



Orange County Transportation Authority

Triennial Performance Audit of the City of Laguna Beach – Laguna Beach Municipal Transit Lines

FY 2022 to FY 2024

April 2025

FINAL REPORT

Submitted by
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in association with
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1. Executive Summary

This report presents the results of the triennial performance audit of the City of Laguna Beach's public transit program known as Laguna Beach Municipal Transit Lines (LBMTL). The purpose of the audit is to provide a tool for the City of Laguna Beach (City) management and the California State Department of Transportation (Caltrans) to audit performance trends, evaluate compliance with California's Transportation Development Act (TDA) and obtain a high-level review of key functional achievements and challenges during the audit period. This triennial performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the Caltrans TDA Performance Audit Guidebook under California Public Utilities Code (PUC) Section 99246.

The period reviewed encompasses the three-year period from July 1, 2021, through June 30, 2024. The performance audit included a review of the following:

- **Compliance with PUC** – ensuring compliance with applicable PUC requirements.
- **Data Collection and Reporting** – verification of TDA data collection and reporting procedures.
- **Prior Audit Recommendations** – reporting on implementation of the prior triennial performance audit recommendations.
- **Performance Trends** – summaries of performance indicators for the audit period.
- **Functional Review** – high-level review of key functional areas surveyed as part of the process of conducting the audit, resulting in suggestions for operational and management improvements.



Our findings and recommendations include the following:

COMPLIANCE WITH PUC

LBMTL met all compliance requirements with respect to the PUC Section 99246 except for filing its FY 2024 State Controller's Report within seven months of the end of the fiscal year.

DATA COLLECTION AND REPORTING

LBMTL was not consistent with its reporting of key financial and operating statistics between the various agencies. Clarification in reporting operating costs, passenger revenues, and unlinked passenger trips should be implemented to ensure that performance data is being reported more consistently by service type on performance measurements reports.

PRIOR AUDIT RECOMMENDATIONS

LBMTL has made reasonable progress toward each of the six prior audit recommendations.

PERFORMANCE TRENDS

LBMTL system performance was significantly impacted by the coronavirus pandemic and its management decided to temporarily suspend transit operations from March 20, 2020, to June 24, 2021. In resuming service, LBMTL has seen its ridership on the system increase by 27.4% over the audit period, 17.1% for the Trolley service and 385% for the demand response. The large increase in the demand response service was a result of a significant expansion of services that were introduced in FY 2023. With the resumption and expansion of these services, LBMTL did see an increase in operating costs (16.7%) but these increases were consistent with the consumer price index during that period (15.0%) resulting in an increase in overall system efficiency.



FUNCTIONAL REVIEW

LBMTL is performing in a mostly efficient and effective manner. The City funded a short-range transit plan to be completed by LBMTL. LBMTL has also made efforts to address financial reporting issues relating to its methodology for calculating transit operator costs. In addition, the City moved from an in-house to contracted model for its drivers and dispatchers during the audit period. Finally, LBMTL has altered its demand response program to provide greater opportunity for residents and visitors to use the system across the City.

RECOMMENDATIONS

We recommend that LBMTL consider:

- 1) LBMTL should develop a consolidated service program which incorporates goals, objectives, proposed service and related financial plans, supported by market research and public input, to facilitate cooperative, performance and funding arrangements, for review by OCTA. It is notable that LBMTL has indicated that it will complete a short-range transit plan in the coming audit period.
- 2) LBMTL's financial and operational reporting should be reviewed to improve internal controls and resolve issues that may relate to timing differences, data classification and allocation by service type. Strengthened internal controls can provide reasonable assurance that operating and financial data is being recorded to provide consistency across regional, state and federal reporting requirements.
- 3) LBMTL should develop practices to ensure that it timely completes and files its financial reporting to the State Controller pursuant to PUC Section 99243.

More details of our findings and recommendations and management's responses are included in the body of this report.



2. Performance Audit Approach and Methodology

PERFORMANCE AUDIT APPROACH

The State mandates that all recipients of TDA funding undergo a performance audit every three years in order to remain eligible for future TDA funding. In FY 2024, the Orange County Transportation Authority (OCTA) retained BCA Watson Rice LLP (BCA) to conduct a Triennial Performance Audit of the LBMTL system.

The Triennial Performance Audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This performance audit was also conducted in accordance with the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, September, 2008, Third Edition* (Guidebook) produced by the California Department of Transportation, which outlines the processes for evaluating a transit organization's effectiveness and efficiency, pursuant to State requirements.

While the Guidebook provides general information regarding performance audit requirements, suggested approaches and methodologies, more specific information necessary in understanding and defining the scope of these audits is included in the *Transportation Development Act, Statutes and California Code of Regulations, July, 2018* (TDA Code). While various sections of these regulations are periodically updated through legislative action, the annual booklet of TDA Code has not been updated during this triennium. To ensure that this audit addresses legislative changes enacted in the past three years, an overview of recent legislation was conducted to examine its potential impact on the FY 2022 – 2024 Triennial Performance Audit of Orange County operators.



