

FY16-FY18 TDA Performance Audit Laguna Beach Municipal Transit Lines

PREPARED FOR



ORANGE COUNTY TRANSPORTATION AUTHORITY

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Prepared By:

Kimley»»Horn

In association with

Michael Baker International

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Introduction

1.1 Performance Audit Scope and Methodology

Triennial performance audits are a requirement for the continued receipt of California 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 Kimley Horn in association with Michael Baker International. This report represents the state-mandated performance audits of the City of Laguna Beach (City) as transit operator through its Laguna Beach Municipal Transit Lines (Laguna Beach Transit, LBMTL) program. The audit covers the period from July 1, 2015, through June 30, 2018 (i.e., FY16–FY18).

The objective of the performance audit is to assess compliance with PUC requirements, identify significant achievements as well as opportunities for improvement, and provide recommendations for short- and long-term efficiency and effectiveness improvements. The TDA triennial performance audit of Laguna Beach Transit covers:

- Compliance with pertinent sections of the PUC
- Progress to implement prior performance audit recommendations
- Agency goals and objectives and performance monitoring systems
- System-wide and functional area performance trends
- Conclusions and recommendations

1.1.1 Performance Audit Scope

The performance audit is intended to provide an objective assessment of Laguna Beach Transit’s performance and serve as a useful management tool. Significant accomplishments and positive performance trends are discussed as well as opportunities for improvement, thereby providing a balanced perspective on overall operator performance. Laguna Beach Transit and OCTA should be able to use the performance audit results to:

- Satisfy state requirements.
- Verify that Laguna Beach Transit is making satisfactory progress in implementing recommendations to improve effectiveness and efficiency.
- Verify that operator productivity is improving.
- Identify opportunities to further improve productivity and fully comply with the TDA statute.

1.1.2 Methodology

Interviews and site visits were an integral part of the LBMTL performance audit. Interviews were conducted with LBMTL and transit-related services staff responsible for the management and oversight of the program. They included the deputy director of Public Works (Transit & Parking Division), senior administrative analyst, transit supervisor, senior fleet maintenance supervisor, and finance officer. Site visits were conducted at the City of Laguna Beach Corporation Yard located at 1900 Laguna Canyon Road, and at the City of Laguna Beach City Hall located at 505 Forest Avenue.

A variety of documents and data were reviewed and analyzed:

- Organization and staffing charts
- Financial audits and State Controller Reports, FY15–FY18
- National Transit Database Reports, FY15–FY18

- City of Laguna Beach Adopted Budget, FY14–15 through FY18–19
- City of Laguna Beach TDA claim forms FY15–FY18
- Agenda Item to extend Paratransit Services Agreement with OCTA, dated August 6, 2013
- Agreements with OCTA to operate the Laguna Beach Transportation Center
- TDA Performance Measurements for Mainline & Summer Festival Shuttle Services
- Cooperative Agreement C-3-1846 with OCTA, dated May 20, 2014
- Cooperative Agreement C-7-1717 with OCTA, dated May 22, 2017
- Cooperative Agreement C-6-1447 with OCTA, dated May 25, 2017
- Agenda Item to extend Agreement with Sally’s Fund, Inc. to provide senior transportation services, dated July 24, 2018
- Annual agreements and invoices for temporary bus drivers with Transdev Services, Inc.
- Samples of Routine Performance Reports used by managers
- CHP Terminal Inspection and Pull-Notice Reports
- Maps and brochures regarding services offered
- City of Laguna Beach website (http://www.lagunabeachcity.net/cityhall/transit_and_trolleys/)
- Laguna Beach Transit Program: Service Analysis
- Transit vehicle inventory
- Prior TDA triennial performance audit
- Responses to prior performance audit recommendations

1.2 Laguna Beach Transit Overview

The transit program is administered through the Laguna Beach Department of Public Works. The Public Works Department maintains the City’s equipment and infrastructure and administers capital improvements. The department is budgeted for 57 full-time positions and Public Works is organized into five divisions, including the following:

- **Transit & Parking Division** is tasked with budgeting, administering, and operating the City's transit system. The division coordinates with OCTA on transit issues and funding as an intracity service provider. The division is headed by a deputy public works director and has six full-time staff. An additional 80 to 100 part-time staff are employed during the summer festival season. Summer part-time staffing is augmented with 15 contract drivers from Transdev Services, Inc. from late July to early September.
- **Public Facilities** has six full-time employees who are responsible for the routine repair, replacement, and maintenance of City vehicles and equipment. The division maintains over 200 pieces of equipment, including 27 transit vehicles.

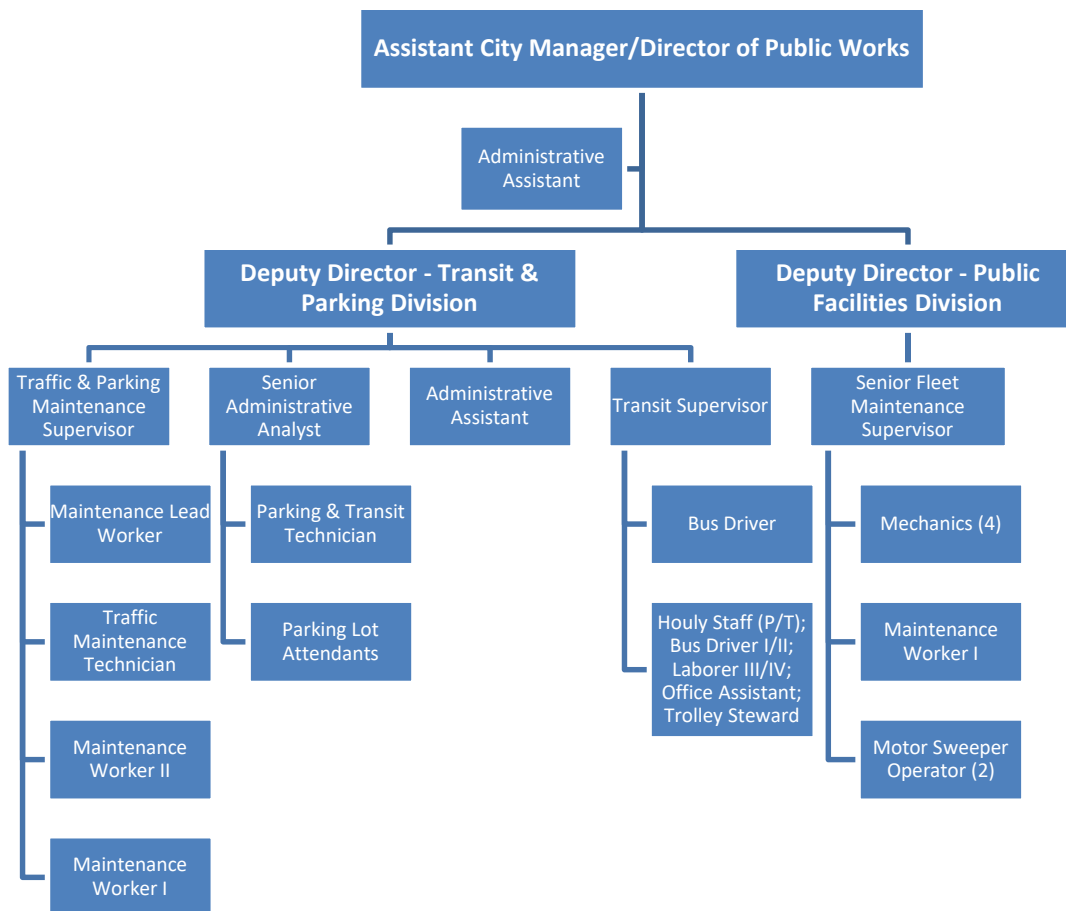
Although the Transit & Parking Division is under the direction of the Public Works Department, its operations depend upon other City departments and offices such as the City Council, City manager, and Administrative Services, which includes Finance. An organization chart on the following page shows the City personnel in Public Works involved with transit.

The Administrative Services department supports transit through the Finance and Personnel divisions:

- **Finance** performs all financial and accounting functions including preparing the City's annual budget, Comprehensive Annual Financial Report, and TDA claims, and coordinates agency audits.

- **Personnel** provides internal support to all departments including recruitment, selection, hiring, training, and orientation of all new employees.

FIGURE 1-1
Organizational Chart



1.2.1 Transit Services

LBMTL operates various service modes catering to local riders and visitors. Neighborhood Mainline and Trolley services operate year-round whereas the seasonal Summer Festival Shuttle service operates from late June to late August. Some charter services are also provided during the spring leading up to the summer festival. The Summer Festival Shuttle service is designed to maximize public transit options for visitors during community arts festivals such as the Sawdust Art Festival, Art-A-Fair, and Festival of Arts/ Pageant of the Masters. The City received a Project V grant from OCTA for the operation of year-round, weekend trolley service, effective March 2015.

The City of Laguna Beach employs about 80 to 100 part-time seasonal employees to serve as transit drivers, supervisors, and maintenance staff for the Summer Festival Shuttle service. These employees complement existing full-time City of Laguna Beach transit staff that operate the Mainline service.

Most transit routes originate and terminate at the Laguna Beach Transit Depot, located downtown on Broadway Street, inland of Beach Street. The Transit Depot provides a central transfer location between LBMTL and OCTA regional buses and connecting Amtrak buses. The City also provides park-and-ride lots along the Summer Festival Shuttle routes which are served by both LBMTL and OCTA regional buses. All-day parking is provided at designated lots adjacent to City Hall and at the Act V parking lot along Laguna Canyon Road. Free parking is also provided during the summer along the South Route at the South Coast Medical Center weekdays after 5:00 p.m.

and all day on the weekends. Every Mainline bus stop features updated signage and schedules for all routes displayed in a weather-resistant cassette. The City enforces a zero graffiti and litter policy at all public facilities, including on buses and at bus stops.

Demand-response services are provided through ACCESS under contract with OCTA for persons who meet the Americans with Disabilities Act (ADA) eligibility criteria. Local demand-response service for seniors is provided through a contract between the City and a local transportation provider, Sally's Fund. Under the terms of the contract, the City pays Sally's Fund \$6,500 per month to operate a van, which the City owns and leases to Sally's Fund for \$1.00 annually. All trips are free for Laguna Beach seniors.

Supplemental transit services were offered to the general public through a taxi voucher program called Taxi Plus, which provided service to or from destinations that include at least the downtown area when the Mainline service is not in operation. The taxi voucher program was terminated in 2017 due to decline in usage and the rising popularity of transportation network companies such as Uber and Lyft. A pilot program in partnership with Uber was proposed in July 2017 to be marketed to seniors age 55 and older and persons with disabilities. The City later determined that such a pilot would be infeasible due to financial and technical obstacles.

