixed route and demand response services, service planning, scheduling, customer relations, security, and motorist services.

FIGURE 1-2

**Transit Division Organization Chart (as of September 10, 2012)**



- Four departments report directly to the General Manager of Transit. Maintenance is responsible for vehicle and facility maintenance. Security and Emergency Preparedness provides for employee and customer security, and conducts planning and training for emergencies. Service Planning & Customer Advocacy provides operations planning and scheduling as well as customer advocacy. Motorist Services and Special Projects include the Freeway Service Patrol (FSP), the 511 traveler information system, and the Orange County Taxi Administration Program (OCTAP).
- Three departments report to the Assistant General Manager of Transit. Bus Operations includes base operations, operations training, field operations, and central communications. Community Transportation Services oversees contracted transportation and options for seniors and persons with disabilities. Program Management leads technology and systems initiatives for Transit.

## 1.3 Audit Period Accomplishments and Challenges

### Accomplishments

OCTA managed its transportation finances through a significant recession that started in the year 2008. OCTA identified opportunities to control its operating costs through labor contract negotiations, service reductions, and staff reductions. In 2010, during negotiations with three unions, OCTA and the unions collectively agreed to freeze wages for three years and reduce benefits, reducing operating costs by an estimated \$11 million.

To ensure financial sustainability, OCTA reduced operating costs by reducing service. Beginning in FY09 and continuing through the audit period, OCTA implemented a series of service cuts that reduced the number of revenue hours by 20% (approximately 390,000 revenue hours). The most dramatic service reductions occurred in FY09 and FY10. During the audit period as a whole, OCTA eliminated 250,000 revenue hours, a 14% reduction. Between FY11 and FY12, OCTA was able to increase revenue hours but by only a small amount. However, OCTA also identified opportunities to reallocate hours and resources to strategic, high performing routes. As the economy continues to recover, OCTA anticipates increasing service during FY13 and FY14. In FY13, OCTA expects to rehire the remaining operators on the recall list that were laid off.

In FY11, OCTA began implementing service changes three times a year instead of four. Switching to three service changes reduces the associated costs while maintaining the flexibility to respond to changing demands and the economic recovery of the region.

Despite a large and expanding elderly population and continually tighter budget, OCTA, working with the service contractor, has developed solutions to maintain and improve ACCESS service quality and cost effectiveness. For example, at the beginning of the audit period, customers could schedule rides up to seven days in advance. Riders now may schedule trips up to 3 days in advance. This change has reduced call volumes and the number of cancellations and no-shows has dropped to under 3%. During the audit period, OCTA increased supplemental taxi service, which has a lower contractual cost per hour and has helped manage and maintain the size of the ADA paratransit fleet. OCTA also offers same-day taxi service as an alternative to ACCESS for ADA-eligible riders. OCTA increased the mileage subsidized under this program during the audit period and covered up to \$7.30 per trip, compared to the \$33.74 per passenger in FY12 for conventional ADA service.

Other accomplishments include the development of the Transit System Study, Strategic Plan, Comprehensive Business Plan, Long Range Transportation Plan, and Sustainable Communities Strategy. All of these documents are integral to the planning, funding, development, and implementation of transportation solutions for Orange County and Southern California. These initiatives are described in more detail next.

In 2010, OCTA initiated the Transit System Study (TSS), a comprehensive operations analysis of OCTA's fixed route and demand response services. The TSS, which was completed in 2012, evaluated the allocation of transit services in the County in order to better match resources to demand. It identified a series of short, medium, and long-term changes to improve OCTA's efficiency and effectiveness to maximizing mobility benefits. OCTA began

implementing TSS pilot projects with the FY13 introduction of a Station Van serving Oakley from Irvine Station, and will continue with further implementations in FY14 and FY15, including limited stop service on Harbor Boulevard and express bus service on State Routes 22 and 73.

OCTA completed its Strategic Plan in February 2011. The Strategic Plan, which covers a five-year planning period through 2016, was designed to be used immediately as guidance for OCTA's annual budget process. It is intended to enhance OCTA's focus on performance, accountability, and transparency, and to serve as a flexible tool that can be adjusted over time. OCTA developed its Strategic Plan through a process that included consultation and ongoing guidance from stakeholders that included the Board of Directors, an active program to engage OCTA's employees, and significant engagement with internal multi-departmental teams.

The OCTA strategic plan validated existing good practices and aligned the Comprehensive Business Plan with the Strategic Plan goals, including planning for transit sustainability over the next 20 years. New performance measures were developed from the Strategic Plan to measure results and each OCTA Division is held to quarterly metrics that support the Strategic Plan goals. Employee performance is also tied to meeting the Strategic Plan goals. OCTA intends to update its Strategic Plan every other year.

The Finance & Administration Division developed a Comprehensive Business Plan (CBP) that steered the Authority's budget. The CBP is a business planning tool designed to assist the Authority in implementing its strategic goals and objectives. The CBP lays the foundation for the annual budget process and is consistent with the goals of OCTA's other plans including the Strategic Plan, the M2020 Plan, and the Long-Range Transportation Plan. The CBP utilizes a 20-year cash flow model for OCTA programs that is updated regularly in response to changes in the social, political, and economic environment in Orange County.

OCTA completed *Destination 2035: Looking Toward a Greener Tomorrow*, OCTA's Long Range Transportation Plan (LRTP) in 2010. The goals of the LRTP is to assess the performance of the transportation system over a 25-year timeframe and to identify the projects that best address the needs of the County's transportation system, based on expected population, housing, and employment growth projections. The LRTP includes financially constrained scenarios that take funding projections into account, and an unconstrained plan that identifies potential improvements that could be considered if funding became available. The LRTP provides Orange County's input to the Regional Transportation Plan/Sustainable Communities Strategies (RTP/SCS), which is prepared by the Southern California Association of Governments. The LRTP is updated about every four years (the last one was prepared in 2010), consistent with the development cycle for the RTP/SCS which was adopted in April 2012.

OCTA administered Measure M, which funded freeways, streets and roads, and additional bus and rail services approved by Orange County voters in 1990 and which expired in 2011. In 2006, the voters approved Renewed Measure M (M2), extending the half-cent sales tax for transportation improvements for another 30 years, through 2041. The Renewed Measure M Transportation Investment Plan funds specifically identified major transportation improvements in Orange County, including freeway, streets and roads, transit, and environmental clean-up projects. Transit projects include high-frequency Metrolink commuter rail service, Go Local fixed guideway and bus/shuttle transit extensions to Metrolink, conversion of Metrolink stations to regional gateways, funding for transit services to meet the needs of seniors and persons with disabilities, community-based transit/circulator services, and improvements to transit stations/stops. OCTA has been successful at leveraging Measure M and M2 funds for state and federal matching funds.

In 2007, less than a year after Measure M2 was approved, the OCTA Board of Directors adopted a five-year M2 Early Action Plan (EAP), covering the period from 2007 through 2012, to advance the implementation of several key M2 projects. OCTA completed the EAP during the audit period, and initiated an eight-year M2020 Plan in late 2011. Despite the economic downturn, and the resulting decrease in sales tax revenues, the M2020 program committed OCTA to deliver the rest of the M2 program by 2020, by further leveraging state and federal funding and capitalizing on competitive construction costs to deliver mobility benefits years earlier than originally planned. The Plan identifies more than \$5 billion of M2 projects and programs that can be accomplished by 2020, with the objectives of delivering the majority of the freeway program, expanding rail, funding fixed guideway connections to Metrolink, and improving streets and roads.

Additional notable successes include:

- Continued investment into OCTA's Route Issues and Input (RI2) system since 2005, which provides an electronic link between coach operators and schedule analysts. The system has expanded from a scheduling system to a system that enables coach operators to review and document problems with routes, such as security and safety related concerns, bus stop issues, and fare evasion.
- Increased investment in maintenance has resulted in a dramatic improvement in the reliability of buses. Total vehicle miles between roadcalls increased from 6,600 miles in FY09 to 10,400 miles in FY12.
- Investments to promote safety through training and performance incentives has enabled OCTA to reduce Casualty and General Liability costs from \$1.2 million to \$0.5 million, while maintaining the same, if not better, coverage.
- Implementing a consumer driven health plan, employee wellness program, and biometric screenings has helped minimize health care cost increases.
- A formalized mentoring program that began during the audit period has been cited by American Public Transportation Association (APTA) as an industry best practice.
- The development of an open, web-based process enables local agencies to submit funding requests to OCTA for Calls for Projects, and to score their projects as they complete the information.
- Cameras installed on buses have helped minimize disputes with passengers.
- As recommended in the previous performance audit, the Transit Division prepares Quarterly Performance Measurement Reports that include trend comparisons, performance relative to established standards, and narrative discussion. These reports provide a means to identify the challenges OCTA faces and demonstrate OCTA's achievements.

## Challenges

The recession experienced in Orange County during the audit period resulted in OCTA experiencing significant financial challenges. OCTA addressed those challenges through service reductions, wage freezes, and layoffs. These were difficult decisions for OCTA to make, but were necessary in order to avoid the need for even more significant actions in the future.

OCTA lost ridership during the audit period, as a result of the service reductions made to meet financial objectives as well as the economic recession and loss of employment in Orange County. OCTA plans to gradually ramp service levels back up as the financial picture improves. Uncertainties in revenue levels from federal, state, and regional sources have been a challenge with respect to future planning.

OCTA's systemwide on-time performance has been impacted due to service reductions, as there are longer wait times between buses and more overcrowding. In addition, increasing traffic congestion as the economy continues to recover impacts operating speeds and on-time performance. A new automatic vehicle location (AVL) system on buses has enabled OCTA to obtain continuous on-time performance data that can be segmented by time period to identify and address problems.

Due to the reduction in service during the audit period, OCTA's peak vehicle spare ratio increased to 39.5% in FY11, which is well in excess of the FTA's 20% guideline. OCTA has worked to reduce the excess spare ratio by reducing the vehicle fleet available for maximum service by 49 vehicles (8%) in FY10, 43 vehicles (8%) in FY11, and 73 vehicles (15%) in FY12, leasing 35 vehicles to Anaheim Transportation Network (ATN), and transferring larger buses to MV Transportation for use on contracted routes. As a result, the spare ratio dropped to a more reasonable 25.8% in FY12. Looking forward, as demand increases and vehicles return to service and as older vehicles are retired, the spare ratio can be expected to decrease further, as projected by the current Fleet Plan.

In FY08, OCTA awarded fixed route bus and demand response services to MV Transportation and Veolia, respectively. Previously, since FY06, Veolia had operated both fixed route bus and demand response service.

Based on facility location and deadhead, OCTA increased the amount of contracted fixed route bus service from 6% to 15% during the audit period. Under current union contracts, OCTA is allowed to contract up to 30% of service. However, due to fueling and storage capacity at the Sand Canyon base and the geographic location of routes, OCTA's ability to contract additional service at this location is constrained. OCTA is also working with the city to evaluate the possibility of relocating the Sand Canyon base, since the adjacent roadway expansion for the Great Park could require the relocation or reconfiguration of the base. OCTA is evaluating the feasibility of expanding contracted fixed route service to the Anaheim base in FY14.

## 1.4 Report Organization

The rest of the performance audit report is organized into five sections:

- **Section 2. Compliance Review** assesses OCTA's compliance with specific PUC requirements and summarizes the status of prior audit recommendations.
- **Section 3. Management Control and Reporting** examines the management controls and performance monitoring systems in place to help reach OCTA's goals and objectives.
- **Section 4. RTPE Functional Review** addresses the RTPE activities performed by OCTA.
- **Section 5. Operations Performance Trends and Functional Review** examines systemwide and modal performance trends, including TDA key performance indicators as well as major functional areas: transportation, maintenance, and administration.
- **Section 6. Recommendations** discusses and recommends opportunities and potential implementation strategies for OCTA to improve compliance with TDA requirements or strengthen performance.

# Section 2: Compliance Review

This section describes activities conducted by OCTA as a planning entity and OCTD as an operator to comply with PUC regulations and to implement the recommendations of the previous performance audit.

PUC requirements verified as part of this performance audit include the compliance requirements for RTPEs and transit operators stipulated in the *TDA Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* (2008). Compliance for each requirement has been assessed as follows:

- Fully compliant,
- Partially compliant, with additional actions required to achieve full compliance, and
- Not applicable.

Although OCTA is in full or partial compliance with all PUC requirements, actions are recommended in some areas to improve compliance. The review of OCTA’s progress to implement prior audit recommendations is also summarized in this section.

The compliance review assesses compliance with state mandates, including:

- PUC requirements for regional transportation planning entities such as OCTA,
- PUC requirements for transit operators such as OCTD, and
- Progress to implement recommendations of the previous triennial performance audit.

## 2.1 OCTA Compliance Review

The results of the compliance review of OCTA as a Regional Transportation Planning Entity are summarized in the Table 2-1.

TABLE 2-1  
**Compliance Matrix of OCTA as the Regional Transportation Planning Entity**

Reference	RTPe Compliance Requirements	OCTA Compliance Actions
PUC Section 99231	All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those LTF monies apportioned to that area.	<p><b>Fully Compliant.</b> OCTA’s updated “TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims” includes specific provisions stating that OCTA may not authorize more TDA payments than the claimant is eligible to receive, nor allocate more than the amount of their maximum apportionment. The level of LTF for OCTD increased by \$38 million beginning in FY12 after the TDA diversion ended. Laguna Beach files its annual LTF claim to meet the 50% expenditure limitation even if it is less than its apportionment.</p> <p>Finance and Administration Division personnel, who are responsible for TDA, review the claims and ensure that allocations do not exceed amounts authorized through current year apportionments and prior year capital reserves. Within the Division, there are several steps in the claims approval process, including initial approval by the Section Manager of Revenue/Grant Administration, followed by review and approval by the Manager of the Financial Planning &amp; Analysis Department. The claims are then reviewed by the Director of Finance and Administration with final approval by</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
		the Executive Director of Finance and Administration. The Financial Planning & Analysis Department maintains a spreadsheet that projects monthly revenue distributions and allocations by area of apportionment and claimant.
PUC Sections 99233 and 99234	The RTPE has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles (i.e., Article 3).	<p><b>Fully Compliant.</b> As described in OCTA's TDA Guidelines, no LTF funds are allocated for bicycle and pedestrian facilities (BPF) in Orange County under Article 3. Rather, OCTA has used the discretion allowed by state law to redirect Article 3 funding to a better purpose, to meet public transit needs in the County. A policy was approved by the Board in June 2009 that prioritizes Article 3 funds for transit operations. The Board also authorized the use of FTA 5307 set-aside funds (1%), Transportation Enhancement Activities (TEA) funds (now Transportation Alternatives Program under MAP-21), and some TDA reserve funds for bicycle/ pedestrian projects through a competitive call for projects.</p> <p>Although OCTA complies with these requirements, OCTA's current TDA guidelines do not include a description of the BPF allocation process and procedures for evaluating claims. Despite the fact that LTF has not been allocated to the BPF program for several years, pedestrian and bicycle projects remain eligible expenditures under Article 3. As a good practice, and before OCTA allocates LTF funds under Article 3 to the BPF program, compliance could be improved by adding a description of the BPF allocation process to the TDA guidelines.</p>
PUC Sections 99238 and 99238.5	The RTPE has established a Social Services Transportation Advisory Council (SSTAC). The RTPE must ensure that there is a citizen participation process, which includes at least an annual public hearing.	<p><b>Not Applicable.</b> PUC 99238 specifies that a SSTAC is not required in a county that had a population of 500,000 or more as of the 1970 federal decennial census. However, in lieu of an SSTAC, OCTA sponsors a citizen-based Special Needs Advisory Committee (SNAC). The 34-member committee advises OCTA on special needs transit service for persons with disabilities. SNAC members serve three-year terms. Members are appointed by the Board of Directors.</p>
PUC Section 99244	<p>The RTPE has annually identified, analyzed, and recommended potential productivity improvements, which could lower the operating cost of those operators which operate at least 50% of their vehicle service miles within the RTPE's jurisdiction. Recommendations include, but are not limited to, those made in the performance audit.</p> <ul style="list-style-type: none"> <li>• A committee for the purpose of providing advice on productivity improvements may be formed</li> <li>• The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation</li> </ul>	<p><b>Partially Compliant.</b> OCTA requires operators to submit 16 transit performance measures, by mode, for a running three year period with their TDA claims, including one indicator (size and composition of fleet) that was added during this audit period. These data are available to monitor each operator's performance trends.</p> <ul style="list-style-type: none"> <li>• OCTD documents most of the required performance measures by mode on an annual basis in a separate file, but has not reported subsidy per passenger, size and composition of fleet, vehicle service hours per employee, and number of employees.</li> <li>• LBMTL submits the required performance measures as part of its claim, with the exception of size and composition of fleet. Neither OCTD nor Laguna Beach reported this indicator on any of the three claims submitted during the audit period.</li> </ul> <p>OCTD and LBMTL have taken actions to implement the prior</p>



