

Report to the



**ORANGE COUNTY TRANSPORTATION AUTHORITY**

*for the*

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**FY07 – FY09 TRIENNIAL PERFORMANCE AUDIT OF  
THE ORANGE COUNTY TRANSPORTATION AUTHORITY**

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*prepared by*

Booz | Allen | Hamilton

*and*



May 26, 2010

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# I. INTRODUCTION

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## **THE FY07-FY09 PERFORMANCE AUDIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY FOLLOWS STATE GUIDELINES FOR TDA AUDITS**

- Triennial performance audits are a requirement for the continued receipt of State Transportation Development Act (TDA) funds for public transit under California Public Utilities Code (PUC) Section 99246.
- This performance audit is administered by the Orange County Transportation Authority (OCTA) and prepared by Booz Allen Hamilton Inc. 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, 2006 through June 30, 2009 (i.e., FY07-FY09).
- 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.

## THE OCTA AUDIT INCLUDED SITE VISITS, INTERVIEWS, AND DATA COLLECTION AND ANALYSIS

- Background documents and other written information such as the following were collected and reviewed:

<ul style="list-style-type: none"><li>▪ Organization and staffing charts</li><li>▪ Current OCTA Policies and Procedures</li><li>▪ OCTA Comprehensive Business Plans</li><li>▪ OCTA Bus Satisfaction Survey, 2008</li><li>▪ OCTA website: <a href="http://www.octa.net">www.octa.net</a></li><li>▪ Labor agreements in effect during the audit period</li><li>▪ Service providers' operating contracts and monthly reports</li></ul>	<ul style="list-style-type: none"><li>▪ National Transit Database Reports, FY06-FY09</li><li>▪ State Controller Reports, FY06-FY09</li><li>▪ Comprehensive Annual Financial Reports, FY06-FY09</li><li>▪ OCTA Adopted Budgets, FY06-FY10</li><li>▪ CHP Terminal Inspections Certificates</li><li>▪ TDA Guidelines</li><li>▪ TDA claim files</li></ul>	<ul style="list-style-type: none"><li>▪ Samples of operating statistics and functional performance reports</li><li>▪ Data provided by operating units to support specific analyses</li><li>▪ Service maps and brochures</li><li>▪ FY04-FY06 performance audit report and OCTA's response to prior audit recommendations</li></ul>
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- The audit team also conducted on-site interviews with OCTA management and staff responsible for administering, managing and operating the organization, its planning and TDA administration functions, and its transit system and transit-support functions.

**THE PERFORMANCE AUDIT TEAM CONDUCTED INTERVIEWS WITH OCTA MANAGEMENT AND STAFF, AND COMPLETED SITE VISITS FOR EACH OCTA FACILITY**

**KEY INTERVIEWS**

**(November 9-13, 2009 and December 7-9, 2009)**

Chief Executive Officer  
Deputy Chief Executive Officer  
General Manager, Transit  
Assistant General Manager, Transit  
Executive Director, Development  
Executive Director, External Affairs  
Executive Director, Finance and Administration  
Executive Director, Government Relations  
Executive Director, Human Resources & Organizational Development  
Executive Director, Internal Audit  
Executive Director, Rail Programs  
Director, Contracts Administration and Materials Management  
Director, Highway Project Delivery  
Director, Strategic Planning  
General Manager, Treasury/Toll Roads  
Manager, Accounting and Financial Reporting  
Manager, Financial Planning and Analysis  
Manager, Maintenance  
Manager, Marketing  
Manager, Regional Initiatives  
Manager, Security and Emergency Preparedness  
Manager, Service Planning and Customer Advocacy  
Manager, Transit Program Management  
Section Manager, Budget Activity Reporting/Performance Measures  
Section Manager, Budget Development

**THE PERFORMANCE AUDIT TEAM CONDUCTED INTERVIEWS WITH KEY OCTA MANAGEMENT AND STAFF, AND COMPLETED SITE VISITS FOR EACH OCTA FACILITY (CONTINUED)**

**KEY INTERVIEWS (continued)**

**(November 9-13, 2009 and December 7-9, 2009)**

Section Manager, Capital and Local Programs  
Section Manager, Community Transportation Services Operations  
Section Manager, Comprehensive Business Plans/Grants  
Section Manager, Facilities Maintenance  
Section Manager, Maintenance Resource Management  
Section Manager, Planning and Analysis  
Section Manager, Transit Systems Development  
Section Manager, Transit Technical Services  
Section Supervisor, Operations Training  
Chief Information Officer  
Senior Transportation Funding Analyst, Federal Relations

**SITE VISITS AND BASE MANAGER INTERVIEWS**

**(December 7-9, 2009)**

Anaheim Base (directly operated fixed route)  
Construction Circle Base, Irvine (contracted demand response)<sup>1</sup>  
Garden Grove Base (directly operated fixed route)  
Sand Canyon Base (directly operated fixed route)<sup>2</sup>  
Santa Ana Base (directly operated fixed route)

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<sup>1</sup> Construction Circle did not open until July 2009.

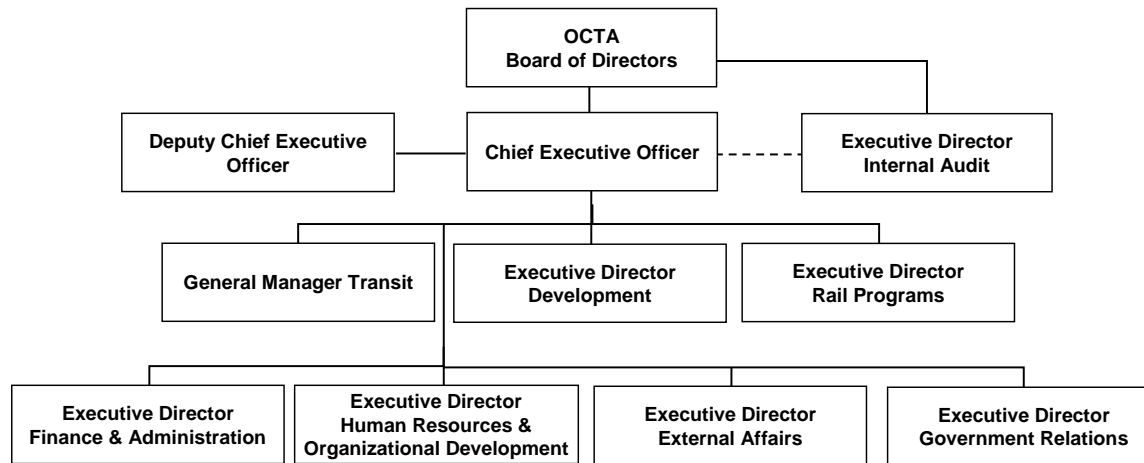
<sup>2</sup> All contracted services (fixed route and demand response) were operated from Sand Canyon during the performance audit period.

## **OCTA SERVES AS BOTH THE REGIONAL TRANSPORTATION PLANNING ENTITY AND THE PRIMARY TRANSIT SERVICE PROVIDER IN ORANGE COUNTY**

- OCTA was established by state law on June 20, 1991 to consolidate the transportation planning and operating agencies within Orange County.
- 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. These services include countywide bus and paratransit service, Metrolink rail service, the 91 Express Lanes, freeway, street and road improvement projects, motorist aid services, and regulation of taxi operations.
- With its creation, the Authority assumed the responsibilities of several formerly separate agencies: the Orange Country 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.
- The remainder of this chapter provides an overview of OCTA in the context of its regional transportation planning and transit service delivery responsibilities. It also discusses key initiatives, accomplishments and challenges during the performance audit period.



## OCTA IS CURRENTLY ORGANIZED IN NINE DIVISIONS REPORTING TO THE CEO



- The **Executive Office** provides management direction to all OCTA divisions and programs and implements the Board of Director’s policy directives.
- **Internal Audit**, which reports to the Board with a dotted line report to the CEO, examines financial, administrative and operational issues and provides information to assist with asset and operations control.
- **Transit** delivers fixed route bus and paratransit services for Orange County.
- **Development** provides planning, funding strategies, and delivery of regional transportation projects.
- **Rail Programs** provides rail capital project delivery, local initiatives, rail operations and service planning, and transit facility capital projects.
- **Finance and Administration** conducts OCTA’s fiduciary and administrative activities.
- **Human Resources & Organizational Development** provides employee development and welfare.
- **External Affairs** provides public communications, marketing, customer relations, and local government relations services.
- **Government Relations** develops and maintains relationships with the public, legislative bodies and governmental and regulatory agencies.

## **OCTA'S POLICIES ARE ESTABLISHED BY AN 18-MEMBER BOARD OF DIRECTORS**

- OCTA's 18-member Board of Directors includes 17 voting members, who are the five county supervisors, ten city members, and two public members. The District 12 Director of the California Department of Transportation (Caltrans) is a non-voting member. Supervisors serve 4-year terms; public members are appointed for four years. City members' terms are determined by the Orange County Selection Committee.
  
- Board members serve on standing committees that reflect the Authority's roles and responsibilities:
  - **Executive** – develops policy and strategy recommendations.
  - **Finance and Administration** – provides recommendations on financial and administrative matters, including human resources, risk management, and information systems.
  - **Legislative and Communications** – recommends strategies and action plans to advance OCTA priorities at the local, state, and federal levels of government, and guidance on communications, community and customer relations, and marketing.
  - **Highways** – reviews the planning, programming, and delivery of regional planning and highway programs; provides recommendations on OCTA's compliance with federal and state regional planning and programming requirements, and local agency eligibility and compliance with Measure M safeguards and requirements.
  - **Transit** – provides recommendations on bus and commuter rail operations.
  - **Transportation 2020 Committee** – develops policy recommendations and monitors implementation of Renewed Measure M and goods movement issues.

## **OCTA'S BOARD MEMBERS ALSO REPRESENT THE AUTHORITY IN OTHER ORGANIZATIONS**

- Board members are active on multi-agency advisory committees where OCTA has an interest, such as:
  - **State Route 91 Advisory Committee**, which also includes representatives from the Riverside County Transportation Commission (RCTC), Caltrans, and the San Bernardino Associated Governments.
  - **Riverside Orange Corridor Authority**, which is charged with geotechnical studies for a proposed transportation and utility corridor linking Riverside and Orange Counties and also includes representatives from the Foothill/Eastern Transportation Corridor Agency, RCTC, and Caltrans.
- Board members also represent OCTA and its interests on a number of 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, SCAG Regional Council, SCAG Transportation and Communications Committee, SCAG Regional Transportation Agencies Coalition, South Coast AQMD Mobile Source Review Committee, Task Force on Measure M Subsidy for Senior Citizens and Disabled.

**AS THE REGIONAL TRANSPORTATION PLANNING ENTITY, OCTA IS RESPONSIBLE FOR REGIONAL TRANSPORTATION PLANNING AND TDA ADMINISTRATION**

- As the RTPE, OCTA is responsible for regional transportation planning and for administering the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STAF) and allocating those funds to eligible claimants.
- Financial Planning & Analysis staff administer the TDA program. They 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 allocation instructions and payment schedules for the County Controller.
- Accounting & Financial Reporting staff are responsible for preparing the drawdown and reimbursement requests that are submitted to the County Auditor-Controller for payment.
- The TDA-mandated triennial performance audits are managed by Internal Audit.

## **OCTA ADMINISTERS FUNDING FROM NINE MAJOR FUNDING SOURCES**

- As part of its administrative responsibilities, OCTA sets programming policies for nine federal, state and local funding sources:
  - 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, Transportation Enhancements (TE), and American Recovery and Reinvestment Act (ARRA)
  - Local sources include expiring Measure M and Renewed Measure M (M2).
- In June 2009, OCTA updated its state and federal programming policies to recognize both the significant new funding sources (Renewed Measure M, Proposition 1B, ARRA) and the revenue shortfalls that had materialized since the Comprehensive Funding Strategy and Policy Direction was adopted in 2006. Three programming policy changes were made:
  - TDA Article 3 bicycle/pedestrian funds were reprioritized (consistent with TDA regulations) to make them available first to cover bus operations.
  - Bicycle/pedestrian improvements were made the first priority for the 1% set-aside in Federal Section 5307 urbanized area formula funds, to be allocated through a competitive call for projects.
  - Eligible uses of CMAQ funds were expanded to include operating assistance for new and expanded rail and bus operations, and specifically for the Metrolink Service Expansion Program and Bravo! rapid bus service.

## **MEASURE M AND RENEWED MEASURE M ARE FUNDING SIGNIFICANT, KEY TRANSPORTATION PROGRAMS IN ORANGE COUNTY**

- OCTA administers Measure M, the funding for freeways, streets and roads, and additional bus and rail services that Orange County voters approved in 1990 and which expires in 2011. By a vote of 69.7%, voters approved the Renewed Measure M Transportation Investment Program (M2) in November 2006, extending the half-cent sales tax to provide transportation improvements for another 30 years, through 2041.
- The Renewed Measure M Transportation Investment Plan called for a number of major transportation improvements in Orange County, including:
  - **Freeway Projects:** lane, interchange, and access improvements for I-5, SR 22, SR 55, SR 57, SR 91, I-405, and I-605, as well as ongoing support for the Freeway Service Patrol incident management program.
  - **Streets and Roads Projects:** projects to improve the capacity of Orange County's system of streets and roads, a regional traffic signal synchronization program, and flexible funding to help local jurisdictions with ongoing street repairs.
  - **Transit Projects:** 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.
  - **Environmental Cleanup Projects:** projects to help protect Orange County's waterways and beaches from environmental hazards.

## **OCTA ADMINISTERS MEASURE M AND RENEWED MEASURE M FUNDING PROGRAMS**

- Soon after M2 was approved, the Board requested a five-year early action plan, to advance implementation of M2 programs in 2007-2012. With input from city officials and key stakeholders, staff developed the Early Action Plan (EAP), which the Board approved in July 2007. The EAP identifies nine objectives to advance M2 implementation, including five projects to be under construction before revenues begin to be collected in 2011.
- One percent of M2 funds are dedicated to oversight and audits, to ensure public disclosure of all expenditures and any changes to the plan. Staff also report quarterly on the status of each EAP project; that information is readily available at [www.octa.net/M2ProjectUpdates](http://www.octa.net/M2ProjectUpdates).
- In November 2009, the CEO reported to the 2020 Transportation Committee that sales tax projections were 40% lower than originally anticipated. Based on the State Board of Equalization's projections of taxable sales growth rate, augmented by forecasts from Chapman University, UCLA and Cal State (Fullerton), the first 12 months of M2 revenues are projected to be more than \$100 million less than 2005 nominal revenue estimates. Nominal M2 sales tax revenue over the 30-year life of the program is projected to be \$14.3 billion lower than the 2005 estimate of \$24.3 billion.
- While delivery of all EAP objectives remains largely on schedule, adjustments have been necessary (e.g., substitute M2 Tax-Exempt Commercial Paper for \$22 million of M1 funds for Orange Freeway improvements). Freeway project delivery schedules and financial capacity are also being re-evaluated to balance commitments to complete conceptual engineering against the availability and schedule impacts of construction funding.

## **OCTA HAS ACQUIRED NEW FUNDING SOURCES AND REPRIORITIZED EXISTING FUNDING SOURCES**

- The same month that Orange County voters approved M2, California voters passed Proposition 1B, a statewide, \$19.9 billion bond initiative to invest in transportation improvements. Over the last three years, OCTA has acquired \$686 million in Proposition 1B funding through seven programs:
  - Trade Corridors Improvement Fund (\$217 million)
  - Corridor Mobility Improvement Account (\$284 million)
  - Public Transportation, Modernization, Improvement and Service Enhancement (\$54 million)
  - Traffic Light Signal Synchronization (\$4 million)
  - State-Local Partnership Program (\$12 million)
  - Transit System Safety Security & Disaster Response Account (\$7 million)
  - Highway-Railroad Crossing Safety Account (\$8 million).
  
- OCTA obtained \$212 million in funding from the American Recovery and Reinvestment Act of 2009 (ARRA), including \$76 million for transit capital and operating assistance, \$1.2 million for rail, \$37 million for local projects, and \$97.8 million for highways.
  
- As noted earlier, OCTA revised the Comprehensive Funding Strategy and Policy Direction in June 2009, with the objectives of achieving on-time, efficient project delivery and maximizing the use of available funding within funding constraints.



## **THROUGH ITS REGIONAL TRANSPORTATION PLANNING RESPONSIBILITY, OCTA SUPPORTS AND MAKES THE PUBLIC AWARE OF TRANSPORTATION AND TRAVEL ALTERNATIVES**

- During the performance audit period, OCTA conducted two regional planning studies:
  - The South County Major Investment Study (MIS), which was completed in October 2008, defined a Locally Preferred Strategy (LPS) of transportation improvement projects and concepts designed to improve mobility in south Orange County by identifying the region’s long-term transportation needs and developing a broad range of potential improvement alternatives that were narrowed down to create the LPS.
  - The OC/LA Intercounty Transportation Study, completed in July 2008, identified transportation needs in the border area, coordinated cross-border planning and developed transportation improvements to enhance cross-border connections.
- OCTA also initiated the Central County MIS, for a part of the county where travel demand is outpacing transportation capacity. The study will define a locally preferred strategy to help guide transit, street and freeway enhancements in Central Orange County
- Orange County’s current long range transportation plan (LRTP), *New Directions*, was adopted in 2006. The 25-year plan guides transportation investments using goals and strategies based on growth forecasts, travel demand models, revenue forecasts, and policy direction, and includes both constrained and unconstrained programs of projects. Because the LRTP provides input to SCAG’s Regional Transportation Plan, it is updated on a four-year cycle. The 2010 update will address SB 375 land use and greenhouse gas requirements and is expected to be adopted in late 2010.

## **AS A TRANSIT AGENCY, OCTA PROVIDES FIXED ROUTE AND DEMAND RESPONSE SERVICE IN ORANGE COUNTY**

- OCTA provides bus and paratransit services in a service area that covers about 798 square miles, serving over 3 million residents in 34 cities and unincorporated areas.
- OCTA provides five main types of fixed route services:
  - **Local Bus Routes:** 42 routes that provide local coverage within Orange County.
  - **Community and Shuttle Routes:** 15 routes that serve particular communities.
  - **Intracounty Express Routes:** 5 routes that provide high speed service within Orange County.
  - **StationLink Metrolink Rail Feeder Routes:** 13 routes that provide feeder service to and from designated Metrolink commuter rail stations in Orange County.
  - **Intercounty Express Routes:** 5 routes that provide high speed service between Orange County and Los Angeles, Riverside, and San Bernardino counties.
- OCTA also provides ACCESS service, which is complementary paratransit service for persons with disabilities that complies with the requirements of the Americans with Disabilities Act (ADA).
- OCTA provides fixed route and ACCESS service seven days a week; service days and hours vary by route. All vehicles used in revenue service are accessible to persons with disabilities.

## **MOST OF OCTA'S TRANSIT SERVICES ARE DIRECTLY OPERATED BY OCTA**

- In FY09, about 93% of OCTA's fixed route service miles were directly operated by OCTA; the remaining 7% were provided by a private contractor, MV Transportation. OCTA's ACCESS service is also operated by a private contractor, Veolia Transportation.
- Directly operated services are operated from bases in Anaheim, Garden Grove, and Santa Ana:
  - Each base has a vehicle operations group that includes a base manager, supervisors, coach operators, field operations personnel, training personnel, window dispatchers, and office specialists.
  - Each base also has a vehicle maintenance function that includes a base manager, a section manager, maintenance supervisors, and vehicle maintenance personnel. Each location also has a parts storage room, which is managed separately by OCTA's Contracts Administration and Materials Management (CAMM) Department.
  - Facilities maintenance, maintenance resource management, and transit technical services (fleet analysis) work primarily at the OCTA headquarters building. Fareboxes are vaulted at each base; revenue is collected, counted and deposited by a contractor.
  - Central Communications is conducted at Garden Grove. Heavy maintenance is conducted at Santa Ana.
- Contracted fixed route and ACCESS services operate from two OCTA-owned facilities in Irvine.