Legislative Issues Affecting the Triennial Performance Audit

In 2023, the legislature passed Senate Bill 125 (SB 125). SB 125 exempts operators from having to meet the fare box recovery ratio of 20%. Its language reads:

"Existing law provides for the allocation of various revenues under the Transportation Development Act, to transit operators that meet specified requirements, including, as applicable, requirements related to operating costs, fare box ratios, and revenues, as specified. Existing law exempts those entities, for the 2019–20 to 2022–23 fiscal years, inclusive, as provided, from penalties or other provisions that would reduce the amount of revenues allocated as a result of failing to meet those requirements. This bill would extend those entities' exemptions through the 2025–26 fiscal year, as specified."

Given this legislation, our report will not include any findings of non-compliance related to farebox recovery ratios (PUC 99268.2 and 99268.3).

Additionally, the Federal Transit Administration (FTA) is making changes to NTD reporting requirements. These changes are anticipated to occur over multiple report years. One change that impacts LBMTL is that the FTA has issued revised filing forms for "reduced reporters." Reduced reporters are typically transit agencies that operate 30 or fewer vehicles in peak maximum service and do not operate fixed guideway systems. Their reporting requirements are less extensive than those of larger agencies and do not include a breakdown of maintenance and administrative expenses (usually identified in NTD reports within form F-30). As a result, the report below only includes performance data for the overall system and a breakdown of costs by mode.

Triennial Performance Audit Key Tasks

The performance audit was designed to include a review of the following:

- **Compliance with PUC Section 99246** – evaluating the efficiency, effectiveness and economy of the operation of the entity being audited, including, but not limited to, a verification of the performance indicators defined in PUC Section 99247:



- Operating cost per passenger
- Operating cost per vehicle hour
- Passengers per vehicle service hour
- Passengers per vehicle service mile; and
- Vehicle service hours per employee
- **Data Collection and Reporting** – verification of TDA data collection and reporting procedures as well as consistency of data reporting between the following reports: LBMTL’s Performance Measurements reports, federal National Transit Database (NTD) and State Controller’s Transit Operators Financial Transactions Report.
- **Prior Audit Recommendations** – reporting on implementation of prior triennial performance audit recommendations.
- **Performance Trends** – summaries of performance indicators for the audit period related specifically to operational performance, efficiency and effectiveness are typically a significant element of the triennial audit process; however, as LBMTL’s service was only resumed in late June 2021 after a yearlong shutdown during the COVID-19 pandemic, a meaningful analysis of performance trends is not possible.
- **Functional Review** - high-level review of key functional areas which were surveyed as part of the audit process. Areas of review included general management, finance, administration, service planning, scheduling, dispatch, operations, maintenance and marketing.

The Guidebook details an approach to conducting the performance audit which consists of an audit of key financial, administrative and operational documents and interviews with key management staff.

DOCUMENTS REVIEWED

The following compliance documents were reviewed to ascertain completion and timely submission to the appropriate reporting agency:

- National Transit Database (NTD) reports for FY 2022 through FY 2024



- State Controller Transit Operations Financial Transactions reports for FY 2022 through FY 2023
- Orange County Transportation Authority TDA Guidelines
- Prior Triennial Performance Audits and written responses to the recommendations
- California Highway Patrol Inspection Reports for FY 2022 through FY 2024
- Laguna Beach Trolley Tracker App
- Laguna Beach Trolley Schedule
- TransLoc App
- Zero-Emission Bus Rollout Plan, June 2023

INTERVIEWS WITH KEY MANAGEMENT

The following management team members were interviewed as part of the Triennial Performance Audit:

- Michael Litschi, City of Laguna Beach, Director of Transit and Community Services
- Shannon Espinoza, City of Laguna Beach, Finance Manager



3. Background, Challenges and Accomplishments

The City has operated transit service since 1970. Over the triennial audit period, LBMTL re-evaluated and re-designed its demand response service to promote ridership, particularly among its residents. The following system profile describes LBMTL service from July 1, 2021 through June 30, 2024.

SYSTEM PROFILE

LBMTL serves a population of 22,332 residents within a nine square mile service area. The area is most known for its annual Summer Festival Season which is a major regional attraction for Orange County. LBMTL provides transit service to these seasonal events as well as year-round community-based transit options for residents and visitors as follows:

- *Fixed-Route Trolley Service* – LBMTL operates a free fixed-route trolley service along two routes:
 - The Coastal Route operates along Coast Highway between North Laguna/Heisler Park, downtown, South Laguna/Mission Hospital, and the Ritz Carlton in Dana Point. This route runs seven days a week, year-round. Weekday routes start at 7:30 a.m. and end between 6:00 p.m. (Monday through Thursday) and 10:00 p.m. (Friday). Weekend service begins at 9:00 a.m. and ends at 10:00 p.m. on Saturday and 7:00 p.m. on Sunday. Frequency is 20 to 30 minutes. During the summer season, service is extended from 9:00 a.m. to 11:30 p.m., seven days a week.
 - The Canyon Route operates on Laguna Canyon Road linking a peripheral parking lot to downtown Laguna Beach on Saturdays and Sundays in the non-summer season (9:00 a.m. to 7:00 p.m.). During the summer season, service is extended from 8:30 a.m. to 11:30 p.m., seven days a week. Frequency of service is between 20 and 40 minutes.
- *Summer Breeze Service* – Between June and Labor Day, the Summer Breeze provides service approximately every 30 minutes linking a free,



parking lot in the City of Irvine with downtown Laguna Beach and the summer art festival venues. This service operates from Friday to Sunday from 10:00 a.m. to 11:30 p.m. Frequency of service is approximately 30 minutes.