All Mainline vehicles are ADA accessible and can accommodate up to two bicycles or surfboards up to 6 feet in length. Summer Festival Shuttle trolley vehicles are also ADA accessible and have wheelchair tiedowns. A summary of the LBMTL is presented in the table below:

TABLE 1-1
LBMTL Fleet Inventory

Model	Make/Engine Type	Model Year	Quantity	Seating Capacity
Trolley – Golden Gate	Cable Car	2001	1	32
Trolley – Golden Gate	Freightliner	2001	1	32
Trolley – Golden Gate	CCCI	2002	1	32
Trolley – Golden Gate	Cable Car	2003	2	32
Trolley – Golden Gate	Cable Car	2004	1	32
Bus – El Dorado	Freightliner	2004	1	23
Bus – El Dorado MST II	El Dorado	2005	1	23
Bus – El Dorado MST II	El Dorado	2006	2	23
Molly Trolley	Freightliner	2010	4	32
Villager 228 Trolley	Villager	2014	6	32
Trolley	Villager	2015	3	32
Hometown Trolley – Short	Villager	2017	4	22
Total Vehicles			27	

Source: City of Laguna Beach, Capital Assets – Vehicles (Fund 128)

The fleet inventory is composed of a mix of vehicle types including trolleys and conventional motor buses. LBMTL support vehicles include two Toyota Priuses and one 8-passenger Ford van used by Sally's Fund.

1.2.1.1 Neighborhood Mainline Service

LBMTL operates two fixed Mainline route services year-round serving the principal commercial, residential, and tourist areas of Laguna Beach:

- **North Laguna/Laguna Canyon (Route 1):** Starts at the Transit Depot and travels on Laguna Canyon Road to the Boys and Girls Club, then through the North Laguna area.

- **South Laguna/Ritz (Route 2):** Starts at the Transit Depot and travels along South Coast Highway to the Ritz-Carlton Resort. Tripper service is provided along Park and Legion Streets during school hours.

Service during the week operates hourly between 6:30 a.m. and 6:30 p.m. Saturday service also operates hourly between the hours of 9:30 a.m. and 6:30 p.m. The Neighborhood Mainline service does not operate on Sundays or major holidays.

1.2.1.2 Neighborhood Trolley Service

In addition to the Neighborhood Mainline routes, LBMTL operates three fixed Neighborhood Trolley routes that operate daily, with late night service on Friday and Saturday, and all-day service on Sunday. These routes, commencing in 2016 as a pilot program, connect the hillside neighborhoods south of downtown with the Transit Depot:

- **Top of the World (Route 3):** This route starts at the Transit Depot and travels through the Top of the World neighborhood serving the high school and Thurston Middle School.
- **Blue Bird Canyon (Route 4):** This route starts at the Transit Depot and travels through the Blue Bird Canyon neighborhood serving the high school and Blue Bird Park. Tripper service is provided along Cleo and Legion Streets during school hours.
- **Arch Beach Heights (Route 5):** This route starts at the Transit Depot and travels through the Arch Beach Heights neighborhood serving the high school, Glenneyre/Pearl and Del Mar/Oro areas. Tripper service is provided along Cleo and Legion Streets during school hours.

The Neighborhood Trolley routes operate Monday through Thursday between 6:30 a.m. and 6:30 p.m. Friday service operates between 6:30 a.m. and 11:00 p.m. Saturday service operates between 9:30 a.m. and 11:00 p.m. Sunday service operates between 9:30 a.m. and 8:00 p.m. In addition to the designated bus stops, riders can flag the bus driver to be picked up along any Neighborhood Trolley route. Neighborhood Trolley services were implemented in June 2016.

1.2.1.3 Weekend Trolley Service

During the off-season, the City began operating two routes along the Coast Highway with extended hours on the weekends:

- **Short Coastal (Route 6):** Starts at the Transit Depot and travels on the Coast Highway to 7th Avenue/Mission Hospital.
- **Long Coastal (Route 7):** Starts at the Transit Depot and travels along South Coast Highway to the Ritz-Carlton Resort.

Friday service operates between 6:30 a.m. and 11:00 p.m. Saturday service operates between 9:30 a.m. and 11:00 p.m. Sunday service operates between 9:30 a.m. and 8:00 p.m. Weekend Trolley service was implemented in March 2015.

1.2.1.4 Summer Festival Shuttle Service

Three additional routes provide service for the Summer Festival Shuttle. The shuttle operates on three routes free of charge to riders from late June to late August:

- **Short Coastal Route:** Provides service along the Coast Highway making regular stops between North Cliff Drive to 7th Avenue/Mission Hospital. Service frequencies are every 20 minutes.

- **Long Coastal Route:** Provides service along South Coast Highway between the Transit Depot and the Ritz Carlton Resort Hotel. Key destinations include Sleepy Hollow Beach, Arch Cove, Treasure Island Park, and Aliso Creek Beach. Service frequencies are every 40 minutes.
- **Downtown Canyon Route:** Provides service along Laguna Canyon Road as well as to many key festival attractions and parking lots. This route makes stops at the Laguna College of Art and Design, Act V, the Transit Depot, Lot 10, Art-A-Fair, Festival of Arts/Pageant of the Masters, and the Sawdust Festival. Service frequencies are every 20 minutes.

The Summer Festival Shuttle is operated daily between 9:30 a.m. and 11:30 p.m. On Independence Day, the service operates on an abbreviated schedule from 9:30 a.m. to 7:00 p.m. Festival service between the Act V parking lot on Laguna Canyon Road and the Transit Depot commences daily at 8:30 a.m. Stops along the three routes are numbered and serve key attractions, hotels, and park-and-ride lots. The transfer point between the routes is the Transit Depot.

1.2.2 Fares

All services (Mainline and Summer Festival Shuttle) are free during the summer, but fares are charged on the Neighborhood Mainline services the rest of the year.

TABLE 1-2
LBMTL Fares

<u>Fare Type</u>	<u>Fare</u>
Neighborhood Mainline Bus	
Adult Cash Fare	\$0.75
Senior Fare (age 65 & above)	\$0.30
Handicapped/Disabled	\$0.30
Medicare Card Carrier	\$0.30
20-Ride Pass	\$15.00
Monthly Pass (unlimited rides)	\$30.00
Children (under age 7 with an adult)	Free
Free Ride to Work Pass (50 rides)	Free
Low-Income Senior Pass	Free
Summer Festival Shuttle and Mainline Bus	
	Late June to late August
All Passengers	Free
Charter Service	
	September to mid-June
Trolley Rental (minimum 3 hours)	\$105/hour + \$105/each additional hour

1.3 Audit Period Accomplishments and Challenges

The City embarked on a series of initiatives designed to sustain the transit program through the implementation of expanded services, partnerships, technology, and hiring incentives. Many of these initiatives were developed and advanced through the hiring of new City staff with decades of transit industry experience. Over the years, LBMTL has been composed of two service modes: a year-round fixed-route Mainline bus service and free seasonal shuttle service operating during the annual Summer Arts Festival. Routes converge on City property at the Laguna Beach Transit Depot located downtown at 339 Broadway. The Downtown Laguna Beach Transit Center/Bus Depot is well designed to allow easy ingress and egress by both local and regional bus carriers (LBMTL, OCTA, and Amtrak bus connections).

During the audit period, the three existing Mainline routes were realigned and increased to five to better serve the residential neighborhoods. The three routes were previously branded as the Blue Route, Gray Route, and the Red Route. The Blue Route (Arch Beach Heights/Blue Bird Canyon) traveled from the Transit Depot via Glenneyre Street south to the Arch Beach Heights and Bluebird Canyon subdivisions. The Gray Route traveled from the Transit Depot to the Top of the World, Laguna Canyon, and North Laguna neighborhoods. The Red Route (Downtown/Ritz) traveled along the South Coast Highway between the Transit Depot and the Ritz Carlton. All three routes ran on hourly headways except for a two-hour gap between 11:30 a.m. and 1:30 p.m.

The City commissioned several studies to analyze the productivity of LBMTL and recommend new service provisions that would increase ridership and revenues. LBMTL performance during the audit period has seen increases in operating costs, vehicle service hours, and miles while ridership and revenues have decreased. In concert with the service analysis, the City implemented a few pilot services and Mainline service restructuring. The Mainline routes were realigned and rebranded to an enumerated format (Routes 1 through 5). The Neighborhood Mainline (Routes 1 & 2) services operate six days a week, covering the former Red Route and parts of the Gray Route (Laguna Canyon/North Laguna), whereas the remaining Mainline routes were reconfigured into a free Neighborhood Trolley service (Routes 3, 4, & 5), covering the former Blue Route and parts of the former Gray Route.

An initial draft of a service analysis was released in July 2014 and contained several service delivery alternatives. With the release and adoption of the *Laguna Beach Transit Program: Service Analysis* in November 2014, those recommendations were revised to reflect amended improvement strategies. To carry out these transit improvement strategies, the City applied for and was awarded Project V funds from OCTA. Project V is a competitive grant program administered through local county Measure M for local jurisdictions to develop bus transit services such as community-based circulators, shuttles, and bus trolleys that complement regional bus and rail services and meet needs in areas not adequately served by regional transit.

LBMTL, therefore, introduced a 15-week pilot Neighborhood Trolley service on June 20, 2016. The Project V grant application identified an initial target of 33,844 annual passengers. At the end of the pilot period, the service carried a total of 34,178 passengers. The Weekend Trolley service averages between 20 to 30 passengers per hour. Off-season coastal trolley routes were modified in late 2017. City staff reported that residents complained about trolleys not stopping at certain locations north and south of the Montage Laguna Beach resort. They suggested adjustments, such as adding more stops on the Limited Stop Coastal Route, which was renamed the Long Coastal Route.

LBMTL, in partnership with OCTA and the Irvine Company, implemented the Summer Breeze program in the summer of 2016. Funded through a Project V grant, the City contracts with OCTA to operate a free shuttle (OC Bus Route 689) from the park-and-ride lot adjacent to the SR-133 and I-405 interchange in Irvine to the Transit Depot during the summer months. The service operates Saturday and Sunday from late June to early September from 11:00 a.m. to midnight, every 30 minutes. Stops include the Sawdust Art Festival, Laguna Art-A-Fair, Festival of the Arts, Pageant of the Masters, Laguna Playhouse, and the Transit Depot. The Summer Breeze connects with the

Summer Festival Shuttle at the Transit Depot. Ridership during the first year of service was 5,500 passengers; 9,700 passengers in 2017; and 10,400 passengers in 2018.