## **OCTA IMPLEMENTED A FARE INCREASE IN JANUARY 2009**

- In November 2008, the OCTA Board adopted a new fare structure that was implemented on January 4, 2009. OCTA's fares were last increased in January 2005.
- OCTA increased the cash fare by 20%, from \$1.25 to \$1.50. Higher one-way cash fares of \$3.00 or \$4.50 (previously \$2.50 or \$3.75) apply to express routes.
- With the January 2009 fare increase, prices were raised, but no other changes were made to the fare structure. The prices of other fare products increased as follows:
  - One-Day Pass: \$4.00 (previously \$3.00)
  - 30-Day Pass: \$55.00 (previously \$45.00)
  - 7-Day Pass: \$20.00 (previously \$15.00)
  - 15-Day Pass: \$35.00 (previously \$26.00)
  - Pack of 10 pre-paid Day Passes: \$36.00 (previously \$27.00)Higher pass fares apply on express routes.
- Seniors (ages 65 and older), persons with disabilities, and Medicare cardholders qualify for reduced fares. Youth (ages 7 to 18) qualify for reduced fares for certain pass types. College/university and employer pass programs are also available.
- OCTA completed a fare integration study, with a final report issued in July 2009 just after the end of the performance audit period. The study included recommendations to improve intra- and inter-county fare integration. OCTA is considering whether and how to implement them.

## **OCTA DEVELOPED NEW BUS SERVICE DESIGN GUIDELINES AND STANDARDS**

- *OCTA Bus Service Guidelines and Performance Goals* was prepared in December 2008 to update standards that had last been updated in 1994. The guidelines set standards for passenger loadings, bus schedule frequency, and service levels and design, and goals to prioritize the allocation of resources, gauge the effectiveness of bus route design, assess the need for design changes, and determine the amount of service that can be operated.
- OCTA's previous service standards used a single measure (productivity, defined as passengers per revenue vehicle hour) of performance effectiveness. Since that time, the Orange County transit markets and OCTA's services have changed. Bus services now include local, express, community and feeder routes, as well as special event, shuttle, circulator, and for the future, BRT services. In addition to productivity, the new guidelines incorporate occupancy and recovery to evaluate route effectiveness in a way that recognizes the diversity of OCTA's services.
- The metrics are consolidated to create a Service Performance Index (SPI) to rank services relative to each other. Routes with an SPI of 70% or less of the index average for the service type (or 50% of the index average for routes that have been in operation less than two years) are flagged for further study and potential adjustments.

## **OCTA'S BIGGEST RECENT CHALLENGES HAVE RESULTED FROM FUNDING SHORTFALLS**

- Largely as a result of the economic downturn, OCTA's funding picture changed substantially late in the audit period. In particular, sales tax revenues are down significantly, impacting the funding that is provided for transit by the TDA as well as key programs that are funded by M2. With the State's budget crisis, the State has suspended State Transit Assistance (STA) funds, resulting in a loss of approximately \$95 million.
- Federal transportation funding programs have also been impacted. The Congress has not passed legislation to renew SAFETY-LU, the primary source of federal transportation funding, which expired in September 2009.
- In transit operations, funding reductions have forced OCTA to increase fares, reduce service, lay-off staff, and stretch available resources to use them more efficiently:
  - Since June 2008, when service levels peaked, OCTA has reduced service by almost 394,000 annualized service hours. The most recent reduction was implemented on March 15, 2010, when almost 152,000 annualized hours were removed from service.
  - From the time OCTA began reducing service, in September 2008, through the end of the performance audit period, in June 2009, 104 operator, mechanic and service worker positions were eliminated. Another 75 positions were eliminated in September 2009, and 246 positions were planned to be eliminated with the March 2010 service reduction.

## **OCTA'S BIGGEST RECENT CHALLENGES HAVE RESULTED FROM FUNDING SHORTFALLS (CONTINUED)**

- OCTA maintained a high level of transparency in making major transit service reductions. The agency created a dedicated website ([www.octa.net/marchchange](http://www.octa.net/marchchange)) and developed a public outreach program to provide information on proposed changes and solicit public comments. Comments were collected and summarized by Customer Service and shared with staff and Board members as part of the decision making process, which also included a public hearing with the Board of Directors. OCTA carefully documented the alternatives that were considered and the changes that were made in response to public comments. The documentation demonstrates that OCTA responded to public input by phasing the service cuts, retaining night owl services and daily service spans, maintaining geographic coverage on weekdays, and minimizing impacts for ACCESS users, while shortening certain routes to improve efficiency.
- Economic conditions have not only impacted bus riders. Traffic volumes on the 91 Express Lanes, and associated toll revenues, were also down at the end of the performance audit period.

## **OCTA HAS ALSO TAKEN STEPS BEYOND SERVICE REDUCTIONS TO ADDRESS THE FUNDING CHALLENGES**

- In addition to cutting costs by reducing service, OCTA recognized the need for a wholesale reevaluation its transit services and the way they are delivered. OCTA issued a Request for Proposals for a system-wide transit study, with the stated purpose of evaluating and improving fixed route and paratransit services, to develop a service implementation plan for cohesive, efficient, effective and sustainable service.
- In addition to layoffs tied to service reductions, the FY10 budget also includes wage and hiring freezes for administrative employees, eliminates merit increases, and reduces paid holidays. By June 2010, 46 administrative positions are scheduled to be eliminated. Despite these steps, OCTA projected a \$30 million-plus operating deficit, and a revenue shortfall of \$330 million over five years.
- OCTA has also worked to defer capital projects (e.g., an order of 30-foot buses was cancelled) and utilize Federal stimulus dollars for operations. The Authority has been successful in pursuing and obtaining competitive discretionary grant funding, including the \$76 million in ARRA funds for transit capital and operating assistance.
- As noted earlier, the Board approved a funding policy in June 2009 that prioritizes TDA Article 3 (bicycle/ pedestrian) funds for transit operators as long as the State continues to divert STA funds, reallocating \$4 million from bikeways to buses.



## **OCTA'S TRANSIT DIVISION HAD SOME NOTABLE ACHIEVEMENTS DURING THE PERFORMANCE AUDIT PERIOD**

- OCTA's fixed route ridership set a record in October 2008, with nearly 6.4 million boardings. Like transit agencies throughout the country, high fuel prices at that time induced significant ridership increases.
- OCTA operates both liquefied natural gas (LNG) and compressed natural gas (CNG) vehicles. The 299 CNG vehicles purchased during the audit period comply with emissions regulations and are replacing diesel powered buses. OCTA installed new CNG fueling stations at each of its fixed route facilities, and trained its operations and maintenance personnel on the new CNGs. OCTA also rehabilitated 228 LNG-powered buses vehicles to extend their useful lives and procured 200 new cutaway vehicles for ACCESS service.
- New computer systems and applications were introduced, and more are planned:
  - Ellipse, an integrated maintenance management system that interfaces with the accounting, payroll, and fluid management systems, went live in June 2007. There was a challenging transition period while staff were trained on the software, but Ellipse now allows for improved and more efficient reporting capabilities.
  - Additional new computer applications introduced during the audit period include budget activity reporting, budget line item tracking, and maintenance payroll.
  - Implementation of Automatic Passenger Counters (APCs) continued and a new version of HASTUS scheduling software was introduced. OCTA is planning a new radio system, real-time passenger information, and smart card-based fare technology.

## **THE TRANSIT DIVISION ALSO HAD OTHER CHALLENGES DURING THE AUDIT PERIOD**

- Despite achieving record ridership in October 2008, fixed route ridership declined overall during the audit period. Ridership was impacted by service reductions, a strike, and fare increases, but also by the decline in the overall economy. OCTA's ridership is driven by employment, so as the unemployment rate in Orange County increased, OCTA experienced ridership losses.
- Customer complaints increased almost 62% during the performance audit period, but especially in FY09, in response to service reductions and the fare increase.
- OCTA's contractor for ACCESS paratransit services struggled with on-time performance during the early part of the audit period, and liquidated damages were assessed. Changes were made in contractor management, and performance has improved.

## THE REST OF THE PERFORMANCE AUDIT REPORT IS ORGANIZED INTO FIVE CHAPTERS

- **II. Compliance Review** assesses OCTA's compliance with specific PUC requirements and summarizes the status of prior audit recommendations.
- **III. Management Control and Reporting** examines the management controls and performance monitoring systems in place to help reach OCTA's goals and objectives.
- **IV. RTPE Functional Review** addresses the RTPE activities performed by OCTA.
- **V. 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.
- **VI. Recommendations**, which outlines recommendations and potential implementation strategies for OCTA to capitalize on improvement opportunities.

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## **II. COMPLIANCE REVIEW**

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## **THE COMPLIANCE REVIEW ASSESSES COMPLIANCE WITH PUC REQUIREMENTS AND IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS**

- This chapter 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
  - not applicable.
- Although OCTA is in full or partial compliance with PUC requirements, actions are recommended in some areas to improve compliance.
- The review of OCTA’s progress to implement prior audit recommendations is summarized at the end of this chapter and detailed in the appendix to this report.

**OCTA IS IN COMPLIANCE WITH APPLICABLE PUC AND CAC REQUIREMENTS SPECIFIED IN STATE PERFORMANCE AUDIT GUIDELINES FOR RTPES**

**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.	<b>Fully Compliant.</b> Personnel in Financial Planning & Analysis 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. There are several steps in the claims approval process, including initial approval by the Manager of Comprehensive Business Plan/Grants, in Financial Planning & Analysis, then review and approval by the Manager of Financial Planning & Analysis. The claims are finally reviewed and approved by the Executive Director of Finance and Administration. Financial Planning & Analysis maintains a spreadsheet that projects monthly revenue distribution and allocations by area of apportionment and claimant.

**COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY**

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
<p>PUC Sections 99233 and 99234</p>	<p>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>	<p><b>Fully Compliant.</b> As generally described in the internal OCTA document “TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims,” after LTF funds are apportioned to OCTA for TDA administration and to OCTA and SCAG for planning and programming, up to 2% of the balance is set aside for allocation to the bicycle and pedestrian facilities (BPF) program. However, since FY 1996-97, the BPF program, with approval of the OCTA Board of Directors, has been supplanted by the Bus Stop Accessibilities (BSA) program to make all bus stops in Orange County accessible to persons with disabilities. Staff indicated that the BSA program was completed during the audit period. While future apportionments should revert back to the BPF program, an updated policy was approved by the Board in June 2009 that prioritizes Article 3 funds for transit operations as long as the State continues to divert STA funds for other purposes. The last BPF call for projects was conducted in FY07; projects were adopted by the Board in January 2008 for FY08-FY10. While Article 3 funds are not available for the BPF program, the Board has authorized FTA 5307 set-aside funds (1%) and some TDA reserve funds to be used for bicycle/pedestrian projects through a competitive call for projects.</p> <p><b>Recommendation:</b> OCTA’s current TDA guidelines do not include a description of the BPF allocation process and procedures for evaluating claims. Compliance could be improved by adding a description of the allocation process and the updated Article 3 policies to the guidelines.</p>

**COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY**

<b>Reference</b>	<b>RTPE Compliance Requirements</b>	<b>OCTA Compliance Actions</b>
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.	<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 in Transit Advisory Committee (SNITAC). The 34-member committee advises OCTA on its special needs transit service for persons with disabilities. SNITAC members serve three-year terms. Members are appointed by the Board of Directors.



### COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
<p>PUC Section 99244</p>	<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 that exceeds its prior year allocation.</li> </ul>	<p><b>Fully Compliant.</b> Actions have been taken by OCTD and Laguna Beach Transit to implement the prior audit recommendations. In addition, OCTA requires operators to submit 15 transit performance measures by mode for a running three year period in their TDA claims. These data are available to monitor each operator’s performance trends.</p> <p>To manage costs and to improve the efficiency and effectiveness of the bus service, OCTA established bus service performance targets in its Comprehensive Business Plan. These targets assist staff in better understanding business practices and identify areas that need improvement, and have led to the development of the Performance Measurement Report that is presented to executive management each month and to the Board of Directors on a quarterly basis.</p> <p>Two standing citizens committees provide input on transit issues. The Special Needs in Transit Advisory Committee advises on transit and paratransit services; 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>With the current need to respond to on-going funding shortfalls, OCTA and OCTD have made and continue to make adjustments to manage and reduce operating costs.</p> <p><b>Recommendation:</b> This section requires the RTPE to determine whether operators have made reasonable efforts to implement prior audit recommendations. OCTA should require operators to submit status updates on audit recommendations with their TDA claims.</p>

**COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY**

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
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 or shortly thereafter, and accompanied by the audit reports.</p> <p>FY07: submitted on Dec 28, 2007                      FY08: submitted on Dec 30, 2008                      FY09: submitted on Dec 30, 2009</p>
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 triennia). 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 FY04-FY06 Triennial Performance Audits were conducted by an independent entity. They were completed in May 2007, within 12 months after the end of the audit period.</p> <p>The FY07-FY09 Triennial Performance Audits are also being conducted by an independent entity and are expected to be completed on-time.</p> <p>With one exception, the operator audits for both audit cycles calculate the required TDA performance indicators. It is noted that the prior performance audit did not calculate vehicle service hours per employee for OCTA’s ACCESS service.</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 25, 2007, to verify that the OCTA audit was submitted and the operator audits were completed. In fact, OCTA submitted all three audits to Caltrans.</p>

### COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
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 current 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	<p>The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.</p>	<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 20% farebox recovery ratio and a 24.42% local support ratio (the ratio in FY79). LMBTL is not subject to these ratios but must qualify under the 50% expenditure limitation provision of the TDA.</p>

### COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY

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. OCTD claims these funds for CTSA-related programs including ACCESS Paratransit and Special Agency Transportation services and the Senior Mobility Program (SMP). Under the SMP, OCTA has entered into cooperative agreements with 18 cities and 3 eligible non-profit agencies in Orange County to transfer Office of Aging funds and LTF Article 4.5 funds to these agencies to enable them to provide accessible senior transportation services. The city or non-profit agency must provide a local match of 20% of the funds provided by OCTD. OCTA's 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.</p> <p>The partial compliance finding is made because although OCTA did adopt guidelines for filing Article 4.5 claims, OCTA has not made the findings required by the guidelines.</p> <p><b>Recommendation:</b> OCTA could strengthen compliance with this requirement by making and documenting the required findings every year. The findings must be made for all Article 4.5 claims, including those for ACCESS, Special Agency Transportation Services, and the Senior Mobility Program. 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> During the audit period, STA funds were allocated to OCTD for mass transportation purposes.</p>

### COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
PUC Section 99314.3	<p>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 Controllers Office.</p>	<p><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 Laguna Beach Transit will receive local funding assistance in lieu of STA funds.</p>
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>	<p><b>Not Applicable.</b> OCTA is not subject to this PUC requirement. All applicable TDA funds are allocated for either bicycle and pedestrian facilities or for transit purposes as required under PUC Section 99232 under the Apportionment Restriction.</p>

**COMPLIANCE MATRIX OF OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY**

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
CAC Section 6662	<p>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>	<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>FY07: submitted on Dec 28, 2007                      FY08: submitted on Dec 30, 2008                      FY09: submitted on Jan 26, 2010</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>

**OCTA IS ALSO IN COMPLIANCE WITH APPLICABLE REQUIREMENTS FOR OPERATORS**

**COMPLIANCE MATRIX OF OCTD AS A TRANSIT OPERATOR**

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>FY07: submitted on Oct 17, 2007                      FY08: submitted on Oct 14, 2008                      FY09: submitted on Oct 15, 2009</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, Transit Operations is included in OCTA's annual report. With one exception, OCTA's annual reports submitted to the State Controller within the required timeframe (verified by the dates on the transmittal letters):</p> <p>FY07: Dec 28, 2007                      FY08: Dec 30, 2008                      FY09: Jan 26, 2010 (late) *</p> <p>* As the RTPE, OCTA may grant a 90-day extension of the due date.</p>																				
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" data-bbox="1205 1047 1801 1213"> <thead> <tr> <th>Base</th> <th>FY07</th> <th>FY08</th> <th>FY09</th> </tr> </thead> <tbody> <tr> <td>Anaheim</td> <td>2/9/06</td> <td>2/15/07</td> <td>2/6/08</td> </tr> <tr> <td>Garden Grove</td> <td>12/9/05</td> <td>12/8/06</td> <td>11/9/07</td> </tr> <tr> <td>Irvine</td> <td>10/19/05</td> <td>9/28/06</td> <td>9/14/07</td> </tr> <tr> <td>Santa Ana</td> <td>9/15/05</td> <td>9/8/06</td> <td>9/28/07</td> </tr> </tbody> </table>	Base	FY07	FY08	FY09	Anaheim	2/9/06	2/15/07	2/6/08	Garden Grove	12/9/05	12/8/06	11/9/07	Irvine	10/19/05	9/28/06	9/14/07	Santa Ana	9/15/05	9/8/06	9/28/07
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Santa Ana	9/15/05	9/8/06	9/28/07																			

### COMPLIANCE MATRIX OF OCTD AS A TRANSIT OPERATOR

Reference	Operator Compliance Requirements	OCTD Compliance Actions
PUC Section 99261	The operator’s claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPE for such claims	<p><b>Partially Compliant.</b> OCTD’s TDA claims are generally in compliance with OCTA’s TDA Guidelines. The partial compliance finding is made because OCTD claims have not included the information required for OCTA to make the required findings on its Article 4.5 evaluation criteria.</p> <p><b>Recommendation:</b> 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 those 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.	<p><b>Fully Compliant.</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. However, OCTA’s TDA Guidelines do establish revenue ratios for the transit operators. OCTA/Operations is required to meet both a 20% farebox recovery ratio and a 24.42% local support ratio (the latter based on the FY79 ratio). OCTD met both of these requirements throughout the audit period.</p> <p><u>Farebox Recovery Ratio by TDA guidelines:</u>  FY07: 22.2%  FY08: 20.2%  FY09: 21.3%</p> <p><u>Farebox Recovery Ratio with Local Funds:</u>  FY07: 28.2%  FY08: 26.5%  FY09: 27.3%</p>



**COMPLIANCE MATRIX OF OCTD AS A TRANSIT OPERATOR**

Reference	Operator Compliance Requirements	OCTD Compliance Actions
PUC Section 99266	The operator’s operating budget has not increased by more than 15% over 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 reasonable supported and substantiated the change(s).	<b>Fully Compliant.</b> OCTA/Operations budget increases during the audit period were well within the 15% cap: FY07: 6.3% FY08: 4.6% FY09: 0.1%
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%.	<b>Fully Compliant.</b> OCTA has met this requirement throughout the audit period: FY07: 22.2% FY08: 20.2% FY09: 21.3%
PUC Sections 99268.2 99268.4 99268.5	If the operator serves rural area, it has maintained a ratio of fare revenue to operating cost at least equal to 10%.	<b>Not Applicable.</b> OCTA’s service area is in an urbanized area.
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 73.08% of all current and future costs. The OCERS Board had adopted a 30-year amortization as a funding policy as outlined in the County Employees Retirement Law of 1937. 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> Federal funds allocated to OCTA are used for capital programs, including preventive maintenance.

**ALTHOUGH OCTA AND OCTD ARE IN COMPLIANCE WITH ALL REQUIREMENTS, SOME OPPORTUNITIES TO IMPROVE COMPLIANCE HAVE BEEN IDENTIFIED**

- As noted in the PUC compliance matrices, OCTA's compliance could be improved in the following areas:
  - PUC 99275.5: OCTA should require OCTD to submit the information needed to evaluate its Article 4.5 claim and should conduct the required evaluation and make the required findings. OCTD's compliance with PUC 99261 would be improved by submitting the information OCTA requires in its guidelines for Article 4.5 claims.
  - PUC 99233 and 99234: OCTA should update the TDA Guidelines to provide more complete and current information on procedures for allocating and claiming Article 3 funds.
  - PUC 99244: OCTA should update the TDA Guidelines to require operators to provide status updates on prior performance audit recommendations.
  - OCTA should also update its TDA claim forms to reference current FTA grant programs.
- These observations are discussed on the following pages and included among the recommendations in Chapter VI of this report.

## **OCTA IS NOT VERIFYING THAT OPERATORS COMPLY WITH THE CRITERIA OCTA HAS DEFINED FOR ARTICLE 4.5 CLAIMS**

- Under PUC Section 99275.5, OCTA is required to adopt criteria for evaluating claims filed for Article 4.5 funds. OCTA's TDA Guidelines define seven criteria that must be verified annually in approving OCTD's Article 4.5 claims:<sup>3</sup>
  - The community transit service is responding to a demonstrated need by those persons who cannot use fixed route service
  - The service is integrated with existing transit service, if appropriate
  - The claimant has prepared an estimate of revenues, operating costs, and boardings
  - The claimant is in compliance with fare recovery, performance requirements, and local match requirements
  - The claimant has been submitting an annual certified fiscal audit
  - The operator honors the federal Medicare identification card as sufficient identification for reduced fares for senior citizens
  - The operator honors identification cards issued by another transit operator as sufficient identification for reduced fares for disabled veterans and other persons with disabilities.
- These findings need to be made for all Article 4.5 claims, including those for ACCESS, Special Agency Transportation Services, and the Senior Mobility Program. However, it does not appear that OCTD is submitting the necessary evidence or that OCTA is conducting the evaluation and making the required findings. OCTA could improve compliance with PUC 99275.5 by requiring OCTD to submit the information needed to evaluate these criteria as part of its Article 4.5 claim submittal, and then conducting the required evaluation and making the required finding. OCTD's compliance with PUC 99261 could be improved by submitting the information OCTA requires in its TDA Guidelines.