- *Laguna Beach Local* – LBMTL offers a free, on-demand, shared-ride transit services that operates between residential neighborhoods and the City’s major activity centers. Using hybrid-electric vehicles, the Laguna Beach Local can accommodate up to 5 riders at time. Rides can be booked using the TransLoc app, by phone or through the LBMTL website. The average wait time is approximately 15 to 20 minutes. The Laguna Beach Local is wheelchair accessible.

FARES

LBMTL has offered a free fare system for both its fixed route and demand response systems since December 2019.

KEY CHALLENGES DURING THE AUDIT PERIOD

Addressing the challenges in a post-pandemic environment was a top priority for most transit operators during the triennial audit period. The following is a summary of key post-pandemic challenges faced by transit agencies:¹

- *Reduced Ridership* -- As transit agencies emerged out of the pandemic, they were faced with changes in ridership and commuting patterns. A growing percentage of the population now has the option of working from home at least a portion of the time which has altered the numbers of people riding transit. According to the FTA, overall ridership in September of 2023 was only 74% of pre-pandemic levels. While overall ridership has declined, many front-line workers, especially from historically

¹ For more detail on these issues, see Federal Transit Administration Report No. 0268, *Effects of the COVID-19 Pandemic on Transit Ridership and Accessibility* (August 2024) (“FTA Report”).



disadvantaged communities, continue to rely on transit to travel to work and other destinations. People were also more likely to ride transit if they did not have access to a personal vehicle, were disabled, or lived in households that lost income during the pandemic.

- *Workforce Shortages* -- Transit agencies experienced workforce shortages during the pandemic and many of those shortages continue today, especially among bus operator positions. In a July 2022 APTA survey of agencies and workers, the primary obstacles to recruiting and retaining workers included difficult work schedules and on-the-job harassment or assaults. To address these concerns, agencies are being forced to revisit recruiting strategies, improve hiring processes, enhance training programs, incentivize undesirable shifts, improve the safety and security of workers, and increase compensation.
- *Fiscal Challenges* -- As ridership declined nationwide, farebox revenues similarly declined. According to the FTA Report, national farebox recovery ratios were 31.7% in 2019, but only 16.7% in 2022. Despite reductions in service levels, operating costs tended to remain relatively static since most transit systems are capital intensive and have high fixed costs. A spike in inflation following the pandemic also impacted both personnel and supply costs resulting in further economic hardship to the agencies.
- *Supply Chain Shortages* – Transit agencies have been facing supply chain shortages that have limited their ability to procure vehicles and have increased vehicle maintenance costs. These supply chain issues have impacted the ability of some transit agencies from maintaining consistent service.

As a result of these challenges, many transit agencies have reduced service levels. Much of the reduced service has come at the expense of the frequency of service rather than a reduction in the number or the scope of routes, but the effects have still impacted riders. According to an APTA survey, transit agencies cited several causes that forced a reduction in service including diminished ridership (78%), economic losses (36%), and staff shortages (34%) being the most common factors.



KEY LBMTL CHALLENGES DURING THE AUDIT PERIOD

The following is a summary of other key challenges addressed specifically by LBMTL during the audit period:

- Recruiting and retaining operators for the Trolley service has been challenging. LBMTL worked with the contract operator to increase hourly rates to help recruit drivers, especially during the summer season.
- Hotels and tourism did not begin to fully recover until 2023 and, as a result, ridership took longer to come back than on other systems less dependent on tourism. This delay in returning ridership impacted both the Trolley system as well as Laguna Beach Local.
- LBMTL continues to use manual tracking to measure ridership but are transitioning to automated system in the next audit period.
- Expansion of the demand response service area is complicated by topography, dead-end streets and gated communities. LBMTL adapted to these conditions by creating zones of pick-up and drop-off points. For most residents, pick-up and drop-off points will be within a few blocks of their residence.

KEY LBMTL ACCOMPLISHMENTS DURING THE AUDIT PERIOD

The following is a summary of key accomplishments achieved by LBMTL during the audit period:

Transition to contracted services for all transit within the City has been seamless. LBMTL developed a system for contract management that includes weekly calls with onsite managers to address high-level issues and any upcoming events that may impact service. Transit supervisors also meet weekly with staff to review operational issues such as staffing and maintenance concerns.

- Added additional Trolley service on holidays and weekends to address growing ridership.