Reference	RTPE Compliance Requirements	OCTA Compliance Actions
	that exceeds its prior year allocation.	<p>audit recommendations. However, the previous performance audit included a recommendation that OCTA should require the operators (OCTD, LBMTL) to submit status updates on audit recommendations with their annual TDA claims. Although OCTA's TDA Claim Guidelines specifically require that "All TDA Article 4 and 4.5 Claimants must provide updates to prior performance audit recommendations as part of their annual TDA claim submittals," this information has not been provided by either OCTD or LBMTL in the TDA claims submitted during the current audit period.</p> <p>To manage costs and to improve the efficiency and effectiveness of the bus service, OCTA's Comprehensive Business Plan establishes bus service performance targets. These targets help staff to better understand business practices and identify areas that need improvement, and have led to the development of the quarterly Performance Measurement Reports that are prepared by each division and presented to the Board of Directors.</p> <p>Two standing citizens committees provide input on transit issues: the Special Needs Advisory Committee advises on transit and demand response services and the Citizens Advisory Committee meets on various transportation issues including transit and highways. OCTA staff also support the Transit Committee that advises the full Board on transit issues.</p> <p><b>Recommendation:</b> This section requires the RTPE to determine whether operators have made reasonable efforts to implement prior audit recommendations. As previously recommended, OCTA should enforce the requirement for operators to submit annual status updates on prior audit recommendations with their TDA claims. In addition, OCTA should enforce the requirement that all performance measures listed in OCTA's TDA Guidelines should be calculated and included in the operators' TDA claims.</p>
PUC Section 99245	The RTPE has ensured that all claimants to whom it allocated TDA funds submit to it and to the State Controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year (i.e., by December 30. However, the responsible entity may grant an extension of up to 90 days, as it deems necessary).	<p><b>Fully Compliant.</b> OCTA provided letters to the State Controller to verify submittal of annual certified fiscal and compliance audits for claimants of Article 3, Article 4 and Article 4.5 funds. Each letter was submitted within the 180-day timeline and accompanied by the audit reports.</p> <p>FY10: submitted on Dec 29, 2010  FY11: submitted on Dec 29, 2011  FY12: submitted on Dec 28, 2012</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
PUC Sections 99246 and 99248	The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennial). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA money, and to the RTPE within 12 months after the end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to the operator for that or subsequent fiscal years until the audit was transmitted.	<p><b>Fully Compliant.</b> The FY07-FY09 Triennial Performance Audits were conducted by an independent entity. They were completed in May 2010, within 12 months after the end of the audit period.</p> <p>The FY10-FY12 Triennial Performance Audits are also being conducted by an independent entity and are expected to be completed on-time.</p>
PUC Section 99246(c)	The RTPE has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPE has certified in writing to the Director that the performance audits of operators located under its jurisdiction have been completed.	<p><b>Fully Compliant.</b> OCTA provided a transmittal letter to the Caltrans Division Chief, Mass Transportation, dated June 9, 2010, to verify that the OCTA audit was submitted and the operator audits were completed. In fact, OCTA also submitted the two operator audits to Caltrans.</p>
PUC Section 99246(d)	<p>The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247.</p> <p>The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2.</p>	<p><b>Fully Compliant.</b> The FY07-FY09 and FY10-FY12 Triennial Performance Audits of Orange County Transit District (OCTD) and Laguna Beach Municipal Transit Lines (LBMTL) include the required five key performance measures.</p> <p>Both transit operators included in the performance audit program provide service to the general public and are not precluded from employing part-time drivers or contracting service during peak hours.</p>
PUC Sections 99270.1 and 99270.2	The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.	<p><b>Not Applicable.</b> The provisions of the referenced PUC sections do not pertain to Orange County. One provision applies to a "blended" revenue ratio if the operator serves both urban and rural areas; the other provision pertains to newly urbanized areas. However, OCTA's TDA Guidelines do establish rules for revenue ratios for the transit operators. OCTD is subject to a 24.42% farebox recovery ratio including local support (the ratio in FY79). LMBTL is not subject to this ratio but must qualify under the 50% expenditure limitation provision of the TDA. Compliance with these requirements is discussed in each operator's compliance review.</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
PUC Section 99275.5	The RTPE has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	<p><b>Partially Compliant.</b> OCTD is the designated Consolidated Transportation Service Agency (CTSA) for Orange County and the only eligible claimant of Article 4.5 funds. During the audit period, OCTD claimed these funds for CTSA-related programs including ACCESS Paratransit, Special Agency Transportation services, and the Senior Mobility Program (SMP). Beginning in FY12, M2 sales tax revenue is provided to the 18 eligible cities in lieu of TDA for the Senior Mobility Program. However, the three eligible non-profit agencies in Orange County that have cooperative agreements with OCTA continue to receive Article 4.5 funds to provide accessible senior transportation services. The non-profit agency must provide a local match of 20% of the funds provided by OCTD.</p> <p>OCTA's updated TDA Guidelines provide a description of the evaluation criteria that OCTA must use to make annual findings prior to approving Article 4.5 claims. However, the OCTD claims do not include the information needed to make these findings and the findings are not being made, despite approval of the claims by the Board.</p> <p>The partial compliance finding is made because although OCTA has adopted guidelines for Article 4.5 claims, OCTA has not made the findings required by the guidelines. This action to document annual findings was recommended in the prior triennial performance audit but has not been implemented.</p> <p><b>Recommendation:</b> OCTA could strengthen compliance with this requirement and implement the prior audit recommendation by making and documenting the required findings every year. The findings must be made for all Article 4.5 claims, including those for ACCESS and the cooperative agreements with Special Agency Transportation Services, and the Senior Mobility Program (prior to the implementation of Measure M2). These findings could be documented in the justification that OCTA prepares for each TDA claim and also in the Board resolution authorizing the allocation of TDA Article 4.5 funds.</p>
PUC Sections 99310.5 and 99313.3 and Proposition 116	State transit assistance funds received by the RTPE are allocated only for transportation planning and mass transportation purposes.	<p><b>Fully Compliant.</b> OCTA, on behalf of its legal subsidiary the OCTD, is the sole recipient of STA funding in Orange County. These revenues may be used for capital and operating expenditures related to public transportation, community transit, and rail service. A portion of the funding is also used to subsidize fares for seniors and persons with disabilities. Following the two-year suspension of all STA revenues in FY10, OCTA began receiving STA revenues again in FY12 and uses the funds for capital projects.</p> <p>In the earlier years of the audit period (FY09 and FY10), STA funding reserves were used for bus operations. To use STA for operations, TDA regulations require an efficiency test using a cost per service hour trend calculation. OCTD had requested this certification on an annual basis, and OCTA conducted the efficiency test. OCTD met the efficiency thresholds based on the performance data used by OCTA which were drawn from the CAFR. For its most recent efficiency test, OCTA has</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
		elected to use an alternative formula allowable under TDA. It should be noted that efficiency tests are not required if STA revenues are used for capital projects.
PUC Section 99314.3	The amount received pursuant to PUC Section 99314.3 by each RTPE for state transit assistance is allocated to operators in the area of its jurisdiction as allocated by the State Controller's Office.	<b>Fully Compliant.</b> STA funds available from PUC Section 99314.3 are included in the Formula Allocation Process for distribution to OCTD. OCTA and the City of Laguna Beach have agreed that LBMTL will receive local funding assistance in lieu of STA funds.
PUC Section 99401.5	<p>If TDA funds are allocated to purposes not directly related to public or specialized transportation services, or facilities for the exclusive use of pedestrians and bicycles, the transit-planning agency has annually:</p> <ul style="list-style-type: none"> <li>• Consulted with the SSTAC established pursuant to PUC Section 99238</li> <li>• Identified transit needs, including groups who are transit-dependent or transit-disadvantaged, adequacy of existing transit services to meet the needs of groups identified, and analysis of potential alternatives to provide transportation services</li> <li>• Adopted or re-affirmed definitions of "unmet transit needs" and "reasonable to meet"</li> <li>• Identified unmet transit needs and those that are reasonable to meet</li> <li>• Identified the unmet transit needs, or if there are not unmet transit needs, or there are unmet transit needs that are reasonable to meet.</li> </ul> <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p>	<b>Not Applicable.</b> OCTA is not subject to this PUC requirement. All applicable TDA funds are allocated for public or specialized transit purposes as elected by OCTA under PUC Section 99232, under the Apportionment Restriction.

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
CAC Section 6662	The RTPE has caused an audit of its accounts and records to be performed for each fiscal year by the county auditor or a certified public accountant. The RTPE must transmit the resulting audit report to the state controller within 12 months of the end of each fiscal year and the audit must be performed in accordance with the Basic Audit Program and Report Guidelines for the California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the TDA and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPE must maintain fiscal and accounting records and supporting papers for at least four years following fiscal year close.	<p><b>Fully Compliant.</b> The Comprehensive Annual Financial Reports were completed and transmitted to the State Controller within 12 months of the end of each fiscal year.</p> <p>FY10: submitted on December 28, 2010  FY11: submitted on December 23, 2011  FY12: submitted on December 28, 2012</p> <p>OCTA also files the CAFR with the State Controller on behalf of OCTD, per PUC Section 99243; for that purpose, the CAFRs must be submitted within 180 days after the end of the fiscal year. OCTA is also compliant with that requirement.</p>

## 2.2 OCTD Compliance Review

The results of the compliance review of OCTD as a transit operator are summarized in Table 2-2.

TABLE 2-2

Reference	Operator Compliance Requirements	OCTD Compliance Actions
PUC Section 99243	The transit operator submitted annual reports to RTPE based on Uniform System of Account and Records established by State Controller.	<p><b>Fully Compliant.</b> OCTA filed these reports with the State Controller within the 110-day deadline for reports submitted electronically (verified by the dates on the transmittal cover pages):</p> <p>FY10: submitted on October 18, 2010  FY11: submitted on October 18, 2011  FY12: submitted on October 18, 2012</p>
PUC Section 99245	The operator submitted annual fiscal and compliance audits to its RTPE and to the State Controller within 180 days following the end of the fiscal year, or has received the 90 day extension allowed by law.	<p><b>Fully Compliant.</b> As a division of OCTA, the Transit Division is included in OCTA's annual report. OCTA's annual reports were generally submitted to the State Controller within the required timeframe (verified by the dates on the transmittal letters):</p> <p>FY10: submitted on Dec 28, 2010  FY11: submitted on Dec 23, 2011  FY12: submitted on Dec 28, 2012</p> <p>180 days from the end of the fiscal year falls on December 27.</p>

Reference	Operator Compliance Requirements	OCTD Compliance Actions																												
PUC Section 99251 B	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 a CHP inspection of the operator's terminal.	<p><b>Fully Compliant.</b> Dates were taken from copies of terminal inspection certificates provided by OCTA:</p> <table border="1"> <thead> <tr> <th>Base</th> <th>FY10</th> <th>FY11</th> <th>FY12</th> </tr> </thead> <tbody> <tr> <td>Anaheim</td> <td>2/5/09</td> <td>2/25/10</td> <td>2/9/11</td> </tr> <tr> <td>Garden Grove</td> <td>10/31/08</td> <td>11/06/09</td> <td>11/10/10</td> </tr> <tr> <td>Irvine</td> <td></td> <td></td> <td></td> </tr> <tr> <td>    <i>Sand Canyon</i></td> <td>9/10/08</td> <td>9/23/09</td> <td>9/24/10</td> </tr> <tr> <td>    <i>Construction Circle</i></td> <td>N/A</td> <td>8/21/09</td> <td>8/13/10</td> </tr> <tr> <td>Santa Ana</td> <td>9/30/08</td> <td>10/13/09</td> <td>11/03/10</td> </tr> </tbody> </table>	Base	FY10	FY11	FY12	Anaheim	2/5/09	2/25/10	2/9/11	Garden Grove	10/31/08	11/06/09	11/10/10	Irvine				<i>Sand Canyon</i>	9/10/08	9/23/09	9/24/10	<i>Construction Circle</i>	N/A	8/21/09	8/13/10	Santa Ana	9/30/08	10/13/09	11/03/10
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Santa Ana	9/30/08	10/13/09	11/03/10																											
PUC Section 99261	The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPe for such claims.	<p><b>Partially Compliant.</b> The partial compliance finding is made because the OCTD claims submitted during the past two audit periods have not included the information OCTA needs to make the required findings on its Article 4.5 evaluation criteria.</p> <p><b>Recommendation:</b> As recommended by the last TDA Performance Audit, OCTD could improve compliance with this requirement by providing the information required by OCTA to make and document the required findings every year. The findings must be made for all Article 4.5 claims, including any claims for ACCESS, Special Agency Transportation Services, and the Senior Mobility Program.</p>																												
PUC Section 99270.1	If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenue to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPe.	<b>Not Applicable.</b> This provision, which applies to a "blended" revenue ratio if the operator serves both urban and rural areas, does not apply to Orange County.																												
PUC Section 99266	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).	<p><b>Fully Compliant.</b> OCTD budget increases during the audit period were well within the 15% cap:</p> <p>FY10: -5.0%  FY11: -5.5%  FY12: 5.1%</p>																												
PUC Section 99247	The operator's definitions of performance measures are consistent with PUC Section 99247.	<b>Fully Compliant.</b> OCTA complies with PUC requirements in reporting data in the State Controller Reports.																												
PUC Sections 99268.2 99268.3 99268.1	If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to 20%.	<p><b>Fully Compliant.</b> OCTD is required to meet a 24.42% farebox recovery ratio with local support (based on the FY79 ratio). OCTA met this requirement throughout the audit period:</p> <p><u>Farebox Recovery Ratio with Local Funds:</u></p> <p>FY10: 26.82%  FY11: 28.51%  FY12: 27.26%</p>																												
PUC Sections 99268.2 99268.4 99268.5	If the operator serves a rural area, it has maintained a ratio of fare revenue to operating cost at least equal to 10%.	<b>Not Applicable.</b> OCTD's service area is in an urbanized area.																												

Reference	Operator Compliance Requirements	OCTD Compliance Actions
PUC Section 99271	The current cost of operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPE, which will fully fund the retirement system for 40 years.	<b>Fully Compliant.</b> OCTD's TDA claims include letters from the Orange County Employee Retirement System (OCERS) Board certifying that the plan is fully funded for all current costs and 68.77% of all current and future costs. The OCERS Board adopted a 30-year amortization as a funding policy as outlined in the County Employees Retirement Law of 1937. The most recent actuarial valuation of OCERS is as of December 31, 2009. Based on this information, OCERS certifies that OCTD satisfies the requirements of PUC Section 99271.
CAC Section 6754(a)(3)	If operator receives state transit assistance funds, operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	<b>Fully Compliant.</b> OCTA receives STA funds for transit projects. In addition, in its budgeting and reporting, OCTD plans for federal operating assistance grants, as well as federal capital assistance grants. During the audit period, annual budget documentation show that federal assistance grants accounted for 20 to 30 percent of total OCTD expenses. The highest budgeted percentage of federal assistance grants was during FY11 at 30 percent, followed by 23 percent in FY10, and 20 percent in FY12.

Compliance Matrix of OCTD as a Transit Operator

## 2.3 Prior Audit Recommendations

The prior audit offered seven recommendations for consideration by OCTA and OCTD. Five of the recommendations have been implemented; two have been partially implemented and are carried over as recommendations of this audit. The concern(s) that prompted each recommendation and the steps that OCTA has taken to implement them are discussed here.

### Recommendation 1: Improve compliance with PUC requirements related to claiming TDA funds by updating the TDA Guidelines.

Although OCTA is substantially in compliance with all PUC requirements, there are actions that OCTA could take to improve compliance.

- **Understanding of the Issue:** It is recommended that OCTA consider implementing the following recommendations to improve compliance with PUC requirements for administering TDA funds:
  - a) Clarify reporting requirements for Article 4.5 claims and the required evaluation and findings, and document annual findings prior to approving Article 4.5 claims. OCTA's TDA Guidelines define seven criteria that must be verified annually in approving the Article 4.5 claims for ACCESS, Special Agency Transportation Services, and the Senior Mobility Program. However, OCTD was not submitting the necessary evidence, and OCTA was not conducting the evaluation and making the required findings. Improve compliance with PUC 99275.5 by:
    - Requiring OCTD to submit the necessary information. OCTD authorizing staff should also initial item 9b (performance criteria, local match requirements, fare recovery ratios) in the Standard Assurances for Applicants.
    - Making and documenting the required evaluation and findings. The findings could also be documented in the Board resolution authorizing the allocations of Article 4.5 funds.
  - b) Update OCTA's TDA Guidelines to provide more complete information about the Bicycle and Pedestrian Facilities (BPF) program, the availability of Article 3 funds, and information on the BPF Program allocation process and policy updates. Improve compliance with PUC Sections 99233 and 99234 by providing:

- A more complete description of the allocation process for the BPF program, including the Call for Projects application guidelines and procedures
  - The updated policies for Article 3 funds adopted by the Board of Directors in June 2009
  - A description of the overall process, eligible recipients, evaluation criteria and local match requirements used in the Call for Projects.
- c) OCTA should require TDA Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals. PUC 99244 requires RTPes to identify, analyze, and recommend potential productivity improvements. OCTA could improve those oversight activities by requiring Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals, including a description of actions taken to implement each prior recommendation and the current status. Claim submittal form item 11 in OCTA's TDA Guidelines requires claimants to provide updates to prior performance audit recommendations; however, documentation was not included with claim submittals.
- d) OCTA should review, update as necessary, and distribute TDA Guidelines, along with TDA appropriations, to TDA claimants annually to ensure requirements and forms are current. Needed updates included references to FTA (instead of UMTA) and current grant program designations, which reflect federal statutes.
- **Actions Taken and Results:** Recommendation 1(b) is not currently applicable, Recommendation 1(d) has been partially implemented, and Recommendations 1(a) and (c) have not been implemented, as discussed below:
    - Recommendation 1(a) pertains to required reporting, evaluation, and findings for approving Article 4.5 claims. These requirements were not documented during the audit period. Also, OCTD authorizing staff did not initialize item 9b (performance criteria, local match requirements, fare recovery ratios) in the Standard Assurances for Applicants in any of the TDA claims submitted during the audit period. This recommendation has not been implemented and is carried over as a recommendation of the current audit.
    - Recommendation 1(b) pertains to the Bicycle and Pedestrian Facilities program. The Board has approved the use of other funding sources for the BPF program. If, in the future, the Board decides to use TDA Article 3 funds for the BPF program, OCTA's TDA Guidelines will need to be updated. However, since TDA funds are not currently used to fund the BPF program, this recommendation is not currently applicable.
    - Recommendation 1(c) references OCTA's role in determining whether operators have made reasonable efforts to implement prior audit recommendations and the current status of each recommendation. This information has not been included in the OCTD and Laguna Beach TDA claim submittals as a means for OCTA to improve compliance with the PUC requirement to identify, analyze, and recommend potential productivity improvements. This recommendation has not been implemented and is carried over as a recommendation of the current audit.
    - Recommendation 1(d) references the need to distribute current forms and information to TDA claimants. This recommendation was partially implemented when OCTA revised its TDA Guidelines in May 2011 to reflect program updates. However, the Operating Revenue and Capital Outlay sections of the claims forms, particularly those used by Laguna Beach, have not been updated to reflect current federal statutes and grant program designations as well as references to FTA (instead of UMTA). Additional actions are needed to fully implement this recommendation.