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<sup>3</sup> OCTD is the designated CTSA for Orange County and the only eligible claimant of Article 4.5 funds.

## **TDA CLAIM GUIDELINES SHOULD BE CLARIFIED TO REFLECT CURRENT ARTICLE 3 FUNDING AVAILABILITY AND TO REQUIRE OPERATORS TO UPDATE PRIOR AUDIT RECOMMENDATIONS**

- PUC Sections 99233 and 99234 require RTPEs to adopt procedures for submitting claims for Article 3 funds. Although OCTA allocates Article 3 funds through the Call for Projects, and issues application guidelines and procedures in conjunction with each Call, OCTA's TDA Guidelines only briefly describe the Bicycle and Pedestrian Facilities (BPF) program. The TDA Guidelines could be updated and improved by providing:
  - a more complete description of the allocation process for the BPF program, including referencing or attaching 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.

Updating the TDA Guidelines to provide a more current and detailed description of the BPF program would contribute to a more comprehensive description of the overall process for allocating and claiming TDA funds.

- PUC 99244 requires RTPEs to identify, analyze and recommend potential productivity improvements. This includes determining whether claimants have made reasonable efforts to implement performance audit recommendations. TDA claimants are required to submit three-year performance trend data, but OCTA does not receive updates on prior audit recommendations from either LBMTL or OCTA operations. In addition, OCTA's actions to implement prior audit recommendations were updated only once, in late 2007 or early 2008. OCTA could improve its oversight by requiring TDA Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals.

## **TDA CLAIM FORMS SHOULD BE UPDATED**

- OCTA should also update its TDA claim forms to reference current Federal Transit Administration (FTA) grant programs. Claim forms, particularly those used by LBMTL, reflect Urban Mass Transportation Administration (UMTA) grant programs. With the passage of the Intermodal Surface Transportation Act of 1991 (ISTEA), UMTA's name was changed and grant and other programs were renamed to reflect federal statutes. Also, new grant programs (e.g., Section 5316, Section 5317) have been created by subsequent federal transportation legislation.

## THE COMPLIANCE REVIEW ALSO CONSIDERS THE STATUS OF OCTA'S EFFORTS TO IMPLEMENT THE RECOMMENDATIONS OF THE PREVIOUS PERFORMANCE AUDIT

- The previous performance audit made 39 recommendations. Booz Allen independently reviewed and made one of four findings for each recommendation:
  - **Implemented:** the recommendation has been implemented.
  - **Implementation on-going:** initial steps have been taken to implement the recommendation, but further actions are required to complete it.
  - **Not implemented – further action required:** the recommendation has not been implemented and further actions are recommended. These recommendations are carried forward as recommendations of the current audit.
  - **Not implemented – no action required:** The recommendation has not been implemented and/or is no longer applicable.
  - **Undetermined** – insufficient information was provided to make a determination.
  
- OCTA has implemented 31 of the 39 recommendations. Of the remaining eight:
  - Implementation is on-going on one recommendation (#33 – facility security). This recommendation is carried over as a recommendation in Chapter 6 of this audit.
  - OCTA has not implemented three recommendations pertaining to project management (#28, #29, #30). This audit includes a recommendation related to project management that incorporates open issues from the prior audit.
  - OCTA has chosen not to implement the remaining four recommendations (#1, #3, #13, #19) and the auditors concur in these decisions.

## **THE AUDITORS CONCUR IN OCTA'S DECISIONS NOT TO IMPLEMENT FOUR RECOMMENDATIONS**

- Two recommendations (#1, #13) speak to the role of the Comprehensive Business Plan (CBP) in setting performance goals and objectives. Although the intent of these recommendations is not clear, they may have been intended to address an underlying need for performance goals and objectives. While we concur with OCTA's view that this is not the purpose of the CBP, and therefore in the decision not to implement the recommendations as proposed, we also believe that there is a need for OCTA to more clearly define performance goals and objectives. That need should be addressed as the agency undertakes the development of an agencywide strategic plan. Chapter 6 of the current audit includes a recommendation pertaining to the need for strategic planning.
- The auditors agree with OCTA staff that the remaining two recommendations (#3 – staffing for Board committees; #19 – capital budget transfers) have been addressed in other ways and no action is required.

**EACH PRIOR AUDIT RECOMMENDATION AND THE ACTIONS OCTA HAS TAKEN TO IMPLEMENT IT IS DISCUSSED IN THE APPENDIX TO THIS REPORT**

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### **III. MANAGEMENT CONTROL AND REPORTING**

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## OCTA’S MISSION AND CORE VALUES PROVIDE A FRAMEWORK THAT DEFINES STANDARDS FOR PERFORMANCE

### Mission Statement

*Our mission is to enhance the quality of life in Orange County by delivering safer, faster, and more efficient transportation solutions.*

### Core Values

*Our commitment to one another, our customers, and our values consist of integrity, a customer focus, can-do spirit, communication, and teamwork/partnership. These values set the standards for our performance.*

<b>Integrity</b>	<ul style="list-style-type: none"> <li>▪ Do what we say we are going to do and deliver as promised</li> <li>▪ Be accountable for our actions</li> <li>▪ Apply the golden rule as we work with others</li> <li>▪ Practice ethical behavior</li> </ul>
<b>Customer Focus</b>	<ul style="list-style-type: none"> <li>▪ Know our customers. Be courteous, friendly and responsive to their needs</li> <li>▪ Treat others with care, consideration and respect</li> <li>▪ Provide safe, timely, reliable, professional service</li> </ul>
<b>Can-Do Spirit</b>	<ul style="list-style-type: none"> <li>▪ Be proactive, take the initiative to do and make things better</li> <li>▪ Do all we can to always improve what we do; strive to be “outstanding”</li> <li>▪ Be creative and innovative in our approach to new challenges</li> <li>▪ Take risks and learn from past mistakes</li> <li>▪ Practice visionary and forward thinking</li> </ul>
<b>Communication</b>	<ul style="list-style-type: none"> <li>▪ Communicate openly, honestly and in a straightforward manner</li> <li>▪ Strive to be responsive to the knowledge and information that others need</li> <li>▪ Provide consistent, timely and reliable information to build trust in others</li> </ul>
<b>Teamwork/Partnership</b>	<ul style="list-style-type: none"> <li>▪ Build cooperative, supportive relationships across all lines of business</li> <li>▪ Build and sustain relationships characterized by shared goals and success, shared knowledge and mutual respect</li> <li>▪ Understand and adapt to the diverse background at OCTA</li> </ul>

## **OCTA'S MISSION AND VALUES ARE ARTICULATED IN KEY DOCUMENTS TO PROVIDE GUIDANCE FOR THE ORGANIZATION**

- The mission and core values are placed prominently at the beginning of each budget document, the Comprehensive Business Plans (CBPs), and divisional strategic plans such as the Transit Operations Division's Strategic Transit Plan.
- The annual budget provides an overview of OCTA's service offerings and the revenue and expenditure plan for that year. Beginning with FY2008, the budget document also includes the Board Chair's goals for the year. For each division and department, it also presents a narrative description of accomplishments for the prior year and goals for the budget year.
- OCTA's CEO, who joined the agency in August 2009 after the FY10 budget was adopted, has also identified goals for FY10 and provides quarterly reports on progress against them. The CEO's goals include updating the CBP and creating an agencywide strategic plan.
- OCTA issued the first CBP in 2006 and updated it in 2008. The CBP is designed as a business planning tool to assist OCTA in implementing its strategic goals and objectives. Intended to be updated annually to reflect changing social, political and economic environment, it describes each of OCTA's programs and outlines their goals and objectives.

## **SOME DIVISIONS HAVE PREPARED BUSINESS PLANS, WHICH INCORPORATE OCTA'S MISSION STATEMENT**

- The Strategic Transit Plan (STP) is a short range business plan that is specific to Transit Operations, for the period FY08-FY12. The STP was designed to be a dynamic document that is updated annually to reflect current conditions. It was developed to be consistent with OCTA's FY08 Comprehensive Business Plan, but was finalized in 2008 as revenue projections began to fall. It acknowledges the need to incorporate more current revenue projections in future editions, but has not yet been updated, at least in part because revenue projections have not stabilized.
- Some other divisions also provided business or work plans during audit interviews:
  - The Development Division has prepared a five-year (FY10-FY14) business plan that reflects OCTA's mission and core values in its own mission statement and goals. It provides an overview of the division and a statement of division goals, which are in turn supported by statements of divisional strategies and critical success factors to ensure successful implementation of Measure M and Renewed Measure M projects and to meet the requirements of SB375.
  - External Affairs prepared annual work plans for FY07 and FY08 and a communication plan for FY09. The plans provide situational analyses, including detailed performance data for OCTA's programs, and then set goals, define tactics, and tie them to the current budget.
  - The departments in the Human Resources & Organizational Development Division provided combinations of missions, visions, goals and responsibilities – all specific to each department's work plan for FY09.

**SOME DIVISIONS HAVE PREPARED BUSINESS PLANS, WHICH INCORPORATE OCTA'S MISSION STATEMENT (CONTINUED)**

- It is commendable that division managers have recognized the need for business plans. While the divisional plans provide helpful direction to division staff, to be effective in the agencywide context they should be driven by an organization-wide strategic plan, to ensure that people are working consistently toward the same goals, throughout OCTA.

## ALTHOUGH OCTA HAS A MISSION AND CORE VALUES, THEY HAVE NOT BEEN UPDATED FOR AT LEAST FIVE YEARS

- It is particularly important in OCTA’s current, challenging environment to have a strategic plan to assist in making the difficult decisions that the agency faces. It is also a critical element for the implementation of the long range transportation plan.
- As a living document, a strategic plan should be reviewed and updated regularly, taking into consideration the agency’s accomplishments, challenges to creating change, and changing conditions in the region.
- In addition to updating its mission, OCTA should develop a comprehensive strategic plan, including a vision, supporting goals and objectives, and initiatives to guide their implementation.



## **DURING THE AUDIT PERIOD, OCTA'S ANNUAL BUDGETS REPORTED ON PLANNED AND ACTUAL ACCOMPLISHMENTS**

- During the audit period, OCTA's budgets included tables showing budgeted service levels, costs, boardings and fare revenues by mode, and performance metrics showing the relationships among these elements. However, the process is not informed by a current, strategic business plan that links annual goals, objectives and tactics to broader organization-wide, longer term mission, vision, and goals.
- Audit period budgets included performance measures for directly operated fixed route services, which were defined as the current year's targets. The previous year's target, estimated actual performance and variance were also reported for each indicator. The effect was to use actual performance results to inform the budget process, tying performance goals to budgeted resources – and then reporting back on actual results.
- While this level of detail is not included in the FY10 budget, the auditors recognize that OCTA's executive management team is transitioning with the appointment of a new CEO, and the budget document will evolve in that process.

## **STAFF ALSO TRACK, REPORT AND REVIEW FINANCIAL AND OPERATING PERFORMANCE ON AN ON-GOING BASIS**

- Financial Planning & Analysis (FP&A) staff monitor the budget through the Budget Activity Reporting (BAR) process, a management tool that gauges how each division is performing in relation to the approved budget. Using that information, they provide a monthly management report that includes detailed explanations for all budget variances, by division, by major object categories (i.e., salaries and benefits, services and supplies, capital). A Quarterly Budget Status Report prepared for the Board of Directors provides a higher level summary of operating and capital variances at the programmatic level.
- FP&A is responsible for the quarterly Grant Status Report, which is provided to the Board. It provides updates on significant grant activity during the quarter and the status of grant applications and agreements, and of grants that are in closeout.
- FP&A has developed two reporting tools to monitor transit performance:
  - the Monthly Performance Measurement Report, a relatively new Excel-based monthly financial management report, which is linked to IFAS and graphically highlights transit operational and financial performance metrics.
  - an older Access-based tool used primarily compare current to historic transit operations data, and actual performance to target. Staff now rely more on the Excel-based Monthly Performance Measurement Report, which allows greater flexibility to review data and generate higher quality reports.

**STAFF ALSO TRACK, REPORT AND REVIEW FINANCIAL AND OPERATING PERFORMANCE ON AN ON-GOING BASIS (CONTINUED)**

- Maintaining two separate reporting tools requires FP&A staff to manually input the same financial/operational performance data into the Access database. Consolidating all reporting requirements in a single tool or creating linkages between the two systems would eliminate the need to input data manually, reduce the possibility of errors in data entry, ensure overall data consistency and accuracy between the two systems, and allow more efficient use of resources.
- Transit Operations staff also prepare a variety of monthly performance reports, including topical (e.g., ridership, on-time performance), departmental (e.g., the Maintenance Department's Standards and Performance Indicators Report), and divisional (e.g., Monthly Operating Highlights) reports. However, there is no high-level performance report that summarizes key operating and financial performance indicators for Transit Operations. Such a report could be made available to the Board, stakeholders and the general public on a monthly or quarterly basis as a means of identifying the challenges OCTA faces and demonstrating OCTA's achievements.



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## **IV. RTPE FUNCTIONAL REVIEW**

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## **OCTA'S FUNCTIONAL RESPONSIBILITIES AS THE RTPE WERE REVIEWED AS PART OF THE TRIENNIAL PERFORMANCE AUDIT**

- 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 Chapter II, the functional review provides the basis for recommendations offered for OCTA's consideration in Chapter VI.
- 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
  - 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
  - achievements and opportunities for improvement.

**OCTA PERFORMS SEVERAL ROLES, AND IS BOTH THE REGIONAL TRANSPORTATION PLANNING ENTITY AND THE PRIMARY TRANSIT SERVICE PROVIDER FOR ORANGE COUNTY**

- As the RTPE, OCTA is responsible for regional transportation planning and for administering the Local Transportation Fund (LTF) and allocating those funds to eligible claimants. In conjunction with these responsibilities, OCTA:
  - plans, coordinates and improves transportation services across the region, including service integration and innovative services
  - makes transportation funds available through funding and regional transportation programming
  - manages allocated funds and monitors compliance with funding requirements, including TDA administration and claimant relationships and oversight
  - promotes public transportation and transportation alternatives
  - applies for and manages grant funds.
  
- In these roles, 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.

## **LTF AND STAF APPROPRIATIONS ARE APPROVED BY THE OCTA BOARD ON A TIMELY BASIS**

- Financial Planning and Analysis (FP&A) staff administer the TDA program.
- In January each year, FP&A staff forecast LTF revenues that will be available for apportionment for the following year and provide the forecast and the methodology to the Orange County Auditor-Controller for review, revision and approval. This process is informed by Chapman University's economic forecasts; the information is used to calculate LTF apportionments which are presented to the OCTA Board for approval in March each year.
- Article 4 claims are submitted by OCTD and Laguna Beach Municipal Transit Lines (Laguna Beach Transit, LBT); the Article 4.5 claim is submitted by OCTD as the designated CTSA for Orange County. The claims are due on April 1<sup>st</sup> and during the audit period were generally submitted on-time. These dates are consistent with the timeframes established by TDA.
- FP&A staff also 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 allocation instructions and payment schedules for the County Controller.
- The TDA-mandated RTPE and operator performance audits are managed by Internal Audit.

## **THE ALLOCATION PROCESS MAKES FUNDS AVAILABLE FOR ADMINISTRATIVE AND PLANNING ACTIVITIES AS WELL AS COMMUNITY AND PUBLIC TRANSPORTATION**

- TDA makes LTF funds available for administering and for planning and programming TDA funds, and allows claims for administration and planning and programming to be 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 an important and significant source of funds for OCTA, providing \$4 million or more per year to support the Authority's responsibility for administering TDA funds and providing transportation planning and programming.
- OCTA's appropriations clearly distinguish between revenues allocated for administration and revenues allocated for planning and programming. OCTA's annual budgets also identify the dollar amounts that are committed to OCTA and the County Auditor-Controller for TDA administration, and to OCTA and SCAG for planning and programming.
- Article 4 and 4.5 allocations are also consistent with TDA allowances. Article 4.5 funds are allocated first, to OCTD 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 LBT to support their public transportation systems.

**LTF REVENUES WERE ALLOCATED AS PROVIDED BY TDA STATUTES**

- For each of the three years of the performance audit period, OCTA allocated the LTF to allowable uses, as required by TDA statutes:

	Amount Available	FY06	Performance Audit Period						FY10
			FY07	FY08	FY09	FY09	FY09	FY09	
<b>LTF - Sales &amp; Use Tax Receipts</b>		\$134,069,820	\$148,216,407	\$157,711,541	\$149,462,007			\$126,666,723	
Diversion to OC General Fund		(\$38,000,004)	(\$38,000,004)	(\$38,000,004)	(\$38,000,004)			(\$38,000,004)	
<b>Available for Apportionment</b>		<u>\$96,069,816</u>	<u>\$110,216,403</u>	<u>\$119,711,537</u>	<u>\$111,462,003</u>			<u>\$88,666,719</u>	
<b>Article 3</b>									
TDA Administration	as needed								
County Auditor		\$1,742	\$3,071	\$4,968	\$4,255			\$3,737	
OCTA		\$102,203	\$106,291	\$110,543	\$113,693			\$116,911	
<b>Planning &amp; Programming</b>									
OCTA	≤ 3% of revenues	\$4,022,095	\$4,446,492	3.0% \$4,731,346	3.0% \$4,483,860	3.0%		\$3,800,002	
SCAG	≤ 0.75% of revenues	\$176,700	\$186,200	0.1% \$185,500	0.1% \$180,600	0.1%		\$174,400	
Bicycle/Pedestrian	2% of remaining	\$1,835,342	\$2,109,487	2.0% \$2,293,584	2.0% \$2,133,592	2.0%		\$0	
<b>Total Article 3</b>		<u>\$6,138,082</u>	<u>\$6,851,541</u>	<u>\$7,325,941</u>	<u>\$6,916,000</u>			<u>\$4,095,049</u>	
<b>Article 4 &amp; 4.5</b>									
CTSA: OCTD	≤ 5% of remaining	\$4,444,429	\$5,168,243	5.0% \$5,619,280	5.0% \$5,227,300	5.0%		\$4,228,583	
Transit: OCTD	≤ area apportionment	\$84,444,154	\$97,105,558	\$105,611,382	\$98,226,085			\$79,398,535	
Transit: LBMTL	≤ area apportionment	\$1,043,151	\$1,091,061	\$1,154,935	\$1,092,618			\$944,550	
<b>Total Article 4 &amp; 4.5</b>		<u>\$89,931,734</u>	<u>\$103,364,862</u>	<u>\$112,385,597</u>	<u>\$104,546,003</u>			<u>\$84,571,669</u>	
<b>Total Apportioned</b>		<u>\$96,069,816</u>	<u>\$110,216,403</u>	<u>\$119,711,537</u>	<u>\$111,462,003</u>			<u>\$88,666,719</u>	

**TDA FUNDS AVAILABLE FOR ALLOCATION TOTALED \$415 MILLION ACROSS THE THREE YEARS OF THE PERFORMANCE AUDIT PERIOD**

- As a result of the Orange County Bankruptcy Consensus Recovery Plan, \$38 million has been diverted from the LTF to the County’s General Fund each year since FY97. This provision will remain in effect for one more year, through FY11. Beginning in FY12, these funds will revert to OCTA. In the interim, 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 will continue for three more years, 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.
- LTF and STAF amounts fluctuated from year to year during the audit period. They are shown below in millions of dollars, with the Gas Tax Fund that supports bus operations:

Budget Year	LTF (c)	STAF (c)	TDA Total	Gas Tax Fund	Total	% Growth
FY06 <sup>(a)</sup>	\$104.6	\$11.8	\$116.4	\$23.0	\$139.4	--
FY07 <sup>(a)</sup>	\$111.0	\$36.7	\$147.7	\$23.0	\$170.7	22.5%
FY08 <sup>(a)</sup>	\$108.4	\$17.4	\$125.8	\$23.0	\$148.8	(12.8%)
FY09 <sup>(b)</sup>	\$115.9	\$25.9	\$141.8	\$23.0	\$164.8	10.8%
FY10 <sup>(b)</sup>	\$95.1	\$0.0	\$95.1	\$23.0	\$118.1	(28.3%)

(a) Actual  
 (b) Budget  
 (c) Includes taxes, interest income, and reserves budgeted.

- During the three-year audit period, OCTA allocated about \$415 million in TDA and STA funds, of which \$320 million were allocated for transit operations and capital programs.