With the demise of the Taxi Plus voucher program in 2017, the City engaged the transportation network company, Uber, about implementing a senior mobility pilot program in July 2017 that would offer discounted rides for seniors aged 55 and older and the disabled to any destination in Laguna Beach. Fifty percent of the ride cost, to a maximum of \$5.00, would be paid by the rider. The span of service would have been Monday through Thursday from 7:30 a.m. to 8:00 p.m.; Friday and Saturday from 7:30 a.m. to 11:00 p.m.; and Sunday from 7:30 a.m. to 8:00 p.m. Rides would be allowed up to 15 miles outside of Laguna Beach for medical purposes only; fifty percent of the cost of these rides, to a maximum of \$8.00, would be paid by the rider. After extensive research and due to technical and financial challenges, it was determined that implementation of the senior mobility services program with Uber would not be feasible.

The Summer Festival Shuttle continued to generate the most trips on the transit system. Nevertheless, LBMTL also experienced a decrease in ridership due to a 10 percent decrease in Summer Festival patronage. In partnership with the Laguna Beach Visitors & Conference Bureau, LBMTL introduced a “Trolley/Bus Tracker” application (app) in July 2012 that is accessible through the Visit Laguna Beach app and website. The app is available in iOS (Apple) and Android (Google Play) platforms. Using a GPS platform, the app tracks the location of the free trolleys in real time and updates every minute, with a goal to speed the update to every 30 seconds. App users know when their ride will arrive and are able to navigate their way through Laguna Beach. Funding is provided through advertisement on the app. In August 2017, enhancements that include predictive arrival times were made to the app.

In addition to the app, a color brochure outlining the Summer Festival Shuttle routes, running times, and coded stop locations is provided at tourist locations including hotels, retail and arts outlets, and restaurants. The brochure is intended to simplify and encourage the use of public transportation for visitors during the summer festival.

The City redesigned its website, including its transit page, to a more user-friendly and appealing format: http://www.lagunabeachcity.net/cityhall/transit_and_trolleys/default.htm. The site includes maps and schedules in PDF and links to the Trolley Tracker, park-and-ride information, senior transportation services, and OCTA schedules. LBMTL’s social media outreach includes a presence on Facebook and Instagram as well as mentions on NextDoor and local mommy blogs. Transit has its biggest presence on Instagram. Additional marketing efforts have included cable television commercial spots, flyers, outreach at community events and the “Hop On, Arrive Happy” campaign.

LBMTL transit vehicles operate along some narrow streets and amidst heavy traffic, resulting in a growing number of minor incidents including scratches, nicks, dented bumpers, and lost mirrors. Most of these incidents occur during the Summer Festival Shuttle service. The transit fleet includes several vehicle models. While this does not necessarily create significant challenges to the transit system, it does require transit staff to cultivate the knowledge and experience to ensure the vehicles’ proper inspection, operation, maintenance, and functionality. The newer trolleys that operate on the Neighborhood Trolley routes are smaller and easier to navigate through the narrow residential streets.

During the audit period, the Transit & Parking Division saw the hiring of its current deputy director and transit supervisor. The deputy director has been in the position for 2.5 years and has 20 years of transit management experience with various Southern California transit operators. The transit supervisor has been with the City for 2 years and has 20 years of transit experience, primarily at OCTA. The City reports that the transit supervisor position had been vacant for a time. Together, the deputy director and transit supervisor bring change to the City’s transit program with their respective experience and years in the industry.

The seasonal fluctuations in service provision also affect staffing. The weekday driver pool has been more consistent. There are two shifts during the week staffed by 12 drivers—11 part-time drivers and 1 full-time driver. Staffing on weekends averages between 17 and 34 drivers. Drivers are trained on all vehicles, routes, fueling procedures, and customer service.

The City has been looking into various employee retention incentives to ensure a stable driving pool to cover all the runs. LBMTL holds an end of summer employee appreciation barbecue as well as offering ice cream and pizza days incentives to encourage positive driver morale and for undertaking tasks such as passenger counts. LBMTL updated its *Standard Operating Procedures Manual* in November 2018 to include adjunct policies pertaining to accidents and absences. The City's Memorandum of Understanding with the Laguna Beach Municipal Employees Association covers administrative staff, mechanics, and supervisors.

During the audit period, the City took steps toward the implementation of equipment and technology upgrades. Performance metrics, such as on-time performance, have not always been consistently tracked and validated. As timely arrival and departure of the vehicles at bus stops has an impact on system effectiveness, LBMTL currently uses several methods to monitor on-time performance, including both manual and technology-based approaches. Implementation of computer-aided dispatching (CAD)/automated vehicle location (AVL) technology further improves the efficiency of on-time performance monitoring. In March 2017, the City Council approved a cooperative agreement with OCTA for Project V funding of up to \$230,000 toward the purchase of an Intelligent Transportation Solution to include CAD, AVL, automated passenger counter (APC), and automated voice announcement (AVA) systems. The existing AVL/GPS system was over six years old and in need of replacement.

The City developed project specifications and issued a request for proposals (RFP) for the technology upgrades. Six proposals were received, and three firms were interviewed. While not the lowest bid, DoubleMap was identified as having the most suitable qualifications based upon its experience, compatibility of product, and positive references. The DoubleMap system encompasses the following functionalities:

- Live tracking of all buses and routes
- Arrival estimates for dispatchers
- Passengers on board information
- Bus stop locations
- Auto passenger counting
- Performance data reporting: passengers, miles, hours, and on-time performance
- Bus spacing assistance for dispatch and bus drivers

In November 2018, the City awarded a five-year contract to DoubleMap in the amount of \$306,989 for a CAD/AVL system, including the AVA option to be implemented. Capital funds for the AVA option are also available in the Project V funding.

Compliance Review

The compliance review assesses compliance with state mandates, including:

- Data collection and reporting procedures for the five TDA performance indicators required under PUC Sections 99246(d) and 99247.
- PUC requirements for transit operators.
- Progress to implement recommendations of the previous triennial performance audit.

PUC requirements verified as part of this performance audit include the compliance requirements for transit operators stipulated in Caltrans' *Performance Audit Guidebook*.

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

- PUC compliance:
 - Full compliance
 - Partial compliance (additional actions required to achieve full compliance)
 - Noncompliance
 - Not applicable
- Prior audit recommendations:
 - Fully implemented
 - Partially implemented (further progress is warranted)
 - Not implemented
 - Not applicable

2.1 Data Collection and Reporting

Data Item	Data Definition	Compliance Finding	Comments
Operating Costs	Total cost of providing transit services exclusive of capital costs, depreciation, direct costs of providing charter service, and vehicle lease costs.	Full compliance	Operating costs are collected and reported correctly and accurately, with capital, depreciation/ amortization, charter, and lease costs readily identifiable and verifiable. Charter and lease costs are noted in the State Controller Report data, whereas the depreciation/amortization costs are noted in the Comprehensive Annual Financial Report.

Data Item	Data Definition	Compliance Finding	Comments
Farebox Revenues	Revenue earned from carrying passengers, including base fare and transfer costs.	Full compliance	Farebox revenues include cash and multiple ride pass revenues, including the Free Ride to Work Program subsidy received from the South Coast Air Quality Management District.
Unlinked Passengers	Total number of unlinked passenger trips; total passenger boardings, whether revenue producing or not.	Full compliance	Unlinked passengers are the total number of passenger boardings. Passengers are counted manually for each service mode and categorized by type of fare paid. Passengers using Free Ride to Work passes are recorded separately from fare-paying adult passengers in driver assignment sheet and summary tables.
Total Vehicle Hours	Total hours of travel consumed in normal scheduled service, including deadhead to and from the service area.	Full compliance	Total vehicle hours are the total hours that revenue vehicles travel during a year, including scheduled deadhead. Trip sheets include driver start and ending time readings.
Vehicle Service Hours	Total hours that vehicles are in revenue service, from first to last scheduled stop. For demand response, includes times between first scheduled pickup and last scheduled drop-off.	Full compliance	Revenue hours are the total hours that vehicles are in revenue service each year. LBMTL reports data from the daily trip sheets. First and last stop times are recorded separately from starting and ending times (bus pull-out/in).
Total Vehicle Miles	The total distance traveled by transit vehicles, including both revenue miles and deadhead miles. Excludes miles traveled during operator training, maintenance work and testing, and charters.	Full compliance	Total vehicle miles are the total miles that revenue vehicles travel during a year, including scheduled deadhead. Trip sheets include start and ending odometer readings.
Vehicle Service Miles	Total number of miles traveled by vehicles in revenue service; excludes deadhead (i.e., travel to/from storage facilities, road calls).	Full compliance	Revenue miles are the total miles that vehicles are in revenue service each year. The procedure for determining revenue miles is comparable to that described above for vehicle service hours. Data are reported by LBMTL from the daily trip sheets. First and last stop mileage are recorded

Data Item	Data Definition	Compliance Finding	Comments
			separately from starting and ending mileage (bus pull-out/in).
Employee Full-Time Equivalents (FTEs)	2,000 person-hours of work in one year constitute one employee.	Full compliance	LBMTL calculates and reports FTEs based on pay hours.

Laguna Beach Transit is in compliance with the requirements for reporting financial and operating data.

LBMTL correctly reports operating costs and farebox revenues. Although some data differ between annual reports such as State Controller, National Transit Database (NTD), and fiscal audits due to use of unaudited versus audited information as well as different reporting instructions, the data are verifiable and reconcilable:

- Capital expenditures, depreciation, and charter and vehicle lease costs are identifiable and have been excluded from operating costs for purposes of calculating TDA indicators.
- TDA farebox revenues include cash fares and customer paid passes, while other special transit fares are reported separately, including local contributions from the City's parking authority, Act V Lot park-and-ride lot revenue, charter revenue, and grant funds from the South Coast Air Quality Management District for the Free Ride to Work Program. The City's trial balance accounting separately accounts for these revenues.

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

A prior audit finding found that LBMTL was not in compliance with reporting requirements for employee FTEs. Laguna Beach staff indicated that the reporting of FTEs, which represents an annual figure, was inaccurate due to the unique condition of the service in which the majority of pay hours was for part-time workers and occurred for the shuttle service during the summer arts festivals. The intent of the FTE calculation is to take part-time and seasonal variations into consideration by reporting full-time "equivalents." This is the calculation that should be made and recorded in the State Controller Report.

LBMTL had consistently reported total headcount in all State Controller Reports prior to FY16, which is not correct. The State Controller requirement is to report FTEs by summing total pay hours and dividing by 2,000 hours. If the number was being reported correctly, the number of FTEs would be less than the number reported by LBMTL in the Controller's Report through FY15.

For comparison, the auditor has prepared the following table showing the actual person count of full- and part-time employees reported in the NTD and from internal city provided data. This is compared to the State Controller data which have shown conformity to the TDA statute standard the last audit year. The correct calculation of FTEs would be much lower compared to using head count as shown from FY15 in the table.