To improve OCTA's compliance with PUC requirements, further actions are needed to fully implement Recommendations 1(a), 1(c) and 1(d).



- **Conclusion:** Implementation of this recommendation is on-going and aspects of it are carried over as a recommendation of the current performance audit.

### Recommendation 2: Closely monitor transit system performance as service levels are reduced.

- **Understanding of the Issue:** OCTA's biggest operational challenge during the FY07-FY09 audit period was managing the dramatic reduction in funding levels, which resulted in service cuts that reduced over 393,000 (20.4%) annualized hours of revenue service between June 2008 and March 2010. The audit recommended evaluating the impacts of these service changes by establishing a performance monitoring process to compare service performance before and after the March 2010 service change, by route and time period, across metrics that encompass service productivity, vehicle occupancy, and farebox recovery, in accordance with OCTA's Service Performance Index. It was recommended that the comparison be done on a regular basis to observe and track changes in rider response over time, with the objective of highlighting opportunities to adjust resource allocations to lessen rider impacts to the extent possible, inform future decision making, and serve as a guide for when and where to add service when OCTA is able to increase its service levels. It was further recommended that OCTA continue to update its fixed route service standards to accommodate new service applications, particularly as an outcome of the Transit System Study.
- **Actions Taken and Results:** OCTA actively tracked the performance of its transit services during the audit period, which included monitoring ridership by route and by time period to assess the impacts of the service reductions. OCTA developed an agencywide Strategic Plan in 2011 which included the development of specific performance measures pertaining to transit service mobility (operational performance, quality, and ease of use) and fiscal sustainability (efficient operations). OCTA completed its Transit System Study in 2011, which developed recommendations for service restructuring to leverage available resources to improve efficiency and effectiveness and introduce new market-based services to bring new riders to the system. OCTA is also planning to develop a Short Range Transit Plan (S RTP) in the near future, as an update to the last S RTP developed in 2008.
- **Conclusion:** OCTA has implemented this recommendation.

### Recommendation 3: Seek opportunities to control fixed route operating costs.

- **Understanding of the Issue:** Options for addressing budget shortfalls include fare increases, increasing revenue from other funding sources, and reducing the cost of service provision, as well as service cuts. OCTA should review fixed route cost drivers (such as work rules, service coverage policies, legislative mandates, and vehicle and equipment performance), and consider options to control costs and improve service efficiency and effectiveness, possibly through the service restructuring study, with the objective of containing or reducing unit costs of providing service, limiting future service reductions, and minimizing the impacts of service reductions on riders:
  - OCTA's contracted service costs less per unit of service delivered than service operated in-house. Although it tends to be less productive than OCTA's directly operated services that is partly due to OCTA's strategy in assigning specific routes and service types to the contractor.
  - Changes in service types or levels may impact administrative staffing levels, which grew as service levels increased, and the number of operating bases needed to provide different and/or lower levels of service.
  - The number of service changes that are implemented each year also increases costs. OCTA was making four service changes per year, which is high compared to other transit providers (two or three is more common), and adds cost to the system.
- **Actions Taken and Results:** OCTA took significant actions to control its fixed route operating costs during the audit period, both to address funding shortfalls and to look for opportunities to increase efficiency. These actions included implementing a series of service reductions, implementing layoffs and a hiring freeze, holding operator wages flat for three years and reducing benefits, reallocating funding resources to higher performing

routes, reducing the number of annual service changes from four to three, and increasing the proportion of fixed route services that are operated under contract from 6% to 15%.

- **Conclusion:** OCTA has implemented this recommendation.

#### **Recommendation 4: Improve Transit performance reporting.**

- **Understanding of the Issue:** OCTA should develop a consolidated performance report that is a single source of high level performance indicators for OCTA's transit services, linked to its performance targets, a useful source of information about transit operations, and a key element of OCTA's strategic planning effort. Performance reporting provides accountability, transparency, and perspective, and is of interest to audiences such as the Board of Directors, key stakeholders, and the general public. Prepared on a regular basis (e.g., monthly/quarterly), such reporting could also be a means of identifying the challenges OCTA faces and demonstrating OCTA's achievements.
- **Actions Taken and Results:** OCTA's Transit Division prepares Performance Measurements Reports on a quarterly basis. These reports include trend comparisons, performance relative to established standards, and narrative discussion. The current set of primary performance measurements are: Safety – Preventable Vehicle Accidents per 100,000 Miles; Courtesy – Customer Complaints per Thousands of Boardings; Reliability – On Time Performance; Reliability – Service Delivery Failures; Reliability – Miles Between Road Calls; Ridership; Passenger Fare Revenues; Operating Expenses; Farebox Recovery Ratio; and Cost per Revenue Vehicle Hour. These performance measurements align with OCTA's Strategic Plan developed in 2011.
- **Conclusion:** OCTA has implemented this recommendation.

#### **Recommendation 5: Conduct post-procurement evaluations of new vehicles and technologies.**

- **Understanding of the Issue:** During the previous audit period, OCTA procured new types of vehicles, rehabilitated many of its existing vehicles, and implemented new technologies (e.g., the Ellipse integrated maintenance management system, Automatic Passenger Counters, a new bus radio system, and a new version of HASTUS scheduling software). OCTA should consider conducting and documenting evaluations of new vehicles and technologies to assess benefits and trade-offs, both before the implementation occurs and after the implementation is complete. Potential benefits of new vehicle types could include reduced roadcalls and maintenance costs. Potential benefits of new technologies could include improved quantity and accuracy of data, improved data analysis efficiency, and more streamlined work processes. This information will help OCTA to make sound decisions for future vehicle and technology procurements and demonstrate the benefits of new vehicles and technologies to stakeholders and the general public.
- **Actions Taken and Results:** Many of the technologies that OCTA considered during the audit period, including a new fare collection system, automated vehicle location (AVL) system enhancements, HASTUS upgrades, and radio system replacements, are currently in various stages of implementation. Consequently, this recommendation was found to not be applicable for this audit period.
- **Conclusion:** This recommendation was found to not be applicable for this audit period.

#### **Recommendation 6: Proceed with plans to develop an agencywide strategic plan.**

- **Understanding of the Issue:** Strategic planning is a management tool that defines an organization's direction by articulating its mission, vision, goals and objectives to guide day-to-day activities and decision making. It helps the organization achieve its goals and objectives more effectively and efficiently, by focusing its energy, ensuring that employees are working toward the same goals, and providing a means to assess and adjust the organization's direction in a changing environment. A strategic plan would be particularly useful as OCTA faces challenges such as revenue losses that impact all of its programs, declining transit ridership and toll road usage, and the need to review and possibly restructure the transit services the agency provides. The strategic planning process and the resulting strategic plan should provide overall direction for OCTA policymakers and the staff of its functional or programmatic areas, a starting point for aligning resources rationally to address

critical issues, context to improve accountability for the use of resources, a basis for coordinating policies and building partnerships with all constituencies, and a basis for clearly linking goals and objectives with ultimate outcomes.

- **Actions Taken and Results:** During the current audit period, OCTA developed and published a performance-based, five-year strategic plan, for the period from 2011 through 2016. The process was initiated with an assessment of OCTA's Strengths, Weaknesses, Opportunities, and Threats (SWOTs analysis), strategy development and identification of key performance measures, and involved a full range of OCTA stakeholders, including employees, the CEO, executive management, members of the Board of Directors, and external stakeholders.

The Strategic Plan identifies underlying trends and their implications for OCTA, strategic initiatives designed to address the trends and challenges the agency faces, and a strategic plan framework that includes OCTA's values, mission, vision, goals and objectives. It also includes strategies, performance measures, baselines and targets that set the groundwork for achieving each of OCTA's goals and a basis for measuring progress.

- **Conclusion:** OCTA has implemented this recommendation.

#### **Recommendation 7: Ensure that OCTA is structured and staffed to deliver the M2 program.**

- **Understanding of the Issue:** The FY04-FY06 performance audit recommended that OCTA establish a centralized Program Management Office that would implement consistent project management processes and tools and from which project managers would be assigned based on project types and requirements. In 2008, OCTA's organizational readiness and capacity assessment study also concluded that OCTA should create a program management office that would be responsible for coordinating and monitoring program delivery compliance and effectiveness. Responsibilities for program delivery, procurement, and contract administration would not change. At the time of the FY07-FY09 performance audit, none of the recommended changes had been implemented.

OCTA should ensure that it has the organizational structure, qualified staff, supporting training programs, and policies and procedures in place to provide the oversight and management capabilities needed to manage the M2 program in compliance with sound financial, procurement, and project control requirements and practices.

- **Actions Taken and Results:** Since FY10, OCTA has taken a number of steps to develop and implement an organizational structure, establish policies and procedures, and build the staff resources required to manage the M2 program. In 2010, OCTA established an M2 Program Management Office (PMO) in the Planning Division. The following year, the current PMO Project Manager was appointed. Delivery of the M2 program and related program responsibilities cuts across several OCTA divisions, including Planning, Finance and Administration, Transit, and Capital Programs. The PMO is charged with working with these divisions to provide unified oversight, monitoring, and progress reporting to ensure successful delivery of the M2 program and more recently, to define and advance the M2020 Plan to deliver projects on an expedited schedule. To this end, the PMO works closely with M2 project managers and project controls personnel to track schedule and budget adherence, manage document control, and provide program management. In addition to creating the PMO, OCTA has also put in place procedures and processes to help administer M2, such as workshops for jurisdictional financial managers, systems management procedures including guidelines for Calls for Projects, and the development of the M2 website and dashboard. Actions such as these have been undertaken by the divisions with the necessary staff expertise, creating an inter-disciplinary approach to program management.
- **Conclusion:** OCTA has implemented this recommendation.



# Section 3: Management Control and Reporting

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## 3.1 Strategic Plan

OCTA completed its Strategic Plan in February 2011. OCTA has previously had the elements to support a Strategic Plan, including a mission statement, a long-range transportation plan, and a Comprehensive Business Plan. The Strategic Plan provides an overall structure for these plans. The Strategic Plan is intended to enhance OCTA's focus on performance, accountability, and transparency. The Strategic Plan, which covers a five-year planning period through 2016, was also designed to be used immediately as guidance for OCTA's annual budget process. It is intended to be a flexible tool that can be adjusted over time.

OCTA developed its Strategic Plan through a process that included consultation and ongoing guidance from stakeholders, an active program to engage OCTA's employees, and significant engagement with internal multi-departmental teams. Through this process, OCTA established values, a vision and mission statement, goals and objectives, and strategic initiatives for the agency:

- **Values:** Principles that guide OCTA staff in their day-to-day work. OCTA-defined values include: Integrity, Customer Focus, Can-Do Spirit, Communication, and Teamwork.
- **Vision:** The future that OCTA is striving to create. OCTA's vision is one of:  
*An integrated and balanced transportation system that supports the diverse travel needs and reflects the character of Orange County.*
- **Mission:** The overall purpose and role of OCTA. OCTA's mission is to:  
*Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.*
- **Goals:** Broad statements of direction that OCTA is undertaking in order to carry out its mission. OCTA's goals include: Mobility, Public Service, Fiscal Sustainability, Stewardship, and Organizational Excellence.
- **Objectives:** Derived from the goals, objectives detail specific results that need to be achieved to make progress towards each goal. Each of OCTA's five goals is tied with three to four specific objectives.
- **Strategic Initiatives:** Priority initiatives and activities to address trends and challenges in Orange County. OCTA's initiatives include:
  - Deliver the Capital Action Plan
  - Create and Implement a Vision for the Transit System of the Future
  - Sunset Measure M1 and Advance Measure M2
  - Strengthen Regional Connections
  - Enhance Customer Satisfaction
  - Ensure Fiscal Sustainability
  - Promote Environmental Sustainability
  - Pursue Public Private Partnerships
  - Sustain Organizational Excellence.

By intent, the Strategic Plan laid the groundwork for performance metrics and a performance based management structure. The Chair of the Board of Directors and the CEO each set annual goals and objectives on a calendar year basis. Strategies are set to tie goals to the Strategic Plan and performance against them is measured and reported.

OCTA monitors progress toward its goals and objectives using a balanced scorecard, or dashboard. This balanced scorecard approach is intended to provide decision-makers with information on the most critical facets of the agency's operations, by facilitating performance measurement and management from four key perspectives: customer, employee, financial, and process. As OCTA staff commented, "the Strategic Plan is not a list of projects, but a guide for priorities. It helps to say why we do what we do."

## 3.2 Comprehensive Business Plan

OCTA's Comprehensive Business Plan (CBP) is a business planning tool designed to assist the Authority in implementing its strategic goals and objectives. The CBP lays the foundation for the annual budget process and is consistent with the goals of OCTA's other plans including the Strategic Plan, the M2020 Plan, and the Long-Range Transportation Plan.

The CBP utilizes a 20-year cash flow model for OCTA programs that is updated regularly in response to changes in the social, political, and economic environment in Orange County. The published document is typically updated every two years and provides descriptions, relevant trends, funding sources, and uses of funds for the following seven OCTA programs: Bus Operations, Rail, Measure M, Measure M2, the 91 Express Lanes, Non-Program Specific Projects & Expenditures, and Motorist & Taxicab Services.

## 3.3 Performance Reporting

The Strategic Plan formalizes the quarterly report information that is presented to the Board. OCTA prepares quarterly performance reports for the Transit Division that track the following key operating performance indicators by mode:

- Safety: Preventable Vehicle Accidents per 100,000 Miles
- Courtesy: Customer Complaints per Thousands of Boardings
- Reliability: On-time Performance
- Reliability: Service Delivery Failures (for ACCESS services only)
- Reliability: Miles Between Road Calls
- Ridership
- Passenger Fare Revenues
- Operating Expenses
- Farebox Recovery Ratio
- Cost per Revenue Vehicle Hour

These quarterly performance reports are in addition to department level performance reports that are prepared on a monthly basis, such as the Maintenance Department's Standards and Performance Indicators Report.

## Section 4: RTPE Functional Review

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The functional review meets the primary objective of the RTPE performance audit: to provide an independent, objective, and comprehensive evaluation of the economy, efficiency, and effectiveness of OCTA's performance as an RTPE. Together with the compliance review in Section 2, the functional review provides the basis for recommendations offered for OCTA's consideration in Section 6.

The functional review covers OCTA's role and performance in the following areas:

- Administration and management of its responsibilities as the Regional Transportation Planning Entity,
- Claimant relationships, including transit productivity oversight,
- Transportation planning and regional coordination,
- Marketing and transportation alternatives, and
- Grant applications and management.

The functional review has considered:

- The systems and procedures used for managing finances and operations and for evaluating and reporting performance ,
- Areas where there may be internal control weaknesses, uneconomical or inefficient operations, lack of goal achievement, or lack of compliance with laws and regulations, and
- Achievements and opportunities for improvement.

### 4.1 RTPE Administration and Management

As the RTPE, OCTA is responsible for regional transportation planning and for administering LTF and STA, working with and allocating those funds to eligible claimants, and handling grant applications and managing approved grants. OCTA also provides transportation planning and regional coordination services for Orange County, and plans, evaluates, and markets alternative transportation programs.

OCTA works with federal, state, regional, and local agencies to plan, fund, implement, and maintain transportation programs and services throughout Orange County. These transportation services extend beyond transit and include the 91 Express Lanes, freeway, street and road improvement projects, motorist aid services, and regulation of taxi operations.

The Financial Planning & Analysis Department administers the TDA program. Staff prepare and update the OCTA TDA Guidelines;<sup>1</sup> prepare apportionments; maintain data on allocations and claims; assist claimants in preparing claims and amendments; review claims and amendments for eligibility, compliance, and funding; obtain Board approval of TDA claims; and prepare and update allocate instructions and payment schedules for the County Controller. The Accounting & Financial Reporting Department prepares the drawdown and reimbursement requests that are submitted to the County Controller for payment. The TDA-mandated triennial performance audits are managed by the Internal Audit Division. The Internal Audit Division also transmits annual financial audit reports to the State Controller.