- Developed new art-inspired signage for the Trolley service to highlight the culture of Laguna Beach.
- Placed QR codes on signage to provide riders real time Trolley information including arrival time and maps.
- Expanded the service area for the Laguna Beach local to include major intersections and former Trolley stops resulting in approximately 150 virtual stops across the City. This service is available to all residents and visitors 13 years of age and older.
- Eliminated the reservation system for demand response and replaced it with an on-demand system. The average wait time of the on-demand service is approximately 15 to 20 minutes.
- Completion of the Zero Emission Bus (ZEB) Rollout Plan to ensure the agency has a strategy to fully transition its bus fleet to zero emission by 2040.
- Worked with contracted operator to implement the Samsara video-based safety system, including inward and outward facing cameras, in all trolley and on-demand vehicles, which has helped with training and accident investigation.

4. Compliance Review

AREAS OF REQUIRED COMPLIANCE

The objective of this section is to detail compliance with the State's requirements for transit operations and regional planning, the recommendations set forth in the prior triennial performance audit and maintaining a consistent reporting of performance statistics to local, state and federal agencies.

COMPLIANCE WITH THE STATE PUC REQUIREMENT

Transit systems must comply with TDA requirements that are specified in PUC Regulations and the California Code of Regulations as noted in Exhibit 1. The compliance matrix provides the degree to which funds allocated to the claimant pursuant to TDA requirements were expended in conformance with applicable laws and rules and



regulations. LBMTL was found to be compliant with all applicable PUC requirements except for one instance of not filing its State Controller annual report within 7 months of the end of the fiscal year.

Exhibit 1: Laguna Beach Transit's Compliance with PUC Requirements		
Code Reference	Operator Compliance Requirements	Compliance Finding
PUC Section 99243	Submit annual reports to the State Controller, based on the Uniform System of Accounts and Records established by the State Controller, within seven months after the end of the fiscal year.	Partial Compliance; FY24 report not filed by March 1, 2025. Reports for FY22 and FY23 were submitted timely.
PUC Section 99245	Submit annual fiscal and compliance reviews to RTPE and State Controller within 180 days of the end of the fiscal year or receive 90-day extension.	In Compliance
PUC Section 99251	CHP has certified operator's compliance with Vehicle Code 1808.1 within 13 months prior to TDA claim submittal.	In Compliance
PUC Section 99261	Claims for TDA funds are submitted in compliance with RTPE's rules and regulations.	In Compliance
PUC Section 99264	Public transportation vehicles designed to be operated by one person are not routinely staffed with two or more persons.	In Compliance
PUC Section 99266	Operating budget has not increased by more than 15% over preceding year unless reasonable justification has been provided.	In Compliance
PUC Section 99267	The operator's definitions of performance measures are consistent with the PUC.	In Compliance
PUC Section 99268.2 99268.3	Operator has maintained a ratio of fare revenues to operating costs at least equal to or exceeding 20% for the general public service in urban areas.	In Compliance ¹
PUC Section 99271	The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPE-approved plan to fully fund the retirement system within 40 years.	In Compliance
CA Code of Regs	Available federal funds are used prior to claiming STA funds.	In Compliance
¹ LBMTL is exempt pursuant to SB 125 as referenced above.		



CONSISTENCY OF DATA REPORTING

Operators are expected to consistently report performance statistics to local, state and federal agencies. Exhibit 2 provides a summary of key statistics provided to the following agencies:

- **State Controller's Office** - The State Controller's office requires that all agencies submit an annual summary of financial statistics.
- **National Transit Database (NTD)** - The Federal Transit Administration (FTA) requires that transit agencies which receive FTA grants annually submit financial and operating data in uniform categories.

Exhibit 2: System-Wide Performance Measures				
Source	Base Year	Review Period		
	FY21	FY22	FY23	FY24
Operating Costs				
FTA National Transit Database	\$ 1,351,764	\$ 4,229,458	\$ 4,658,162	\$ 4,934,669
State Controller's Report	\$ 1,015,749	\$ 3,506,538	\$ 4,320,288	n/a
Farebox Revenues				
FTA National Transit Database	\$ 1,626	\$ -	\$ -	\$ -
State Controller's Report	\$ 1,626	\$ -	\$ -	n/a
Local Subsidies and Auxiliary Revenues*				
FTA National Transit Database	\$ 687,856	\$ -	\$ -	\$ -
State Controller's Report	\$ 109,759	\$ -	\$ -	n/a
Unlinked Passengers				
FTA National Transit Database	12,921	553,392	668,909	705,237
State Controller's Report	12,921	557,192	675,023	n/a
Vehicle Service Hours				
FTA National Transit Database	1,093	33,468	44,814	47,976
State Controller's Report	1,093	33,763	45,076	n/a
Vehicle Service Miles				
FTA National Transit Database	8,091	320,652	430,277	470,655
State Controller's Report	8,091	321,825	431,932	n/a
Employee Full-Time Equivalents				
FTA National Transit Database	Not Reported	Not Reported	Not Reported	Not Reported
State Controller's Report	77	21	28	n/a
Peak Vehicles				
FTA National Transit Database	18	22	24	24
State Controller's Report	18	19	21	n/a
Active Vehicles				
FTA National Transit Database	25	29	31	32
State Controller's Report	25	29	31	n/a



LBMTL was marginally consistent in reporting key financial and non-financial operating statistics for NTD and State Controller's reporting. Some of these inconsistencies may be related to different calculation methodologies for the different reports. For example, the NTD does not include charter costs and charter ridings within required calculations, but those numbers are included for the State Controller reporting.