TABLE 2-1
FULL-TIME EQUIVALENT COMPARISON

	FY15	FY16	FY17	FY18	% Change FY15-FY18
Employee FTEs					
State Controller Report Data	125	17	39	40	-68.0%
National Transit Database	24	35	35	39	62.5%
Auditor Calculation	25	36	36	40	60.0%
National Transit Database					
Full-Time Employee Count	8	8	8	7	-12.5%
Part-Time Employee Count	100	145	102	116	16.0%
Total Employees	108	153	110	123	13.9%
Full-Time Employee Work Hours	15,441	15,867	15,006	15,047	-2.6%
Part-Time Employee Work Hours	34,169	55,124	56,542	66,116	93.5%
Total Labor Hours	49,610	70,991	71,548	81,163	63.6%
Auditor Calculation (using city provided data)					
Full-Time Employee Count	8	8	8	7	-12.5%
Part-Time Employee Count	100	145	102	116	16.0%
Total Employees	108	153	110	123	13.9%
Total Labor Hours	49,610	70,991	71,548	80,983	63.2%

Sources: FY 2015–2018 State Controller Reports, FY 2015–2018 NTD Reports, Internal Employee Count & Hourly Data

The FY15 FTE data reported to the State Controller still reflect an actual headcount as compared to the NTD and internal report calculations. The FY16 State Controller FTE figure is about half the FTEs reported in the NTD and internal reports. For FY17 and FY18, the FTE data are more consistent among the three reports. The NTD FTE data are reflective of the federal calculation of 2,080 hours per FTE while the auditor calculation follow the State definition of 2,000 hours per FTE. Laguna Beach should continue to sum the annual employee work hours and divide by 2,000 hours to arrive at the FTE figure for the State Controller Report.

2.2 PUC Requirements

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
PUC Section 99243	<p>Uniform System of Accounts and Records: The transit operator submitted annual reports to the Regional Transportation Planning Entity (RTPE) based upon the Uniform System of Accounts and Records established by the State Controller.</p>	Full compliance	<p>State Controller Report submittal dates:</p> <p>FY15-16: October 18, 2016 *FY16-17: January 26, 2018 **FY17-18: January 31, 2019</p> <p><i>Reports were submitted electronically.</i></p> <p>*Note: New state legislation was passed (AB 1113, Bloom) on July 21, 2017, that changes the timeline to submit the annual Transit Operators Financial Transaction Reports to the State Controller effective reporting year FY17. The submittal date has been extended from within 110 days after fiscal year end to 7 months after fiscal year end, or the end of January. This is an extension of about 100 days from the original deadline. With the change in dates, these reports are required to contain underlying data from audited financial statements. The FY18 Controller report was prepared at about the same time of completion of the TDA fiscal audit for LBMTL, given that an extension of the fiscal audit allowable by law was granted by OCTA.</p> <p>**The FY18 State Controller Report provided by the City did not include the signed cover page containing the submittal date. The auditor independently verified the submittal date with the State Controller.</p>
PUC Section 99245	<p>Annual Fiscal Audit: The operator has submitted annual fiscal and compliance audits to</p>	Full compliance	Annual fiscal audit submittal dates:

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
	its RTPE and to the State Controller within 180 days following the end of the fiscal year (December 30), or has received the 90-day extension allowed by law.		FY15-16: December 19, 2016 FY16-17: December 20, 2017 FY17-18: January 30, 2019
PUC Section 99251	CHP Certifications: The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator's terminal.	*Full compliance	<p>CHP certification dates: FY15-16: October 6-8 & 22, 2015 FY16-17: October 10, 2016 FY17-18: October 31, 2017; November 2, 7 & 9, 2017 (Unsatisfactory); March 6 & 17, 2018 (Satisfactory – Reinspection)</p> <p>*The November 2017 inspection was rated “unsatisfactory” due to the inability of LBMTL to produce the DMV pull-notices of its 15 contract drivers from Transdev Services, Inc. At the time, these pull-notices were located at the contractor’s office and not at the City. In response, LBMTL was able to produce documentation that all drivers were enrolled in a random drug & alcohol testing program during the March 2018 reinspection, which was rated “satisfactory.”</p>
PUC Section 99261	Transportation Planning Agency Regulations: Claims for TDA funds are submitted in compliance with RTPE's rules and regulations for such claims.	Full compliance	The City submits its annual claims for funds in compliance with OCTA’s rules and regulations, including submission of three years’ performance data. The City reports actual performance data, as opposed to estimates, for services that occurred prior to submission of the claims. Since claims are due during the spring prior to the fiscal year of the claim, actual data is reported for the full prior fiscal year completed. Estimates for current and project year performance are acceptable.

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
PUC Section 99266	Budget Changes: The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).	Full compliance	Percentage change in budget: FY15-16: +7.5% FY16-17: -0.1% FY17-18: +7.1% <i>Source: City of Laguna Beach Department of Finance General Ledger – Expenditure Budget vs. Actual FY15, FY16, FY17 and FY18.</i>
PUC Section 99247	Data Reporting: The operator's definitions of performance measures are consistent with PUC Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee	Full compliance	Performance measures reported in the annual State Controller Report prepared by Laguna Beach are consistent with PUC Section 99247. Pursuant to a prior audit finding, the City has developed procedures to correctly report full-time equivalent employees (FTEs) based on 2,000 person-hours of work in one year, which constitute one employee. The FY17 and FY18 reports reflect the correct calculations.
PUC Section 99268	50% Expenditure Limitation: Funding provided through the TDA makes up no more than 50% of the operator's operating, maintenance, capital, and debt service requirements after federal grants are deducted	Full compliance	As contained in each year's TDA claim, Laguna Beach conducts a grant eligibility calculation to determine its permissible Local Transportation Fund expenditure under the 50% limitation.
PUC Sections 99268.2, 99268.3, 99268.1	Revenue Ratios: If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20%), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenue to operating cost at	Not applicable	Laguna Beach is subject to provisions of PUC Section 99268 (see above).

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
	least three-twentieths (15%), of so determined by the RTPE.		
PUC Section 99268.2, 99268.4, 99268.5	Revenue Ratios: If the operator serves a rural area, it has maintained a ratio of fare revenue to operating cost at least equal to one-tenth (10%).	Not applicable	Laguna Beach is subject to provisions of PUC Section 99268 (see above).
PUC Section 99270.1	Revenue Ratios: If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPE.	Not applicable	Laguna Beach is subject to provisions of PUC Section 99268 (see above).
PUC Section 99271	Employee Retirement System: The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPA-approved plan to fully fund the retirement system within 40 years	Full compliance	Transit is an enterprise program within the City of Laguna Beach. The retirement system for eligible transit employees is part of the City's retirement program provided through California Public Employee's Retirement System.
CAC Section 6754(a)(3)	Required Findings: If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	Not applicable	Laguna Beach does not receive direct state or federal funding per the cooperative agreements between the City and OCTA. However, through the agreements, OCTA provides equivalent local funding assistance to Laguna Beach in lieu of direct STA funds and FTA grants.

2.3 Prior Audit Recommendations

The prior audit offered three recommendations for Laguna Beach Transit's consideration:

- Recommendation 1: Develop procedures to ensure consistent and accurate reporting of FTE using the TDA definition.
- Recommendation 2: Steps should be taken to ensure data are reported consistently on the NTD and State Controller reports, and in a manner that can be compared with budget reports and audited financial reports.
- Recommendation 3: The City should continue to assess the effect of the recent operational changes to the Mainline Service and move forward with its planned pilot program.

LBMTL's responses to each of the prior audit recommendations and steps that have been taken to implement them are discussed here, as well as a finding on LBMTL's compliance.

Recommendation 1: Develop procedures to ensure consistent and accurate reporting of FTE using the TDA definition.

- **Understanding of the Issue:** The prior audit found that in FY14-15, the City improperly reported FTE data on its State Controller Report, using an actual employee headcount for both part-time and full-time employees rather than calculating FTEs pursuant to the TDA definition. The PUC defines an FTE under the assumption that 2,000 person-hours of work in one year constitute the equivalent of one employee. It was recommended that the City develop verifiable desktop procedures to ensure accurate reporting of FTEs. The correct application of FTEs would result in full compliance with the PUC and more accurate reporting to the State Controller. Furthermore, it was recommended that the City maintain a manual specific to transit reporting so that proper reporting can be ensured despite changes in personnel.
- **Actions Taken and Results:** In response to this recommendation, the City developed FTE calculation procedures which were first implemented during the preparation of the FY15-16 Transit Operators Financial Transactions Report submitted to the State Controller. However, FY16 FTE numbers were under reported compared to NTD and auditor calculations. The city's calculation was improved in FY17 and in FY 18 the Controller's report reflected the correct FTE calculation pursuant to the TDA definition. Staff receives the previous year's Employee Hours Report from the City's Finance manager. The total hours from the report are added to determine total hours worked by transit employees. For the State Controller Report, the Report Total Hours are divided by 2,000 to determine FTE, which is imputed to the Total Employees, Public and Contract, PUC 99247 line on the Transit Operators Financial Transactions Report, Supplemental Operating Data page. The completed form is submitted along with all the other data portions to the City's Finance manager for submittal with the City's State Controller Report.
- **Conclusion:** This recommendation has been implemented.

Recommendation 2: Steps should be taken to ensure data are reported consistently on the NTD and State Controller Reports, and in a manner that can be compared with budget reports and audited financial reports.

- **Understanding of the Issue:** The prior audit noted the challenges in reviewing and verifying data contained in the City's NTD and State Controller Reports due to inconsistencies. A finding was made that neither report could be matched to the financial data presented in the annual budget or the audited financials. For instance, the prior audit identified that it appeared that parking revenue could not be directly matched to funds in the City's Comprehensive Annual Financial Report and it was believed that it was being reported in the State Controller Report as "Special Transit Fares" rather than as "Non-

Transportation Revenues.” Inconsistently reported data makes it challenging to accurately evaluate the system, given conflicting cost or performance data.

- **Actions Taken and Results:** The City has taken several measures to ensure data consistency between the two reports. Responsibility for preparing the State Controller and NTD reports was assigned to one designated City staff member, commencing with the FY17 reporting period. A designated staff member has been tasked with oversight of all performance data compilation and reporting. These measures have streamlined data reporting and ensured consistency of year-end numbers included in the State Controller and NTD reports, but also recognizing differences in reporting requirements by the State and Federal governments. In addition, a data consistency report was created that aligns all performance metrics side-by-side for the State Controller and NTD report as an ongoing consistency check. The data consistency report is provided to the deputy director for budgetary purposes.
- **Conclusion:** This recommendation has been implemented.