OCTA is currently transitioning the processing and handling of all revenue and grant reimbursements to the Accounting & Financial Reporting Department. During the audit period, the grant reimbursement workload, including reporting and tracking, increased as additional funding programs, such as State Proposition 1B and the

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<sup>1</sup>The OCTA TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims was most recently updated in May 2011.

Federal American Recovery and Reinvestment Act (ARRA) funds became available. In addition, as the designated grantee for state and federal grants, OCTA is responsible for monitoring grants that pass through to subrecipients.

The TDA allocation process makes funds available for administering, planning, and programming TDA funds. Consistent with TDA guidelines, claims for administration and planning and programming are funded first, in priority order, before other TDA-eligible claims. Funds allocated to OCTA for planning and programming may not exceed 3.0% of TDA revenues. Another 0.75% may be allocated to SCAG. These funds are a significant source of funding for OCTA, providing \$3 million or more annually to support TDA administration and transportation planning and programming.

OCTA's appropriations clearly distinguish between revenues allocated for administration and revenues allocated for programming. The amounts that are committed to OCTA and the County Auditor-Controller for TDA administration and to OCTA and SCAG for planning and programming are also identified in OCTA's annual budgets.

TDA Article 3 funds would be allocated next, but in June 2009, in the face of funding shortfalls, the OCTA Board of Directors adopted a policy that prioritizes TDA Article 3 funds for transit operations. TDA stipulates that two percent of the TDA funds remaining after allocation of funds for TDA administration and planning and programming may be made available for bicycle/pedestrian programs *unless the RTPE finds that the funds could be better used for public transportation and community transit services*. Although Article 3 funds are not currently available for bicycle/pedestrian programs, the Board authorized the use of FTA 5307 set-aside funds and some TDA reserve funds for this purpose, through a competitive call for projects. With the passage of MAP-21, bicycle/pedestrian program funding is being backfilled using Transportation Alternatives Program (previously Transportation Enhancement). These funds are allocated through a Call for Projects. The last such call was conducted in August 2007.

TDA Article 4 claims are submitted by OCTD and Laguna Beach Municipal Transit Lines (LBMTL). The Article 4.5 claim is submitted by OCTD as the designated Consolidated Transportation Services Agency (CTSA) for Orange County. Claims are due on April 1<sup>st</sup> and during the audit period, claims were submitted on-time. Those dates are consistent with timeframes established by TDA.

Article 4 and 4.5 allocations are also consistent with TDA allowances. Article 4.5 funds are allocated first, to OCTA as the CTSA in an amount that has not exceeded 5.0% of the funds available after Article 3 allocations are made. The remaining funds are allocated to OCTD and LBMTL to support Orange County's public transportation systems.

As a result of the Orange County Bankruptcy Consensus Recovery Plan, \$38 million was diverted from the LTF to the County's General Fund each year between FY97 and FY11. Beginning in FY12, these funds reverted to OCTA and total apportionments increased commensurately. The Gas Tax Fund was established in 1997 to transfer gas tax revenues from the County to OCTA to partially offset the LTF diversion. The Gas Tax transfer continues through FY13. OCTA exchanges these revenues on a dollar-for-dollar basis with cities and other agencies for unrestricted funds that may be used to fund bus operations.



TABLE 4-1  
LTF Allocations, FY 2010 – FY 2012

	Amount Available	FY09	Performance Audit Period			FY13
			FY10	FY11	FY12	
<b>LTF Sales &amp; Use Tax Receipts</b>		\$149,462,007	\$126,666,723	\$111,342,815	\$127,578,365	\$144,213,724
Diversion to OC General Fund <sup>(1)</sup>		(\$38,000,004)	(\$38,000,004)	(\$38,000,004)	\$0	\$0
<b>Available for Apportionment</b>		\$111,462,003	\$88,666,719	\$73,342,811	\$127,578,365	\$144,213,724
<b>Article 3</b>						
TDA Administration	As needed					
County Auditor		\$4,255	\$3,737	\$1,306	\$3,329	\$3,758
OCTA		\$113,693	\$116,911	\$118,917	\$120,914	\$125,420
<b>Planning &amp; Programming</b>						
OCTA	Up to 3% of total LTF	\$4,483,860	\$3,800,002	\$3,340,284	\$2,870,513	\$3,244,809
SCAG	0.75% of 1% of total LTF	\$180,600	\$174,400	\$159,600	\$956,838	\$1,081,603
<b>Bicycle/Pedestrian</b> <sup>(2)</sup>	2% of remaining LTF in FY09, 0% during audit period	\$2,133,592	\$0	\$0	\$0	\$0
<b>Total Article 3</b>		<b>\$6,916,000</b>	<b>\$4,095,050</b>	<b>\$3,620,107</b>	<b>\$3,951,594</b>	<b>\$4,455,590</b>
<b>Article 4 &amp; 4.5</b>						
CTSA: OCTD	Up to 5% of remaining LTF	\$5,227,300	\$4,228,583	\$3,486,135	\$6,181,339	\$6,987,907
Transit: OCTD	Population apportionment	\$98,226,085	\$79,398,536	\$65,412,598	\$116,505,041	\$131,771,468
Transit: LBMTL	50% of annual LBMTL O&M expenses	\$1,092,618	\$944,550	\$823,971	\$940,391	\$998,759
<b>Total Article 4 &amp; 4.5</b>		<b>\$104,546,003</b>	<b>\$84,571,669</b>	<b>\$69,722,704</b>	<b>\$123,626,771</b>	<b>\$139,758,134</b>
<b>Total Apportioned</b>		<b>\$111,462,003</b>	<b>\$88,666,719</b>	<b>\$73,342,811</b>	<b>\$127,578,365</b>	<b>\$144,213,724</b>

(1) The diversion to the Orange County General Fund ended in FY12.

(2) OCTA did not allocate Article 3 LTF for bicycle/pedestrian projects during the audit period. TDA statute allows OCTA to exercise flexibility in use of Article 3 bicycle/pedestrian LTF for transit uses. In law, 2% of remaining LTF funds may be used for bicycle/pedestrian projects. According to FY11 apportionments, the OCTA Bicycle, Pedestrian Facilities Program funding consists of \$3,385,380 from prior year reserves.

## 4.2 Claimant Relationships

OCTA allocates LTF and STA to OCTD and LTF to LBMTL. Both agencies are eligible to receive STA and FTA funds, but LBMTL and OCTA have cooperative agreements that are valid through FY13 stipulating each agency's roles and responsibilities for procuring state and federal funding for LBMTL. Under these agreements, the agencies have agreed that OCTA will provide \$175,000 in lieu of STA funds, \$75,000 in Proposition 1B funds, and in lieu of FTA funds, up to \$200,000 for the five-year period. LBMTL is required to submit NTD reports and fiscal reports, including data needed to calculate mandated TDA indicators.

LBMTL staff report they have good relationships with OCTA staff and that OCTA staff have been helpful in ensuring that funds are received on a timely basis. OCTA is helping LBMTL to purchase new trolley vehicles and is making M2 funds available for senior transportation services.

With the implementation of Measure M2 and the financial reporting requirements, OCTA's Financial Planning & Analysis Department has developed guidelines and procedures, provided assistance and support for city staff, and initiated annual workshops with finance directors in local jurisdictions to provide program oversight and ensure compliance with M2 requirements for project reporting.

In some cases, local jurisdictions experienced a drop in funding for transit as a result of M2. OCTA has used TDA funds to make local jurisdictions whole. Because some jurisdictions chose not to participate in the senior mobility program, OCTA was able to flex the available funds and used them to supplement the fare stabilization fund.

## 4.3 Transportation Planning and Regional Coordination

The Capital Program Division was structured to improve rail and highway program management and delivery. The Planning Division is responsible for enhanced transportation planning and modeling, transit planning, corridor studies, state and federal fund programming, and M2 program funding. One of the accomplishments of the audit period was the development of an open, web-based process for agencies to submit funding requests for projects that enables applicants to score their projects as they complete the information. Other accomplishments include the development of a Long Range Transportation Plan, the Sustainable Communities Strategy, the Transit System Study, and the Short Range Transportation Plan. All of these documents are integral to the planning, funding, development and implementation of transportation solutions for Orange County and Southern California.

*Destination 2035: Looking Toward a Greener Tomorrow*, OCTA's Long Range Transportation Plan (LRTP), was completed in 2010, as a result of 1½ years of planning efforts. The Plan focuses on sustainability, as related to the quality of life in Orange County, and including economic, social, and environmental systems. Reduction of greenhouse gases from cars and trucks are a particular concern of the recent LRTP, along with expanding transportation choices, creating seamless connections, and reducing travel times for the County's residents, workers, and visitors. Proposed solutions include:

- Adding 400,000 hours of bus and shuttle services,
- Increasing daily Metrolink service from 42 to 76 trains, and
- Adding more than 400 miles of freeway, carpool and toll lanes.

The LRTP provides Orange County's input to the Regional Transportation Plan/Sustainable Communities Strategies (RTP/SCS), which is prepared by the Southern California Association of Governments. The LRTP is updated about every four years (the last one was prepared in 2010), consistent with the development cycle for the RTP/SCS, which was adopted in April 2012.

The goals of the LRTP is to assess the performance of the transportation system over a 25-year timeframe and to identify the projects that best address the needs of the County's transportation system, based on expected population, housing, and employment growth projections. The Plan includes both financially constrained scenarios that take funding projections into account, and an unconstrained plan that identifies potential improvements that could be considered if funding became available.

The LRTP also links to the Orange County Council of Governments (OCCOG) subregional Orange County SCS, which was prepared in 2011 and connects demographics, land use and transportation strategies that reduce greenhouse gas emissions.

During this same timeframe, OCTA completed a comprehensive Transit System Study (TSS), which was designed to find more efficient, cost-effective ways to operate transit services in Orange County. Information gathered from the study included markets served and route level analyses. Several alternative service concepts were developed; some are being implemented as pilot projects. Proposed route concepts include Bus Rapid Transit (BRT), longer distance express routes (Hwy 22 Express Routes), decreased headways, and improved local connections to attract choice riders while improving service to the transit dependent, such as the student market. Some proposed pilot projects are initially being funded through the federal Congestion Mitigation and Air Quality Improvement Program (CMAQ).

OCTA is also initiating the development of a Short Range Transit Plan, to plan for near-term transit service improvements. The last one was prepared in 2008.

## 4.4 Marketing and Transportation Alternatives

One of OCTA's responsibilities as an RTPE is to support and make the public aware of transportation and travel alternatives. The Strategic Plan reinforced this responsibility and placed a major focus on customer service initiatives and resulted in a consolidation of customer service and marketing into the Marketing & Customer Engagement Department in the External Affairs Division. Vanpool and Bike Programs are one of the responsibilities of this Department. In addition, the Planning Division includes Transit & Non-Motorized Transportation Planning.

The Planning Division's Transit & Non-Motorized Planning, which is part of the Transportation Planning Division, is responsible for short range transit and non-motorized transportation plans and strategies, including a new focus area: the coordination of bike planning and project development efforts, and cooperation with other internal and external partners on regional planning for bikeways. This group works with other transit agencies, transit and bikeway advocacy groups, and local jurisdictions and is currently developing a commuter bikeway strategic plan and a Metrolink station access non-motorized study. The bikeway strategic plan focuses on corridors in Supervisorial districts. OCTA's role is to help get advocates, cities, and elected officials together and talking toward a common goal.

Marketing & Customer Engagement Department creates awareness and promotes use of OCTA services and programs, including electronic communications such as the OCTA website (<http://www.octa.net>), Text4Next, and e-BusBook as well as vanpool, bicycle, and rideshare programs, customer relations and engagement, and pass sales. Through the Marketing Department, OCTA promotes the various transportation services that OCTA provides, including fixed route bus and demand response, Metrolink, 91 Express Lanes, and rideshare and pass sales programs, as well as marketing, communications, and advertising activities. Share the Ride includes a vanpool program, carpool matching, bus and rail services marketing, and employer assistance with transportation plans. An interactive website ([www.octa.net/sharetheride](http://www.octa.net/sharetheride)), provides information about available programs and services. Finally, Marketing also manages the Customer Information Center and the County rideshare program, updates schedule information and bus stop signage for the three annual service changes, and manages and promotes the Bus Pass Program.

Transportation demand management marketing staff conduct outreach and provide rideshare services to employers, employees, and colleges to promote use of alternatives to single occupant vehicles and market and administer the vanpool and bicycle programs. One of Marketing's current initiatives is the development of a bikeshare program, which has been contracted, and will place bicycles at 15 stations. Other initiatives include growing the vanpool program that was started in 2007 and has grown to 430 vans. All of these programs are part of an integrated rideshare program.

Because TDA Article 3 funds continue to be dedicated to transit (as allowed by TDA regulations), OCTA has backfilled the bicycle/pedestrian program funding using a combination of FTA 5307 Transportation Enhancement (now MAP-21 Transportation Alternatives Program) and CMAQ funds. OCTA recently complete a \$9.0 million call for bicycle/pedestrian projects that resulted in over-programming \$9.4 million for a combination of construction, design, and education projects.

## 4.5 Grant Applications and Management

Grant development and administration responsibilities are shared among the Government Relations, Finance & Administration, and Planning divisions.

- Government Relation's Federal Relations Department is responsible for development of federal grants for both formula and discretionary funds. These responsibilities extend from identifying funding opportunities to writing grants and liaising with funding agencies until the grant has been approved.
- State/Federal Programs in the Planning Division works with SCAG to program all projects in the Regional Transportation Improvement Program. Planning staff are also available to assist local jurisdictions by

reviewing grant applications for Caltrans funding, including State Local Partnership Program (SLPP) fund applications that are delivered in accordance with federal and state requirements, as well as state transportation bond programs through Proposition 1B, such as the Public Transportation Modernizations, Improvements, and Service Enhancement Account Program (PTMISEA) and Trade Corridor Improvement Fund (TCIF).

- The Finance & Administration Division's Financial Planning & Analysis Department assumes responsibility for managing, administering, and reporting on grants. These responsibilities are split between two grants administrators, one for FTA grants and one for non-FTA grants, who work with project managers to meet funding agencies' reporting requirements.
- Grants accounting responsibilities are located in Accounting & Financial Reporting Department, which is also in the Finance & Administration Division. These responsibilities include preparing grant drawdowns and reimbursement requests.

A quarterly update is prepared for OCTA's Board of Directors on the status of grants. Information is also provided on the OCTA website at <http://www.octa.net/About/Government-Relations/Grants/Current-Grant-Activity>.

Staff involved in grants management report that the division of responsibilities is clear and they work together on to ensure that the system works effectively and that OCTA is in compliance with funding agencies' requirements. Staff also report that OCTA has complied with grant requirements and no grants have been denied or withdrawn. This view is reinforced by the results of the 2010 FTA Triennial Performance Review.

# Section 5: Operations Performance Trends and Functional Review

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## 5.1 Overview

This section of the audit focuses on performance results and trends for OCTA's Transit Operations. It begins with the required TDA performance indicators, which are used to provide a high level assessment of OCTA's systemwide efficiency and effectiveness during the performance audit period. The review of TDA performance indicators includes systemwide and modal results for the types of transit service OCTA provides:

- Fixed route bus service, including directly-operated and contracted service
- Demand response service (ACCESS, which is OCTA's ADA-mandated complementary demand response service) is operated under contract.

More detailed performance results are also presented for each mode, using functional data as a basis for calculating and discussing cost and service performance metrics that help to explain the high-level performance trends observed in the TDA performance indicators. The TDA performance trends and functional reviews provide the independent and objective review of the efficiency and effectiveness of OCTA's performance as a transit operator that is the objective of an operator performance audit. Together with the compliance assessment in Section 2, the review of systemwide and modal performance trends and functional performance indicators provides the basis for recommendations offered for OCTA's consideration in Section 6.

## 5.2 Systemwide Operations

California PUC Section 99246(d) states that the performance audit of an operator providing public transportation services shall include, but not be limited to, a verification of the performance indicators defined in Section 99247 of the Public Utilities Code. These performance indicators include:

- **Operating cost per passenger** to measure the cost effectiveness of the service consumed;
- **Operating cost per revenue vehicle hour** to measure the cost efficiency of the service provided;
- **Passengers per revenue vehicle hour** and **passengers per revenue vehicle mile** to measure the productivity of the service provided; and
- **Revenue vehicle hours per employee** to measure labor productivity.

In addition to the five required indicators, the **farebox recovery ratio** is calculated to determine whether an operator is eligible for funding under PUC Sections 99268 et seq. Additional performance indicators were also evaluated regarding the efficiency, effectiveness, and general performance of OCTA's public transportation services.

The primary data for this analysis is taken from OCTA's National Transit Database (NTD) reports, since they typically provide the most detailed performance data. Where necessary, other data sources (e.g., financial audits, State Controller reports, other internal reports) were used to calculate additional performance results.