While operating cost numbers may differ based on the foregoing, differing methodologies do not appear to explain difference for items such as peak vehicles, vehicle service miles and vehicles service hours.

PRIOR AUDIT RECOMMENDATIONS

TDA audit guidelines require a follow-up as to whether recommendations from the prior period's audit have been implemented. LBMTL has completed or made reasonable progress on all the prior year's performance audit recommendations, as shown in Exhibit 3 below:



Exhibit 3: Prior Audit Recommendations	
Prior Audit Recommendation	Implementation Progress
LBMTL should develop a consolidated service program which incorporates goals, objectives, proposed service and related financial plans, supported by market research and public input, to facilitate cooperative, performance and funding arrangements, for review by OCTA.	Partial Implementation: LBMTL prepared an annual Parking Management Plan and continued to prepare quarterly performance reports for its Trolley services. During the audit period, staff also completed other reports regarding the performance of the system resulting in modifications to service. It is anticipated that in the next audit period, the City will complete a short-range transit plan which will more fully develop comprehensive goals and objectives to the system.
LBMTL should develop a methodology for allocating operating costs across LBMTL service types, so that when aggregated, total operating costs reflect operating costs reported in other compliance reports.	Implemented: The City retains detailed backup on its methodology for calculating transit operating costs. Staff worked with the City's Finance Department to review and update the cost allocation methodology. LBMTL now uses vehicle service miles as the cost driver to allocate costs between the different operating modes.
LBMTL charter fees should be structured to eliminate public subsidy of charter operations.	Implemented: Charter fees have been revised and no longer include any public subsidy for private operations.
LBMTL should consider the assignment of auxiliary and local subsidy to facilitate the calculation of farebox recovery ratios in accordance with SB 508.	Implemented: City implemented this recommendation as part of the FY 2023-24 TDA claim submittal.
LBMTL should obtain accurate information on FTE employees provided by its contractor and include that in its reporting to OCTA.	Implemented: City completed this recommendation as part of the FY 2023-24 TDA claim submittal.
TDA performance reports should clearly identify and distinguish between audited and estimated data.	Implemented: City implemented this recommendation as part of the FY 2023-24 TDA claim submittal.



5. Operational Performance Trends

OVERVIEW

In this section we present the results of our analyses of performance statistics for the three-year audit period for services operated by LBMTL. California PUC Section 99246 mandates that a triennial performance audit analyze an operator's performance of the following five key performance indicators:

1. Operating cost per vehicle service hour
2. Operating cost per passenger
3. Passengers per vehicle service hour
4. Passengers per vehicle service mile
5. Vehicle service hours per employee

Data for the analysis of these indicators were compiled using data from the NTD and the State Controller's reports prepared by LBMTL. The performance trends cover the period from FY 2022 through FY 2024.

PERFORMANCE INDICATOR TABLES – SYSTEM-WIDE

Operating costs increases were consistent with the consumer price index (CPI) over the audit period with a 16.7% rise over the five-year period compared to a 15.0% CPI inflation rate. At the same time there has been a significant increase in vehicle service hours (43.4%), vehicle service miles (46.8%) and ridership (27.4%). As a result of constrained cost increases from FY 2022 to FY 2024, the agency's efficiency measures for the system have been largely positive with cost per vehicle service hour dropping 18.6% and cost per passenger dropping 8.5%.



Exhibit 4 below provides detailed reporting by each fiscal year of the period:

Exhibit 4: Laguna Beach Transit				
System-Wide Performance				
				% Change
Performance Measure	FY22	FY23	FY24	FY21 to FY24
Key Base Measures				
Operating Costs	\$ 4,229,458	\$ 4,658,162	\$ 4,934,669	16.67%
Vehicle Service Hours	33,468	44,814	47,976	43.35%
Vehicle Service Miles	320,652	430,277	470,655	46.78%
Unlinked Passengers	553,392	668,909	705,237	27.44%
Full Time Equivalents**	21	28	n/a	n/a
Efficiency Measures				
Cost per VSH	\$ 126.37	\$ 103.94	\$ 102.86	-18.61%
Cost per Passenger	\$ 7.64	\$ 6.96	\$ 7.00	-8.45%
Passengers per VSH	16.53	14.93	14.70	-11.10%
Passengers per VSM	1.73	1.55	1.50	-13.18%
CPI – All Index	7.40%	3.90%	3.10%	15.00%

**FTE data taken from SCO reports; all other data from NTD reports. At the time of this report, LBMTL had not yet filed their SCO report for FY 2024.