## **OCTA ALLOCATES TDA FUNDS TO OCTD AND LAGUNA BEACH TRANSIT**

- OCTA allocates LTF and STAF funds to OCTD, and LTF funds to Laguna Beach Transit. LBT is also eligible to receive STA and FTA funds, but the two agencies have agreed that OCTA will provide equivalent local funding to Laguna Beach in lieu of direct STA and FTA funds.
- OCTA and Laguna Beach have developed two cooperative agreements, which were updated in 2009 for the period from FY09 through FY13. The agreements detail the agencies' respective roles and responsibilities for procuring state and federal funding for Laguna Beach Transit, including STA, Proposition 1B, FTA Section 5307 (Urbanized Area Formula Grant), and federal ARRA funds:
  - One agreement provides that in lieu of the FTA Section 5307 funds for which Laguna Beach is eligible, OCTA will provide up to \$200,000 for the five-year period, plus \$105,000 in ARRA funds for FY09.
  - OCTA and Laguna Beach have also agreed that over the five years, OCTA will provide \$175,000 in lieu of STA funds and \$75,000 in Proposition 1B funds.
  - The agreements require Laguna Beach to submit NTD reports by October 28<sup>th</sup> and fiscal reports, including data needed to calculate mandated TDA indicators, by November 1<sup>st</sup> and permit OCTA to withhold funds if they are not submitted.
- LBT 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. In partnership with OCTA, the City secured an additional \$500,000 in federal stimulus funds to purchase new propane-fueled trolleys.



## **OCTA ALLOCATES SOME LTF ARTICLE 3 FUNDS THROUGH A CALL FOR PROJECTS**

- TDA Article 3 funds available for pedestrian and bicycle programs are allocated through a Call for Projects that is administered by the Capital Programs Section of the Development Division's Strategic Planning Department. The last such call was conducted in August 2007.
- 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*. In the face of funding shortfalls, the OCTA Board of Directors adopted a financial policy in June 2009 that prioritizes TDA Article 3 funds for transit operations as long as the State continues to divert STA funds for other purposes. 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.

## **OCTA IS RESPONSIBLE FOR TRANSPORTATION PLANNING AND REGIONAL COORDINATION FUNCTIONS IN ORANGE COUNTY**

- OCTA's Development Division conducts the majority of the agency's transportation planning and regional coordination functions. Related Development Division functions include managing the implementation of projects, conducting programming activities required by state and federal legislation, and securing project funding.
- The Development Division includes the following functional areas: Strategic Planning, Highway Project Delivery, and Project Controls. Of these, the Strategic Planning function pertains most closely to transportation planning and regional coordination. Five section managers report to OCTA's Director of Strategic Planning:
  - **Regional Modeling and Traffic Operations:** develops long range traffic and ridership forecasts for transportation planning and project development activities.
  - **Geographic Information Systems (GIS):** uses GIS software as an analysis tool as well as to visually display transportation data and projects.
  - **Capital Programs:** makes sure that OCTA programs its funds in accordance with Federal, state and regional guidelines.
  - **Planning and Analysis:** conducts strategic planning, long-range planning, and major investment studies within Orange County, including development of the Long-Range Transportation Plan (LRTP) that was last prepared in July 2006.
  - **Regional Initiatives:** areas of responsibility include goods movement, high-occupancy toll/high-occupancy vehicle (HOT/HOV) policy, inter-county coordination, and planning for other projects of regional significance.

## **OCTA'S LRTP SERVES AS THE BLUEPRINT FOR THE LONG-TERM DIRECTION OF TRANSPORTATION PLANNING FOR ORANGE COUNTY**

- About every four years, OCTA prepares a Long-Range Transportation Plan (LRTP) that establishes the long-term strategic direction of transportation planning for Orange County.
- OCTA's current LRTP, *New Directions: Charting the Course for Orange County's Future Transportation System*, was adopted by the OCTA Board in July 2006. The planning horizon of this LRTP was through the year 2030. The LRTP described:
  - Orange County's population and employment growth trends.
  - Orange County's existing transportation network and its performance.
  - Proposed multimodal transportation improvements in Orange County, the impacts of those projects, and a plan for funding those improvements.
  - Other strategic elements supported by OCTA, including Intelligent Transportation Systems (ITS), goods movement, and bikeways.
- The 2006 LRTP helped set the stage for passage of Renewed Measure M in November 2006. One of the major components of the LRTP is a description of projects that would be funded by the initiative and the impacts of those projects.

## **THE DEVELOPMENT DIVISION HAS INITIATED WORK ON THE NEXT LRTP**

- The Southern California Association of Governments (SCAG), which is the Metropolitan Planning Organization (MPO) for Southern California, prepares the Southern California Regional Transportation Plan (RTP). The current RTP was adopted by the SCAG Board in May 2008; the next RTP is scheduled to be adopted in 2012.
- OCTA provides input for the RTP that lists and describes financially constrained multimodal transportation projects in Orange County. Generally, OCTA's input is included in the SCAG RTP without significant changes.
- OCTA has started work on the 2010 LRTP for Orange County, which has a 2035 planning horizon and will provide input to SCAG's 2012 RTP. OCTA develops its LRTP in coordination with SCAG, using a consistent population, employment, and land use database.
- SB 375, which became effective January 1, 2009, requires integration of transportation, land use, and housing planning, and establishes reduction of greenhouse gas emissions as a main goal for transportation planning. As part of this process and working with the individual County Transportation Commissions, SCAG is responsible for implementing SB 375 in the Southern California region, which includes preparing a Sustainable Communities Strategy (SCS) as part of the 2012 RTP.

## **THE ORANGE COUNTY LRTP WILL BE REQUIRED TO ADDRESS SB 375 REQUIREMENTS**

- OCTA's LRTP will address SB 375 requirements to integrate transportation, land use and housing planning and reduce greenhouse gas emissions, while reflecting the financial impacts of current economic conditions, expansion strategies to restore and extend transit service, and continued implementation of M2 projects. Three alternatives will be included in the LRTP when it is presented to the Board later this year: baseline projects included in the six-year RTIP; a constrained strategy of projects funded from current revenue forecasts; an unconstrained strategy with projects that exceed revenue forecasts.
- Outreach to local agencies on SB 375 requirements will begin shortly and will focus on a network of transit services to support land use plans. In this early phase, growth trends, goals and objectives, and effectiveness measures will be developed. Subsequent steps will include travel demand modeling and outreach to the public and local agencies. The LRTP is expected to be ready for Board review and approval by late 2010.
- As part of this process, OCTA will work with OCCOG to develop the subregional SCS required by SB 375 as input to the SCAG SCS. These requirements and the relatively short timeframe for developing the LRTP and the subregional SCS, particularly at a time when resources are stretched thin, is likely to be a challenging process.
- OCTA recognizes the importance of public outreach to identify and address transportation needs. During LRTP development, OCTA works closely with a Citizen's Advisory Committee, Taxpayers Oversight Committee, business groups and local agencies. The draft LRTP will be released for public review and comment and outreach activities will include public workshops. Public comments will be considered in preparing the final plan.

## **OCTA PROVIDES INPUT TO THE REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM**

- The Regional Transportation Improvement Program (RTIP) is the programming document that implements the Long Range Transportation Plan. The purpose of the RTIP is to list currently programmed transportation capital projects, identify project costs, and tie costs to specific funding sources. Projects must be listed in the RTIP to be funded and implemented. Projects listed in the RTIP are of regional significance (i.e., have significant impacts on regional travel, emissions and air quality) and currently funded with state or local funding or are expected to receive federal or state funding in the near future.
- The RTIP is updated every two years and covers a six-year period. The Orange County portion of the RTIP is reviewed with SCAG and rolled into the overall RTIP for Southern California. Orange County's portion of the RTIP was updated in January 2008 and again in December 2009. The current RTIP covers the period FY11-FY16.
- During the audit period, OCTA implemented a web-based fund tracker database to help keep track of local streets and roads projects. OCTA also implemented an electronic module that allows the Orange County RTIP to be uploaded automatically and directly to the SCAG system. Amendments to the RTIP are also tracked in this system.

## OCTA IS CURRENTLY CONDUCTING A NUMBER OF PROJECT-SPECIFIC PLANNING STUDIES

- Planning studies currently being conducted by OCTA include the following:
  - **55 Access Study:** a study of transportation alternatives to reduce congestion along Newport Boulevard in Costa Mesa and Newport Beach.
  - **Central County Major Investment Study (MIS):** a study to guide transit, street and freeway enhancements in Central Orange County.
  - **Chokepoint Improvements:** OCTA is working with Caltrans to develop freeway improvements to alleviate localized freeway chokepoints in Orange County.
  - **Goods Movement:** OCTA actively participates in regional planning efforts to facilitate goods movement in Southern California, including working closely with SCAG, other counties, and the Ports of Los Angeles and Long Beach.
  
- OCTA recently completed two major planning studies:
  - **OC/LA Intercounty Transportation Study:** in July 2008, OCTA and the Los Angeles County Metropolitan Transportation Authority (Metro) completed a one-year study (“OC/LA Border Study”) that analyzed bus, rail and auto infrastructure and service improvements along the border between the two counties.
  - **South County MIS:** in October 2008, OCTA completed the South County MIS that developed transportation improvement projects and concepts to improve mobility in south Orange County. The Board-approved strategy includes freeways, toll roads, streets and major arterials, bus and rail transit, and general system improvements.

## **OCTA'S TRANSIT AND RAIL PROGRAMS DIVISIONS ARE INVOLVED IN PLANNING AND REGIONAL COORDINATION FOR TRANSIT SERVICES**

- The Service Planning and Customer Advocacy Department of OCTA's Transit Division conducts service planning activities that include developing route alignments, stop spacing, route schedules, vehicle assignments, and work assignments for OCTA's bus transit services. This function is discussed in Chapter V – Operations Performance Trends and Functional Review.
- OCTA's Rail Programs Division participates in planning Metrolink commuter rail service in Orange County. OCTA is one of the five member agencies of the Southern California Regional Rail Authority (SCRRA) that provide funding for Metrolink service throughout Southern California.
- OCTA's Rail Programs Division also participates in planning the high speed rail service that will run between Anaheim in Orange County, Union Station in Los Angeles County, and other locations throughout the state. OCTA is working with the California High Speed Rail Authority and a number of other agencies in this planning process.
- The Measure M-funded Go Local program is a process to plan and implement transit extensions to and from OCTA's Metrolink commuter rail line in conjunction with local jurisdictions in Orange County:
  - The Rail Programs Division's Local Initiatives Department is leading planning for Go Local fixed guideway transit extensions in Anaheim and Santa Ana.
  - The Transit Division's Community Transportation Services Department is leading the planning for Go Local bus/shuttle transit extensions throughout the County.



## **MEMBERS OF THE PUBLIC PROVIDE ADVICE AND INPUT TO OCTA'S PLANNING AND REGIONAL COORDINATION ACTIVITIES**

- Three legislatively mandated standing citizens' committees meet regularly to provide advice and input on OCTA's planning and regional coordination activities:
  - **Special Needs in Transit Advisory Committee (SNAC)** advises OCTA about issues that relate to OCTA fixed-route transit and paratransit services for customers with special transportation needs. The 34-member committee is selected by the OCTA Board of Directors to represent a broad base of disabilities and senior citizens.
  - **Citizens Advisory Committee (CAC)** actively participates in helping to examine traffic solutions, provides input to OCTA's transportation studies, and communicates with their constituencies. The 34-member committee, also selected by the Board of Directors, reflects a broad spectrum of interests and all geographic areas of the county.
  - **Taxpayers Oversight Committee (TOC)** ensures the integrity of Measure M by serving as a watchdog over Measure M expenditures. The 11-member committee represents each of the five Orange County Supervisorial Districts and is selected by the Grand Jurors Association of Orange County.
- There are also opportunities for stakeholder input during the implementation of specific capital projects and prior to adoption of planning documents such as the LRTP.

## **OCTA ACTIVELY SUPPORTS AND PROMOTES ALTERNATIVE TRANSPORTATION STRATEGIES**

- One of OCTA's responsibilities as an RTPE is to support and make the public aware of transportation and travel alternatives. The Authority's marketing strategies (discussed on the following page) sustain this role, as do the scope of the LRTP and OCTA's transit and paratransit services, rideshare program, vanpool program, and the recent bikeways strategic plan.
- The U.S. Census Bureau's 2005 American Community Survey found that less than 1% of Orange County's population commutes by bicycle; over 77% commute by driving alone. In 2009, OCTA developed the Commuter Bikeways Strategic Plan, to make bicycle commuting a more viable travel option by encouraging the development of the bikeways network as part of a strategy to promote transportation alternatives and leverage funding available to support them.
- OCTA's Plan relies on projects planned by the cities and the county. By providing a strategy for improving the county's bikeways network, OCTA makes those entities eligible for funding under the State Bicycle Transportation Account (BTA) and other sources that provide funding to counties and cities to improve safety and convenience for bicycle commuters. OCTA worked with stakeholders and the public to develop a plan that recognizes the challenges that the region and its communities face, identifies and prioritizes bikeway needs, and sets a strategy to help jurisdictions meet those challenges.
- OCTA is also preparing on a new edition of its bi-lingual Orange County Bikeways Map, which was last updated in 2007.

## **OCTA'S MARKETING ACTIVITIES ALSO PROMOTE TRANSPORTATION ALTERNATIVES**

- The Marketing Department, which is part of the External Affairs Division, promotes the various transportation services OCTA provides, including bus and paratransit, Metrolink, 91 Express Lanes, motorist and rideshare services. The department's responsibilities are diverse and include the vanpool, rideshare and pass sales programs, as well 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.
- In 2003, OCTA assumed responsibility for the County rideshare program, which had previously been administered by SCAG. The OCTA website links to RideMatch.info, which provides access to carpools between home and work locations throughout the five-county region.
- In 2007, OCTA launched a vanpool program for commuters working in Orange County. The number of vanpools increased from 204 in FY08 to 285 in FY09, and then dropped to 277 during the first five months of FY10, probably as a consequence of economic conditions and high unemployment. In FY09, 322 vans provided 128.4 million trips that accounted for 4.7 billion passenger miles that might have otherwise been made in single occupant vehicles. OCTA subsidizes \$400 per vanpool per month and vanpool users may also be eligible for vanpool benefits under provisions of the Internal Revenue Code. The program generates additional federal funding for Orange County through the Federal Transit Administration's urbanized area formula grants program (Section 5307). Staff estimate that Federal funding will provide more than \$2 for every \$1 invested by OCTA.

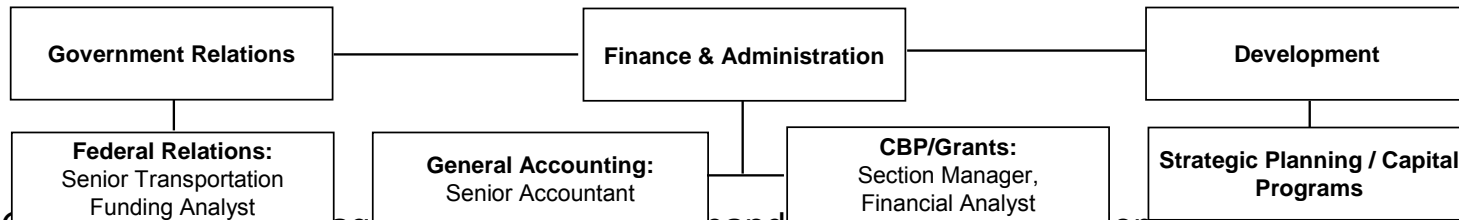
**OCTA'S MARKETING ACTIVITIES ALSO PROMOTE TRANSPORTATION ALTERNATIVES  
(CONTINUED)**

- Marketing also manages and promotes the Bus Pass Program, which attracts key markets (commuters and students) by providing discounted fares through the employer pass program (Epass), the university pass program (Upass), and the youth summer pass program.

## **THE MARKETING DEPARTMENT IS RESPONSIBLE FOR PUBLIC COMMUNICATIONS**

- In anticipation of the September 2009 and March 2010 service reductions, Marketing and Transit Services developed a public information and involvement program that included surveys, e-mail blasts, public hearings and community meetings. Public input was considered in making service recommendations, including suggestions that cuts should be made strategically rather than across the board. The communication strategy included efforts to identify different options for transit riders, such as rideshare and vanpools.
- Marketing is responsible for the Customer Information Center (CIC), which has been contracted to Alta Resources since January 2007. During the audit period, the CIC provided service for 12-13 hours daily. Call volumes have increased in FY10; as of December 2009, 63% of the initial contract term had expired and 73% of the contract funding had been spent. OCTA has taken steps to control costs by increasing average hold times, reducing operating hours, and modifying performance standards.
- OCTA expanded its public communications to include new digital communications strategies. In addition to the website, which was updated last September, and e-mails for rider alerts and service updates, OCTA introduced Text-for-Next to provide real-time information, has begun to make information available on social media such as Twitter, Facebook, and UTube, and provides an e-version of bus schedules.
- Marketing responsibilities include updating schedule information and bus stop signage for the four annual service changes. Although digital communications help to reduce printing and CIC costs, it is noted that other transit providers have fewer service changes each year. Reducing the number of shake-ups to three, which is more common in the industry, could reduce associated customer communication costs significantly.

## GRANT DEVELOPMENT AND ADMINISTRATION RESPONSIBILITIES ARE SHARED AMONG FOUR DEPARTMENTS



- OCTA's grants management activities are handled by staff in four departments:
  - The Senior Transportation Funding Analyst in 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.
  - The Capital Programs Section in the Development Division works with SCAG to program all projects in the Regional TIP.
  - Once funding agencies approve grants, Financial Planning and Analysis 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. They also prepare a Quarterly Grant Status Report for OCTA's Board of Directors.
  - Grants accounting responsibilities have been moved from FP&A to Accounting & Financial Reporting, which is also in the Finance & Administration Division. These responsibilities include preparing grant drawdowns and reimbursement requests.

**GRANT DEVELOPMENT AND ADMINISTRATION RESPONSIBILITIES ARE SHARED AMONG FOUR DEPARTMENTS (CONTINUED)**

- Staff involved in grants management report that the division of responsibilities is clear and they work together on an on-going basis 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 2007 FTA Triennial Performance Review and the 2009 grants management and accounting audit that was conducted by the Internal Auditor.

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**V. OPERATIONS PERFORMANCE TRENDS  
AND FUNCTIONAL REVIEW**

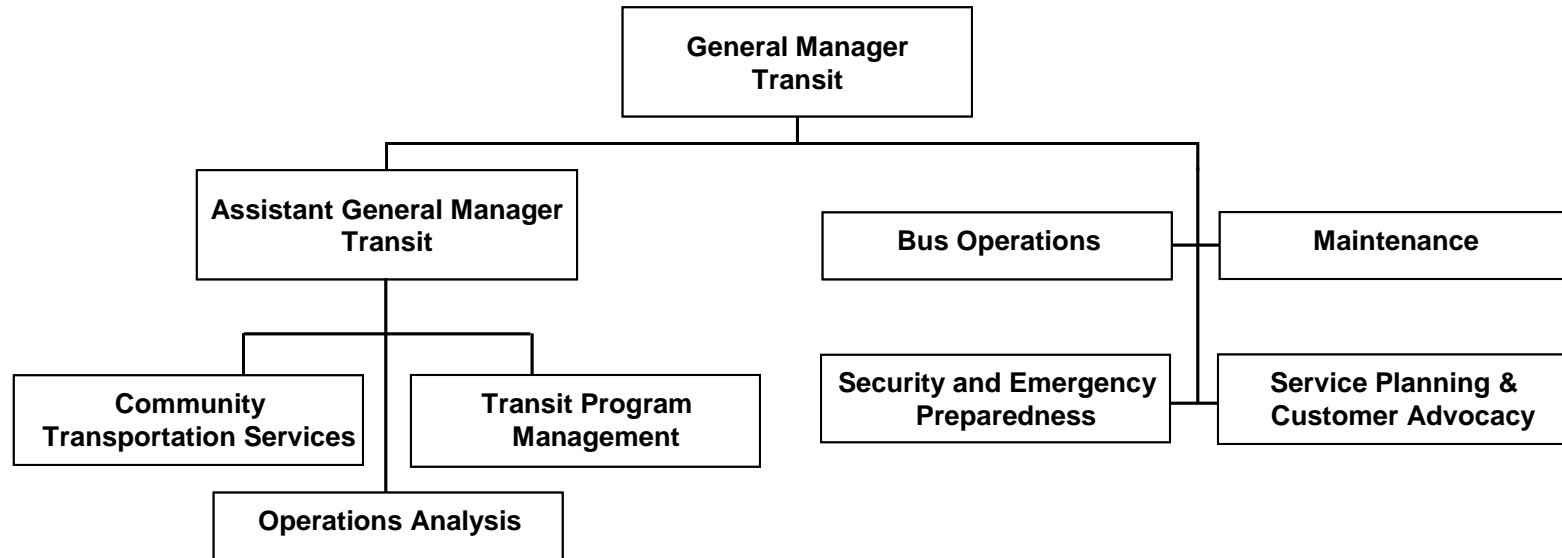
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## **PERFORMANCE INDICATORS PROVIDE INSIGHTS INTO SYSTEMWIDE, MODAL AND FUNCTIONAL PERFORMANCE RESULTS**

- This chapter 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 responsive, paratransit service (ACCESS), which is operated under contract.
- More detailed performance results are also presented for each mode, using functional data to calculate and discuss 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 review in Chapter II, the review of trends and functional performance provides the basis for recommendations offered for OCTA's consideration in Chapter VI.