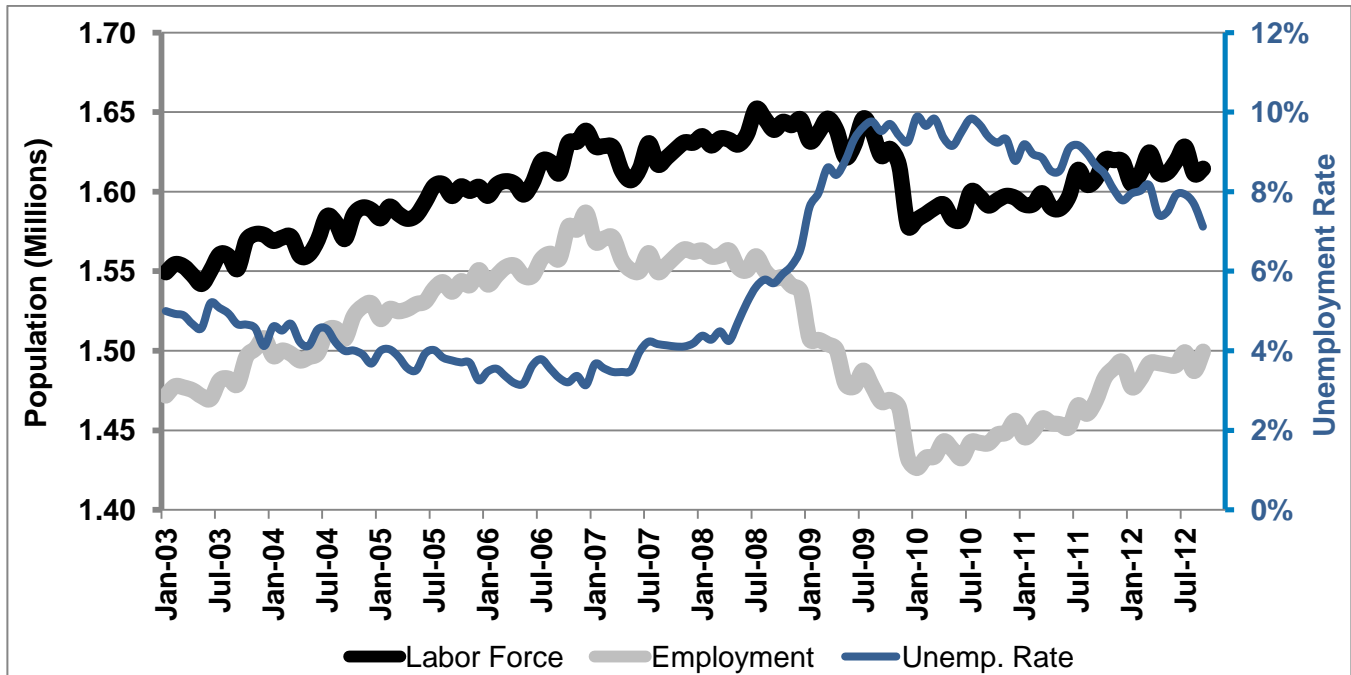
Cost and revenue based performance indicators have not been adjusted for inflation, but year-over-year inflation rates, as well as the total inflation over the three-year audit period, are provided at the bottom of each data table. The inflation data are based on the Orange County Consumer Price Index for All Items, furnished by the Bureau of Labor Statistics.

There are several external factors outside OCTA's direct control that impact OCTA performance results, including the costs of fuel, liability coverage, state-mandated employee benefits, air quality laws/regulations, and especially recent economic conditions. As a public agency, OCTA must comply with new state and federal mandates.

Compliance with these regulations often entails costs that, while planned, impact the agency's budget. One such mandate is Senate Bill 375 (SB 375), which was signed into law in 2008 and is intended to control greenhouse gas emissions through land use planning and transportation decisions.

The most prominent among the external factors affecting OCTA's operation during the audit period was the economic downturn and associated revenue challenges. Prior to the FY10-FY12 period, the global economy receded as a result of the financial crises that began in 2008. During FY09 and FY10, employment in Orange County dropped significantly. In FY11, employment began to improve, but has not yet returned to pre-recession levels.

FIGURE 5-1

**Labor Force and Employment in Orange County, 2003 to 2012**

Sources: Labor Market Indicators, Orange County, California Employment Development Department

During the audit period, OCTA has taken both strategic and reactive steps to respond to the external factors impacting performance and revenue. OCTA has also led strategic initiatives to offset increasing costs. For example, OCTA and the unions partnered to improve safety through training and performance incentives. This collaborative hands-on approach has enabled OCTA to reduce Casualty and General Liability costs, while maintaining the same if not better coverage.

By late 2009, OCTA was projecting significant revenue shortfalls and taking steps to get out in front of them. OCTA identified opportunities to increase efficiency through labor contracts and service reductions. In 2010, during negotiations with three unions, OCTA and the unions collectively agreed to freeze wages for three years and reduce benefits, reducing operating costs by an estimated \$11 million.

To ensure financial sustainability, OCTA also reduced operating costs by reducing service. Beginning in FY09 and continuing through the audit period, OCTA implemented a series of service cuts that reduced the number of revenue hours by 20% (approximately 390,000 revenue hours), shown in Table 5-1. The most dramatic service reductions occurred in FY09 and FY10. During the current audit period (since June 2009), OCTA eliminated 250,000 revenue hours, a 14% reduction. Between FY11 and FY12, OCTA was able to increase revenue hours but by only a small amount. However, OCTA also identified opportunities to reallocate hours and resources to

strategic, high performing routes. As the economy continues to recover, OCTA anticipates increasing service during FY13 and FY14.

In FY11, OCTA began implementing service changes three times a year instead of four. Switching to three service changes reduces the associated costs while maintaining the flexibility to respond to changing demands and the economic recovery of the region.

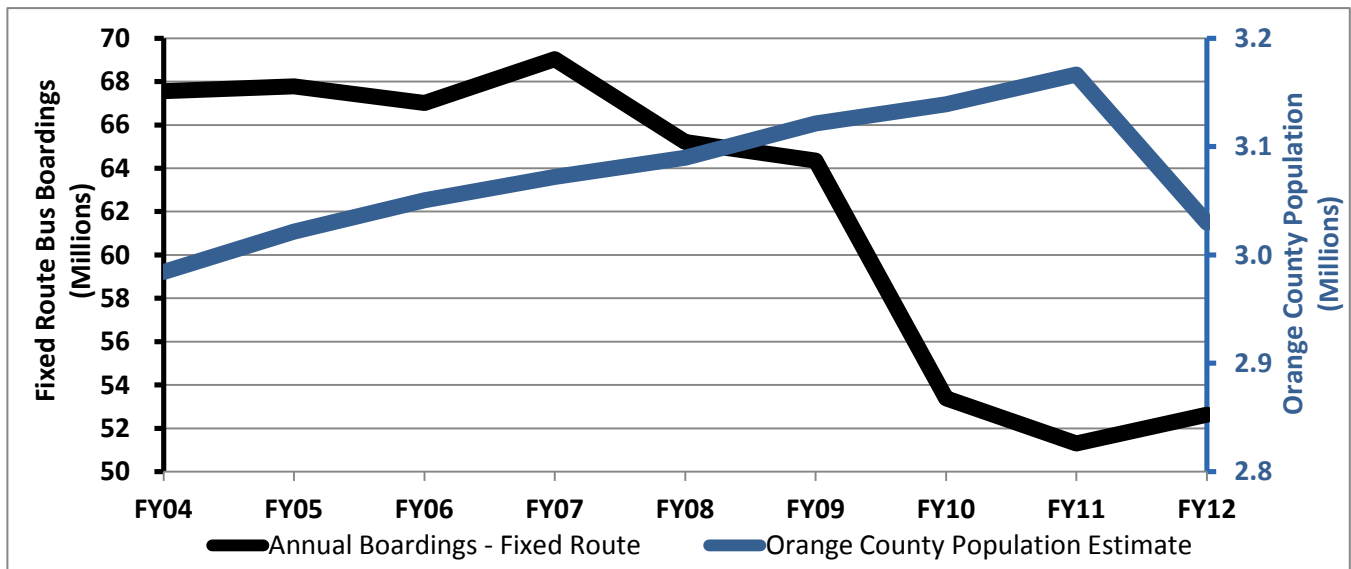
TABLE 5-1  
Fixed Route Revenue Service Levels, FY 2008 – FY2012

Reporting Period		Service Planning Data			
		Annualized RVH	RVH Change	Cumulative Change	Cumulative % Change
FY08	Jun-08	1,932,580			
FY09	Sep-08	1,927,328	(5,252)		
	Dec-08	1,899,273	(28,055)	(33,307)	
	Mar-09	1,848,889	(50,384)	(83,691)	
	Jun-09	1,793,938	(54,951)	(138,642)	-7.2%
FY10	Sep-09	1,698,047	(95,891)	(234,533)	
	Dec-09	1,690,536	(7,511)	(242,044)	
	Mar-10	1,538,807	(151,729)	(393,773)	
	Jun-10	1,541,632	2,825	(390,948)	-20.2%
FY11	Oct-10	1,537,733	(3,899)	(394,847)	
	Feb-11	1,540,288	2,555	(392,292)	
	Jun-11	1,544,084	3,796	(388,496)	-20.1%
FY12	Oct-11	1,541,864	(2,220)	(390,716)	
	Feb-12	1,538,836	(3,028)	(393,744)	
	Jun-12	1,542,787	3,951	(389,793)	-20.2%

Sources: FY07-FY09 TDA Performance Audit, Transfer of Service Provisions. RVH stands for revenue vehicle hours. RVH Change is the change in RVH from one quarter to the next. Cumulative change and cumulative % change are measured relative to June 2008.

Plotting OCTA's ridership for the past nine years shows that fixed route ridership peaked in FY07, prior to the start of the current audit period, with 69 million boardings. Then, as a result of job losses, service cuts, and a January 2009 fare increase, fixed route ridership declined steeply in FY10. During the current audit period, fixed route ridership dropped by 18%, but began to recover in FY12, when boardings increased 2.4%.

FIGURE 5-2

**Orange County Population and Fixed Route Bus Boardings FY 2004 to FY 2012**

Sources: Population Estimates of the California Department of Finance, Comprehensive Annual Financial Reports (CAFRs)

In 2010, OCTA initiated the Transit System Study (TSS), a comprehensive operations analysis of OCTA's fixed route and demand response services. The Study, which was completed in 2012, evaluated the allocation of transit services in the County in order to better match resources to demand. It identified a series of short, medium, and long-term changes to improve OCTA's efficiency and effectiveness in maximizing mobility benefits. OCTA will begin implementing TSS pilot projects in FY14 and FY15, including limited stop service on Harbor Boulevard and express bus service on State Routes 22 and 73.

### Farebox Recovery

At the onset of the recession, due to projected revenue shortfalls, OCTA took proactive steps to reduce operating costs. By scaling back transit services, OCTA was able to maintain the required farebox recovery ratio during the audit period.

Under PUC Sections 99268.2, 99268.3, or 99268.4, the systemwide farebox recovery ratio for an urbanized area must be the greater of 20% or the 1978/1979 farebox recovery ratio including local subsidies. The farebox recovery ratio including local subsidies, which was 24.42% in FY79, is the measure OCTA is required to meet. During the current audit period, OCTA exceeded both farebox recovery targets, as shown in Table 5-2.



TABLE 5-2  
**Systemwide Farebox Recovery FY 2009 to FY 2012**

Date Item and Farebox Ratio	Base Year FY09	Audit Review Period			% Change FY09-FY12
		FY10	FY11	FY12	
Farebox Recovery Ratio (no local subsidies)					
Farebox Revenues (a)	\$53,873,081	\$51,632,903	\$50,718,446	\$50,645,358	-6.0%
Operating Costs (b)	\$253,043,717	\$240,311,497	\$227,152,443	\$239,232,251	-5.5%
<b>Farebox Recovery Ratio</b>	<b>21.3%</b>	<b>21.5%</b>	<b>22.3%</b>	<b>21.2%</b>	<b>-0.6%</b>
Farebox Recovery Ratio (with local subsidies)					
Farebox Revenues	\$53,873,081	\$51,632,903	\$50,718,446	\$50,645,358	-6.0%
Local Subsidies	\$15,491,666	\$12,818,524	\$14,050,294	\$14,559,525	-6.0%
Operating Costs (b)	\$253,043,717	\$240,311,497	\$227,152,443	\$239,232,251	-5.5%
<b>Farebox Recovery Ratio (with local subsidies)</b>	<b>27.41%</b>	<b>26.82%</b>	<b>28.51%</b>	<b>27.26%</b>	<b>-0.6%</b>
<b>TDA Requirement</b>	<b>24.42%</b>	<b>24.42%</b>	<b>24.42%</b>	<b>24.42%</b>	

(a) Farebox revenues exclude charter revenues

(b) TDA operating costs exclude depreciation and charter costs

Sources: NTD Reports, State Controller Reports

Calculating the farebox recovery ratio for each mode, as shown in Table 5-3, is helpful for understanding the performance of the individual modes. During the audit period, OCTA's farebox recovery for fixed route services improved from 22.8% in FY09 to 24.1% in FY10 and 25.9% in FY11, and then dropped back to 24.4% in FY12. The 7.1% improvement during the audit period resulted in part from the increased passenger loads due to the reduced service frequency. In addition, the fare increase in January 2009 positively impacted the farebox recovery ratio. The average fare for fixed route bus service went from \$0.76 in FY09 to \$0.87 in FY10, a 14% increase.

The demand response farebox recovery ratios declined each year of the audit period, dropping 25.2% overall, from 12.5% in FY09 to 9.4% in FY12. This trend is a result of increasing demand response operating costs, which grew 38.5% over the period, paired with a much smaller (3.6%) increase in farebox revenues.

TABLE 5-3  
**Fixed Route and Demand Response, Farebox Recovery FY 2009 to FY 2012**

**FAREBOX RECOVERY CALCULATION – FIXED ROUTE BUS SERVICE**

Date Item and Farebox Ratio	Base Year FY09	Audit Review Period			% Change FY09-FY12
		FY10	FY11	FY12	
TDA Farebox Recovery Ratio					
Farebox Revenues (a)	\$49,179,871	\$46,646,232	\$45,662,021	\$45,784,013	-6.9%
Operating Costs (b)	\$215,645,908	\$193,364,502	\$176,530,801	\$187,429,610	-13.1%
<b>TDA Farebox Recovery Ratio</b>	<b>22.8%</b>	<b>24.1%</b>	<b>25.9%</b>	<b>24.4%</b>	<b>7.1%</b>

## FAREBOX RECOVERY CALCULATION – DEMAND RESPONSE

Date Item and Farebox Ratio	Base Year FY09	Audit Review Period			% Change FY09-FY12
		FY10	FY11	FY12	
TDA Farebox Recovery Ratio					
Farebox Revenues (a)	\$4,693,210	\$4,986,671	\$5,056,425	\$4,861,345	3.6%
Operating Costs (b)	\$37,397,809	\$46,946,995	\$50,621,642	\$51,802,641	38.5%
TDA Farebox Recovery Ratio	12.5%	10.6%	10.0%	9.4%	-25.2%

(a) Farebox revenues exclude charter revenues

(b) TDA operating costs exclude depreciation and charter costs

Sources: NTD Reports, State Controller Reports

OCTA implemented a fare increase in February 2013, which is expected to improve the farebox recovery ratios for each mode.

### TDA Performance Indicators

OCTA's performance against the five TDA indicators is depicted in Table 5-4. These indicators incorporate key measures of transit service delivery and consumption, including operating costs, ridership, service levels, and employee FTEs. Overall, the TDA performance measures indicate declining performance trends for the FY10-FY12 performance audit period, but it is important to understand these results in the context of the severity of the economic conditions OCTA faced during this time.

In response to declining revenue projections, OCTA made service reductions, which resulted in layoffs, a hiring freeze, and decreased operating costs. Ridership also dropped as a consequence of both the continued loss of employment in the County and the service cuts. The majority of service cuts occurred in FY09 and FY10. Service levels remained relatively stable from the 4<sup>th</sup> quarter of FY10 through the end of the audit period, as shown previously in Table 5-1. However, the reduction in service hours and miles and the loss of ridership affected service productivity; both passengers per revenue vehicle hour and passengers per revenue vehicle mile declined. Operating cost per revenue vehicle hour and per passenger increased more rapidly than the CPI, indicating declines in service efficiency and effectiveness. Labor productivity, measured by revenue hours per employee FTE, also declined.

During this time and as a result of the recession, the inflation rate has been lower than normal. For the Los Angeles-Riverside-Orange County region, the average rate of inflation during the last ten years has been 2.7% annually or about 8.1% over a three-year audit period, compared to the 5.4% growth experienced since FY09. As a result, comparisons of cost-based performance indicator trends to the CPI are unfavorable, despite the steps OCTA has taken to reduce costs.