Recommendation 3: The City should continue to assess the effect of the recent operational changes to the Mainline Service and move forward with its planned pilot program.

- **Understanding of the Issue:** Discussed in the prior audit were the challenges the Mainline service faced regarding its low ridership. The Mainline service has been perceived as the least productive service mode, even though it is the only service for which a fare is charged.
- **Actions Taken and Results:** During the audit period, the City implemented a series of measures designed to increase ridership through the pilot program implementation. The Mainline routes were realigned and rebranded to an enumerated format (Routes 1 through 5). The Neighborhood Mainline (Routes 1 & 2) services operate six days a week, covering the former Red Route and parts of the Gray Route (Laguna Canyon/North Laguna), whereas the remaining Mainline routes were reconfigured into a free Neighborhood Trolley service on an initial 15-week pilot basis implemented on June 20, 2016. These routes (Routes 3, 4, & 5), covering the former Blue Route and parts of the former Gray Route.

The grant application identified an initial target of 33,844 annual passengers. The 15-week pilot resulted in 34,178 passengers. Additionally, the service implemented extended operating hours on Fridays, Saturdays, and Sundays. Ridership on weekends is reported to have doubled compared to the same period in 2015, with the average boardings reaching 21 boardings per hour on Saturdays and the weekday ridership reaching 12 boardings per hour.

- **Conclusion:** This recommendation has been implemented.

Management Control and Reporting

3.1 Allocation Formula Between Transit Services

As LBMTL is administered by the Public Works Department's Transit & Parking Division, the transit budget includes costs associated with administering, operating, and maintaining the City's transit system. LBMTL utilizes a formula to allocate costs between Mainline and Summer Festival Shuttle services to plan and track the transit budget.

The budget process commences in mid-November. The City's Finance Department sets the parameters for the budgeting process by using the previous year's budget data. Each budget line item is required to have backup documentation. The City's Finance Department sends out budget worksheets and salary increase justification forms to each department head. A budget analyst in the Public Works Department develops the budget and highlights any major variances. The City uses line item budgeting methods and develops a two-year look-ahead budget.

The deputy director of Public Works meets with the City manager and Finance manager as part of the budget process. Once the completed budget worksheets and forms are reviewed, the Finance Department packages the draft budget documentation for submittal to the City manager. The Finance Department reviews the budget to actuals and identifies any variances monthly. Electronic access to performance reports and operations measures from the transit supervisor enables the deputy public works director to monitor the efficiency and effectiveness of service.

The budget is separated into four main components: Mainline operations, Summer Festival operations, administrative expense, and maintenance costs. The transit program budget is categorized under Account Number 310. Key budget components are assigned the following account numbers: 3401 – Transit Administration; 3402 – Transit Maintenance; 3403 – Transit Festival Operations; and 3404 – Transit Operations. With the addition of new services such as the Weekend and Neighborhood Trolleys, new budget account numbers were added, e.g., 3405 – Trolley Weekend Operations and 3406 – Residential Extended Services.

The City utilizes a cost allocation formula to separate both administrative and maintenance costs between Mainline and Summer Festival operations based on an historical vehicle maintenance expense breakdown of the two service types. Allocated costs include rents, leases, and salaries. Vehicle costs are based on actual expenditures, which get charged to specific departments. Under past allocation methodologies, 69 percent of administrative and maintenance costs were attributed to the Mainline service and 31 percent of said costs were attributed to the Summer Festival service.

However, because the allocation formula is static and based on historical cost data, the formula may not be reflective of the costs to provide either transit administration or maintenance today. The allocation proportions for both maintenance and administrative costs should be recalculated each year to reflect actual operations provided by Mainline and Summer Festival services. The calculation involves analyzing the percentage of maintenance costs attributable to each service by comparing mileage driven and fleet age. The percentage of administrative costs is calculated by comparing revenue service hours for each service. Using separate allocation methods for maintenance and administration costs, and updating them on a regular basis, would give LBMTL a clearer assessment of modal costs and assist in budgeting and external reporting requirements.

During the audit period, the City modified its TDA claims process protocol. In the past, the Finance director was tasked with all aspects of the claim preparation and reporting process. Currently, the City's TDA claim forms are given to the deputy director of Public Works, who has experience to complete the claim application. Sections of

the claim form are already completed by OCTA. The Finance Department then prepares the actual invoices for each claim request.

3.2 Specialized Transit Service Management

3.2.1 Specialized Services Provided Through OCTA

LBMTL provides specialized services through OCTA's ACCESS services. The City contracts with OCTA to provide transportation services for residents unable to use the regular, fixed-route bus service due to disability. Passengers must be certified by OCTA to use the ACCESS system by meeting ADA eligibility criteria.

ACCESS service is provided pursuant to a five-year agreement (OCTA Agreement No. C-3-1790) between the City and OCTA, commencing in September 2013 and continuing through August 2018. The agreement was executed in August 2013. The agreement provides for the City to pay a share of costs for trips that originate and terminate within three-quarter miles of the City's operating area. The cost of a single trip was determined to be \$30.75 of which the City pays only a portion based on the proportion of the City's transit revenue miles in the City's service area. This portion amounts to roughly 40 percent of the cost of a trip. The City receives a Billable ADA Trips Report that provides date of service, client name, pickup time, origin, and destination of trip. The Trips Report is reviewed by the deputy director of Public Works and a claims voucher is generated by the Finance Department for payment for service.

The City has been working with OCTA concerning the assignment of costs for the OC ACCESS paratransit service. There have been exponential increases in ridership and costs. Another issue has been how to interpret what constitutes an ADA trip.

3.2.2 Supplemental Specialized Services Provided Through Local Senior Demand Response Transit

Laguna Beach has been examining opportunities to improve contract service provisions for local senior demand response transit. In November 2001, the City entered into a sub-contract agreement with Sally's Fund to provide expanded transportation services within Laguna Beach for seniors 60 years of age and older. Sally's Fund, a local nonprofit entity, operates door-to-door demand-response service that is free to senior residents. Sally's Fund currently utilizes a City-leased vehicle for \$1.00 a year that is not ADA-compliant, and is responsible for providing fuel, insurance, maintenance and repairs on the vehicle.

Sally's Fund receives a flat rate of \$6,500 monthly for these services, paid from the same City funds that support LBMTL. The contract was extended through the end of June 2019 after 10 extensions to the agreement. All previously executed agreement terms remain unchanged throughout the extension period. In 2017, the City Council approved a reduction in funding for Sally's Fund, once implementation of a senior mobility program with Uber had been implemented. However, it was later determined that such a program would be infeasible to implement due to financial and technical challenges. Therefore, staff recommended no further reduction in funding for Sally's Fund for FY18-19.

Criteria used by the City to assess performance include the cost per passenger and total ridership. To be more cost-effective than the \$30.75 per trip cost of OCTA ACCESS service, Sally's Fund must provide at least 235 one-way trips per month.

3.2.3 Supplemental Transportation Services Provided Through Taxi Service

The City managed a taxi voucher program called Taxi Plus that provided local service for the general public that includes at least a trip to or from the downtown area when the Mainline service is not in operation. The taxi program, which the City contracts annually with several taxi companies, had been in place since 2001. Historically,

the City budgeted over \$20,000 per year for the voucher program, which was paid from the same City funds that support LBMTL. Passengers were able to purchase a voucher for \$3.00 and the City subsidized up to \$10.00 per trip in additional taxi fare. Up to four passengers could ride for a single \$3.00 voucher. The City reimbursed the contracted cab company \$13 per voucher.

In recent years, the City's cost for the Taxi Plus program increased above the \$20,000 budget due to growing usage while the voucher price remained the same. The voucher price was increased to \$5.00 by the City Council in October 2012 simultaneously with the implementation of new contract provisions.

The City decided to terminate the taxi voucher program in 2017, citing the growing popularity of transportation network companies such as Uber, which caused participation in the program to decline sharply. In lieu of the taxi voucher program, the City proposed a senior mobility pilot program with Uber in July 2017. Discounted Uber rides would be available for seniors aged 55 and older and the disabled to any destination in Laguna Beach. Senior mobility services with Uber would be made available to individuals based on the following eligibility criteria:

- Must be a Laguna Beach Resident, must show proof of residency.
- 55 years or older and no longer able to drive a car or 75 years of age or older. For medical appointments, only need to be 55 years or older.
- A person with a disability 18 years of age or older. Must complete disabled application.
- Must sign up for an Uber account and meet all the Uber registration criteria.
- If applying for the low-income discount, rider must complete that portion of the application.

Fifty percent of the ride cost, to a maximum of \$5.00, would be paid by the rider. Rides would be allowed up to 15 miles outside of Laguna Beach for medical purposes only; fifty percent of the cost of these rides, to a maximum of \$8.00, would be paid by the rider. Low-income discounts would be offered to riders who meet the income criteria. Those that receive the low-income discount would pay a maximum of \$1.00 per ride.

After extensive research, due to technical and financial challenges, it was determined that implementation of the senior mobility services program with Uber would not be feasible.

3.3 Compliance Reporting to OCTA

LBMTL is engaged with compliance reporting to OCTA. As required by OCTA's TDA Guidelines, LBMTL submits detailed performance data with its annual TDA claim forms. The performance data is divided by service type (Mainline, Summer Festival Shuttle, and charter) and includes 15 performance measures.

LBMTL has improved its submittal of TDA claims forms to OCTA to meet statutory timelines. Three years of performance data is submitted, including project year, current year, and prior year. Actual data is shown for the prior year; however, current year data for some performance measures are estimates based on the rounded figures. This is acceptable given that the claim is submitted during the current year and year-end data is not yet available. The forms and required attachments are generally submitted for approval by April 1 of each year.

The cooperative agreements with OCTA require the City to submit NTD reports to the Federal Transit Administration (FTA). Several clerical staff and technicians are assigned to assist in preparing these annual reports. The performance data are entered daily into the Excel-based performance matrix by either the transit supervisor or Mainline lead bus driver and are used to meet NTD data reporting requirements.

Pursuant to the five-year agreement with OCTA in effect through June 30, 2018, the City received the equivalent local funding assistance in lieu of direct State Transit Assistance funds and FTA grants. At the end of the audit

period, the City and OCTA negotiated a new agreement that combines the multiple federal and state agreements into one agreement for a subsequent five-year period effective July 1, 2018. The new agreement was approved by the OCTA Board on June 11, 2018, and by the Laguna Beach City Council on July 11, 2018.

3.4 Financial Management Reporting Capabilities

LBMTL continues to improve its financial management and reporting capabilities. LBMTL continues to follow State Controller and federal NTD guidelines for completion and submittal of the respective reports. Preparation of the NTD reports are a condition of the cooperative agreements relating to funding between OCTA and Laguna Beach.