**THE TRANSIT OPERATIONS DIVISION COMPRISES SEVEN DEPARTMENTS RESPONSIBLE FOR SERVICE PLANNING, DELIVERY, ANALYSIS AND MANAGEMENT**



- Four departments report directly to the General Manager, Transit. Bus Operations includes base operations, operations training, field operations, and central communications. 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, and customer correspondence.
- Three departments report to the Assistant General Manager, Transit. Community Transportation Services oversees contracted transportation and options for seniors and persons with disabilities. Operations Analysis conducts financial and administrative analyses. Program Management leads technology and systems initiatives for Transit.

## THE PERFORMANCE ANALYSIS BEGINS WITH TDA INDICATORS TO ASSESS TRENDS IN SYSTEMWIDE AND MODAL EFFICIENCY AND EFFECTIVENESS

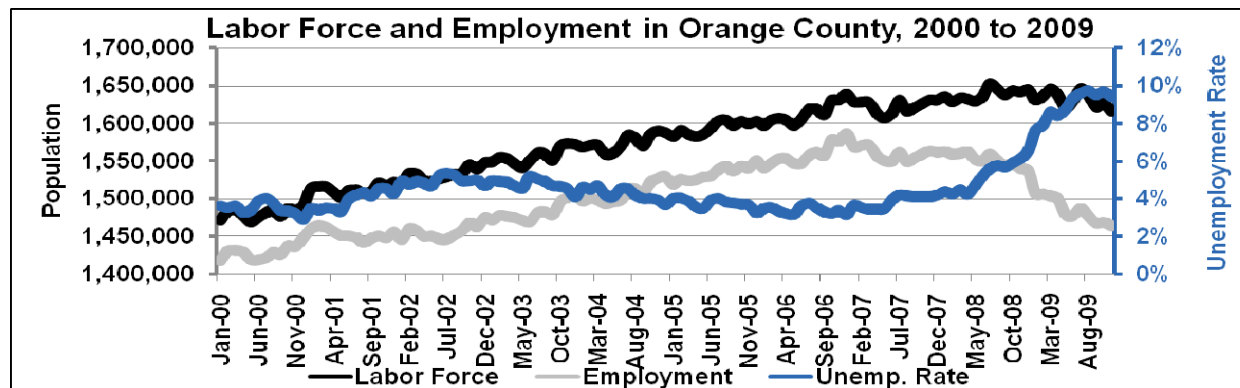
- This initial, high-level review of OCTA's efficiency and effectiveness is based on the results of the six required TDA performance indicators:
  - The **Revenue ratio**, or the farebox recovery ratio, measures the share of operating costs that are covered by passenger fares.
  - **Operating cost per passenger** measures cost effectiveness of the service consumed.
  - **Operating cost per revenue vehicle hour** measures the cost efficiency of the service provided.
  - **Passengers per revenue vehicle hour** and **Passengers per revenue vehicle mile** measure the productivity of the service provided.
  - **Revenue hours per employee** is a measure of labor productivity.
- The primary data for this analysis is taken from OCTA's National Transit Database (NTD) reports, since they provide the most accurate and detailed performance data. Where necessary, other data sources (e.g., financial audits, State Controller reports, other internal reports) have been used to improve data accuracy.
- 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 furnished by the Bureau of Labor Statistics.

## **SOME COST DRIVERS OUTSIDE OF OCTA'S DIRECT CONTROL IMPACT THE COST-RELATED PERFORMANCE RESULTS**

- California transit agencies, including OCTA, are impacted by many factors that are outside their direct control, including the costs of fuel, liability coverage, state-mandated employee benefits, and air quality laws/regulations.
- 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. SB375, which was signed into law in 2008, is one such mandate. It is intended to control greenhouse gas emissions through land use planning and transportation decisions.
- Most prominent among the external factors affecting OCTA's operation during the performance audit period are the economic downturn and associated revenue challenges discussed earlier in this report. These challenges in large part defined the agency's operating context during the latter half of the audit period.
- Where applicable, this report identifies instances where exogenous forces have significantly impacted performance indicators. It is also noted that it may not be realistic to expect a transit agency to keep the cost of doing business in line with the overall rate of inflation.

## AUDIT PERIOD HIGHLIGHTS INCLUDED BOTH ACHIEVEMENTS AND CHALLENGES FOR TRANSIT OPERATIONS

- Ridership peaked in FY07, at 70.3 million boardings, but has fallen 6.3% since then, to 65.8 million. Ridership was impacted by several factors:
  - A strike by both operators and mechanics essentially shut down the system for 11 days in July 2007. Administrative staff provided basic service on two routes and contracted services continued to operate. Although ridership was impacted, FY07 saw the highest ridership of the audit period.
  - Employment in Orange County peaked in December 2006 and has declined since then. As in the rest of the country, ridership soared with high gas prices in 2008, but dropped when the recession hit and has trended downward for the last two years.
  - Ridership also declined following a fare increase in January 2009.



Source: *Labor Market Indicators, Orange County, California Employment Development Department*

**IN FY09, OCTA BEGAN TO REDUCE SERVICE IN RESPONSE TO REVENUE SHORTFALLS**

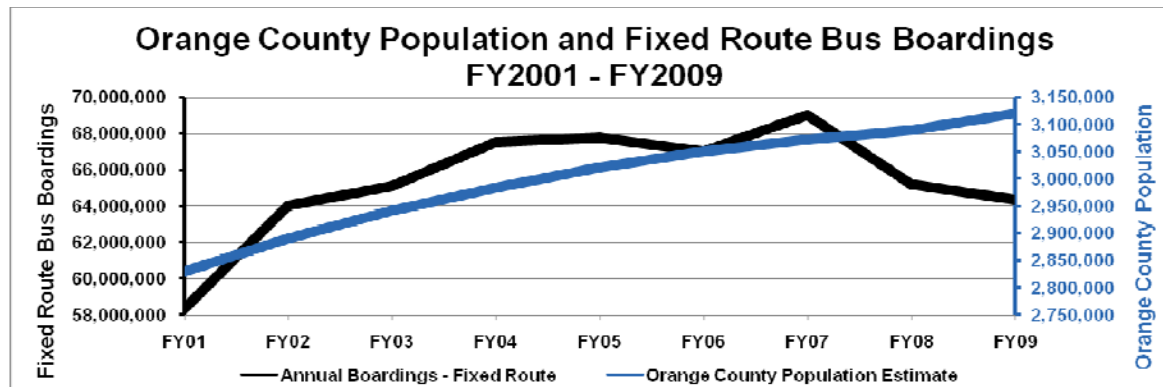
- Revenue hours peaked in June 2008, at the end of FY08. Over the next six months, revenue hours were reduced by about 33,000 annualized hours as OCTA made minor service adjustments, tailored to match bus operator attrition. For the March and June 2009 shake-ups, another 105,000 annualized hours were reduced, at a rate that exceeded operator attrition, as further cuts were needed. In total, approximately 139,000 annualized hours were reduced in FY09.

Reporting Period	Service Planning Data			
	Annualized RVH	RVH Change	Cumulative Change	% Change
FY06 Jun-06				
FY07 Jun-07				
FY08 Sep-07 Dec-07 Mar-08 Jun-08	1,932,580			
FY09 Sep-08 Dec-08 Mar-09 Jun-09	1,927,328 1,899,273 1,848,889 1,793,938	(5,252) (28,055) (50,384) (54,951)	(5,252) (33,307) (83,691) (138,642)	-7.2%
FY10 Sep-09 Dec-09 Mar-10 Jun-10	1,698,047 1,690,536 1,538,798	(95,891) (7,511) (151,738)	(234,533) (242,044) (393,782)	-20.4%

- It became clear during FY09 that revenue shortfalls would necessitate further reductions. A public hearing in October 2009 considered a reduction of 300,000 annualized hours. Following the hearing, the reduction was divided into two 150,000-hour packages. The first was implemented in March 2010; the second will be implemented in September 2010, if necessary. That decision hinges on the resolution of the State’s budget crisis, the availability of STA funds, and future revenue forecasts.
- In all, OCTA has reduced almost 394,000 hours, or 20% of bus service from the June 2008 level, to bring service in line with available revenue. Service reduction strategies have included some route eliminations, frequency reductions that have maintained geographic coverage, and route restructuring to make some routes more productive.

**DESPITE SERVICE REDUCTIONS, OCTA MAINTAINED THE EFFECTIVENESS OF THE FIXED ROUTE SERVICES – HOWEVER, TRANSIT USE PER CAPITA HAS DECLINED**

- Despite the service reductions, service effectiveness did not deteriorate in FY09, when service adjustments were modest and made at the line level and to the least productive routes. Boardings on both directly operated and contracted services increased and boardings per hour improved 1.1%, from 33.6 to 34.0.
- However, the average number of trips taken by Orange County residents declined by 6.1 percent to 20.6 boardings per resident, a level last seen in FY01.



Source: Population Estimates of the California Department of Finance and OCTA's FY2009 CAFR

- As revenue forecasts have continued to worsen, OCTA has been forced to make further service cuts, has deferred implementation of planned BRT service, and has also recognized the need to reevaluate and restructure the transit services it offers in the future. Planning is underway to conduct a systemwide transit study in FY11.

## **CONTRACTED SERVICES WERE RE-PROCURED AT THE BEGINNING AND THE END OF THE AUDIT PERIOD**

- Veolia Transportation was awarded the contract for OCTA contracted fixed route and ACCESS paratransit services in 2006 and began operating both services in July 2006. Veolia operated both services from OCTA's Sand Canyon facility, in Irvine.
- Veolia struggled to deliver both services during the first year of the contract, and was assessed over \$1 million in penalties during that time, primarily for failing to meet on-time performance requirements. Once Veolia assigned a new general manager to the contract, performance improved and stabilized.
- In 2009, OCTA restructured the contract to split the two services. A new 3-year agreement was negotiated with Veolia to provide the ACCESS service, which is now operated from OCTA's newest facility at Construction Circle, in Irvine. The fixed route service was re-bid and a four-year contract was negotiated with MV Transportation for those services, which continue to operate from Sand Canyon.
- The contracted fixed route services that MV Transportation provides currently account for 6% of total fixed route service. The contracted service is less effective than OCTA's directly operated routes (9.7 boardings per hour vs. 35.6) but more efficient (\$58.38 per hour vs. \$117.63).



## **CONTRACTED SERVICES WERE ALLOWED UNDER SIDE LETTERS TO OCTA'S COLLECTIVE BARGAINING AGREEMENTS**

- OCTA negotiated side letters to its collective bargaining agreements with Teamsters Local 952, giving the Authority the ability to contract both operations and maintenance for services using small buses and vans (defined as no longer than 33 feet and no more than 25 passenger seats). Those agreements expired in 2007, when the previous collective bargaining agreement expired. Since that time, OCTA has taken the position that service contracting is a management right. In an effort to reduce expenditures, OCTA recently cancelled an order of small buses and provided some of its excess 40-foot buses to MV Transportation.
- Contracting is expected to be an issue for upcoming negotiations with the Teamsters. With the collective bargaining agreement expiring in 2010, OCTA will have the opportunity to further negotiate service contracting for the future. It is also likely that the service restructuring study will give consideration to increased service contracting.

**SYSTEMWIDE, OCTA MET BOTH THE 20.0% FAREBOX RECOVERY RATIO AND THE 24.42% LOCAL SUPPORT RATIO EACH YEAR DURING THE AUDIT PERIOD**

**SYSTEMWIDE FAREBOX RECOVERY**

Date Item and Farebox Ratio	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Farebox Recovery Ratio (no local subsidies)					
Farebox Revenues	\$51,464,768	\$53,446,019	\$51,432,014	\$54,206,151	5.3%
Operating Costs	\$227,446,372	\$240,823,109	\$254,176,810	\$254,846,598	12.0%
TDA Farebox Recovery Ratio	22.6%	22.2%	20.2%	21.3%	-6.0%
Farebox Recovery Ratio (w/ local subsidies)					
Farebox Revenues	\$51,464,768	\$53,446,019	\$51,432,014	\$54,206,151	5.3%
Local Subsidies	\$12,892,880	\$14,529,088	\$15,803,704	\$15,491,666	20.2%
Operating Costs	\$227,446,372	\$240,823,109	\$254,176,810	\$254,846,598	12.0%
Farebox Recovery Ratio (w/ local subsidies)	28.3%	28.2%	26.5%	27.3%	-3.3%

(a) Farebox revenues exclude charter revenues  
 (b) TDA operating costs exclude depreciation and charter costs  
 Source: State Controller's Reports

- OCTA’s TDA Guidelines specify that OCTA must meet both the 20.0% systemwide farebox recovery ratio that is mandated by TDA (fare revenues / operating costs) and a 24.42% systemwide local support ratio ([fare revenue + local subsidies + advertising revenue] / operating costs):
  - OCTA’s systemwide farebox recovery ratio exceeded 20.0% throughout the audit period, achieving 22.2% in FY07, 20.2% in FY08, and 21.3% in FY09.
  - OCTA’s systemwide local support ratio also exceeded the requirement each year, achieving 28.2% in FY07, 26.5% in FY08, and 27.4% in FY09.

**FAREBOX RECOVERY FOR FIXED ROUTE SERVICE DECLINED DURING THE AUDIT PERIOD, WHILE FAREBOX RECOVERY FOR DEMAND RESPONSE SERVICE IMPROVED**

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

Date Item and Farebox Ratio	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
TDA Farebox Recovery Ratio					
Farebox Revenues (a)	\$47,871,341	\$49,059,314	\$46,883,442	\$49,545,855	3.5%
Operating Costs (b)	\$195,042,365	\$208,318,735	\$218,830,574	\$217,448,790	11.5%
TDA Farebox Recovery Ratio	24.5%	23.6%	21.4%	22.8%	-7.2%

**FAREBOX RECOVERY CALCULATION - ACCESS**

Date Item and Farebox Ratio	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
TDA Farebox Recovery Ratio					
Farebox Revenues (a)	\$3,593,427	\$4,386,705	\$4,548,572	\$4,660,296	29.7%
Operating Costs (b)	\$32,404,007	\$32,504,374	\$35,346,236	\$37,397,808	15.4%
TDA Farebox Recovery Ratio	11.1%	13.5%	12.9%	12.5%	12.4%

- OCTA service modes each have minimum TDA farebox recovery requirements:
  - For fixed route transit in Orange County, TDA requires a 20.0% revenue recovery ratio, which OCTA exceeded in all three years of the performance audit period.
  - TDA regulations also require OCTA to maintain a revenue recovery ratio of 10.0% on ACCESS services. OCTA also met this standard each year of the audit period.
- Although the fixed route farebox recovery ratio declined the first two years of the audit period and was lower in FY09 than in FY06, the ratio improved to 22.8% after the FY09 fare increase. Revenue recovery for ACCESS increased in FY07 and then declined in FY08 and FY09, but ended FY09 higher than in FY06.

**MEASURED BY TDA INDICATORS, SYSTEMWIDE PERFORMANCE WAS GENERALLY POSITIVE**

Verified TDA Statistics & Performance Indicators	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Operating Costs (a)	\$227,283,447	\$241,691,518	\$252,889,549	\$253,043,717	11.3%
Unlinked Passengers	69,057,674	70,266,572	66,620,268	65,818,403	-4.7%
Revenue Vehicle Hours	2,430,281	2,523,316	2,613,195	2,570,119	5.8%
Revenue Vehicle Miles	32,234,072	33,066,196	34,432,843	33,976,802	5.4%
Employee FTEs	2,444	2,431	2,478	2,467	0.9%
Operating Cost per Revenue Vehicle Hour	\$93.52	\$95.78	\$96.77	\$98.46	5.3%
Operating Cost per Passenger	\$3.29	\$3.44	\$3.80	\$3.84	16.8%
Passengers per Revenue Vehicle Hour	28.42	27.85	25.49	25.61	-9.9%
Passengers per Revenue Vehicle Mile	2.14	2.13	1.93	1.94	-9.6%
Revenue Hours per Employee FTE	994	1,038	1,055	1,042	4.8%
Percentage Change Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

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

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

- OCTA’s performance on TDA indicators reflects three key trends:
  - Operating costs increased 11.3%, slightly above the 10.0% increase in inflation. With only moderate growth in service levels, service was increasingly cost efficient. Impressively, cost per hour increased only 5.3%.
  - Ridership peaked in FY07 and dropped in FY08 and FY09. As a result, cost effectiveness (i.e., cost per boarding) worsened and service effectiveness (i.e., passengers per hour and mile) indicators declined.
  - After a 4.4% improvement in FY07, labor productivity remained essentially flat throughout the audit period.

## **OCTA CONTAINED COST GROWTH, RESULTING IN SIGNIFICANTLY IMPROVED SERVICE EFFICIENCY DURING THE AUDIT PERIOD**

- OCTA controlled operations and maintenance costs effectively during the audit period. Both increased less than the inflation rate. In maintenance, new vehicles contributed to reducing average maintenance costs per vehicle. Lower spending on parts and higher warranty recoveries also contributed to maintenance savings.
- OCTA reduced workers compensation costs by 35%. Faced with mounting workers compensation costs earlier in the decade, OCTA transferred control of the workers compensation program to risk management and several implemented initiatives to bring costs under control (e.g., stricter enforcement of work rules and investigation of injury-related absences, negotiated excess workers compensation coverage, enabled employees to participate in cost savings when the program remains under budget).
- During the audit period, OCTA replaced its diesel buses with CNG buses. Although OCTA ran more vehicles and revenue hours, NTD reports show that total fuel costs rose only 7.2 percent during the audit period, while nationally fuel costs increased dramatically. With a fleet of primarily CNG and LNG vehicles, fuel cost per vehicle mile rose only 6.8 percent to \$0.67 per mile.

**OCTA IMPLEMENTS SERVICE CHANGES FOUR TIMES PER YEAR, WHICH IS HIGH COMPARED TO OTHER TRANSIT AGENCIES AND MAY RESULT IN SOME UNNECESSARY COSTS**

- Shake-ups allow transit agencies to adjust service to better meet demand and it is not unusual to have service changes at the beginning and of the school year, since ridership is often lower during the summer.
- However, there are also costs associated with each service change. Each change requires time for planners and schedule-makers to design and plan the service changes and cut new schedules. Depending on the scope of a service change, public hearings may be required. At a minimum, Board briefings are needed. Public information, such as schedules, maps, and signage must be updated, and staff such as customer information representatives and service dispatchers must be informed. Each shake-up requires a bid process, and may impact vacation schedules as operators move among bases. Service changes may also require reassigning equipment among bases.
- OCTA makes service changes four times each year. Two or even three shake-ups are common in the transit industry; four are high and may result in costs that are disproportionate to the benefits afforded by quarterly shake-ups.
- The shake-ups have been negotiated with the Teamsters, who represent the bus operators. The shake-ups are specified in the collective bargaining agreement, so changing this practice would also require working with the Teamsters to change current contract provisions.

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## **FIXED ROUTE BUS OPERATIONS**

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**IN THE REST OF THIS CHAPTER, PERFORMANCE TRENDS ARE DESCRIBED SEPARATELY FOR OCTA- AND CONTRACTOR-OPERATED SERVICES**

- The remainder of this chapter is divided into three sections that discuss performance trends and results for:
  - fixed route services operated directly by OCTA
  - fixed route services operated by Veolia under contract to OCTA
  - demand response services operated by Veolia as the contractor for OCTA’s ACCESS service.
- These distinctions are made because differences in costs and service delivery characteristics help to explain trends in systemwide and fixed route performance.
- For directly-operated fixed route services, performance is also examined functionally, using performance indicators specific to vehicle operations, maintenance, and administrative activities.