TABLE 5-4

#### Systemwide, TDA Performance Indicators FY 2009 to FY 2012

Verified TDA Statistics & Performance Indicators	Base Year FY09	Audit Review Period			% Change FY09-FY12
		FY10	FY11	FY12	
Operating Costs (a)	\$253,043,717	\$240,311,497	\$227,152,443	\$239,232,251	-5.5%
Unlinked Passengers	65,820,436	54,859,561	52,859,504	54,102,122	-17.8%
Revenue Vehicle Hours	2,570,065	2,340,497	2,222,018	2,221,277	-13.6%
Revenue Vehicle Miles	33,976,789	31,241,160	29,767,625	29,953,258	-11.8%
Employee FTEs	2,467	2,402	2,050	2,341	-5.1%

Verified TDA Statistics & Performance Indicators	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Operating Cost per Revenue Vehicle Hour	\$98.46	\$102.68	\$102.23	\$107.70	9.4%
Operating Cost per Passenger	\$3.84	\$4.38	\$4.30	\$4.42	15.0%
Passengers per Revenue Vehicle Hour	25.61	23.44	23.79	24.36	-4.9%
Passengers per Revenue Vehicle Mile	1.94	1.76	1.78	1.81	-6.8%
Revenue Hours per Employee FTE	1,042	974	1,084	949	-8.9%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

(a) TDA operating costs exclude depreciation, charter, purchased transportation costs

Sources: NTD Reports, State Controller Reports (employee FTEs)

Systemwide cost efficiency decreased during the audit period. Operating cost per revenue hour increased by 9.4%, while the CPI increased only 5.4% during the same period. As noted previously, OCTA proactively worked to control and reduce operating costs in the face of declining revenues and ridership. Operating costs were reduced in both FY10 and FY11, and by over 10% over those two years, before they increased again in FY12 as some service was added back to the system. In FY12, operating costs were 5.5% lower than in FY09, while revenue hours were 13.6% lower. Consequently, operating cost per revenue hour increased 9.4% over the audit period, from \$98.46 to \$107.70, but held flat from FY10 to FY11.

Systemwide cost effectiveness decreased. Operating cost per passenger increased by 15.0%, from \$3.84 to \$4.42, and more rapidly than the increase in the CPI. The decrease in cost effectiveness reflects the impact of a 17.8% loss in ridership, which far exceeded the 5.5% reduction in operating costs.

Labor productivity, measured as revenue hours per employee FTE, fluctuated but declined 8.9% overall from 1,042 hours in FY09 to 949 in FY12. While revenue hours declined annually, employee FTEs fluctuated, declining 16.9% through FY11 as OCTA enacted layoffs and then increasing 14.2% in FY12.

Passengers per revenue hour and mile (service productivity) also decreased. The number of passengers per revenue hour and mile is negatively impacted by the loss in ridership as well as the service reductions. On a systemwide basis, vehicle productivity (i.e., average vehicle occupancy) remained relatively stable throughout the audit period, as shown in Table 5-5.

TABLE 5-5

**Systemwide and Mode, Vehicle Occupancy FY 2009 to FY 2012**

Operations Data	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
<b>Revenue Vehicle Miles</b>	<b>33,976,789</b>	<b>31,241,160</b>	<b>29,767,625</b>	<b>29,953,258</b>	<b>-11.8%</b>
Directly Operated Fixed Route Bus	21,909,914	19,117,260	16,911,932	15,712,554	-28.3%
Purchased Transportation Fixed Route Bus	1,684,645	1,506,812	2,136,028	3,374,999	100.3%
Purchased Transportation Demand Response	10,382,230	10,617,088	10,719,665	10,865,705	4.7%
<b>Passenger Miles</b>	<b>268,992,261</b>	<b>250,342,447</b>	<b>223,219,392</b>	<b>227,389,872</b>	<b>-15.5%</b>
Directly Operated Fixed Route Bus	248,484,440	228,594,516	193,486,121	187,136,227	-24.7%
Purchased Transportation Fixed Route Bus	5,668,390	6,452,547	13,991,482	24,511,029	332.4%
Purchased Transportation Demand Response	14,839,431	15,295,384	15,741,789	15,742,616	0
<b>Vehicle Occupancy</b>	<b>7.92</b>	<b>8.01</b>	<b>7.50</b>	<b>7.59</b>	<b>-4.1%</b>
Directly Operated Fixed Route Bus	11.34	11.96	11.44	11.91	5.0%
Purchased Transportation Fixed Route Bus	3.36	4.28	6.55	7.26	115.8%
Purchased Transportation Demand Response	1.43	1.44	1.47	1.45	1.4%

Source: NTD Reports

The rest of this section describes performance trends and results for:

- Fixed route bus service, including service operated directly by OCTA and service operated by MV Transportation under contract to OCTA
- Demand response service operated by Veolia under contract to OCTA to provide ACCESS service.

### 5.3 Fixed Route Bus Operations

Since FY09, OCTA has transitioned an increasing share of its fixed route bus service from direct operation to MV Transportation, OCTA's fixed route contract service provider. Under existing union contracts, OCTA is able to contract up to 30% of fixed route bus service. During the audit period, the proportion of revenue hours operated under contract increased from 6% to 15%, as shown in Table 5-6.

OCTA has used its fixed route service contractor to operate additional service during peak periods, as well as routes that have relatively low service productivity. OCTA traditionally assigned smaller vehicles to the contractors to use on the lower productivity routes and routes in hills and through residential neighborhoods. As a result, the proportion of passengers carried by MV Transportation, while increasing, is low compared to the share of service hours MV operates.

TABLE 5-6

**Fixed Route Bus, Directly Operated vs. Purchased Transportation FY 2009 to FY 2012**

Reporting Period	Directly Operated		Purchased Transportation		Total			
	Rev Hours	Passengers	Rev Hours	Passengers	Rev Hours	% PT	Passengers	% PT
FY09	1,775,422	63,228,490	116,303	1,127,216	1,891,725	6.1%	64,355,706	1.8%
FY10	1,567,392	52,472,607	102,016	904,005	1,669,408	6.1%	53,376,612	1.7%
FY11	1,403,371	49,413,462	140,566	1,891,951	1,543,937	9.1%	51,305,413	3.7%
FY12	1,310,402	48,444,009	233,052	4,086,924	1,543,454	15.1%	52,530,933	7.8%

Source: NTD Reports

MV Transportation operates its contracted service out of the Sand Canyon base, which is nearing its capacity for fueling and storage. Routes contracted to MV primarily serve the southern portion of the County, near Sand Canyon, to reduce deadhead. For its next service procurement, OCTA is considering an option that would permit the contractor to operate from both the Anaheim base and Sand Canyon to determine whether it would be advantageous to OCTA. The Anaheim base would provide an opportunity to transition some routes in the northern part of the County to the contractor. Currently, OCTA staffs the Anaheim base only during weekdays.

In the meantime, OCTA continues to identify new opportunities to transition additional routes to contracted service on a limited basis. During the service changes in October 2012, just after the end of the audit period, OCTA transitioned weekend service on certain routes to MV. Contracting weekend service had implications for the bid system and driver routes, resulting in operators driving excessive combinations of routes. OCTA may consider transitioning more weekday service to contracted service to improve the bid options.

#### Directly Operated Fixed Route Service

Table 5-7 provides TDA performance indicators for directly operated fixed route service. Operating cost per revenue vehicle hour, a measure of cost efficiency, remained relatively stable during FY10 and FY11, but increased appreciably in FY12. Overall during the audit period, operating cost per hour increased 9.3%, and more rapidly than inflation, even though OCTA contracted an additional 92,000 miles to MV Transportation in FY12, increasing contracted services by 66%.

Cost effectiveness, measured as operating cost per passenger, increased by 5.3%, roughly in line with the 5.4% increase in the CPI during the audit period.

Despite reductions in service and losses in ridership, the productivity of directly operated fixed route service improved as the number of passengers per revenue hour and mile increased.

Labor productivity (revenue hours per employee FTE) remained relatively stable. The proportion of administrative and oversight FTEs increased as more service was contracted to MV Transportation, reducing operations and maintenance FTEs required for directly operated services.

TABLE 5-7

**Directly Operated Fixed Route Bus, TDA Performance Indicators FY 2009 to FY 2012**

Verified TDA Statistics & Performance Indicators	Base Year	Audit Review Period			% Change FY09-FY12
	FY09	FY10	FY11	FY12	
Operating Costs (a)	\$208,854,810	\$184,631,595	\$164,912,952	\$168,439,515	-19.4%
Unlinked Passengers	63,228,490	52,472,607	49,413,462	48,444,009	-23.4%
Revenue Vehicle Hours	1,775,422	1,567,392	1,403,371	1,310,402	-26.2%
Revenue Vehicle Miles	21,909,914	19,117,260	16,911,932	15,712,554	-28.3%
Employee FTEs	1,658	1,435	1,304	1,252	-24.5%
Operating Cost per Revenue Vehicle Hour	\$117.64	\$117.80	\$117.51	\$128.54	9.3%
Operating Cost per Passenger	\$3.30	\$3.52	\$3.34	\$3.48	5.3%
Passengers per Revenue Vehicle Hour	35.61	33.48	35.21	36.97	3.8%
Passengers per Revenue Vehicle Mile	2.89	2.74	2.92	3.08	6.8%
Revenue Hours per Employee FTE	1,071	1,092	1,076	1,046	-2.3%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

(a) TDA operating costs exclude depreciation, charter, purchased transportation costs

Source: NTD Reports

During the audit period, vehicle operations accounted for 58% to 60% of directly operated fixed route operating costs, as shown in Table 5-8. The remainder of the operating costs is fairly evenly split between maintenance and administration.

TABLE 5-8

**Directly Operated Fixed Route Bus, Distribution of Operating Costs FY 2009 to FY 2012**

Operations Data	Base Year	Audit Review Period			% Change FY09-FY12
	FY09	FY10	FY11	FY12	
Operating Cost, Operations	\$117,321,288	\$110,123,197	\$96,194,665	\$97,789,104	-16.6%
Operating Cost, Maintenance	\$47,175,353	\$38,816,161	\$34,634,129	\$33,677,422	-28.6%
Operating Cost, Administration	44,358,169	35,692,237	34,084,158	36,972,989	-16.6%
% Operating Cost, Operations	56.2%	59.6%	58.3%	58.1%	3.4%
% Operating Cost, Maintenance	22.6%	21.0%	21.0%	20.0%	-11.5%
% Operating Cost, Administration	21.2%	19.3%	20.7%	22.0%	3.4%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

Source: NTD Reports

Operations also accounted for the highest share of FTEs. Approximately 70% of the total FTEs support service operations, as shown in Table 5-9, whereas maintenance accounts for approximately 18%. Administrative FTEs grew from 11% of total FTEs in FY09 to 14% in FY12. The proportion of administrative FTEs increased as total FTEs were reduced. Conversely, higher shares of operations and maintenance FTEs were eliminated from directly operated fixed route service as service was reduced and additional service was contracted.

TABLE 5-9

**Allocation of Directly Operated Fixed Route Bus Labor Hours and FTEs, FY 2009 to FY 2012**

FY	Operations			Maintenance			Administration			Total		
	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs
FY09	2,315,013	1,158	70%	627,996	314	19%	373,945	187	11%	3,316,954	1,659	100%
FY10	2,012,068	1,006	70%	519,506	260	18%	339,175	170	12%	2,870,749	1,435	100%
FY11	1,822,351	911	70%	459,804	230	18%	325,370	163	12%	2,607,525	1,304	100%
FY12	1,720,148	860	69%	442,088	221	18%	342,473	171	14%	2,504,709	1,252	100%

Source: NTD Reports

Generally, vehicle operations performance indicators such as those shown in Table 5-10 remained relatively steady over the audit period, indicating that OCTA successfully scaled down operations FTEs and costs in proportion to the service reductions. Noteworthy changes in performance indicators include:

- Through restructuring and contracting more of the service near the Sand Canyon base, OCTA was able to reduce deadhead time and increase service efficiency.
- Fewer service runs were missed. In the base year FY09, 35,101 revenue miles were not completed; in FY12, this number was down to 10,111, a 71% reduction (total revenue miles declined only 28%). A significant portion of OCTA's success is due to the increased distance between roadcalls, discussed further in the vehicle maintenance performance indicators.
- Labor cost per FTE increased with inflation.
- Despite cuts to operating costs, on a per revenue mile basis, operations costs increased more rapidly than the reduction in service, resulting in lower cost efficiency. In addition, the percentage loss in ridership exceeded the percentage decline in operating costs, resulting in lower cost effectiveness.
- Accidents per 100,000 total vehicle miles increased annually for the last three years. This indicator should be monitored to ensure that the increase is not a continuing trend.
- Service exceeded OCTA's on-time performance target of 85%. In each year of the audit period, on-time performance exceeded 90%. The new automatic vehicle location (AVL) system provides continuous information and enables OCTA to track on-time performance both overall, and also for specific time segments. Previously, OCTA relied on physical observations at designated time points to assess on-time performance.

TABLE 5-10

**Directly Operated Fixed Route Bus, Vehicle Operations Performance Indicators, FY 2009 to FY 2012**

Operations Data	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Vehicle Operations FTEs	1,157.5	1,006.0	911.2	860.1	-25.7%
Vehicle Operations Costs	\$117,321,288	\$110,123,197	\$96,194,665	\$97,789,104	-16.6%
Total Operator Pay Costs	\$48,771,318	\$45,736,533	\$41,187,669	\$38,652,928	-20.7%
Total Expanded Driver Pay Hours	2,315,031	2,012,068	1,822,351	1,720,148	-25.7%
Revenue Vehicle Hours (RVH)	1,775,422	1,567,392	1,403,371	1,310,402	-26.2%
Revenue Vehicle Miles (RVM)	21,909,914	19,117,260	16,911,932	15,712,554	-28.3%
Scheduled Revenue Vehicle Miles	21,945,015	19,130,178	16,923,032	15,722,665	-28.4%
Total Vehicle Hours	1,950,950	1,705,708	1,514,809	1,412,991	-27.6%
Total Vehicle Miles	26,349,690	22,744,152	19,871,445	18,354,852	-30.3%
Bus Accidents	843	671	649	662	-21.5%
Unlinked Passenger Trips	63,228,490	52,472,607	49,413,462	48,444,009	-23.4%
Passenger Miles	248,484,440	228,594,516	193,486,121	187,136,227	-24.7%
<b>Performance Indicators</b>					
RVH per Operations FTE	1,534	1,558	1,540	1,524	-0.7%
Operator Pay Cost as a % of Vehicle Ops Costs	41.6%	41.5%	42.8%	39.5%	-4.9%
Operator Wage per Pay Hour	\$21.07	\$22.73	\$22.60	\$22.47	6.7%
Revenue Vehicle Hours / Total Vehicle Hours	91.0%	91.9%	92.6%	92.7%	1.9%
% Deadhead Time	9.0%	8.1%	7.4%	7.3%	-19.3%
Unmet Scheduled RVM	35,101	12,918	11,100	10,111	-71.2%
Revenue Vehicle Miles / Total Vehicle Miles	83.2%	84.1%	85.1%	85.6%	3.0%
Vehicle Operations Cost per RVH	\$66.08	\$70.26	\$68.55	\$74.63	12.9%
Vehicle Operations Cost per Passenger Trip	\$1.86	\$2.10	\$1.95	\$2.02	8.8%
Vehicle Operations Cost per Passenger Mile	\$0.47	\$0.48	\$0.50	\$0.52	10.7%
Avg Psgr Miles per Psgr Trip	3.9	4.4	3.9	3.9	-1.7%
Accidents per 100,000 Total Vehicle Miles	3.2	3.0	3.3	3.6	12.7%
Average Service Speed	12.34	12.20	12.05	11.99	-2.8%
On-Time Performance	86.9%	90.6%	90.2%	92.0%	5.9%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

Sources: NTD Reports, Budgets, CAFRs, Maintenance Reports, Transit Division Quarterly Performance Measurement Reports

Generally, the vehicle maintenance indicators as shown in Table 5-11 remained relatively steady over the audit period, indicating that OCTA successfully scaled back maintenance FTEs and costs in proportion to the service reductions. Noteworthy changes in maintenance indicators include:

- Additional investments in parts cost per vehicle have resulted in an increase in miles between roadcalls (service reliability). No new buses entered service during the audit period. In FY12, the average age of standard buses in the active fleet was 8 years (192 (53%) of the 365 standard buses were manufactured in 2000 and 2001). The average age of articulated buses in the active fleet was 11 years (all 36 articulated buses were manufactured in 2000 and 2001). As OCTA replaces existing buses with new buses, the parts cost per vehicle should decrease.
- Labor costs per maintenance FTE increased slightly in FY10 and FY11, and then dropped in FY12 to the FY09 level.