Mainline service performance data recorded by drivers on their assignment sheets are input daily by the transit supervisor or lead bus driver into Excel spreadsheets. The spreadsheets are designed to generate performance reports and to comply with NTD reporting requirements. Similar data is input by the transit supervisor for Summer Festival Shuttle service. A technician verifies performance data and employee timecards and generates summary reports including weekly and monthly ridership reports.

Budget staff from the Finance Department meets monthly with transit management to review expenditures against budget. These checkups help to maintain financial health and accountability, control costs, and provide ongoing interaction between financial administration and transit program operations.

TDA Performance Trends

Laguna Beach Transit's efficiency and effectiveness is assessed based on the results of the five TDA performance indicators that are required under PUC Section 99246(d) and Section 99247. The TDA performance indicators provide a starting point for assessing system-wide performance trends in efficiency and effectiveness. Performance trends are also examined by service type (i.e., Mainline and Summer Festival Shuttle service) to provide additional clarification of performance results. Functional area performance indicators assessed in the next section provide further insights into performance results.

The TDA-mandated performance indicators are as follows:

- Operating Cost per Service Hour, a measure of cost efficiency
- Operating Cost per Passenger, a measure of cost effectiveness
- Passengers per Service Hour, a measure of service productivity
- Passengers per Service Mile, another measure of service productivity
- Vehicle Service Hours per FTE, a measure of labor productivity

The primary service level data for the analysis of system-wide performance are extracted from Laguna Beach Transit's NTD reports and audited trial balances of the transit fund, since they provide the most accurate and detailed performance data. Where necessary, other data sources (e.g., internal performance reports, State Controller Reports, other internal reports) have been used to achieve the highest possible level of accuracy.

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

4.1 Trends in System-wide TDA Performance Indicators

The system-wide performance data and indicators reflect robust service expansion due to the implementation of the Neighborhood and Weekend Coastal Trolley routes, increased personnel and vehicle utilization and maintenance cost factors. The TDA performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the analysis.

TABLE 4-1
TDA Performance Indicators – System-wide

Verified TDA Statistics & Performance Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Operating Cost	\$2,164,312	\$2,669,823	\$2,869,674	\$3,422,769	58.1%
Total Passengers	898,233	1,083,619	899,898	841,985	-6.3%
Vehicle Service Hours	24,372	33,695	36,128	41,320	69.5%
Vehicle Service Miles	240,981	362,922	339,406	355,543	47.5%
Employee FTEs	25	36	36	40	63.2%
Passenger Fares	\$47,005	\$43,468	\$39,594	\$29,914	-36.4%

Verified TDA Statistics & Performance Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Total Revenue incl. Fares/Contributions (Audited less Charter Revenues)	\$269,276	\$274,579	\$256,683	\$258,410	-4.0%
Operating Cost per Passenger	\$2.41	\$2.46	\$3.19	\$4.07	68.7%
Operating Cost per Vehicle Service Hour	\$88.80	\$79.23	\$79.43	\$82.84	-6.7%
Operating Cost per Vehicle Service Mile	\$8.98	\$7.36	\$8.45	\$9.63	7.2%
Passengers per Vehicle Service Hour	36.9	32.2	24.9	20.4	-44.7%
Passengers per Vehicle Service Mile	3.73	2.99	2.65	2.37	-36.5%
Vehicle Service Hours per Employee	982.3	936.0	1,010.0	1,020.5	3.9%
Average Fare+Local Support per Passenger	\$0.30	\$0.25	\$0.29	\$0.31	2.4%
Fare Recovery Ratio (fares only)	2.17%	1.63%	1.38%	0.87%	-59.8%
Fare Recovery Ratio (fares+local support)	12.44%	10.28%	8.94%	7.55%	-39.3%
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

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

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

Operating costs derived from audited data increased notably over the performance audit period primarily from increased personnel costs associated with both increases in minimum wage and new service implementation including Neighborhood and Weekend Trolley. Operating costs increased at a higher pace in the later part of the audit period (in FY 18) than the increase in service hours and miles, impacting cost efficiency and effectiveness. Also, although there was a service increase, ridership continued to decline mirroring industry trends.

Actual system-wide operating costs increased by 58.1 percent over the three years, whereas service hours increased 69.5 percent over the same period. During this time, LBMTL implemented its Neighborhood and Coastal Trolley services.

Operating cost per passenger, an indicator of cost effectiveness, increased 68.8 percent from \$2.41 in FY15 to \$4.07 in FY18. System-wide ridership exhibited an overall decrease of 6.3 percent, from 898,233 passengers in FY15 to 841,985 passengers in FY18. Ridership erosion is attributed to several factors such as industry-wide trends, lower patronage at the Summer Festival, the popularity of transportation network companies, such as Uber, as well as lower retail fuel prices during the audit period.

Operating cost per vehicle service hour, an indicator of cost efficiency, exhibited a 6.7 percent decrease during the period, from \$88.80 in FY15 to \$82.84 in FY18, although this indicator showed an increase between FY17 and FY18 from rising cost at a faster pace than new service hours.

Passengers per vehicle service hour, which measures the effectiveness of the service delivered, decreased 44.7 percent between FY15 and FY18 from 36.9 to 20.4 passengers. This is reflective of the increase in vehicle service hours while passenger trips have decreased. The rate of increase in vehicle service hours is higher than the actual decreases in passenger trips.

Passengers per vehicle service mile, another indicator of service effectiveness, decreased 36.5 percent from 3.73 in FY15 to 2.37 in FY18. This decrease is in contrast with the trend in vehicle service miles, which exhibited an increase of 47.5 percent during the period attributed to the service expansion. The sharpest change in this indicator occurred in FY16 when ridership increased by 20.6 percent while vehicle service miles increased 50.6 percent, and passengers per mile decreased from 3.73 to 2.99.

Vehicle service hours per employee increased 3.9 percent between FY15 and FY18 from 982.3 to 1,020.5 hours. There was notable fluctuation in this indicator during the audit period due to the seasonal hiring trends for the Summer Festival Shuttle service. This measure is based on the number of FTE using employee pay hours from the NTD and dividing by 2,000 hours per employee. The number of FTEs increased from 25 in FY15, to 36 in FY16 and FY17, and to 40 in FY18.

4.2 Trends in Mainline TDA Performance Indicators

The modal performance data and indicators for the Mainline and Year-Around reflect the aforementioned service expansion that took place during the audit period resulting in significantly higher operating costs. Cost factors include personnel and vehicle utilization as well as maintenance. The number of passenger trips increased due to the new service and the enhanced marketing efforts. The TDA performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the analysis.

TABLE 4-2
TDA Performance Indicators – Mainline & Year-Around Trolley Services

Performance Data and Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Operating Costs	\$1,098,862	\$2,068,562	\$2,381,955	\$2,244,895	104.3%
Unlinked Passengers *	81,758	426,419	362,043	290,535	255.4%
Vehicle Service Hours *	9,753	19,661	29,013	26,169	168.3%
Vehicle Service Miles *	118,473	240,600	253,797	242,590	104.8%
Passenger Fares (regular fares, plus transit pass revenue)	\$47,005	\$43,468	\$39,594	\$29,914	-36.4%
Operating Cost per Passenger	\$13.44	\$4.85	\$6.58	\$7.73	-42.5%
Operating Cost per Vehicle Service Hour	\$112.67	\$105.21	\$82.10	\$85.78	-23.9%
Operating Cost per Vehicle Service Mile	\$9.28	\$8.60	\$9.39	\$9.25	-0.2%
Passengers per Vehicle Service Hour	9.9	10.1	9.1	8.8	-11.1%
Passengers per Vehicle Service Mile	0.69	1.77	1.43	1.20	73.5%
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

* Weekend Trolley began service in March 2015 which increased ridership and service hours and miles beyond the base year of FY14-15. Source: Internal performance measurement documents, Trial Balance Account for operating costs and fare revenue.

Year-round weekend free Trolley service began in March 2015 which significantly increased ridership and service statistics during the audit period compared to the base year of FY14-15. Passenger fare data in the table above include Mainline regular and summer fares paid from City of Laguna Beach parking authority revenue, South Coast Air Quality Management District passes as well as regular pass revenue. Regular fare revenues decreased 36.4 percent from \$47,005 in FY15 to \$29,914 in FY18.

Total Mainline operating costs increased 104.3 percent during the audit period, mostly due to increases in part-time salary costs across the board for transit administration, maintenance, and transit operations. Vehicle service hours increased 168.3 percent and exceeded the growth in operating costs from implementation of the Neighborhood and Weekend Trolley services.

Mainline performance indicators demonstrate the impacts of higher costs with the implementation of new routes combined with an increase in passenger trips. Operating cost per vehicle service hour decreased 23.9 percent from \$112.67 in FY15 to \$85.78 in FY18.

Operating cost per passenger decreased 42.5 percent from \$13.44 in FY15 to \$7.73 in FY18. While operating costs increased each year, ridership levels kept pace. Overall, passenger trips exhibited an increase of 255.4 percent from 81,758 in FY15 to 290,535 in FY18, while peaking at 426,419 in FY16.

Passengers per vehicle service hour declined 11.1 percent between FY15 and FY18. This indicator decreased from 9.9 passengers to 8.8 passengers per vehicle service hour, despite the overall increase in ridership. Ridership peaked in FY16 before declining in subsequent years, while vehicle service hours increased 168.3 percent during the audit period.

Passengers per vehicle service mile increased 73.5 percent from 0.69 in FY15 to 1.20 in FY18. The sharpest change occurred in FY16, when this indicator increased from .69 to 1.77. The impacts from the implementation of the pilot services and the focused marketing efforts caused this indicator to jump significantly. This increase is in contrast with vehicle service miles, which increased 104.8 percent from the FY15 base year to FY18, which is lower than the increase in service hours.

4.3 Trends in Summer Festival TDA Performance Indicators

The Summer Festival data and indicators reflect increased personnel and vehicle utilization and decreased passenger trips due to lower attendance at the Summer Festival in recent years. The TDA performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the analysis.

TABLE 4-3
TDA Performance Indicators – Summer Festival Shuttle

Performance Data and Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Operating Costs	\$863,075	\$910,747	\$755,103	\$1,072,071	24.2%
Unlinked Passengers	710,599	657,220	548,976	551,919	-22.3%
Vehicle Service Hours	13,517	13,946	11,002	15,727	16.3%
Vehicle Service Miles	109,869	122,325	85,756	118,141	7.5%
Parking Revenue In Lieu of Fares	\$218,233	\$228,342	\$216,756	\$228,497	4.7%
Operating Cost per Passenger	\$1.21	\$1.39	\$1.38	\$1.94	59.9%
Operating Cost per Vehicle Service Hour	\$63.85	\$65.31	\$68.63	\$68.17	6.8%
Operating Cost per Vehicle Service Mile	\$7.86	\$7.45	\$8.81	\$9.07	15.5%
Passengers per Vehicle Service Hour	52.6	47.1	49.9	35.1	-33.2%
Passengers per Vehicle Service Mile	6.47	5.37	6.40	4.67	-27.8%
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Source: Internal performance measurement documents; Trial Balance Account for operating costs and fare revenue.