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**FIXED ROUTE BUS OPERATIONS – DIRECTLY OPERATED**

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**OCTA’S DIRECTLY OPERATED BUS SERVICE EXPERIENCED INCREASED SERVICE EFFICIENCY BUT DECLINING RIDERSHIP**

Verified TDA Statistics & Performance Indicators	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Operating Costs (a)	\$190,010,494	\$203,136,036	\$210,604,214	\$208,854,810	9.9%
Unlinked Passengers	66,732,770	67,802,879	63,985,278	63,226,434	-5.3%
Revenue Vehicle Hours	1,737,539	1,793,962	1,818,940	1,775,448	2.2%
Revenue Vehicle Miles	21,860,325	22,193,801	22,363,458	21,909,894	0.2%
Employee FTEs	1,702	1,744	1,723	1,658	-2.6%
Operating Cost per Revenue Vehicle Hour	\$109.36	\$113.23	\$115.78	\$117.63	7.6%
Operating Cost per Passenger	\$2.85	\$3.00	\$3.29	\$3.30	16.0%
Passengers per Revenue Vehicle Hour	38.41	37.80	35.18	35.61	-7.3%
Passengers per Revenue Vehicle Mile	3.05	3.06	2.86	2.89	-5.5%
Revenue Hours per Employee FTE	1,021	1,028	1,056	1,071	4.9%
Percentage Change Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

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

Source: National Transit Database reports

- Over the audit period, service efficiency and labor productivity both improved. Operating cost per revenue hour grew at a slower rate than inflation, increasing only 7.6%. Labor productivity (revenue hours per employee FTE) increased 4.9%, with most of the increase occurring in FY08, when revenue hours increased and FTEs decreased.
- The impact of declining ridership is reflected in the 16.0% increase in operating cost per passenger and the decline in passengers per revenue hour and revenue mile.

**DIRECTLY OPERATED FIXED ROUTE: VEHICLE OPERATIONS PERFORMANCE INDICATORS**

Operations Data	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Vehicle Operations FTEs	1,221	1,254	1,225	1,158	-5.2%
Vehicle Operations Costs	\$108,208,955	\$120,786,397	\$125,004,062	\$117,321,288	8.4%
Total Operator Pay Costs	\$43,133,068	\$46,619,204	\$47,044,546	\$48,771,318	13.1%
Total Expanded Driver Pay Hours	2,436,161	2,602,434	2,449,701	2,315,031	-5.0%
Revenue Vehicle Hours (RVH)	1,737,539	1,793,962	1,818,940	1,775,448	2.2%
Revenue Vehicle Miles (RVM)	21,860,325	22,193,801	22,363,458	21,909,894	0.2%
Scheduled Revenue Vehicle Miles	21,909,903	22,212,684	22,383,053	21,944,964	0.2%
Total Vehicle Hours	1,917,888	1,974,091	1,996,877	1,950,872	1.7%
Total Vehicle Miles	26,263,039	26,619,175	26,813,843	26,349,651	0.3%
Unlinked Passenger Trips	66,732,770	67,802,879	63,985,278	63,226,434	-5.3%
Passenger Miles	271,679,705	255,683,843	262,908,638	248,484,444	-8.5%
<b>Performance Indicators</b>					
RVH per Operations FTE	1,423	1,431	1,485	1,534	7.8%
Operator Pay Cost as a % of Vehicle Ops Costs	39.9%	38.6%	37.6%	41.6%	4.3%
Operator Wage per Pay Hour	\$17.71	\$17.91	\$19.20	\$21.07	19.0%
Revenue Vehicle Hours / Total Vehicle Hours	90.6%	90.9%	91.1%	91.0%	0.5%
% Deadhead Time	9.4%	9.1%	8.9%	9.0%	-4.4%
Unmet Scheduled RVM	49,578	18,883	19,595	35,070	-29.3%
Revenue Vehicle Miles / Total Vehicle Miles	83.2%	83.4%	83.4%	83.2%	-0.1%
Vehicle Operations Cost per RVH	\$62.28	\$67.33	\$68.72	\$66.08	6.1%
Vehicle Operations Cost per Passenger Trip	\$1.62	\$1.78	\$1.95	\$1.86	14.4%
Vehicle Operations Cost per Passenger Mile	\$0.40	\$0.47	\$0.48	\$0.47	18.5%
Avg Psgr Miles per Psgr Trip	4.1	3.8	4.1	3.9	-3.5%
Average Service Speed	12.58	12.37	12.29	12.34	-1.9%
On-Time Performance	85.4%	87.3%	87.2%	86.8%	1.6%
% Change in Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

Sources: NTD reports, OCTA Budgets, OCTA CAFRs, OCTA Maintenance Reports, OCTA Customer Relations Reports

**PERFORMANCE INDICATORS FOR FIXED ROUTE VEHICLE OPERATIONS CONFIRM OCTA'S EFFORTS TO MANAGE COSTS, PARTICULARLY IN FY09**

- Vehicle operations costs accounted for 56% of directly-operated fixed route costs in FY09, while maintenance accounted for 23% and administration for 21%. The cost of vehicle operations per revenue hour increased 10.3%, from \$62.28 in FY06 to \$68.72 in FY08, and then dropped to \$66.08 in FY09, resulting in a net increase of only 6.1% over the audit period.
- With efforts to control costs, especially in FY09, total vehicle operations costs increased only 8.4% over the last three years. Cost drivers include:
  - operator pay costs, which accounted for 40% or less of vehicle operations function costs through FY08. They increased 13.1% over the audit period and grew to 42% of functional costs in FY09
  - fringe benefits and fuel, which account for 34% and 11% of vehicle operations costs, respectively.
- While vehicle operator pay hours dropped 5.2%, operator pay costs increased 13.1%. As a result, the average operator pay per hour increased 19.0%, from \$17.71 in FY06 to \$21.07 in FY09. Nearly half of the increase occurred in FY09, which may reflect a combination of annual cost of living adjustments and increased use of overtime as OCTA began to allow the bus operator workforce to decrease through attrition. It also appears that OCTA scheduled operators more effectively. Average revenue hours per FTE increased annually, and by 7.8% since FY06.

**SERVICE SCHEDULING ALSO IMPROVED, WITH A 4.4% REDUCTION IN DEADHEAD TIME**

- OCTA’s directly operated fixed route services serve the 798 square mile service area from three bases located in Anaheim, Garden Grove and Santa Ana, in the northwestern and most densely populated and served part of the county. Productive revenue hours have consistently accounted for 90%-91% of total vehicle hours, with unproductive deadhead time accounting for the remainder.
  
- On-time performance and accident rates impact customer perceptions of service reliability:
  - On-time performance remained between 85% and 87%. During the audit period, on-time performance was determined by physical observations at designated time points. In the future, once the AVL (automatic vehicle location) system is fully installed, on-time performance data will be provided by that system.
  - The accident rate (accidents per 100,000 miles) has been calculated for directly-operated vehicle operations. The accident rate improved each year during the audit period, dropping from 3.24 in FY06 to 3.17 in FY07, 2.78 in FY08, and 2.63 in FY09.

**DIRECTLY OPERATED FIXED ROUTE: VEHICLE MAINTENANCE PERFORMANCE INDICATORS**

Maintenance Data	Base Year	Audit Review Period			% Change FY06-FY09
	FY06	FY07	FY08	FY09	
Maintenance FTEs	345.5	346.3	351.9	314.0	-9.1%
Maintenance Costs	\$46,346,009	\$49,094,774	\$51,578,009	\$47,175,353	1.8%
Maintenance Labor Costs	\$17,692,376	\$18,203,842	\$19,139,878	\$17,160,373	-3.0%
Maintenance Parts Costs	\$10,789,291	\$12,449,700	\$11,523,914	\$8,331,028	-22.8%
Total Vehicle Hours	1,917,888	1,974,091	1,996,877	1,950,872	1.7%
Total Vehicle Miles	26,263,039	26,619,175	26,813,843	26,349,651	0.3%
Peak Vehicles	479	482	477	477	-0.4%
Total Vehicles	616	593	644	681	10.6%
Roadcalls, Mechanical	5,180	4,922	4,780	3,998	-22.8%
<b>Performance Indicators</b>					
Veh Hours per Maintenance FTE	5,551	5,701	5,675	6,213	11.9%
Veh Miles per Maintenance FTE	76,016	76,873	76,200	83,917	10.4%
Vehicles per Maint. FTE	1.8	1.7	1.8	2.2	21.6%
Maint. Labor Cost as a % of Maint. Costs	38.2%	37.1%	37.1%	36.4%	-4.7%
Maintenance Cost per Vehicle	\$75,237	\$82,791	\$80,090	\$69,274	-7.9%
Maintenance Cost per Total Vehicle Hour	\$24.17	\$24.87	\$25.83	\$24.18	0.1%
Maintenance Cost per Total Vehicle Mile	\$1.76	\$1.84	\$1.92	\$1.79	1.5%
Maint. Labor Cost per Total Vehicle Mile	\$0.67	\$0.68	\$0.71	\$0.65	-3.3%
Maintenance Labor Cost per Maintenance FTE	\$51,209	\$52,571	\$54,392	\$54,651	6.7%
Parts Cost / Total Vehicles	\$17,515	\$20,994	\$17,894	\$12,234	-30.2%
Average Miles per Vehicle	42,635	44,889	41,636	38,693	-9.2%
Total Vehicle Miles Between Roadcalls	5,070	5,408	5,610	6,591	30.0%
Spare Ratio	28.6%	23.0%	35.0%	42.8%	49.5%
% Change in Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

Sources: NTD reports, OCTA Budgets, OCTA CAFRs, OCTA Maintenance Reports, OCTA Customer Relations Reports

## KEY ASPECTS OF VEHICLE MAINTENANCE PERFORMANCE IMPROVED

- Total vehicle maintenance costs increased 11.3% through FY08 and then were reduced by 8.5% in FY09, to end the audit period only 1.8% higher than in FY06, compared to a 10.0% increase in the CPI over that time. Both maintenance labor and maintenance parts costs followed similar patterns, and ended the audit period 3.0% and 22.8% lower, respectively.
- Maintenance labor costs accounted for 36%-37% of maintenance costs over the last three years. The number of maintenance FTEs was reduced by 10.8% in FY09, resulting in a net decrease of 9.1% over the audit period. As a result, labor productivity improved:
  - Vehicle hours and vehicle miles per FTE increased 11.9% and 10.4%, respectively
  - Vehicles per FTE increased 21.6%, from 1.8 to 2.2. This improvement, which occurred in FY09, results as much from the increase in the size of the fleet as it does from the reduced number of maintenance FTEs.
- Parts costs have dropped from 23% of total maintenance costs in FY06 to under 18% in FY09. Parts costs per vehicle have also dropped, from almost \$21,000 in FY07 to just over \$12,200 in FY09.
- Because total vehicle hours and miles both increased each year except FY09, efficiency indicators showed even greater improvements. Maintenance costs per hour and mile increased in FY07 and FY08, but were reduced in FY09 to about the level of FY06. However, because the size of the fleet grew more than 10%, vehicles averaged fewer miles in FY08 and FY09, and average miles per vehicle dropped from a high of 44,889 in FY07 to 38,693 in FY09.

## **VEHICLE RELIABILITY IMPROVED, BUT SPARE RATIOS GREATLY EXCEED FTA GUIDELINES**

- Miles between roadcalls, an indicator of service reliability, improved throughout the audit period, increasing 30.0% from 5,070 miles in FY06 to 6,591 miles in FY09. OCTD received its first CNG buses during the audit period. Staff report that the initial learning curve was high, but technical challenges were resolved and maintenance quality and effectiveness has increased.
- The size of the bus fleet increased in FY08 and FY09, as OCTA took delivery of 299 CNG buses, increasing the total fleet size by 10%. At the same time, peak vehicle requirements remained approximately the same. As a result, the spare ratio, which already exceeded federal guidelines in FY06, increased by almost 50% to 42.8%, which is more than twice the federal standard of 20%. In FY10, as service is reduced and the number of vehicles operated in peak service declines, the spare ratio may worsen as the number of spares that have not met their useful life increases. In that event, OCTA would need to work with FTA to buy out the federal shares of those buses, increase the contingency fleet, or obtain a temporary waiver of the spare ratio requirement.
- FTA recognizes that excess spares will be a problem for many transit properties as they cut service to adjust to economic conditions. FTA is working with agencies to help redress this issue, reportedly in part by identifying operators that may wish to procure other agencies' excess buses. The March 5, 2009 Federal Register notice providing instructions for grant applications under the American Recovery and Reinvestment Act (ARRA) also noted that FTA will consider approving exceptions to spare ratio requirements if the excess spare ratio will be temporary (returning to 20% within 2-3 years of delivery) or if the buses would "green" the agency's fleet.



**DIRECTLY OPERATED FIXED ROUTE: ADMINISTRATION PERFORMANCE INDICATORS**

Administrative Data	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Administration FTEs	135.6	144.4	146.0	187.0	37.9%
Administration Costs	\$35,455,530	\$33,254,865	\$34,022,143	\$44,358,169	25.1%
Administration Labor Costs	\$9,697,944	\$11,387,913	\$11,760,917	\$15,059,346	55.3%
Workers Compensation Costs	\$8,804,424	\$9,351,768	\$7,152,928	\$5,713,000	-35.1%
Casualty & Liability Costs	\$10,924,305	\$1,492,232	\$1,492,236	\$1,159,152	-89.4%
Total Cost - Directly Operated Fixed Route	\$227,283,447	\$203,136,036	\$210,604,214	\$208,854,810	-8.1%
Peak Vehicles	479	482	477	477	-0.4%
Revenue Vehicle Hours (RVH)	1,737,539	1,793,962	1,818,940	1,775,448	2.2%
Revenue Vehicle Miles (RVM)	21,860,325	22,193,801	22,363,458	21,909,894	0.2%
Unlinked Passenger Trips	66,732,770	67,802,879	63,985,278	63,226,434	-5.3%
Passenger Complaints	2,942	3,154	3,406	4,509	53.3%
<b>Performance Indicators</b>					
Administration Costs per RVH	\$20.41	\$18.54	\$18.70	\$24.98	22.4%
Admin. Costs per Peak Vehicle	\$74,020	\$68,993	\$71,325	\$92,994	25.6%
Admin. Labor Costs per Peak Vehicle	\$20,246	\$23,626	\$24,656	\$31,571	55.9%
Admin. Labor Costs as a % of Admin. Costs	27%	34%	35%	34%	24.1%
Admin. Labor Costs per FTE	\$71,539	\$78,873	\$80,558	\$80,543	12.6%
Admin. Cost as Percent of Total DO FR Cost	15.6%	16.4%	16.2%	21.2%	36.1%
Peak Vehicles per Admin. FTE	3.5	3.3	3.3	2.6	-27.8%
Casualty & Liability Costs per VSM	\$0.50	\$0.07	\$0.07	\$0.05	-89.4%
RVH per Administration FTE	12,817	12,425	12,459	9,496	-25.9%
RVM per Administration FTE	161,257	153,715	153,182	117,182	-27.3%
Average Passenger Fare	\$0.70	\$0.71	\$0.71	\$0.76	8.4%
Complaints per 100,000 Psgr Trips	4.409	4.652	5.323	7.132	61.8%
% Change in Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

Source: National Transit Database, OCTA CAFR

### ADMINISTRATIVE COST AND LABOR METRICS WERE IMPACTED BY A REALLOCATION OF LABOR HOURS AND COSTS

- In FY08 and FY09, FTEs were reduced in Transit Operations as a whole and in the vehicle operations function. Maintenance FTEs increased in FY08, but were reduced in FY09. However, FTEs increased annually in administration and by over 28% in FY09.
- The following data, which are from NTD reports, indicate that labor hours and costs were reallocated among functions in FY09. The reallocation was not a result of budgetary changes and commitments. Budgeted positions in Transit Operations increased by five in FY09, and those positions were in maintenance, not administration.

NTD Data	Base Year - FY06			FY07			FY08			FY09		
	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs
Operations Labor Hours	2,442,623	1,221	72%	2,507,373	1,254	72%	2,449,701	1,225	71%	2,315,031	1,158	70%
% Increase from Prior Year					2.7%			-2.3%			-5.5%	
Maintenance Labor Hours	690,988	345	20%	692,548	346	20%	703,774	352	20%	627,996	314	19%
% Increase from Prior Year				0.2%	0.2%			1.6%		-10.8%	-10.8%	
Administration Labor Hours	271,124	136	8%	288,765	144	8%	291,985	146	8%	373,945	187	11%
% Increase from Prior Year				6.5%	6.5%		1.1%	1.1%		28.1%	28.1%	
Total Labor Hours	3,404,735	1,702	100%	3,488,686	1,744	100%	3,445,460	1,723	100%	3,316,972	1,658	100%
% Change from Prior Year				2.5%	2.5%		-1.2%	-1.2%		-3.7%	-3.7%	

Source: National Transit Database Reports (FTEs = Labor Hours / 2000)

- Staff explained that for NTD reporting purposes, a decision was made to reallocate staff to administration from the Maintenance Procurement section of CAMM, Materials Management (including the stock clerks at the bases), Marketing Outreach, the Director of Transit Operations, and Operations Analysis. One effect of this change is the shift in functional FTEs noted here and the FTE-linked performance results in FY09.

## **ALTHOUGH ADMINISTRATIVE COST METRICS PERFORMED POORLY, THE COST OF WORKERS COMPENSATION AND CASUALTY & LIABILITY IMPROVED**

- Overall, administrative cost metrics performed poorly. Administrative costs were reduced by 6.2% in FY07, the first year of the audit period and the first year of the new service contract:
  - Administrative costs per revenue vehicle hour declined from \$20.41 in FY06 to \$18.70 in FY07, and then increased over 33% in FY09, to \$24.98.
  - Administrative costs per peak vehicle also declined, from about \$74,000 to \$69,000, and then grew to almost \$93,000 in FY09.
- As noted previously, OCTA experienced a 35 percent decrease in workers compensation costs after taking steps to bring costs under control.
- Casualty & liability costs also fell, from nearly \$11 million in FY06 to just over \$1 million in FY09. Adjusted for vehicle miles, these costs improved 82%, dropping from \$0.50 per vehicle mile in FY06 to \$0.05 in FY09.
- Complaints also increased as service cuts and a fare increase were implemented:
  - Passenger complaints increased each year, but whereas they increased 7%-8% in FY07 and FY08, they increased 32% in FY09, as OCTA implemented service cuts and a fare increase. Adjusted for ridership levels, complaints per boarding increased 61.8% over the audit period; half of that increase occurred in FY09.
  - As a result of the fare increase, which occurred mid-way through FY09, the average fare per boarding increased just over seven percent in FY09.

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**FIXED ROUTE BUS OPERATIONS - CONTRACTED**

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## OCTA CONTRACTS ABOUT SIX PERCENT OF FIXED ROUTE REVENUE HOURS TO VEOLIA TRANSPORTATION

- Directly-operated fixed route services account for about 94% of revenue hours and 98% of ridership. Part of OCTA’s contracting strategy has been to assign less productive routes to the contractor, to reduce the cost of those services. As a result, directly-operated services carry about 35 passengers per hour, compared to 9-10 passengers per hour on contracted service.
- During the audit period, Veolia operated OCTA’s contracted fixed route and ACCESS paratransit services. In July 2009, the fixed route contract was awarded to MV Transportation. Veolia continues to provide OCTA’s ACCESS service.

Verified TDA Statistics & Performance Indicators	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Operating Costs (a)	\$4,868,946	\$6,617,437	\$6,939,099	\$6,791,098	39.5%
Unlinked Passengers	1,135,379	1,232,347	1,218,333	1,127,239	-0.7%
Revenue Vehicle Hours	109,727	114,734	119,253	116,331	6.0%
Revenue Vehicle Miles	1,493,557	1,541,884	1,712,110	1,684,678	12.8%
Employee FTEs	115	110	135	162	40.9%
Operating Cost per Revenue Vehicle Hour	\$44.37	\$57.68	\$58.19	\$58.38	31.6%
Operating Cost per Passenger	\$4.29	\$5.37	\$5.70	\$6.02	40.5%
Passengers per Revenue Vehicle Hour	10.35	10.74	10.22	9.69	-6.4%
Passengers per Revenue Vehicle Mile	0.76	0.80	0.71	0.67	-12.0%
Revenue Hours per Employee FTE	957	1,046	882	720	-24.8%
Percentage Change Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

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

Source: National Transit Database reports, State Controller Reports

## **THE SIX PERCENT OF OCTA'S FIXED ROUTE REVENUE HOURS THAT ARE PROVIDED UNDER CONTRACT SERVE ABOUT TWO PERCENT OF FIXED ROUTE RIDERS**

- Contracted fixed route services all operate from the 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 mainly focused in South Orange County, but also include express routes and StationLink routes that provide connections for Metrolink commuters.
- During the audit period, Veolia operated about six percent of OCTA's annual revenue hours and carried about two percent of fixed route ridership.
- Although the hourly cost of providing fixed route service under contract is lower than for directly operated services, performance *trends* were better on directly-operated services.
- OCTA tends to use its fixed route service contractor to operate additional service during peak periods, as well as routes that have relatively low service productivity. OCTA has traditionally assigned smaller vehicles to the contractors to use on these routes, although that has changed recently.
- As noted previously, Veolia struggled during the first year of the contract, until a new general manager was assigned and performance improved and stabilized. This is reflected in the performance results for contracted fixed route services.