- The spare ratio is calculated as the difference between the number of vehicles in the active fleet and the number of vehicles in the peak fleet divided by the number of vehicles in the peak fleet. The data are taken from OCTA's NTD Form S-10, which reports vehicles operated in annual maximum service (peak vehicles on the day with the highest service levels) and vehicles available for annual maximum service (active vehicles). The spare ratio for the directly operated fleet increased to 39.5% in FY11, which is well in excess of FTA's 20% guideline, as a result of OCTA's reduced peak vehicle requirements following the 20% service reduction in FY10. OCTA has worked to reduce the excess spare ratio, reducing the vehicle fleet available for directly operated maximum service by 49 vehicles (8%) in FY10, 43 vehicles (8%) in FY11, and 73 vehicles (15%) in FY12, in part by leasing 35 vehicles to Anaheim Transportation Network (ATN) and transferring larger buses to MV Transportation for use on contracted routes. As a result, the spare ratio for directly operated service dropped to a more reasonable 25.8% in FY12. Looking forward, as demand increases and vehicles return to service and as older vehicles are retired, the spare ratio can be expected to decrease further, as projected by the current Fleet Plan. The systemwide spare ratio, including both directly operated and contracted fixed route services is shown below:

<b>FIXED ROUTE SPARE RATIO</b>	FY09	FY10	FY11	FY12
Directly operated	21.4%	19.9%	39.5%	25.8%
Contracted	24.2%	23.8%	21.0%	27.0%
Total fixed route	21.7%	20.5%	35.2%	26.2%

Source: NTD Reports

TABLE 5-11

**Directly Operated Fixed Route Bus, Vehicle Maintenance Performance Indicators FY 2009 to FY 2012**

Maintenance Data	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Maintenance FTEs	314.0	259.8	229.9	221.0	-29.6%
Maintenance Costs	\$47,175,353	\$38,816,161	\$34,634,129	\$33,677,422	-28.6%
Maintenance Labor Costs	\$17,160,373	\$14,627,995	\$13,127,422	\$12,074,739	-29.6%
Maintenance Parts Costs	\$8,331,028	\$6,598,010	\$6,594,843	\$6,957,470	-16.5%
Total Vehicle Hours	1,950,950	1,705,708	1,514,809	1,412,991	-27.6%
Total Vehicle Miles	26,349,690	22,744,152	19,871,445	18,354,852	-30.3%
Peak Vehicles	477	442	349	329	-31.0%
Total Vehicles	579	530	487	414	-28.5%
Roadcalls, Mechanical (Valid Calls Only)	3,998	2,390	1,862	1,768	-55.8%



Maintenance Data	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
<b>Performance Indicators</b>					
Vehicle Hours per Maintenance FTE	6,213	6,567	6,589	6,392	2.9%
Vehicle Miles per Maintenance FTE	83,917	87,561	86,434	83,037	-1.0%
Vehicles per Maintenance FTE	1.8	2.0	2.1	1.9	1.6%
Maintenance Labor Cost as a % of Maint. Costs	36.4%	37.7%	37.9%	35.9%	-1.4%
Maintenance Cost per Vehicle	\$81,477	\$73,238	\$71,117	\$81,346	-0.2%
Maintenance Cost per Total Vehicle Hour	\$24.18	\$22.76	\$22.86	\$23.83	-1.4%
Maintenance Cost per Total Vehicle Mile	\$1.79	\$1.71	\$1.74	\$1.83	2.5%
Maintenance Labor Cost per Total Vehicle Mile	\$0.65	\$0.64	\$0.66	\$0.66	1.0%
Maintenance Labor Cost per Maintenance FTE	\$54,651	\$56,315	\$57,100	\$54,626	0.0%
Parts Cost / Total Vehicles	\$14,389	\$12,449	\$13,542	\$16,805	16.8%
Average Miles per Vehicle	45,509	42,913	40,804	44,335	-2.6%
Total Vehicle Miles Between Roadcalls	6,591	9,516	10,672	10,382	57.5%
Spare Ratio	21.4%	19.9%	39.5%	25.8%	20.8%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

Sources: NTD Reports, Budgets, CAFRs, Maintenance Reports, Transit Division Quarterly Performance Measurement Reports

Administration performance indicators shown in Table 5-12 fluctuated more than the operations and maintenance performance indicators. Noteworthy changes in performance indicators include:

- Casualty and liability costs dropped as a result of OCTA's investment in safety. During the audit period, OCTA led strategic initiatives to offset increasing costs. For example, OCTA and the unions have worked together to improve safety through training and performance incentives. This collaborative hands-on approach has enabled OCTA to reduce casualty and general liability costs while maintaining the same, if not better, coverage. Casualty and liability costs were reduced by \$282,000 in FY12, from \$0.05 per revenue mile to \$0.03 per mile.
- Fringe benefit costs were reduced by 14.3% from FY09 through FY11, and then increased by 24.0% in FY12, for an overall increase of 6.2% over the audit period. Since FTEs for directly operated fixed route services were reduced by 24.5% during the same period, the fringe benefit cost per FTE increased by 41%, from \$6,100 to \$8,600.
- During the audit period, OCTA relied less heavily on consultant services for advertising, professional and technical services, contract maintenance, and custodial, security, and other services. The cost of these services decreased 31.4%, from \$12 million in FY09 to \$8 million in FY12.
- As more service was contracted to MV Transportation, OCTA reduced its vehicle operations and maintenance staff. Administrative FTEs also decreased during the audit period but not at the same level. FTEs decreased by 26% for operations and 30% for maintenance, whereas administrative FTEs decreased by only 8%. In part, this inconsistency is a result of OCTA's need to retain administrative staff for oversight. After accounting for the service reduction, the productivity of the administrative staff relative to revenue hours and miles decreased.
- Over the audit period, administrative costs allocated to directly operated fixed route service dropped by \$7.4 million or 16.6%. With service reductions and layoffs, overall administrative costs decreased by 23.2% through FY11, before increasing again by 8.5% in FY12. Administrative labor costs decreased 8.4%, which is comparable to the reduction in administrative FTEs.

- The average fare per boarding increased from \$0.76 in FY09 to \$0.87 in FY10 as a result of the fare increase midway through FY09, and then remained at about that level in FY11 and FY12.
- Passenger complaints per 1,000 passengers increased 12.7% from 7.01 to 7.90. The increase in complaints is due to the reduction in service, which resulted in reduced frequency, and consequently longer waits between buses as well as some increased bus loads.

TABLE 5-12

**Directly Operated Fixed Route Bus, Administration Performance Indicators FY 2009 to FY 2012**

Administrative Data	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Administration FTEs	187.0	169.6	162.7	171.2	-8.4%
Administration Costs	\$44,358,169	\$35,692,237	\$34,084,158	\$36,972,989	-16.6%
Administration Labor Costs	\$15,059,346	\$13,551,646	\$13,239,637	\$13,781,319	-8.5%
Workers Compensation Costs	\$4,570,833	\$4,635,461	\$6,039,033	\$0 *	-100.0%
Casualty & Liability Costs	\$1,159,152	\$1,039,740	\$804,576	\$548,832	-52.7%
Fringe Benefit Costs	\$10,094,614	\$9,169,833	\$8,647,709	\$10,719,741	6.2%
Consultant/Contractor Service Costs	\$11,681,773	\$9,315,773	\$6,950,615	\$8,014,960	-31.4%
Total Cost - Directly Operated Fixed Route	\$208,854,810	\$184,631,595	\$164,912,952	\$168,439,515	-19.4%
Peak Vehicles	477	442	349	329	-31.0%
Revenue Vehicle Hours (RVH)	1,775,422	1,567,392	1,403,371	1,310,402	-26.2%
Revenue Vehicle Miles (RVM)	21,909,914	19,117,260	16,911,932	15,712,554	-28.3%
Unlinked Passenger Trips	63,228,490	52,472,607	49,413,462	48,444,009	-23.4%
Passenger Complaints	4,509	N/A	3,315	3,836	-14.9%
<b>Performance Indicators</b>					
Administration Costs per RVH	\$24.98	\$22.77	\$24.29	\$28.21	12.9%
Administration Costs per Peak Vehicle	\$92,994	\$80,752	\$97,662	\$112,380	20.8%
Administration Labor Costs per Peak Vehicle	\$31,571	\$30,660	\$37,936	\$41,889	32.7%
Administration Labor Costs as a % of Admin. Costs	34%	38%	39%	37%	9.8%
Administration Labor Costs per FTE	\$80,543	\$79,909	\$81,382	\$80,481	-0.1%
Administration Cost as Percent of Total DO FR Cost	21.2%	19.3%	20.7%	22.0%	3.4%
Peak Vehicles per Admin. FTE	2.6	2.6	2.1	1.9	-24.7%
Casualty & Liability Costs per Revenue Vehicle Mile	\$0.05	\$0.05	\$0.05	\$0.03	-34.0%
Revenue Vehicle Hours per Administration FTE	9,496	9,242	8,626	7,653	-19.4%
Revenue Vehicle Miles per Administration FTE	117,183	112,728	103,955	91,759	-21.7%
Average Passenger Fare	\$0.76	\$0.87	\$0.89	\$0.88	15.1%
Complaints per 1,000 Psgr Trips	7.01	6.94	6.74	7.90	12.7%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

Sources: NTD Reports, Budgets, CAFRs

\*. FY12 workers compensation costs are not available.

**Contracted Fixed Route Service**

OCTA's contracted fixed route service is operated by MV Transportation from OCTA's Sand Canyon base in Irvine, which is south and east of OCTA's three directly operated bases. The routes that operate from this base are primarily local routes in south Orange County, but also include commuter express routes and StationLink routes that provide connections for Metrolink commuters.

In 2009, OCTA entered into a three-year contract with two option years with MV Transportation to operate some fixed route service. At the beginning of the audit period, MV operated 6% of OCTA's revenue hours, carrying about 2% of the riders. By FY12, MV operated 15% of the revenue hours and carried 8% of the riders, as shown in Table 5-6. Under the collective bargaining agreement negotiated with the operators union (Teamsters Local 952) in 2010, OCTA is able to contract up to 30% of fixed route bus service.

In FY10, as the contract with MV Transportation was implemented, OCTA's cost per hour for contracted fixed route service increased 46.6%, from \$58.39 to \$85.60. These and other performance results for the contracted service are summarized in Table 5-13. Since OCTA contracted less productive routes, the contracted routes have lower ridership per revenue mile and hour than the directly operated fixed route service. However, as OCTA contracted out more of its routes and peak hour service, contracted fixed route ridership increased rapidly – by 262.6%. Consequently, cost effectiveness and productivity improved. Passengers per revenue hour increased 80.9%, from under 10 passengers per revenue hour to almost 18 passengers per hour. Cost per passenger dropped by 22.9% despite the overall increase in operating cost per revenue hour.

Since FY10, cost efficiency has improved as contracted service levels have increased by 128%, while operating costs increased more slowly, by 117%. For FY12, the service that is operated by MV Transportation is less productive than OCTA's directly operated routes (17.5 boardings per hour compared to 37.0 on directly operated services), but considerably more cost efficient (\$81.48 per revenue hour compared to \$128.54 for directly operated routes).

To provide the additional service, MV Transportation has increased employee FTEs by 120.8% from the level in FY09. After an initial reduction in FY10 in both FTEs and service levels, the number of FTEs increased by 51% in FY11 and 63% in FY12, resulting in decreased labor productivity. Revenue hours per employee FTE dropped 9.3% from FY09 and 7.4% from the time the contract was initiated in FY10.

TABLE 5-13

**Purchased Transportation Fixed Route Bus, TDA Performance Indicators FY 2009 to FY 2012**

Verified TDA Statistics & Performance Indicators	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Operating Costs (a)	\$6,791,098	\$8,732,907	\$11,617,849	\$18,990,095	179.6%
Unlinked Passengers	1,127,216	904,005	1,891,951	4,086,924	262.6%
Revenue Vehicle Hours	116,303	102,016	140,566	233,052	100.4%
Revenue Vehicle Miles	1,684,645	1,506,812	2,136,028	3,374,999	100.3%
Employee FTEs	162	145	218	357	120.8%
Operating Cost per Revenue Vehicle Hour	\$58.39	\$85.60	\$82.65	\$81.48	39.5%
Operating Cost per Passenger	\$6.02	\$9.66	\$6.14	\$4.65	-22.9%
Passengers per Revenue Vehicle Hour	9.69	8.86	13.46	17.54	80.9%
Passengers per Revenue Vehicle Mile	0.67	0.60	0.89	1.21	81.0%
Revenue Hours per Employee FTE	720	705	644	653	-9.3%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

(a) TDA operating costs exclude depreciation, charter, purchased transportation costs

Source: NTD Reports, State Controller Reports

Additional performance indicators for contracted fixed route service are shown in Table 5-14. Noteworthy results include:

- The length of passenger trips increased by 19.3%, as OCTA began assigning longer routes to MV Transportation.
- The proportion of total miles that are deadhead miles dropped by 18.5%, improving cost efficiency.

- Accidents per 100,000 total vehicle miles increased by 26.6%. A share of these additional accidents may be due to increased service during peak periods with higher traffic congestion.
- Complaints per 1,000 passengers decreased by 60.6%, indicating improved customer satisfaction with the services being provided by the operator.
- As MV Transportation has taken on more revenue hours and routes, data provided in OCTA's Transit Division Quarterly Performance Measurement Reports shows that on-time performance dropped in FY12, from 92.6% to 83.2%. Poorer on-time performance in FY12 may be attributable to the significant increase in contracted revenue hours (92,000) in FY12. On-time performance should be tracked to ensure that the service returns to pre- FY12 levels and at least meets OCTA's performance target of 85%.
- In FY12, the average fare decreased from \$1.01 to \$0.79.

TABLE 5-14

**Purchased Transportation Fixed Route Bus, Additional Performance Indicators FY 2009 to FY 2012**

Operations Data	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Total Cost - Contracted Fixed Route	\$6,791,098	\$8,732,907	\$11,617,849	\$18,990,095	179.6%
Purchased Transportation	\$5,334,621	\$7,308,015	\$9,535,018	\$15,876,184	197.6%
Revenue Vehicle Hours (RVH)	116,303	102,016	140,566	233,052	100.4%
Revenue Vehicle Miles (RVM)	1,684,645	1,506,812	2,136,028	3,374,999	100.3%
Total Vehicle Hours	151,938	135,994	191,821	288,158	89.7%
Total Vehicle Miles	2,683,918	2,440,642	3,495,858	4,835,249	80.2%
Unlinked Passenger Trips	1,127,216	904,005	1,891,951	4,086,924	262.6%
Passenger Miles	5,668,390	6,452,547	13,991,482	24,511,029	332.4%
Total Vehicles	81	91	126	160	97.5%
<b>Performance Indicators</b>					
Purchased Transportation as a % of Total Costs	78.6%	83.7%	82.1%	83.6%	6.4%
Total Vehicle Miles / Total Vehicles	33,135	26,820	27,745	30,220	-8.8%
Passenger Miles per Passenger Trip	5.03	7.14	7.40	6.00	19.3%
% Deadhead Time	23.5%	25.0%	26.7%	19.1%	-18.5%
Accidents per 100,000 Total Vehicle Miles	0.79	0.92	1.24	1.00	26.6%
Complaints per 1,000 Psgr Trips	1.04	0.87	0.54	0.41	-60.6%
Average Service Speed	14.5	14.8	15.2	14.5	0.0%
On-Time Performance	93.4%	93.9%	92.6%	83.2%	-10.9%
Average Passenger Fare	\$0.81	\$1.10	\$1.01	\$0.79	-2.6%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

Source: NTD Reports, OCTA Transit Division Quarterly Performance Measurement Reports

## 5.4 Demand Response Operations

ACCESS provides the complementary demand response service in the OCTA service area that is mandated by the Americans with Disabilities Act (ADA). This service is available to individuals who are unable to use OCTA's fixed route bus service due to functional limitations caused by a disability. OCTA has certified about 31,900 individuals as eligible for ACCESS service; about 11,950 are considered active riders (that is, riders who rode four or more times in the previous year).

Four types of service are available to ADA-eligible ACCESS riders:

- Standard curb-to-curb service,
- Door-to-door service, for which there is an additional charge for the driver to escort the passenger to or from the vehicle,
- Subscription service, for riders who regularly make the same trip, and
- Taxi service that supplements conventional ACCESS services, particularly during peak periods, late nights, and on weekends.

ACCESS services are operated under contract by Veolia Transportation Services and its subcontractor, American Logistics, who brokers the supplemental taxi services. The contract is overseen by the Transit Division's Community Transportation Services and operates from OCTA's Construction Circle facility in Irvine. With over 670,000 revenue hours, almost 700 demand response vehicles and 300 taxis, and a contract value of over \$50 million per year, OCTA operates one of the largest demand response service contracts in the country.

Veolia began operating both contracted fixed route and ACCESS demand response services for OCTA in July 2006, under a three-year contract. In 2008, OCTA negotiated a new three-year agreement with Veolia to provide ACCESS service through FY12, and re-bid the fixed route service and awarded it to MV Transportation. In September 2011, Veolia's contract has been extended to June 30, 2013. Veolia's contract rate per revenue vehicle hour increased by roughly 20% from FY09 to FY10, accounting for most of the increase in OCTA's demand response operating costs observed in FY10.

In June 2011, the Veolia contract was amended again, reducing the FY12 contract rate per revenue hour from \$56.61 to \$54.38, extending the contract for one year, and increasing the FY12 rate by only 1% to \$54.92 for FY13. This change is expected to curtail cost growth in FY13 while allowing OCTA to move forward with other opportunities to limit cost growth, including expansion of supplemental and same-day taxi services.

With a large and expanding elderly population, Orange County must continue to focus on the productivity and cost-effectiveness of its demand response services while remaining in compliance with ADA requirements. Working with Veolia, OCTA has developed solutions to maintain and improve ACCESS service quality and cost effectiveness. For example, at the beginning of the audit period, customers could schedule rides up to seven days in advance. Riders now may schedule trips up to 3 days in advance. This change has reduced call volumes, and the number of cancellations and no-shows has dropped to under three percent.

OCTA has also implemented a number of ADA demand response best practices:

- OCTA charges a fee of \$5.00 for the door-to-door service (\$10.00 for door-to-door service at both origin and destination) to limit the use of this service, which is costly to provide and not required by ADA.
- OCTA contracts with CARE Evaluators to perform in-person eligibility assessments of all ADA applicants, improving the efficiency of the application process and reducing the number of ineligible users.
- The CARE evaluation process also enforces four categories of ADA eligibility (unconditional, conditional, trip-by-trip, temporary), which can mitigate demand if the agency is able to enforce them.
- OCTA encourages ACCESS users to use lower-cost fixed route services by providing a much lower fare (\$0.25 per fixed route boarding for ACCESS-eligible riders).
- CARE also offers in-person training to help ADA-eligible riders learn how to make their trip(s) on a fixed route bus.
- As a growth management strategy, OCTA oversees and funds programs designed to provide alternatives and mitigate the cost of conventional ACCESS service for seniors and persons with disabilities:
  - Same-day taxi service is scheduled the day and time a customer wishes to travel. The fare is the ACCESS fare (currently \$3.60) plus any amount on the meter over \$10.00. During the audit period,

OCTA subsidized up to \$7.30 per trip, which is significantly less than the \$33.74 per passenger OCTA subsidized for traditional demand response service in FY12.