Summer Festival Shuttle performance indicators are inclusive of the Festival Canyon, Festival Coastal, Festival Weekend, and Short Coastal routes. Based upon the performance data, there was a 24.2 percent increase in operating costs. The increase in operating costs is attributed to higher maintenance and personnel costs from increased service and increases in minimum wage. The Summer Festival has seen a decline in patronage in recent years, which has impacted ridership on the shuttle. The existing cost allocation methodology assigns about one-third of transit administration and maintenance expenses to the Summer Festival Shuttle, and about two-thirds to Mainline, despite the Summer Festival Shuttle service growing at a faster pace.

Operating cost per vehicle service hour, an indicator of cost efficiency, increased 6.8 percent from \$63.85 in FY15 to \$68.17 in FY18, which reflected the higher increase in actual operating costs relative to the lower increase in vehicle service hours. Operating cost per passenger, an indicator of cost effectiveness, increased 59.9 percent from \$1.21 in FY15 to \$1.94 in FY18. Summer Festival Shuttle passenger boardings decreased 22.3 percent from 710,599 in FY15 to 551,919 in FY18, which, combined with higher operating costs, impacted cost efficiencies. Operating cost per vehicle service mile increased 15.5 percent from \$7.86 in FY15 to \$9.07 in FY18.

Passengers per vehicle service hour exhibited a notable decrease of 33.2 percent between FY15 and FY18 from 52.6 passengers to 35.1 passengers per vehicle service hour, which reflects a decrease in the number of passengers relative to the increase in vehicle service hours. Passengers per vehicle service mile decreased 27.8 percent from 6.47 in FY15 to 4.67 in FY18. The trend in this indicator reflects the decrease in passenger trips as well as the 7.5 percent increase in vehicle service miles during the period.

Functional Area Performance Trends

Functional area performance indicators have been developed using data reported by LBMTL for the NTD. The City's Audited Trial Balance is also used to distribute the costs among the functional areas. The resulting performance measures and trends, which provide further insights into Laguna Beach Transit's performance during the audit period, are discussed in this section.

Performance results are presented for three functional areas: Transportation, Maintenance, and Administration, using data specific to these areas to calculate relevant cost and service performance indicators. The functional area performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the performance trends analysis.

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

TABLE 5-1
Operations Performance Indicators

Performance Data and Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Cost for Operations	\$1,502,337	\$1,853,090	\$1,794,739	\$2,051,988	36.6%
Operator Salaries and Wages	\$834,193	\$1,084,723	\$1,092,139	\$1,163,580	39.5%
Operator Pay Hours	32,287	50,876	51,508	53,784	66.6%
Vehicle Service Hours (VSH)	24,372	33,695	36,128	41,320	69.5%
Vehicle Service Miles (VSM)	240,981	362,922	339,406	355,543	47.5%
Total Vehicle Hours	29,630	37,244	37,732	43,271	46.0%
Total Vehicle Miles	259,913	378,658	351,087	369,102	42.0%
Unlinked Passenger Trips	898,233	1,083,619	899,898	841,985	-6.3%
Passenger Miles	1,958,148	2,362,289	1,999,773	1,871,078	-4.4%
Veh Ops Cost per VSH	\$61.64	\$55.00	\$49.68	\$49.66	-19.4%
Veh Ops Cost per VSM	\$6.23	\$5.11	\$5.29	\$5.77	-7.4%
Veh Ops Cost per Passenger Trip	\$1.67	\$1.71	\$1.99	\$2.44	45.7%
Veh Ops Cost per Passenger Mile	\$0.77	\$0.78	\$0.90	\$1.10	42.9%
Average Wage per Operator Pay Hour	\$25.84	\$21.32	\$21.20	\$21.63	-16.3%
VSH per Operator Pay Hour	0.75	0.66	0.70	0.77	1.8%
VSM per Operator Pay Hour	7.46	7.13	6.59	6.61	-11.4%
Service Miles per Service Hour	9.89	10.77	9.39	8.60	-13.0%
Service Hours / Total Hours	82.3%	90.5%	95.7%	95.5%	16.1%
Service Miles / Total Miles	92.7%	95.8%	96.7%	96.3%	3.9%
Avg Psgr Miles per Psgr Trip	2.18	2.18	2.22	2.22	1.9%
Passengers per Revenue Vehicle Hour	36.86	32.16	24.91	20.38	-44.7%
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Source: National Transit Database

Increases in LBMTL service levels were accompanied by increases in labor and overall operations costs. As a result:

- Transportation efficiency, measured as vehicle operations costs per vehicle service hour, decreased over the audit period by 19.4 percent from \$61.64 in FY15 to \$49.66 in FY18. Vehicle operations costs per vehicle service mile decreased a moderate 7.4 percent from \$6.23 in FY15 to \$5.77 in FY18.
- Overall operations costs increased 36.6 percent during the audit period whereas operator salary and wage costs increased by a comparable 39.5 percent over the same period. Operator pay hours increased 66.6 percent.

Cost per passenger trip increased 45.7 percent and cost per passenger mile increased by a comparable 42.9 percent. The number of unlinked passenger trips decreased 6.3 percent despite an increase in FY16. The trend in passenger miles mirrored that of passenger trips, exhibiting a 4.4 percent decrease.

Passenger miles per passenger trip increased 1.9 percent during the period from 2.18 miles in FY15 to 2.22 in FY18, while passenger miles decreased 4.4 percent.

Vehicle service hours per operator pay hour increased by a modest 1.8 percent whereas vehicle service miles per operator pay hour decreased by 11.4 percent during the audit period. Both indicators are functions of operator productivity. Service hours per total hour increased 16.1 percent from 82.3 percent in FY15 to 95.5 percent in FY18 and service miles per total mile increased 3.9 percent. These two indicators measure the amount of deadhead incurred during operations.

TABLE 5-2
Vehicle Maintenance Performance Indicators

Performance Data and Indicators	Base Year FY15	Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Cost for Maintenance	\$528,242	\$598,229	\$582,478	\$640,958	21.3%
Maintenance Pay Hours	11,550	11,846	10,198	15,166	31.3%
Total Vehicle Hours	29,630	37,244	37,732	43,271	46.0%
Total Vehicle Miles	259,913	378,658	351,087	369,102	42.0%
Active Vehicles	29	30	28	28	-3.4%
Peak Vehicles	25	28	27	23	-8.0%
Total Vehicle Failures	94	162	177	199	111.7%
Maintenance Cost per Veh Hour	\$17.83	\$16.06	\$15.44	\$14.81	-16.9%
Maintenance Cost per Veh Mile	\$2.03	\$1.58	\$1.66	\$1.74	-14.6%
Maintenance Cost per Active Veh	\$18,215	\$19,941	\$20,803	\$22,891	25.7%
Veh Hours per Maint Pay Hour	2.57	3.14	3.70	2.85	11.2%
Veh Miles per Maint Pay Hour	22.50	31.97	34.43	24.34	8.2%
Veh Hours per Active Vehicle	1,022	1,241	1,348	1,545	51.3%
Veh Miles per Active Vehicle	8,963	12,622	12,539	13,182	47.1%
Spare Ratio	16.0%	7.1%	3.7%	21.7%	35.9%
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Source: National Transit Database

Maintenance costs increased 21.3 percent between FY15 and FY18. The increase is attributed to increased vehicle utilization from increased service and multiple maintenance components such as engine replacement costs, which increased by about one-third due to growing engine failures in certain vehicle makes. LBMTL maintains its operations and maintenance functions at the City's Corporation Yard, located at 1900 Laguna Canyon Road. The Corporation Yard provides adequate space and functionality for maintenance, operations, and inventory storage. Transit comprises about 20 percent of the Corporation Yard's operations.

Vehicle maintenance costs per hour decreased 16.9 percent from \$17.83 in FY15 to \$14.81 in FY18. Overall maintenance costs increased 21.3 percent whereas vehicle service hours increased more rapidly at 69.5 percent (see Table 5-1), resulting in lower costs per hour. Maintenance pay hours increased 31.3 percent as compared to the 46 percent increase in total vehicle hours.

Maintenance costs per mile also decreased annually by 14.6 percent over the audit period, from \$2.03 in F15 to \$1.74 in FY18 as a result of vehicle miles growing more quickly than costs. In comparison, maintenance costs per active vehicle increased 25.7 percent from \$18,215 in FY15 to \$22,891 in FY18. The transit fleet is maintained at the City's Corporation Yard, which allows fleet services to maintain the vehicles more efficiently.

The size of the active fleet decreased by a slight 3.4 percent from 29 vehicles in FY15 to 28 vehicles in FY18. At the same time, peak vehicle requirements decreased 8 percent from 25 in FY15 to 23 in FY18. Total vehicle failures or road calls increased 111.7 percent from 94 in FY15 to 199 in FY18. In part, this trend reflects growth in the use of the current fleet from increased services which include older Trolleys, as well as engine issues experienced during the audit period.

The LBMTL vehicle spare ratio fluctuated during the period, which exhibited an overall increase of 35.9 percent from a 16 percent ratio in FY15 to 21.7 percent in FY18. In FY16, the spare ratio was 7.1 percent, and in FY17 was 3.7 percent. The spare ratio increased significantly in FY18 attributed to the delivery of new vehicles. FTA generally advocates for spare ratios of 20 percent; however, the guidelines do not apply to transit fleets of 50 or fewer vehicles.