**THE COSTS OF CONTRACTED FIXED ROUTE SERVICE INCREASED APPRECIABLY IN FY07, WITH THE INTRODUCTION OF A NEW CONTRACTOR**

- Contracted fixed route service experienced performance similar to systemwide trends. Revenue hours and miles increased through FY08 and then were reduced in FY09. Operating costs increased annually. Ridership increased in FY07 and then dropped.
- During the audit period, the services operated by Veolia incurred a lower operating cost per revenue hour (\$58.38 in FY09) than directly operated service (\$117.63 in FY09). However, the cost per hour of contracted fixed route service increased 31.6% during the audit period, compared to a 10.0% increase in the cost of living and a 7.6% increase in the cost per hour of directly operated fixed route service.
- Almost all of the increase in the cost-related metrics is the result of a 35.9% increase in operating costs when the service was re-bid. Combined with the 0.7% decline in boardings, operating cost per passenger increased 40.5% over the audit period.
- The 6.4% decline in passengers per revenue hour is primarily a result of the 6.0% reduction in revenue hours operated under contract. It is slightly lower than the 7.3% drop in passengers per revenue hour experienced on routes directly operated by OCTA.
- The distinction between directly operated and contracted services is sharper in the passengers per revenue mile metric. On contracted service, passengers per revenue mile initially improved, but ultimately fell 12.0% over the audit period to 0.7, while directly operated services experienced a 5.5% drop to 2.9.

**CONTRACTED FIXED ROUTE PERFORMANCE INDICATORS**

Operations Data	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Total Cost - Contracted Fixed Route	\$4,868,946	\$6,617,437	\$6,939,099	\$6,791,098	39.5%
Purchased Transportation	\$4,104,646	\$5,331,523	\$5,447,928	\$5,334,621	30.0%
Revenue Vehicle Hours (RVH)	109,727	114,734	119,253	116,331	6.0%
Revenue Vehicle Miles (RVM)	1,493,557	1,541,884	1,712,110	1,684,678	12.8%
Total Vehicle Hours	139,779	140,165	154,804	151,893	8.7%
Total Vehicle Miles	2,210,294	2,441,737	2,711,009	2,683,990	21.4%
Unlinked Passenger Trips	1,135,379	1,232,347	1,218,333	1,127,239	-0.7%
Passenger Miles	5,586,877	6,233,943	7,562,209	5,668,407	1.5%
Total Vehicles	68	82	80	85	25.0%
<b>Performance Indicators</b>					
Purchased Transportation as a % of Total Costs	84.3%	80.6%	78.5%	78.6%	-6.8%
Total Vehicle Miles / Total Vehicles	32,504	29,777	33,888	31,576	-2.9%
Passenger Miles per Passenger Trip	4.92	5.06	6.21	5.03	2.2%
% Deadhead Time	21.5%	18.1%	23.0%	23.4%	8.9%
Average Service Speed	13.6	13.4	14.4	14.5	6.4%
Average Passenger Fare	\$0.45	\$0.65	\$0.77	\$0.81	80.4%
% Change in Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

Source: National Transit Database reports



**CONTRACTED FIXED ROUTE SERVICE IS EXPERIENCING TRENDS SIMILAR TO THE SYSTEM OVERALL, WITH INCREASING COSTS AND DECREASING RIDERSHIP**

- While the cost of the fixed route service contract has grown 30% since FY06, contract costs accounted for less of the cost of delivering contracted services each year. In FY06, purchased transportation costs represented 84.3% of contract service costs; by FY09, that proportion had dropped to 78.6% as OCTA costs of supporting the service contract grew 90% (just under \$700,000). Increases in fuel and miscellaneous expenses account for over 80% of the difference.
- As a result of the location of the Sand Canyon base and the types of services operated from that base, contracted services experience more deadhead than the directly operated services. Deadhead accounted for 23% of the hours and 37% of the miles operated by Veolia, compared to 9% and 17%, respectively, for services operated by OCTA.
- Compared to directly operated services, and as a consequence of the differences in services, contracted services also experienced the following results, compared to directly-operated services:
  - longer average passenger trip lengths (5.0 vs. 3.2 miles)
  - higher average speeds (14.5 vs. 12.3 miles per hour)
  - higher average fares (\$0.81 vs. \$0.71 per boarding).

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## **DEMAND RESPONSE OPERATIONS**

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## **OCTA OPERATES ONE OF THE LARGEST CONTRACTED PARATRANSIT SERVICES IN THE COUNTRY**

- ACCESS provides the services that are mandated by the Americans with Disabilities Act (ADA), which are available to individuals who are unable to use bus service due to a physical or cognitive impairment. About 26,000 riders are ADA-certified.
- ACCESS offers three types of service:
  - Standard curb-to-curb service for riders who are certified ADA-eligible.
  - Door-to-door service where the driver escorts the passenger to or from the vehicle.
  - Subscription service, for riders who regularly make the same trip.
- With over 600,000 revenue hours, about 300 vehicles and a contract value of about \$30 million per year, OCTA operates one of the largest paratransit service contracts in the country.
- OCTA began the audit period with serious concerns about ACCESS service quality and cost effectiveness. With a large and expanding elderly population and continually tighter budget, Orange County must continue to focus on the productivity and cost-effectiveness of its paratransit services while remaining in compliance with ADA requirements.

## **DURING THE AUDIT PERIOD, OCTA TOOK STEPS TO IMPROVE ACCESS PERFORMANCE**

- Since October 2006, OCTA has used a contractor, CARE Evaluators, to perform eligibility assessments of ADA applicants. CARE conducts in-person assessments of all applicants to determine whether each one meets ADA eligibility requirements. This has improved the efficiency of the application process and reduced the number of ineligible users. Since in-person assessments were implemented, 4-5% of applicants have been denied eligibility.
- ACCESS fares were raised from \$2.25 to \$2.70 in January 2009, when the fixed route fare was increased to \$1.50. However, ACCESS fares are still lower than the allowable ADA fare of \$3.00 (twice the fixed route fare for a comparable trip). OCTA also raised the fee for door-to-door service to \$5.00 (\$10.00 for door-to-door service at both origin and destination) to discourage use of a service that is costly to provide and not required by ADA.
- OCTA promotes fixed route service to ACCESS users, a much lower cost and lower fare alternative. OCTA offers in-person training to help riders learn how to make their trip(s) on a bus and allows ADA-certified riders to travel free on buses.
- OCTA relaxed service standards from a 20-minute to a 30-minute on-time window.
- OCTA implemented a strict  $\frac{3}{4}$ -mile ADA service area, restricting ACCESS service to within  $\frac{3}{4}$  miles of a fixed route.
- OCTA eliminated same-day service for medical appointments, a service that went beyond ADA requirements.

**DURING THE AUDIT PERIOD, OCTA TOOK STEPS TO IMPROVE ACCESS PERFORMANCE  
(CONTINUED)**

- Reservations are accepted 1-3 days in advance. Reducing the advance reservation period has reduced call volumes, and the number of cancellations and no-shows has dropped to under three percent.

## **OCTA HAS ALSO IMPLEMENTED SOME ADA PARATRANSIT BEST PRACTICES**

- A 2008 study by the Transit Cooperative Research Program (*Policies and Practices for Effectively and Efficiently Meeting ADA Paratransit Demand*) notes that, in the face of increasing paratransit costs and decreasing federal financial assistance, transit agencies are realizing the importance of developing innovative demand management strategies, such as improved methods for determining eligibility and fixed-route travel training programs.
- A key element of ADA paratransit is assessing eligibility of applicants for ADA paratransit service, since individuals must be certified eligible to be able to use the service. However, the same TCRP study found that many transit agencies are making determinations of conditional and trip-by-trip eligibility, but are not enforcing them due to inadequate data.
- Through CARE, OCTA has implemented and enforces four categories of ADA eligibility:
  - Unrestricted, for individuals who are not able to use accessible fixed route bus services under any conditions and are eligible for ACCESS for all trips.
  - Conditional for individuals who are unable to use fixed route service in specific circumstances and are therefore eligible to use ACCESS under circumstances identified by the certification specialist.
  - Trip-by-trip for individuals who cannot use accessible fixed route service for certain trips, due to architectural or environmental barriers and are eligible to use ACCESS for those trips, as identified by the certification specialist.
  - Temporary for individuals whose eligibility for ACCESS is reasonably expected to change within a specific timeframe of less than three years.

## **OCTA PROVIDES MOBILITY TRAINING AND AUGMENTS ACCESS WITH OTHER SERVICES**

- “The Bus Stops Here” is a mobility training program for ACCESS riders whose eligibility is restricted to specific conditions or trips. It is also available to seniors and to individuals who have been denied ACCESS eligibility. The training program is designed to help individuals use the public transportation system and reduce the demand for ACCESS trips.
- OCTA also provides train-the-trainer workshops and technical support to train social service agencies and other community organizations to provide mobility training for persons with disabilities and seniors who are their clients.
- As a growth management strategy, OCTA has developed community partnerships to augment the services available to seniors and persons with disabilities. OCTA partially subsidizes some of the trip cost and provides retired vehicles to participating organizations in exchange for providing local transportation services for seniors within their communities.
- OCTA supplements paratransit services with two taxi programs that improve productivity and control costs. Through Veolia, OCTA has a subcontractor that augments ACCESS service by providing taxi services for late night service. American Logistics is a service broker that can supply lower cost capacity without the need for a long-term capital commitment. Models like this can enhance efficiency and quality control by eliminating duplication of services through efficient use of existing equipment and staff.
- OCTA also offers same-day taxi service to ACCESS-eligible riders. The fare is \$2.70 plus any amount on the meter over \$10.00; OCTA subsidizes up to \$7.30, which is significantly less than the \$22.33 OCTA subsidizes for ACCESS riders.

**OCTA’S PARATRANSIT SERVICE EFFICIENCY IMPROVED SIGNIFICANTLY DURING THE AUDIT PERIOD**

- During the audit period, OCTA faced higher demand for ACCESS services due to the economic downturn and an aging population. In response to higher total costs and financial constraints, OCTA focused on providing paratransit service more cost effectively. OCTA has succeeded in making the service significantly more efficient and productive, as demonstrated by the trends and results for the TDA performance indicators.

Verified TDA Statistics & Performance Indicators	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Operating Costs (a)	\$32,404,007	\$31,938,045	\$35,346,236	\$37,397,809	15.4%
Unlinked Passengers	1,189,525	1,231,346	1,416,657	1,464,730	23.1%
Revenue Vehicle Hours	583,015	614,620	675,002	678,340	16.4%
Revenue Vehicle Miles	8,880,190	9,330,511	10,357,275	10,382,230	16.9%
Employee FTEs	627	577	620	647	3.2%
Operating Cost per Revenue Vehicle Hour	\$55.58	\$51.96	\$52.36	\$55.13	-0.8%
Operating Cost per Passenger	\$27.24	\$25.94	\$24.95	\$25.53	-6.3%
Passengers per Revenue Vehicle Hour	2.04	2.00	2.10	2.16	5.8%
Passengers per Revenue Vehicle Mile	0.13	0.13	0.14	0.14	5.3%
Revenue Hours per Employee FTE	930	1,065	1,089	1,048	12.8%
Percentage Change Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

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

Source: National Transit Database reports, State Controller Reports



## **ACCESS EXPERIENCED POSITIVE TRENDS OVER ALL TDA PERFORMANCE INDICATORS**

- Both of the cost-based TDA indicators demonstrated positive performance during a period when the cost of living increased by 10.0%.
  - Operating cost per revenue hour improved as it fell 6.5% in FY07. Although it increased in FY08 and FY09, it ended the audit period 0.8% lower than in FY06, because operating costs increased 15.4 while revenue hours increased at a slightly higher rate of 16.4%. Service levels (both revenue hours and revenue miles) increased annually throughout the audit period.
  - Ridership-adjusted operating costs also improved. ACCESS costs per boarding dropped 6.3%, from \$27.24 per boarding in FY06 to \$25.53 per boarding in FY09. The reduction was a result of a 23.1% increase in ridership compared to a 15.4% increase in operating costs. With efforts to better manage demand, the growth in ACCESS ridership slowed from 15% in FY08 to 3.4% in FY09. At the same time, the increase in operating costs dropped from 10.7% in FY08 to 5.8% in FY09.
- Service productivity also improved. Passengers per revenue hour rose 5.8% and passengers per revenue mile rose 5.3% as the growth in ridership outpaced the growth in service levels. It is important to note that the productivity improvements in FY09 were achieved despite continuing growth in both ridership and service levels.
- Labor productivity also improved. Revenue hours per employee FTE increased annually through FY08 and then dropped 3.7% in FY09, but nevertheless improved 12.8% over the audit period.

## **ACCESS PERFORMANCE RESULTS ARE MIXED COMPARED TO OTHER PARATRANSIT PROVIDERS**

- “The Costliest Ride,” an article about ADA paratransit that appeared in the July 2009 issue of *Governing* (<http://www.governing.com/article/costliest-ride>) noted that those services are:  
  
... a piece of the public transportation puzzle that’s often forgotten – by everyone except transit agencies and those who depend on the service.... But it’s hugely expensive.... A one-way ride for a single disabled person costs more than \$30 in many places... [and] it’s common for a transit agency to devote 10 percent or more of its operating budget to paratransit. And the fares normally cover less than 10 percent of the costs.
- At OCTA, ACCESS accounted for 14.8% of agencywide operating expenses in FY09. ACCESS ridership accounted for 2.2% of total ridership.
- With a cost per boarding of \$25.53 in FY09, and an average fare of \$3.20 per boarding, ACCESS fare revenues covered 12.5% of operating costs.
- Compared to the benchmarks in “The Costliest Ride,” OCTA’s ACCESS is performing at least as well as other transit agencies in both the cost per boarding and the farebox recovery ratio.

### CONTRACTED PARATRANSIT PERFORMANCE INDICATORS

Operations Data	Base Year FY06	Audit Review Period			% Change FY06-FY09
		FY07	FY08	FY09	
Total Cost - Paratransit	\$32,404,007	\$31,938,045	\$35,346,236	\$37,397,809	15.4%
Purchased Transportation Cost	\$27,317,407	\$25,736,842	\$27,750,542	\$30,248,620	10.7%
Service Costs	\$1,003,165	\$915,577	\$1,128,196	\$952,140	-5.1%
Revenue Vehicle Hours (RVH)	583,015	614,620	675,002	678,340	16.4%
Revenue Vehicle Miles (RVM)	8,880,190	9,330,511	10,357,275	10,382,230	16.9%
Total Vehicle Hours	680,182	797,232	796,108	785,445	15.5%
Total Vehicle Miles	11,031,095	11,752,239	12,893,451	12,761,149	15.7%
Unlinked Passenger Trips	1,189,525	1,231,346	1,416,657	1,464,730	23.1%
Passenger Miles	12,031,322	13,191,180	13,420,631	14,839,431	23.3%
Total Vehicles	306	293	365	481	57.2%
<b>Performance Indicators</b>					
Purchased Transportation as a % of Total Costs	84.3%	80.6%	78.5%	80.9%	-4.1%
Total Vehicle Miles / Total Vehicles	36,049	40,110	35,325	26,530	-26.4%
Passenger Miles per Passenger Trip	10.11	10.71	9.47	10.13	0.2%
% Deadhead Time	14.3%	22.9%	15.2%	13.6%	-4.5%
Average Service Speed	15.2	15.2	15.3	15.3	0.5%
Average Passenger Fare	3.26	3.23	3.23	3.20	-1.8%
% Change in Consumer Price Index (CPI-All)		3.9%	4.2%	1.6%	10.0%

Source: National Transit Database reports

## **ACCESS PARATRANSIT SERVICE METRICS SHOW IMPROVEMENTS FOR THE AUDIT PERIOD**

- Purchased transportation costs, which are the costs of the Veolia service contract, increased annually and by 10.7% over the audit period, holding very close to the increase in the cost of living, in part because ACCESS operating costs were reduced by 5.8% in FY07, when Veolia began operating the service. Contract costs as a percentage of the total costs of providing ACCESS service declined through FY08. While they increased to about 81% in FY09, they remained 4.1% less than in FY06.
- Service costs, which include the cost of the contractor that performs eligibility assessments, fluctuated, but on balance, dropped 5.1% from FY06 through FY09.
- Vehicle productivity declined each year and by 26.4% over the last three years, dropping from about 36,000 miles per vehicle per year to about 26,500. FY09 results may be misleading as the number of vehicles in the fleet increased by one-third, from 365 to 481, as new vehicles were delivered and before old vehicles were retired.
- Average trip lengths (passenger miles per boarding) remained about 10 miles each year.
- Schedule productivity also improved notably as deadhead hours as a percentage of revenue hours dropped almost 5% from FY06. More importantly, however, this indicator improved over 40% from FY07, when deadhead hours increased to 22.9%.
- Despite adjustments to the fare structure, the average ACCESS fare dropped slightly, from \$3.26 in FY06 to \$3.20 in FY09. Some of this decline may reflect the impact of increasing the fare for door-to-door services, if it succeeded in reducing riders who selected that option.

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## **VI. RECOMMENDATIONS**

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**AS AN OUTCOME OF THE PERFORMANCE AUDIT, RECOMMENDATIONS ARE OFFERED FOR OCTA'S CONSIDERATION**

- Findings documented in previous sections of the performance audit indicate areas of positive performance as well as opportunities for improved compliance, effectiveness, efficiency and/or productivity. This chapter provides seven recommendations to capitalize on those improvement opportunities. Rather than viewing the recommendations as negative, they should be balanced against OCTA's considerable positive performance results during the audit period, noted throughout this report.
  
- One recommendation would assist OCTA in improving compliance with TDA regulations:
  - 1) OCTA's TDA Guidelines should:
    - a. Clarify reporting requirements for Article 4.5 claims and the required evaluation and findings.
    - b. Provide more complete information about the Bicycle and Pedestrian Facilities (BPF) program and the availability of Article 3 funds.
    - c. Require TDA Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals.
    - d. Be reviewed, updated, and distributed to TDA claimants annually.

**IN ADDITION, SIX RECOMMENDATIONS ADDRESS OPPORTUNITIES TO IMPROVE EFFICIENCY AND EFFECTIVENESS**

- Six recommendations related to opportunities to improve efficiency and effectiveness are also offered for OCTA's consideration:
  - 2) Closely monitor transit system performance as service levels are reduced.
  - 3) Seek opportunities to control fixed route operating costs.
  - 4) Improve Transit performance reporting.
  - 5) Conduct post-procurement evaluations of new vehicles and technologies.
  - 6) Proceed with plans to develop an agencywide strategic plan.
  - 7) Ensure that OCTA is structured and staffed to deliver the M2 program.
  
- For each of the recommendations, the context, possible actions to address the issue, and expected results are provided in the remainder of this chapter.

**RECOMMENDATION 1: IMPROVE COMPLIANCE WITH PUC REQUIREMENTS RELATED TO CLAIMING TDA FUNDS BY UPDATING THE TDA GUIDELINES**

- **Issue/Opportunity:** This audit identified areas and activities where OCTA could improve compliance with PUC requirements.
- **Recommended Actions:** Although OCTA is substantially in compliance with all PUC requirements, there are actions that OCTA could take to improve compliance. It is recommended that OCTA consider implementing the following:
  - a. Document annual findings prior to approving Article 4.5 claims. OCTA has adopted criteria for evaluating claims filed for Article 4.5 funds. 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 is not submitting the necessary evidence and OCTA is not conducting the evaluation and making the required findings. OCTA could 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 the required evaluation and findings. The evaluation should be documented, possibly in the Justification Statement that OCTA staff prepare after reviewing each TDA claim submittal. The findings could also be documented in the Board resolution authorizing the allocation of Article 4.5 funds.