PERFORMANCE INDICATOR TABLES – TROLLEY SERVICE

LBMTL's trends for its Trolley service are relatively positive for the audit period. Operating costs increased only 6.2% (compared to 15.0% CPI). Moreover, the agency was able to increase its ridership by over 17.2% with significant growth from FY 2022 to FY2023 as the City began to recover from losses in tourism due to the pandemic. As a result, efficiency measures were mostly positive with cost per vehicle service hour only increasing 11.1% and the cost per passenger dropping 9.4%. Passengers per vehicle service mile and vehicle service hour also rose significantly.



Exhibit 5: Laguna Beach Transit Motor Bus Service Performance (Trolley)				
Performance Measure	FY22	FY23	FY24	Percent Change from FY22 to FY24
Key Base Measures				
Operating Costs	\$ 3,312,880	\$ 3,659,016	\$ 3,519,397	6.23%
Vehicle Service Hours	28,955	29,759	27,697	-4.34%
Vehicle Service Miles	280,395	302,869	285,843	1.94%
Unlinked Passengers	537,999	620,151	630,488	17.19%
Full Time Equivalents*	18	20	n/a	-100.00%
Efficiency Measures				
Cost per VSH	\$ 114.41	\$ 122.95	\$ 127.07	11.06%
Cost per Passenger	\$ 6.16	\$ 5.90	\$ 5.58	-9.35%
Passengers per VSH	18.58	20.84	22.76	22.51%
Passengers per VSM	1.92	2.05	2.21	14.96%
CPI -- All Index	7.40%	3.90%	3.10%	15.00%

*FTE data taken from SCO reports; all other data from NTD reports At the time of this report, LBMTL had not yet filed their SCO report for FY 2024

PERFORMANCE INDICATOR TABLES – DEMAND RESPONSE

Following the pandemic and beginning in FY 2022, LBMTL expanded its demand response system. LBMTL redesigned the service area to include all major intersections and former Trolley stops resulting in approximately 150 virtual stops. They also made this service available to all residents and visitors 13 years of age and older. These changes make it difficult to make a meaningful analysis of trends. It is important to note, however, that LBMTL's demand response service has increased its ridership from 15,393 in FY 2022 to 74,749 in FY 2024. While some of this increase is attributable to recovering tourism beginning in FY 2023, it is also attributable to the success of its expanded service. Below in Exhibit 6 are the detailed demand response data for the audit period.



Exhibit 6: Laguna Beach Transit Demand Response Service Performance				
Performance Measure	FY22	FY23	FY24	% Change from FY22 to FY24
Key Base Measures				
Operating Costs	\$ 916,578	\$ 999,146	\$ 1,415,272	54.41%
Vehicle Service Hours	4,513	15,055	20,279	349.35%
Vehicle Service Miles	40,257	127,408	184,812	359.08%
Unlinked Passengers	15,393	48,758	74,749	385.60%
Efficiency Measures				
Cost per VSH	\$ 203.10	\$ 66.37	\$ 69.79	-65.64%
Cost per Passenger	\$ 59.55	\$ 20.49	\$ 18.93	-68.20%
Passengers per VSH	3.41	3.24	3.69	8.07%
Passengers per VSM	0.38	0.38	0.40	5.78%
CPI -- All Index	7.40%	3.90%	3.10%	15.00%

*FTE data taken from SCO reports; all other data from NTD reports. At the time of this report, LBMTL had not yet filed their SCO report for FY 2024.

6. Functional Review

Because LBMTL now reports its NTD data as a “reduced reporter”, there is no data listed in those reports segregating out operations, maintenance and administrative costs. As a result, this section focuses on a high-level review of key functions and how they further the goal of being an efficient and effective operator.

Operations and Planning

LBMTL made significant changes during the audit period to address the post-pandemic environment. In FY 2023, and in response to the needs of its residents, LBMTL expanded its demand response system to provide greater coverage throughout the City. The success of this expansion can be seen in a vastly improved ridership.

While the agency has been nimble and innovative with its demand response system, as noted in the prior audit, the agency does not have a consolidated service program which incorporates goals, objectives, proposed service and related financial plans, supported by market research and public input, to facilitate cooperative, performance and funding arrangements. Several documents contain annual goals and objectives for LBMTL services including the annual Summer Parking Management Plan. This report addresses immediate transit service efficiencies and improvements only and does not provide a



higher-level evaluation of the system's strategic goals. This type of evaluation could be accomplished by the completion of a short-range transit plan which the agency reports it will be undertaking during the next audit period.

Financial and Operational Reporting

The level of data inconsistency in LBMTL's compliance reporting should be evaluated in order to improve internal controls and resolve issues that may relate to timing differences, data classification and allocation by service type. Strengthened internal controls can provide reasonable assurance that operating and financial data is being recorded to provide consistency across regional, state and federal reporting requirements. LBMTL has strengthened this reporting during the audit period by developing a new system of allocating costs between modes.