TABLE 5-3
Administration Performance Indicators

Performance Data and Indicators	Base Year FY15	Audit Period			% Change FY15-FY18
		FY16	FY17	FY18	
Administration Costs	\$334,851	\$360,062	\$364,999	\$308,260	-7.9%
Administration Pay Hours	5,773	8,269	9,842	12,313	113.3%
Casualty & Liability Costs	\$40,829	\$17,868	\$17,900	\$27,500	-32.6%
Vehicle Service Hours (VSH)	24,372	33,695	36,128	41,320	69.5%
Vehicle Service Miles (VSM)	240,981	362,922	339,406	355,543	47.5%
Unlinked Passenger Trips	898,233	1,083,619	899,898	841,985	-6.3%
Passenger Miles	1,958,148	2,362,289	1,999,773	1,871,078	-4.4%
Admin Cost per VSH	\$13.74	\$10.69	\$10.10	\$7.46	-45.7%
Admin Cost per VSM	\$1.39	\$0.99	\$1.08	\$0.87	-37.6%
Admin Cost per Psgr Trip	\$0.37	\$0.33	\$0.41	\$0.37	-1.8%
Admin Cost per Psgr Mile	\$0.17	\$0.15	\$0.18	\$0.16	-5.9%
Casualty & Liability Costs per VSM	\$0.17	\$0.05	\$0.05	\$0.08	-52.9%
VSH per Admin Pay Hour	4.22	4.07	3.67	3.36	-20.5%
VSM per Admin Pay Hour	41.74	43.89	34.49	28.88	-30.8%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Source: National Transit Database

Transit administration costs decreased 7.9 percent from \$334,851 in FY15 to \$308,260 in FY18, despite increases in FY16 and FY17. The City includes depreciation expense in transit administration costs; that expense is subtracted for this report. Administrative pay hours increased 113 percent from 5,773 in FY15 to 12,313 in FY18. Because service levels in terms of vehicle hours increased more than administrative costs, administrative cost efficiency improved, as hourly administrative costs declined 45.7 percent from \$13.74 in FY15 to \$7.46 in FY18.

Casualty and liability costs decreased 32.6 percent from \$40,829 in FY15 to \$27,500 in FY18. The sharpest decreases occurred in FY16 and FY17, when costs declined by more than half. Due to this fluctuation, casualty and liability costs per vehicle service mile also decreased by about 53 percent.

Conclusions and Recommendations

6.1 Conclusions

LBMTL is in compliance with PUC requirements, made progress implementing prior audit recommendations, and has adequate management controls:

- **Compliance with PUC Requirements** – LBMTL is in compliance with all PUC requirements. New state legislation was passed (AB 1113, Bloom) on July 21, 2017, that changed the timeline to submit the annual Transit Operators Financial Transaction Reports to the State Controller effective reporting year FY17.
- **Progress to Implement Prior Audit Recommendations** – LBMTL has fully implemented the three prior audit recommendations, which involve the development of procedures to ensure the accurate reporting of FTEs; consistent data reporting on the NTD and State Controller reports; and continued assessment of the planned changes to the Mainline service and the implementation of the pilot services.
- **Management Control and Reporting** – Internally, the Finance division in the Administrative Services Department and the Transit & Parking Services division in the Public Works Department meet regularly to review budgets and expenditures. LBMTL also improved its compliance reporting by providing actual data in its TDA claim for funds.

LBMTL has successfully implemented new services that increased cost and service delivery while achieving various service productivity gains:

- **TDA Performance Indicators** – Operating cost per vehicle service hour, an indicator of cost efficiency, decreased 6.7 percent between FY15 and FY18. Operating cost per passenger, an indicator of cost effectiveness, increased 68.7 percent between FY15 and FY18. Both indicators reflect increased service provision and higher personnel and maintenance costs incurred during the period. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, decreased 44.7 percent between FY15 and FY18, indicating an overall decline in passenger trips. This indicator decreased from 36.9 passengers to 20.4 passengers, mirroring the decrease in system-wide boardings.
- **Functional Performance** – Overall transit expenses exhibited significant increases due to the implementation of the Neighborhood and Weekend Trolley services and associated maintenance and personnel costs from increased service. By function, operations costs increased 36.6 percent during the audit period whereas operator salary and wage costs increased by a comparable 39.5 percent over the same period. Maintenance costs increased 21.3 percent between FY15 and FY18. Transit administration costs decreased 7.9 percent during the period, despite increases in FY16 and FY17. The size of the active fleet decreased by a slight 3.4 percent from 29 vehicles in FY15 to 28 vehicles in FY18. At the same time, peak vehicle requirements decreased 8 percent from 25 in FY15 to 23 in FY18.

6.2 Recommendations

Findings documented in previous sections of the performance audit indicate areas of positive performance as well as opportunities for improved effectiveness, efficiency, and economy of operations. More detailed recommendations are offered below to capitalize on improvement opportunities. Rather than viewing the recommendations as negative, they should be balanced against LBMTL's efforts to make service changes in response to industry-wide challenges in public transit during the performance audit review period, noted throughout this report.

The following recommendations are provided for consideration by LBMTL:

1. Continue to work with the City's Human Resources Department to explore incentives for the hiring and retention of drivers.
2. Adopt formalized performance standards and procedures with the implementation of the DoubleMap CAD/AVL system.
3. Continue to explore mobility as a service option to address the decline in ridership.

These recommendations and the expected results of implementing them are discussed here.

Recommendation 1: Continue to work with the City's Human Resources Department to explore incentives for the hiring and retention of drivers.

Issues and Opportunities – LBMTL relies on a pool of full-time, part-time, seasonal, and contract drivers to operate its vehicles throughout the year. Most drivers work on a seasonal and part-time schedule during annual Summer Festival and on weekends. Many of these drivers are school bus operators and with the earlier start of the school year, these drivers do not stay for the duration of the festival. Therefore, the City contracts with Transdev to provide gap staffing of 15 drivers during last two weeks of August. Moreover, the success of the Neighborhood and Weekend Trolley services has stretched the pool of available drivers thin, with barely enough coverage for the runs. About 30 drivers are needed every weekend. The shortage of drivers has created an issue, prompting the deputy director of Public Works to work with the City's Human Resources for incentives to recruit and retain drivers. Given the unique and seasonal nature of LBMTL service provision, it is recommended that strategies be implemented that would enhance retention.

Recommended Actions – It is recommended that LBMTL work with the City's Human Resources Department and the employee bargaining unit, which would allow for enhanced incentives and flexibility for new drivers. The City has seven driver classifications: Lead Mainline Bus Driver; Bus Driver I (Year-Round Hourly); Bus Driver II (Year-Round Hourly); Festival Bus Driver I; Festival Bus Driver II; Festival Bus Driver III; and Bus Driver. The City could consider enhanced compensation for the year-round hourly classification. Another option would be to amend the scope of the Transdev contract to provide a select pool of drivers during the off-season and on weekends.

Expected Results – A package of enhanced employee benefits and incentives would aid in creating an ample pool of drivers. Selectively utilizing contract drivers could also help in ameliorating the driver shortage.

Management Response – The Transit Department is actively working with the City's Human Resources department to explore new incentives to attract and maintain an ample pool of drivers. Most recently the City developed an employee referral program where current employees will receive a \$200 incentive for every new operator that they refer and is hired. This program is currently being implemented.

Another retention benefit that was implemented recently was incentive pay for operators that work holidays. Operators can earn an extra \$75 for working on holidays in addition to their regular pay. This incentive program was implemented six months ago and has had favorable results.

Staff is also exploring incentives for weekend shifts that would incentivize operators working on weekends, typically a shift that is difficult to fill.

Recommendation 2: Adopt formalized performance monitoring standards and procedures in order to fully implement the DoubleMap CAD/AVL system.

Issues and Opportunities – LBMTL has an opportunity to improve its performance monitoring procedures, particularly regarding tracking the number of passengers and monitoring on-time performance. On-time performance is monitored on the Neighborhood Trolleys by timepoints. Findings from a passenger survey showed 95 percent schedule adherence on the neighborhood routes. In addition, the Trolley Tracker app was upgraded in August 2017 to include predictive arrival times. The existing AVL/GPS system was over six years old and in need of replacement. Performance data have been manually tracked and double-checked. However, a survey conducted by an independent consultant determined there was an 8 percent passenger undercount during the Summer Festival.

In March 2017, the City approved a cooperative agreement with OCTA for Project V funding of up to \$230,000 toward the purchase of an Intelligent Transportation Solution to CAD, AVL, APC, and AVA. In November 2018, the City awarded a five-year contract to DoubleMap for a CAD/AVL system including the AVA option to be implemented. Capital funds for the AVA option are also available in the Project V funding. Implementation of these technologies would enable the rerouting of buses around bottlenecks to maintain schedule adherence as well as provide accurate passenger counts and performance data.

Recommended Actions – LBMTL should ensure the full implementation and staff training of the DoubleMap CAD/AVL system, including the AVA option. The data generated would enhance performance monitoring procedures while providing enhanced rider experience and safety.

Expected Results – Full implementation of DoubleMap system by LBMTL would allow for real-time tracking of all buses and routes; arrival estimates for dispatchers; passenger boarding data; and more accurate performance data reporting of passengers, miles, hours, and on-time performance. New on-board functions including automated voice annunciators would enhance ride experience and safety.

Management Response – The City began implementation of the new DoubleMap system in April 2019. Bus installation is complete on the GPS/AVL and the Auto Passenger Counting components. Training for maintenance, administration and operations was conducted April 8 and 9, 2019. Full implementation of the system is anticipated by May 31, 2019. The City has also created performance metrics and will use the data from the new DoubleMap system for reporting.

Recommendation 3: Continue to explore mobility as a service option to address the decline in ridership.

Issues and Opportunities – Despite the implementation of the Neighborhood and Weekend Trolleys and heavy marketing during the audit period, overall systemwide ridership has continued to decrease. Ridership erosion is attributed to several factors such as industry-wide trends, lower patronage at the Summer Festival, the popularity of transportation network companies, such as Uber, as well as lower retail fuel prices. Patronage at the Summer Festival has been down 10 percent which has impacted ridership. The City engaged Uber to implement the senior

mobility pilot program in July 2017, which would offer discounted Uber rides for seniors age 55 and older and the disabled to any destination in Laguna Beach. After extensive research, due to technical and financial challenges, it was determined that implementation of this program with Uber would not be feasible due to financial and technological obstacles.

Recommended Actions – LBMTL should continue to explore mobility as a service option that would interface with and support the existing transit system. Even though this is an evolving trend, the City should study examples of partnerships implemented by OCTA and other transit agencies such as the Sacramento Regional Transit District (SmaRT Ride) and the VIA Rideshare program in Arlington, Texas. Project V funding, for example, could help launch a microtransit pilot in the service area.

Expected Results – Implementation of a well-planned mobility program as a service pilot could help LBMTL reverse the decrease in ridership and help support the core transit system.

Management Response – The City has been extensively researching service delivery alternatives, focusing on on-demand models. Staff has been discussing microtransit as a viable option to replace the Neighborhood weekday and Neighborhood weekend fixed route trolley service. It is believed that this type of on-demand service would complement the City’s existing Weekend Coastal and Festival service and increase mobility for the residents of Laguna Beach. The City also believes this would be a very viable option for our senior and disabled residents since all vehicles would be lift equipped.

Staff plans on bringing a full report to the City Council in Fall 2019 for further direction on this alternative.