Recommendations

**RECOMMENDATION 1: IMPROVE COMPLIANCE WITH PUC REQUIREMENTS RELATED TO CLAIMING TDA FUNDS BY UPDATING THE TDA GUIDELINES (CONTINUED)**

*Management Response to 1(a): Management concurs with this recommendation and will require that all Article 4.5 claimants for ACCESS, Special Agency Transportation Services, and the Senior Mobility Program annually submit the seven defined reporting criteria. The OCTA will evaluate the criteria, make the necessary finding, and include the finding as part of the claims approval process.*

**RECOMMENDATION 1: IMPROVE COMPLIANCE WITH PUC REQUIREMENTS RELATED TO CLAIMING TDA FUNDS BY UPDATING THE TDA GUIDELINES (CONTINUED)**

- b. Update OCTA TDA Guidelines to include the allocation process for the Bicycle and Pedestrian Facilities (BPF) Program and policy updates. As required by PUC Sections 99233 and 99234, OCTA has adopted procedures for submitting claims for Article 3 funds through the Call for Projects. OCTA's TDA Guidelines briefly discuss Article 3 funds and the Bicycle and Pedestrian Facilities (BPF) program. OCTA's TDA Guidelines could be updated and improved by providing:
- a more complete description of the allocation process for the BPF program, including the Call for Projects application guidelines and procedures (which could be included as an attachment to the Guidelines)
  - 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.

***Management Response to 1(b):*** Management concurs with this recommendation and will update OCTA TDA Guidelines to include the allocation process for the Bicycle and Pedestrian Facilities (BPF) Program and policy updates, however, for the next several years it is not anticipated that any additional TDA revenues will be apportioned to the BPF program.

Recommendations

**RECOMMENDATION 1: IMPROVE COMPLIANCE WITH PUC REQUIREMENTS RELATED TO CLAIMING TDA FUNDS BY UPDATING THE TDA GUIDELINES (CONTINUED)**

- c. PUC 99244 requires RTPEs to identify, analyze and recommend potential productivity improvements. OCTA could improve its oversight activities by requiring TDA Article 4 claimants to provide updates to prior audit recommendations as part of their annual TDA claim submittals. The update could be provided by each transit claimant in the form of a table that describes actions taken to implement each prior recommendation and the current status (e.g., fully implemented, partially implemented with anticipated completion date, or not implemented with justification).

***Management Response to 1(c):*** Management concurs with this recommendation and will require TDA Article 4 claimants to provide updates to prior audit recommendations as part of their claim submittal.

**RECOMMENDATION 1: IMPROVE COMPLIANCE WITH PUC REQUIREMENTS RELATED TO CLAIMING TDA FUNDS BY UPDATING THE TDA GUIDELINES (CONTINUED)**

- d. OCTA should review, update as necessary, and distribute TDA Guidelines, along with the TDA appropriations, to TDA claimants annually to ensure requirements and forms are current. Needed updates include references to FTA (instead of UMTA) and current grant program designations (which reflect federal statutes).

***Management Response to 1(d):** Management concurs with this recommendation and will review, update as necessary, and distribute TDA Guidelines, along with the TDA appropriations, to TDA claimants annually to ensure requirements and forms are current.*

- **Expected Results:** Implementation of this recommendation will strengthen and improve OCTA's compliance with State PUC and CAC requirements for TDA administrative functions, and provide increased accountability to taxpayers and the public, as well as State regulatory agencies.

## **RECOMMENDATION 2: CLOSELY MONITOR TRANSIT SYSTEM PERFORMANCE AS SERVICE LEVELS ARE REDUCED**

- **Issue/Opportunity:** OCTA's biggest operational challenge during the audit period, consistently mentioned by OCTA management and staff, has been handling the dramatic reduction in funding levels. In terms of revenue vehicle hours, OCTA's service deployment peaked in June 2008. In less than two years since then, OCTA has reduced over 393,000 annualized hours of revenue service, and more service cuts may follow. Plans for Bus Rapid Transit service in Orange County have been tabled.

Service cuts clearly impact OCTA's riders. Headways on several routes will be lengthened, certain route segments will be shortened, and weekend service will be reduced. It will be important for OCTA to carefully evaluate the impacts of these changes.

- **Recommended Actions:** OCTA should establish a performance monitoring process that compares service performance before and after the March 2010 service change. Performance should be compared by route and by time period, across metrics that encompass service productivity, vehicle occupancy, and farebox recovery in accordance with OCTA's Service Performance Index. The comparison should be done on a regular basis (e.g., monthly or quarterly) to observe and track changes in rider response over time. This evaluation process will identify the cuts that are most impacting OCTA's riders, and potentially highlight opportunities for OCTA to adjust its resource allocations going forward to lessen rider impacts to the extent possible.

OCTA should also continue to update its fixed route service standards as required to accommodate new service applications, particularly as an outcome of the planned systemwide transit service study.

**RECOMMENDATION 2: CLOSELY MONITOR TRANSIT SYSTEM PERFORMANCE AS SERVICE LEVELS ARE REDUCED (CONTINUED)**

- **Expected Results:** A documented evaluation of the impacts that service reductions have on OCTA's riders will help the agency reevaluate its resource allocations and inform future decision making. The evaluation may also help OCTA to determine when and how quickly the economy in Orange County is improving, and serve as a guide for when and where to add service when OCTA is able once again to increase its service levels.
- **Management Response:** *A number of actions are underway that are in line with this recommendation.*

*In May, the Board approved the award of a consulting agreement to conduct a Systemwide Transit Study. This study will evaluate the remaining network and identify opportunities to improve service efficiencies while maximizing the amount of service that can be provided given revised financial projections. The study will include analysis of performance metrics as well as a public outreach element to ensure passengers and other stakeholders are able to provide input on the various alternatives that could be developed for implementation. This study will be initiated in July 2010 and completed in 2011.*

*More immediately, the Service Planning section will be taking an item to the Transit Committee in May and the Board in June 2010 that outlines the results of a preliminary evaluation of the impacts to performance metrics related to the service reduction that occurred in March 2010, when 150,000 annual revenue vehicle hours were removed from service.*

*In addition, a staff report summarizing fixed route and ACCESS performance is prepared quarterly and is presented to the Transit Committee and submitted to the Board.*

### **RECOMMENDATION 3: SEEK OPPORTUNITIES TO CONTROL FIXED ROUTE OPERATING COSTS**

- **Issue/Opportunity:** As noted in Recommendation 2, OCTA has reduced fixed route service by over 393,000 annualized hours since June 2008. These service cuts are impacting OCTA's riders by reducing service coverage and creating longer wait times.

Making service cuts is one response to addressing budget shortfalls. Other options include implementing fare increases, increasing revenue from other funding sources, and reducing the cost of service provision. All of these options are challenging, have implications for OCTA employees and riders, and have limits with respect to how much can be accomplished. Nevertheless, the clearly difficult situation that OCTA is facing may call for options to be evaluated that might not have been considered previously.

- **Recommended Actions:** OCTA should review the cost drivers for its fixed route operations and consider options to control costs going forward. Such drivers may include work rules, policies (e.g., coverage) and procedures, legislative mandates, vehicle performance, and equipment performance. Service efficiency and effectiveness is different for different types of service, and possibly in different parts of the county. Other factors include:
  - OCTA's contracted service carries lower costs 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.

### **RECOMMENDATION 3: SEEK OPPORTUNITIES TO CONTROL FIXED ROUTE OPERATING COSTS (CONTINUED)**

- Changes in service types or levels could also impact administrative staffing levels, which grew as service levels increased over the last decade, 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, as each shake-up requires staff time for planners and schedule-makers to design and plan new service and cut new schedules, Board briefings, public information (e.g., updates to schedules, maps, signage), and possibly equipment reassignments among the bases. Depending on the scope of the service change, public meetings may be required. OCTA currently makes 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.

OCTA should weigh the potential of issues and opportunities like these to improve service efficiency and effectiveness, possibly through the planned service restructuring study.

- **Expected Results:** The ability to contain or reduce the unit cost of providing service will allow OCTA to limit future service reductions and minimize the impacts of service reductions on OCTA riders.
- **Management Response:** *A number of items are underway that are in line with this recommendation.*



**RECOMMENDATION 3: SEEK OPPORTUNITIES TO CONTROL FIXED ROUTE OPERATING COSTS (CONTINUED)**

*The contract negotiations with coach operators are underway and a number of items have been included in Management's Proposal that would help to decrease the cost of fixed route service. It is unknown at this time whether those items, or others that are cost related, will be included in the final agreement. Similarly, the collective bargaining agreement for maintenance staff (mechanics and vehicle service workers) will expire in September 2010 and there are opportunities to address the cost of fixed route service through that negotiation as well. When it is time to develop Management's Proposal, strategies to decrease the cost of maintaining the fixed route service will be evaluated for inclusion. Among the items currently under consideration are the number of service changes per year.*

*The Authority also plans to increase the level of contracted fixed route service over the next few years and, while this could have an impact on the collective bargaining agreements, a recent arbitration over whether the Authority had the right to contract out service was ruled in the Authority's favor. Staff is currently evaluating the path to increase the level of contracted fixed route service relative to the overall fixed route operating plan.*

*Through the Systemwide Transit Study previously mentioned, the cost of providing fixed route will be evaluated and alternatives developed for consideration.*

*Working with Government Relations, the Transit Division will evaluate possible legislative changes that could improve the overall funding picture for the bus system, for example changes to the Transportation Development Act, extension of the federal alternative fuel credit beyond December 2010, and advocating for greater flexibility between funds available for capital and operating needs.*

#### **RECOMMENDATION 4: IMPROVE TRANSIT PERFORMANCE REPORTING**

- **Issue/Opportunity:** Good business practices suggest that OCTA should report on the performance of its transit system to broader audiences, outside the Transit Division and OCTA. This information 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.

There are several factors behind this recommendation:

- The Transit section of the most recent Comprehensive Business Plan defines some key performance targets for a five-year period (FY08-FY12) for both fixed route and ACCESS services. In theory, the CBP is revisited each year to ensure that performance targets are consistent with current goals and assumptions. However, the CBP has not been updated since FY08. Performance targets should be monitored and updated (if necessary) annually, preferably as part of the budget process that allocates resources, thereby determining goals and targets.
- Transit currently prepares several performance reports, including topical (e.g., ridership, on-time performance), departmental (e.g., the Maintenance Department's Standards and Performance Indicators Report), and divisional (e.g., Monthly Operating Highlights) reports. Collectively, these reports provide considerable, detailed information about the performance of the transit system. However, there is no high-level performance report that summarizes and discusses trends in key Transit operating and financial performance indicators.

#### **RECOMMENDATION 4: IMPROVE TRANSIT PERFORMANCE REPORTING (CONTINUED)**

There are several factors behind this recommendation (continued):

- Much of the data is already collected by FP&A staff, who have developed two reporting systems to maintain performance data and report performance results: an older Access-based tool that is operations oriented and used primarily to compare performance results over time and a newer Excel-based Monthly Performance Measurement Report, which is linked to IFAS and used to provide transit financial and operational performance metrics. These systems could be instrumental in the development of a Transit performance report.
- PUC 99244 requires OCTA to annually identify, analyze, and recommend potential productivity improvements that could lower operating costs to operators that receive Article 4 funds. These recommendations include but not limited to determining whether operators have made reasonable efforts to implement prior performance audit recommendations.
- The strategic planning effort that OCTA is undertaking will result in performance goals, objectives and targets and the need to monitor and report on them. These reports should be available to the Board, and broader audiences, such as key stakeholders, partner and oversight organizations, riders, and the general public.

Together, these factors suggest that OCTA has the need and the capability to develop and produce a transit performance report that reports performance against performance targets, and presents and discusses results and trends in key performance metrics, particularly those that are linked to strategic business objectives.

#### **RECOMMENDATION 4: IMPROVE TRANSIT PERFORMANCE REPORTING (CONTINUED)**

- **Recommended Actions:** OCTA should develop informative indicators and define performance targets to use in reporting the performance of the transit system, and report them regularly and in a meaningful way to the Board, partners, and stakeholders, including the public. Making the report available publicly, possibly on OCTA's website, would be a means of demonstrating achievements and identifying challenges for OCTA's public. This effort should be clearly linked to the strategic plan OCTA is undertaking, but it should not be deferred pending the development, adoption and implementation of the strategic plan.
- **Expected Results:** Implementation of this recommendation would provide 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. In addition it will provide accountability, transparency, visibility and awareness of OCTA's accomplishments as well as its challenges.
- **Management Response:** *A number of items are underway that are in line with this recommendation.*

*A staff report was recently developed and presented to the Transit Committee summarizing key performance measures for both the fixed route and ACCESS programs. Attached to the staff report is a separate report titled, "Transit Division Performance Measurements Report, FY 2009-10 First and Second Quarters." Previously, the performance of these systems had been reported separately and at different intervals. This report contains many of the elements included in this recommendation, but not all of them.*

**RECOMMENDATION 4: IMPROVE TRANSIT PERFORMANCE REPORTING (CONTINUED)**

*The report and presentation was received favorably by the Transit Committee and staff is currently soliciting feedback from Board members on the content of the report and its presentation. It would not make sense to defer improvements to this document pending completion of the Authority’s strategic plan, as this report provides a good basis for incorporating other specific elements identified in the recommendation.*

*The report is scheduled for preparation and presentation quarterly and will be modified to incorporate the goals, objectives and targets developed through the strategic planning process as appropriate. The report will also be expanded to include a section that identifies future strategies to improve performance that could lower operating costs as required by PUC 99244.*

*The report is currently available on the Authority’s website along with the staff report, but this can be modified so that the report can be accessed more easily through the pages associated with the bus system.*

## Recommendations

### **RECOMMENDATION 5: CONDUCT PRE- AND POST-PROCUREMENT EVALUATIONS OF NEW VEHICLES AND TECHNOLOGIES**

- **Issue/Opportunity:** During the audit period, OCTA procured new types of vehicles including Compressed Natural Gas (CNG) buses and cutaway vehicles for demand response service. OCTA rehabilitated many of its existing vehicles, including its Liquefied Natural Gas (LNG) fleet. OCTA also implemented or is in the process of implementing a number of new technologies, including the Ellipse integrated maintenance management system, Automatic Passenger Counters, a new radio system for the OCTA bus fleet, and a new version of HASTUS scheduling software.

OCTA would benefit from analysis that assesses and documents the benefits of these new vehicles and technologies relative to any trade-offs. Analysis results will provide OCTA with information to help make sound procurement decisions, and also demonstrate the benefits of new vehicles and technologies to stakeholder groups and the general public.

- **Recommended Actions:** OCTA should consider conducting and documenting evaluations of new vehicles and technologies to evaluate 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.
- **Expected Results:** Pre- and post-evaluations would help OCTA determine how to move forward for future vehicle and technology procurements.

## **RECOMMENDATION 5: CONDUCT PRE- AND POST-PROCUREMENT EVALUATIONS OF NEW VEHICLES AND TECHNOLOGIES (CONTINUED)**

- **Management Response:** *New vehicles and technologies are evaluated prior to implementation through the Authority’s Configuration Control. Use of this process is outlined in the Authority’s Bus System Safety Plan and is considered an industry “best practice” when considering a procedure or equipment change related to the provision of public transportation. The configuration control process includes an evaluation of the pros and cons of the use of new vehicles or technologies including the benefits, costs, safety aspects, ergonomics, engineering, and risks. While this does not cover all of the projects implemented that involve new technologies, the process does cover the majority of them, particularly if the project is related directly to the provision of transportation service.*

*For those projects outside of direct provision of transportation service; for example facility improvements, software upgrades, or projects that pre-date the introduction of the configuration control process, staff will work to document a process to provide an evaluation that includes the need for the project, the benefits associated with the project, the cost, and other relevant items.*

*To further address this recommendation, staff will develop a method to identify items that have gone through the configuration control process or the alternative evaluation process described above, and will establish a process to evaluate the procurement and implementation of these projects.*

## **RECOMMENDATION 6: PROCEED WITH PLANS TO DEVELOP AN AGENCYWIDE STRATEGIC PLAN**

- **Issue/Opportunity:** The prior performance audit alluded to the need for strategic planning in recommendations #1 and #19. The Booz Allen auditors concur with OCTA staff in their decisions not to implement those recommendations, which in effect concluded that the Comprehensive Business Plan should become OCTA's strategic plan. We do not agree with that approach.

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. The Comprehensive Business Plan is, and is intended to be, a programmatic work plan, not a strategic plan. A strategic plan would be particularly useful as OCTA faces challenges such as revenue losses the 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.

- **Recommended Actions:** OCTA's Chief Executive Officer is committed to developing an agencywide strategic plan and has assigned the responsibility for leading the effort to a task force that includes the Executive Director of Human Resources & Organizational Development, the Executive Director of Rail Programs, and the Manager of Financial Planning & Analysis, and a CAMM staff member on loan to the team. The current timeline is to have a strategic plan in place in time for the FY12 budget cycle.



## **RECOMMENDATION 6: PROCEED WITH PLANS TO DEVELOP AN AGENCYWIDE STRATEGIC PLAN (CONTINUED)**

This recommendation reaffirms OCTA's need for a strategic plan. Although it stops short of being prescriptive, it is generally recommended that OCTA's strategic planning process should, at a minimum, include reviewing and possibly updating the agency's mission statement; defining a vision for the future of the agency as a whole; developing goals to prioritize the organization's direction; defining objectives and action plans for achieving the goals; and establishing a process for measuring the results of the implementation.

- **Expected Results:** 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.
- **Management Response:** *We agree with the audit findings. In lieu of proceeding with the previous recommendation that the Comprehensive Business Plan become the strategic plan for the Authority, we have proceeded, as planned, with creation of a strategic plan initiative that includes review of the Authority's mission, vision and values, an agencywide talent review, an analysis of agency strengths, weaknesses, opportunities and threats (SWOT), review of Authority goals, objectives and strategies, and existing performance measures. The strategic plan initiative will result in annual Authority plans, annual divisional operating plans, as well as quarterly performance reports. Additionally, the*

Recommendations

**RECOMMENDATION 6: PROCEED WITH PLANS TO DEVELOP AN AGENCYWIDE STRATEGIC PLAN (CONTINUED)**

*Authority will implement a comprehensive talent management strategy, driven by core competencies, that will result in greater integration of people, processes and systems. Under the guidance of the Executive Director of Human Resources & Organizational Development, a CAMM staff member has taken the lead.*

*The next step in the development of the strategic plan is for Lance Wade of CAMM [to] present the timeline for creation of the strategic plan to the Executive Committee on Monday, May 3, 2010.*

## **RECOMMENDATION 7: ENSURE THAT OCTA IS STRUCTURED AND STAFFED TO DELIVER THE M2 PROGRAM**

- **Issue/Opportunity:** The prior audit concluded that project management at OCTA is decentralized and as a result, there is no consistency in the availability or use of project management processes and procedures. The 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 undertook an organizational readiness and capacity assessment study that evaluated the Authority's preparedness for delivering the M2 program. That 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. These changes have not been implemented.

- **Recommended Actions:** In order to deliver the M2 program, 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 program.
- **Expected Results:** Ensuring that the Authority is appropriately structured and staffed will enable OCTA to deliver the M2 program in compliance with sound financial, procurement and project control requirements and practices.

**RECOMMENDATION 7: ENSURE THAT OCTA IS STRUCTURED AND STAFFED TO DELIVER THE M2 PROGRAM (CONTINUED)**

- **Management Response:** *OCTA is taking three major actions to ensure the successful delivery of the M2 Program. These actions also address prior recommendations on the subject that were included in the 2007 State Triennial Performance Audit and the 2008 Organizational Readiness Report.*

*First, the responsibilities for delivery of all capital projects will be consolidated under a newly created Capital Programs Division. The Division will have responsibility for delivery of all capital projects including M2 freeway, bus/rail transit projects and other OCTA capital projects. This action is intended to ensure that uniform project management procedures are applied to deliver all OCTA capital projects.*

*Second, the newly entitled Planning Division will have the responsibility for the Program Management Office in addition to planning and programming functions. The Program Management Office will monitor the overall M2 Program accomplishments and compliance, as well as provide oversight of activities related to the M2 Program and coordinate required reports. Initially, the Program Management Office will be supported through contracted professional services and staff resources from each division as necessary. As the M2 Program is better defined once collection of the revenues begins in April 2011, the resource needs of the Program Management Office will be reassessed and adjusted as appropriate.*

Recommendations

**RECOMMENDATION 7: ENSURE THAT OCTA IS STRUCTURED AND STAFFED TO DELIVER THE M2 PROGRAM (CONTINUED)**

*Third, the M2 Program Management Advisory Committee will continue to function as a permanent internal committee. Consistent with the recommendations of the Organizational Readiness Report, the Program Management Advisory Committee will regularly review M2 Program management/coordination needs to recommend policies, tools, and processes to address any gaps or needs. The committee will be chaired by the Deputy CEO, staffed by the Program Management Office and include representation from all OCTA business units involved in the delivery of the M2 Program.*

*The above actions will be instituted through the adoption of the fiscal year 2010-11 budget.*