- OCTA subsidizes 80% of the cost of each trip made by an ACCESS-eligible client to agencies like adult health care providers and day programs that provide service comparable to ACCESS at a lower cost.
- OCTA supports up to 80% of the cost of Senior Mobility Program contracts with cities and non-profits to provide local transportation services for seniors. Previously funded using TDA Article 4.5 funds, they are now funded by M2, freeing Article 4.5 dollars for other transit services, including ACCESS.
- M2 revenues also supplement the County’s Senior Non-Emergency Medical Transportation Program, and allow ACCESS-eligible riders to use the service, effective July 1, 2011.

TABLE 5-15  
Demand Response, Operating Cost per Passenger FY 2009 to FY 2012

Operations Data	Base Year	Audit Review Period		
	FY09	FY10	FY11	FY12
Demand Response (Paratransit) Operating Cost per Passenger	\$25.53	\$32.56	\$33.62	\$33.74
Demand Taxi Operating Cost per Passenger		\$6.84	\$7.05	\$5.70

Source: NTD Reports

During the audit period, OCTA faced higher demand for ACCESS services due to the economic downturn and an aging population as well as increasing operating costs. Operating cost increased significantly in FY10 as a result of the new contract with Veolia. In response to higher total costs and financial constraints, OCTA focused on providing demand response service more cost effectively. Between FY10 and FY12, OCTA was able to limit the growth in operating cost per revenue vehicle hour to 8.8%, but still exceeded the 4.5% inflation rate. Meanwhile, OCTA was able to limit growth in the operating cost per passenger to 4.1% between FY10 and FY12.

OCTA’s recent stabilization of cost efficiency and effectiveness is attributable to the cost improvement strategies such as supplemental and same-day taxi, and increasing service productivity. Passengers per revenue hour and per revenue mile increased during the audit period by 7.3% and 2.5%, respectively. Through improved trip planning and communications, Veolia has accommodated increasing ridership while succeeding in holding the revenue vehicle miles and hours constant.

Employee FTEs fluctuated considerably each year during the audit period. With relatively smooth service levels, labor productivity varied with FTE fluctuations, spiking in FY11 and then declining and ending the audit period down 11.7%.

TABLE 5-16  
Demand Response, TDA Performance Indicators FY 2009 to FY 2012

Verified TDA Statistics & Performance Indicators	Base Year	Audit Review Period			% Change FY09-FY12
	FY09	FY10	FY11	FY12	
Operating Costs (a)	\$37,397,809	\$46,946,995	\$50,621,642	\$51,802,641	38.5%
Unlinked Passengers	1,464,730	1,482,949	1,554,091	1,571,189	7.3%
Revenue Vehicle Hours	678,340	671,089	678,081	677,823	-0.1%
Revenue Vehicle Miles	10,382,230	10,617,088	10,719,665	10,865,705	4.7%
Employee FTEs	647	822	528	732	13.1%

Verified TDA Statistics & Performance Indicators	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Operating Cost per Revenue Vehicle Hour	\$55.13	\$69.96	\$74.65	\$76.43	38.6%
Operating Cost per Passenger	\$25.53	\$31.66	\$32.57	\$32.97	29.1%
Passengers per Revenue Vehicle Hour	2.16	2.21	2.29	2.32	7.3%
Passengers per Revenue Vehicle Mile	0.14	0.14	0.14	0.14	2.5%
Revenue Hours per Employee FTE	1,048	816	1,284	926	-11.7%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

(a) TDA operating costs exclude depreciation, charter, purchased transportation costs  
Source: NTD Reports, State Controller Reports

OCTA's performance was in line with other United States demand response providers in both cost per boarding and farebox recovery indicators. In reviewing national demand response costs, the US Government Accountability found that the average cost of an ADA demand response passenger in 2010 was \$29.30 compared to \$8.15 for fixed route.<sup>2</sup> The average fare was \$2.09 for demand response and \$1.13 for fixed route bus service. This would equate to a farebox recovery ratio of only 7%. At \$31.66, OCTA's average cost per passenger in FY10 exceeded the national average by 8%. At 10.7%, OCTA's FY10 farebox recovery ratio exceeded the national average by a healthy 53%.

Noteworthy trends in additional performance indicators include:

- Purchased transportation costs, which are the cost of the Veolia service contract (including American Logistics' supplemental taxi service), increased annually with a large increase between FY09 and FY10 when the new Veolia contract was implemented. During the audit period, purchased transportation costs and total costs increased by 40.1% and 38.5%, respectively. Contract costs as a percentage of the total costs of providing ACCESS service remained constant during the audit period.
- Service costs, which include the cost of the contractor that performs eligibility assessments, nearly doubled in FY12 when the CARE Evaluators contract was re-procured.
- Vehicle productivity declined significantly during FY10. Over the audit period, vehicle miles operated per vehicle dropped from 36,000 to about 14,000, a 62.6% decrease. The drop in vehicle productivity reflects the inclusion of the taxis used for same-day taxi service in the vehicle counts. These taxis are not dedicated to demand response service; they also provide conventional taxi service.
- Average trip lengths (passenger miles per boarding) remained about 10 miles each year.
- Schedule productivity also improved as deadhead hours as a percentage of revenue hours dropped 25.3%. These reductions were spread almost evenly over each year of the audit period.
- OCTA continued to maintain and improve customer satisfaction. Complaints per 1,000 passengers decreased by 21.1%. Meanwhile, on-time performance continued to exceed the performance target of 85%.
- The accident rate increased 20.3% over the three-year audit period, with most of the increase occurring in FY11.
- Despite adjustments to the fare structure, the average ACCESS fare dropped slightly, from \$3.20 in FY09 to \$3.09 in FY12. The fare change in January 2009 led to the increase in the average fare for FY10 and FY11. In February 2013, OCTA increased the demand response fare from \$2.70 to \$3.60 to improve the average fare.

<sup>2</sup> U.S. Government Accountability Office, ADA Paratransit Services, Nov. 2012.

TABLE 5-17

**Demand Response, Additional Performance Indicators FY 2009 to FY 2012**

Operations Data	Base Year	Audit Review Period			% Change
	FY09	FY10	FY11	FY12	FY09-FY12
Total Cost – Demand Response	\$37,397,809	\$46,946,995	\$50,621,642	\$51,802,641	38.5%
Purchased Transportation Cost	\$30,248,620	\$38,950,735	\$41,503,211	\$42,389,677	40.1%
Service Costs	\$952,144	\$754,608	\$746,504	\$1,891,068	98.6%
Revenue Vehicle Hours (RVH)	678,340	671,089	678,081	677,823	-0.1%
Revenue Vehicle Miles (RVM)	10,382,230	10,617,088	10,719,665	10,865,705	4.7%
Total Vehicle Hours	785,445	768,693	766,177	754,722	-3.9%
Total Vehicle Miles	12,761,149	12,700,213	12,532,725	12,519,048	-1.9%
Unlinked Passenger Trips	1,464,730	1,482,949	1,554,091	1,571,189	7.3%
Passenger Miles	14,839,431	15,295,384	15,741,789	15,742,616	6.1%
Total Vehicles	352	808	1,041	923	162.2%
<b>Performance Indicators</b>					
Purchased Transportation as a % of Total Costs	80.9%	83.0%	82.0%	81.8%	1.2%
Total Vehicle Miles / Total Vehicles	36,253	15,718	12,039	13,563	-62.6%
Passenger Miles per Passenger Trip	10.13	10.31	10.13	10.02	-1.1%
% Deadhead Time	13.6%	12.7%	11.5%	10.2%	-25.3%
Accidents per 100,000 Total Vehicle Miles	0.59	0.58	0.76	0.71	20.3%
Complaints per 1,000 Psgr Trips	1.90	1.29	1.32	1.50	-21.1%
Average Service Speed	15.3	15.8	15.8	16.0	4.7%
On-Time Performance	95.2%	95.0%	93.9%	93.3%	-2.0%
Average Passenger Fare	\$3.20	\$3.36	\$3.25	\$3.09	-3.4%
% Change in Consumer Price Index (CPI-All)		0.9%	2.9%	1.6%	5.4%

Source: NTD Reports



# Section 6: Conclusions and Recommendations

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## 6.1 Conclusions

OCTA is in compliance with PUC requirements, made progress to implement prior audit recommendations, and has adequate and appropriate management controls.

- **Compliance with PUC Requirements** – OCTA was evaluated against 14 requirements that apply to Regional Transportation Planning Entities (RTPEs) and 11 requirements that apply to transit operators:
  - RTPE requirements – OCTA is in full compliance with nine RTPE requirements and partial compliance with two requirements. Three RTPE requirements do not apply to OCTA. There are no non-compliance issues. Nevertheless, OCTA could improve compliance by providing guidelines for allocating LTF funds under TDA Article 3 to the Bicycle and Pedestrian Facilities Program (BPF) before such allocations are made in the future; requiring OCTD and LBMTL to provide annual updates on a) performance metrics and b) the status of prior audit recommendations; and making required findings for all Article 4.5 claims.
  - Operator requirements – OCTD is in full compliance with eight transit operator requirements and partial compliance with one requirement. Two operator requirements do not apply to OCTA. There are no instances of non-compliance, but OCTD could improve compliance with these requirements by providing the information needed to make compliance findings on Article 4.5 claims.
- **Progress to Implement Prior Audit Recommendations** – Of seven prior audit recommendations, OCTA has fully implemented five recommendations, which involve 1) monitoring transit system performance as service levels were reduced, 2) seeking opportunities to control fixed route operating costs, 3) improving Transit performance reporting, 4) developing an agencywide strategic plan, and 5) ensuring that OCTA is structured and staffed to deliver the M2 program. OCTA has partially implemented a recommendation to improve compliance with PUC requirements pertaining to claiming TDA funds; implementation of this recommendation is on-going and is included as a recommendation of the current audit. One recommendation was found not to be applicable for the current audit period.
- **Management Control and Reporting** – During the audit period, OCTA developed a Strategic Plan with the objective of enhancing the Authority’s focus on performance, accountability, and transparency. The Strategic Plan provides the groundwork for performance metrics and a performance based management structure, and provides guidance for the annual budget process. OCTA’s Comprehensive Business Plan (CBP) is a 20-year cash flow model that is consistent with the Strategic Plan and provides descriptions, trends, funding sources, and uses of funds for OCTA’s bus operations, Rail, Measure M, Measure M2, 91 Express Lanes, Motorist and Taxicab Services, and Non Program Specific Projects & Expenditures. The Strategic Plan formalized the information that is reported quarterly to the Board and in addition to department level monthly performance reports.

As the RTPE, OCTA administered the TDA program in compliance with TDA requirements, and identified and marketed transportation alternatives such as commuter bikeways, rideshare services, and a new bikeshare program. In addition to the Strategic Plan, OCTA completed several documents that are integral to the planning, funding, development and implementation of transportation solutions, including the Transit System Study, *Destination 2035* (the long range transportation plan), and the Sustainable Communities Strategy

Audit period performance was strongly influenced by a recession that started in 2008 and continued through most of the audit period. OCTA managed its finances effectively through this period. Facing declining revenues and ridership losses, OCTA controlled operating costs proactively through labor contract negotiations and service and staff reductions.

- **Systemwide TDA Performance Indicators** – OCTA’s systemwide performance results on all five of the TDA-mandated performance indicators trended in the wrong direction over the audit period, despite some improvements in FY11. Operating cost per revenue vehicle hour, an indicator of cost efficiency, increased 9.4% from FY09 to FY12, while operating cost per passenger, an indicator of cost effectiveness, increased 15.0%. Passengers per revenue vehicle hour, which measures the effectiveness of service delivered, fell 4.9% from FY09 to FY12, as ridership declined (17.8%) more rapidly than service was reduced (13.6%). Despite reductions in staffing, revenue vehicle hours per employee FTE declined 8.9%. These results reflect the cost containment measures that OCTA implemented throughout the audit period, such as service reductions, service contracting, and staffing cuts. Without these actions, performance results could have been much worse.
- **Modal Performance** – Some modal performance results improved over the audit period. **Directly operated service** showed improved cost and service effectiveness as the level of contracted service increased. Specifically, operating cost per passenger increased only 5.3%, which was in line with the 5.4% increase in the CPI. Service effectiveness for directly operated service also improved. Passengers per revenue vehicle hour and per revenue vehicle mile both improved, by 3.8% and 6.8% respectively. Labor productivity for directly operated services declined, but only slightly (by 2.3%). **Contracted fixed route services**, which accounted for 15% of total fixed route service in FY12, demonstrated a 22.9% improvement in cost effectiveness (cost per passenger). Performance results for other contracted fixed route services experienced large percentage shifts as a result of the doubling of service levels and the implementation of a new contract in FY10. While contracted services accounted for 10% of fixed route costs, these results impacted 15% of total fixed route service and 7.7% of fixed route ridership. **Demand response services** showed improved service effectiveness, as both passengers per revenue vehicle hour increased 7.3% and passengers per revenue vehicle mile improved 2.5%.
- **Functional Performance** – Despite efforts to control costs, operating costs increased more rapidly than service levels were reduced, resulting in higher costs per revenue vehicle hour. Nevertheless, by restructuring and contracting additional service, OCTA reduced deadhead and increased service efficiency. Maintenance investments in parts resulted in improved service reliability, with an increase in miles between roadcalls. Service reductions impacted the peak vehicle requirement, resulting in an increase in the spare ratio. OCTA is successfully taking steps to bring the spare ratio back in line with federal guidelines. OCTA and the unions have worked collaboratively to improve safety, resulting in a reduction in casualty and liability costs.

## 6.2 Recommendations

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 OCTA’s positive performance results during the performance audit review period, noted throughout this report.

The following recommendations are provided for consideration by OCTA:

### Recommendation 1: Continue to improve compliance with PUC requirements.

- **Understanding of the Issue:** Although OCTA is substantially in compliance with all PUC requirements, there are actions recommended in prior performance audits that OCTA could take to improve compliance.
- **Recommended Action:** It is recommended that OCTA consider implementing the following recommendations to improve compliance with PUC requirements for administering TDA funds:
  - a) Clarify reporting requirements for Article 4.5 claims and the required evaluation and findings, and document annual findings prior to approving Article 4.5 claims. OCTA’s TDA Guidelines define seven

criteria that must be verified annually in approving the Article 4.5 claims. However, OCTD was not submitting the necessary evidence and OCTA was not conducting the evaluation and making the required findings. Improve compliance with PUC 99275.5 by:

- Requiring OCTD to submit the information described in the OCTA TDA Guidelines. OCTD authorizing staff should also initial item 9b (performance criteria, local match requirements, fare recovery ratios) in the Standard Assurances for Applicants.
- Requiring OCTA to document the required evaluation and findings. The findings could also be documented in the Board resolution authorizing the allocations of Article 4.5 funds.

**Management Response to 1(a):** *Management agrees with the recommendation that findings must be made for all Article 4.5 claims. Since OCTD is the only eligible claimant of Article 4.5 funds then those findings must be made for future OCTD Article 4.5 claims. OCTA has created a checklist including all required findings that must be made for Article 4.5 claims. This completed checklist with supporting documentation will be required with all OCTD Article 4.5 claims going forward.*

- b) OCTA should require TDA Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals as part of item 11 of OCTA's TDA guidelines. PUC 99244 requires RTPes to identify, analyze and recommend potential productivity improvements. OCTA could improve those oversight activities by requiring Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals, including a description of actions taken to implement each prior recommendation and its current status.

**Management Response to 1(b):** *Management agrees with the recommendation that OCTA could improve oversight activities by requiring Article 4 claimants to provide status updates on prior audit recommendations as part of their annual TDA claims process. Going forward OCTA will require a description of actions taken to implement each prior recommendation and its current status with each operator's annual claim.*

- c) OCTA should update and re-distribute the TDA Claim budget form to Laguna Beach to ensure that the form they use includes current requirements and references. The budget form that requires three years of operating revenue and cost data should be consistent for all transit claimants. Revisions include updating references to federal funds as FTA (instead of UMTA) which reflect federal statutes. OCTD's claim shows the FTA reference, but the Laguna Beach claim does not.

**Management Response to 1(c):** *Management agrees with the recommendation and will provide Laguna Beach with an updated TDA Claim budget form to be used beginning with the FY 2013-14 claim.*

- d) OCTA should ensure that all 16 performance measures listed in the OCTA TDA guidelines are calculated and included in the TDA claims submitted by OCTD and Laguna Beach.

**Management Response to 1(d):** *Management agrees with the recommendation that all performance measures listed in OCTA's TDA guidelines are calculated and included in the TDA claims submitted by OCTD and Laguna Beach. OCTA has recently updated the OCTA TDA guidelines and will ensure all performance measures listed in the guidelines are included in each operator's claim going forward.*

- **Expected Results:** OCTA should demonstrate improved compliance with PUC requirements, further implementation of requirements in its TDA Guidelines, and greater formatting consistency with the claims forms.