Vehicle Maintenance and Safety

LBMTL maintains an active fleet of 25 accessible transit vehicles (approximately 18 are used regularly) on its Trolley system and 7 vehicles for its demand response system. The City's Public Works Department does the maintenance on the trolley fleet, while the contract operator (LAZ Parking) owns and maintains the on-demand fleet. As required by the PUC, the LBMTL transit fleet undergoes annual compliance inspections by the California Highway Patrol.

During the audit period, LBMTL developed a plan that identifies strategies for moving towards a zero emissions fleet. According to the Zero Emission Bus (ZEB) Rollout Plan developed in 2023, LBMTL's fleet will be fully served by ZEBs by 2031, 9 years ahead of the 2040 requirement. The last non-ZEB (propane) trolleys were leased in 2019. LBMTL will now purchase only zero-emission trolleys beginning in 2025 and continuing through 2031 to transition to a zero-emission fleet. The bus replacement schedule has been designed to allow each bus to serve its useful life. Because of the limited ranges of the existing battery electric trolleys, high daily mileage during peak season, and constrained time available for depot charging, LBMTL may need to enlarge its fleet beyond the 18 currently used on a regular basis to maintain existing levels of service.



Marketing and Public Relations

LBMTL maintains a well-designed website that contains information about the services it provides. It also maintains its bus stops and wayfinding signage at key parking and other boarding locations to assist passengers in accessing the transit service. It has also implemented real-time bus arrival information which is available to customers which can be accessed using QR codes on LBMTL signage.

LBMTL Organizational Structure

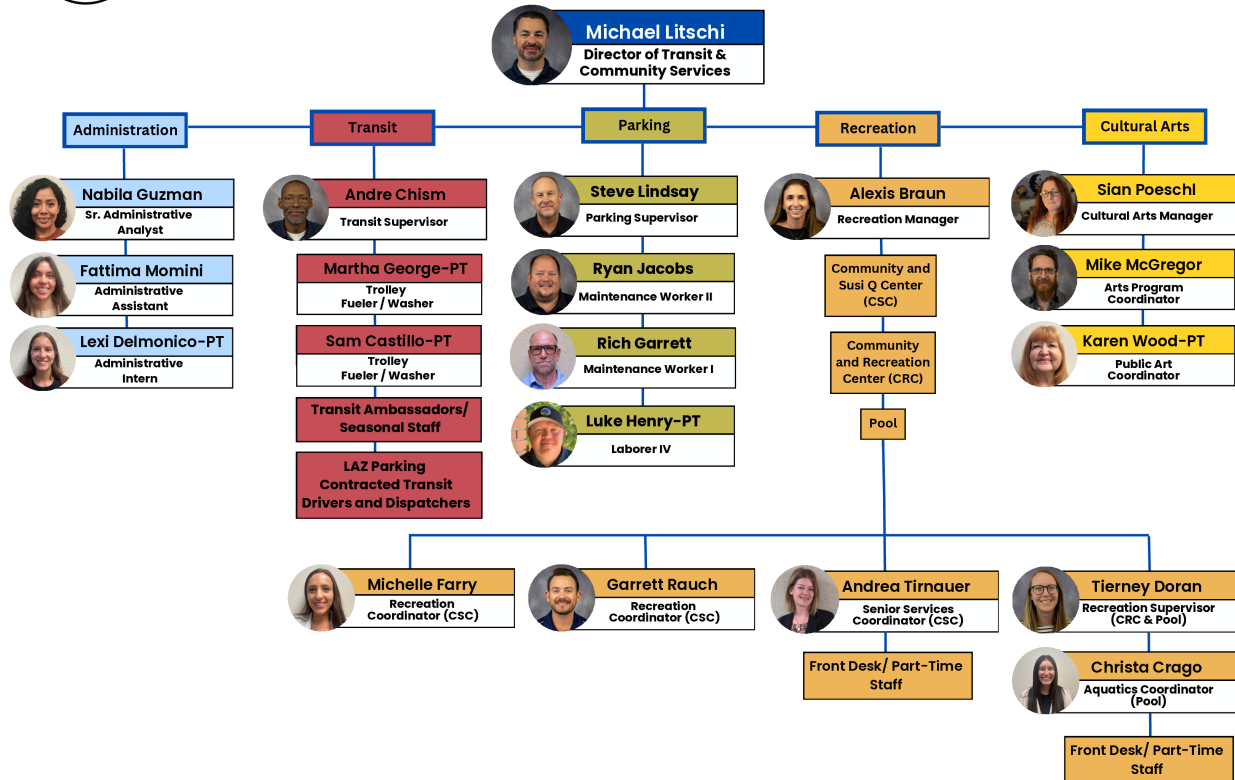
LBMTL operates as a function of the City of Laguna Beach Department of Transit and Community Services. LBMTL contracts out the operation of its service with LAZ Parking which provides the operators for the system. LBMTL continues to provide maintenance in-house. The organizational structure is shown in the following exhibit:



Exhibit 7



Transit & Community Services Organization Chart





7. Conclusions, Recommendations and Management Responses

LBMTL mostly met its compliance requirements with respect to PUC 99246. The only noted non-compliance related to a failure by LBMTL to submit its State Controller's report in a timely manner for FY 2024. In addition, the agency was somewhat inconsistent in its reporting of key financial and operating statistics to regional, state and federal compliance agencies. While some of these issues may be a result of definitional categories between the NTD and State Controller reports, LBMTL should continue to strengthen its reporting processes to address these inconsistencies. Finally, LBMTL made meaningful progress toward or successfully addressed most of the prior audit recommendations. We do, however, recommend the continuation of one prior recommendation related to the development of a consolidated service program to more fully detail the agency's long-term goals and objectives and plan for their implementation.

The following are our findings and recommendations:

Finding #1: LBMTL does not have a cohesive set of strategic goals for the transit system.

Recommendation #1: LBMTL should develop a consolidated service program which incorporates goals, objectives, and proposed service and related financial plans. It should be supported by market research and public input to facilitate cooperative performance and funding arrangements for review by OCTA. It is notable that LBMTL has indicated that it will complete a short-range transit plan in the coming audit period.

Management's Response:

During the audit period, the City contracted with transportation consulting firm Fehr & Peers to complete a comprehensive Parking and Transportation Demand Management (TDM) Report. This report, adopted by City Council in June 2023 and updated in June 2024, assessed the City's public parking and transit needs. It includes recommended short- and long-term strategies to enhance the City's TDM programs, including enhancements to the City's transit services. The TDM report was developed after a significant public participation process, including multiple community meetings. It takes a



strategic view at how to best integrate parking and transit improvements in Laguna Beach, including capital projects, operational improvements and changes to the City's parking code. The City Council prioritized completing the TDM report first, given the unique needs of Laguna Beach and the challenge of planning for 7 million annual visitors. Effective parking management is closely linked with transit service options. As a follow-up to the TDM report, staff plans to complete a short-range transit study during the next audit period that will take a more focused look at the City's fixed-route and on-demand transit services, including developing a cohesive set of goals and financial plan based on community needs.

In addition, the City prepares an annual Parking Management Plan (PMP) update, which is submitted to the City Council for review and approval each spring. The PMP provides an update on the performance of the City's parking and transit programs for the previous summer season, as well as recommended strategies for the upcoming year. The City's most recent PMP update was prepared in March 2025 and is scheduled for adoption by City Council on April 8, 2025.

Finding #2: LBMTL has strengthened its financial and operating reporting during the audit period by developing a new system of allocating costs between modes. However, LBMTL continues to have inconsistencies in its financial reporting between NTD and State Controller reports.

Recommendation #2: LBMTL's financial and operational reporting should be reviewed to improve internal controls and resolve issues that may relate to timing differences, data classification, and allocation by service type. Strengthened internal controls can provide reasonable assurance that operating and financial data is being recorded to provide consistency across regional, state and federal reporting requirements.

Management's Response:

The City retains detailed backup documentation on its methodology for calculating transit operating costs, revenue, ridership, and other metrics, which are reported as part of the required annual NTD, State Controller and TDA reports. This documentation is used to



justify any variances in reported amounts due to inconsistencies in reporting guidelines for each agency. Staff worked with City's Finance Department to review and update cost allocation methodology for transit services.

For example, the NTD report excludes any charter boardings in the total annual passenger count, while the State Controller Report (SCO) includes charter boardings, resulting in different passenger totals. Additionally, the NTD report also excludes charter trip details such as revenue hours and revenue miles, whereas the SCO report includes them. As a result, the SCO data does not align with the NTD operational data and financial expenses because it excludes charter trips and expenses. Discrepancies in the financial and operational data during this audit period are primarily due to the differing reporting guidelines for each report.

Finding #3: LBMTL did not file its FY 2024 State Controller Report within 7 months from the close of the fiscal year.

Recommendation #3: LBMTL should develop practices to ensure that it timely completes and files its financial reporting to the State Controller pursuant to PUC Section 99243.

Management's Response:

The City issued a Request for Proposal (RFP) for new audit services for the FY 23-24 audit year. In addition to the timeline for the RFP, the City is required to have the City's Audit & Investment AD Hoc Committee participate in the interview process of the audit firm candidates. Once this step was completed, the Audit Committee then had to present their recommendation to the City Council for approval of the new auditors. This recommendation was presented to the Council on August 13, 2024. The current auditor contract with LSL, LLP was signed in September 2024.

Since the new auditors had prior engagements with other clients, and the City was a new, late client, LSL tentatively scheduled the City of Laguna Beach audit to be completed by March 31, 2025. As a result, the SCO FTR and Transit Operators report was not reported to the SCO by the March 1, 2025, deadline. The City's auditors advised the City to notify



the SCO's office of the delayed submission, as the reports would be prepared by the LSL under the current contract. The Finance Department has already contacted the SCO's office to inform them of the late submission.