



Orange County Transportation Authority

Triennial Performance Audit of the Laguna Beach Municipal Transit Lines FY 2019 to FY 2021

**April 2022
FINAL REPORT**

Submitted by
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in association with
SGN & Associates, LLC



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1. Executive Summary

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

The period reviewed encompasses the three-year period from July 1, 2018 through June 30, 2021. The performance audit included a review of the following:

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

Our findings and recommendations include the following:

COMPLIANCE WITH PUC

LBMTL met all compliance requirements with respect to the PUC Section 99246.



DATA COLLECTION AND REPORTING

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

PRIOR AUDIT RECOMMENDATIONS

LBMTL has made reasonable progress toward implementing recommendations from its FY 2016 - FY 2018 Triennial Performance Audit. Further effort should be made to assess and validate its recently implemented Computer Aided Dispatch/Advanced Vehicle Locator (CAD/AVL) system to eliminate the need to manually record operating data.

PERFORMANCE TRENDS

LBMTL system performance was significantly impacted by the coronavirus pandemic in FY 2020 and FY 2021, and its management decided to temporarily suspend transit operations from March 20, 2020 to June 24, 2021. In resuming service, LBMTL implemented an on-demand transit service to replace its previous fixed-route neighborhood trolley service, which offers significant promise to improve transit efficiency.

FUNCTIONAL REVIEW

LBMTL should consider addressing its data consistency issues in its performance measures reports to the Orange County Transportation Authority (OCTA). LBMTL should also consider the potential benefits of including “auxiliary and local subsidies” in its performance measures reports in order to calculate farebox recovery ratio in accordance with changes in TDA guidance enacted by Senate Bill (SB) 508.

RECOMMENDATIONS

We recommend that LBMTL:



- 1) Develop an annual consolidated service program that incorporates all transit programs operated by LBMTL to simplify cooperative service, performance and funding arrangements.
- 2) Develop a methodology for allocating costs across LBMTL service types.
- 3) Restructure charter fees to eliminate public subsidy of charter operations.
- 4) Consider including local fund in its calculation of farebox recovery ratios in accordance with TDA definitions on TDA performance measures reports..
- 5) Calculate FTE employees in accordance with the PUC definition on TDA performance measures reports.
- 6) Label each year in its three - year TDA performance measures reports as either “audited” data or “estimated” data, to improve consistency in data reporting.

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



2. Performance Audit Approach and Methodology

PERFORMANCE AUDIT APPROACH

The State mandates that all recipients of TDA funding undergo a performance audit every three years in order to remain eligible for future TDA funding. In FY 2022, the Orange County Transportation Authority (OCTA) retained BCA Watson Rice LLP (BCA) to conduct a Triennial Performance Audit of the LBMTL system.

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

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

While the Guidebook provides general information regarding performance audit requirements, suggested approaches and methodologies, more specific information necessary in understanding and defining the scope of these audits is included in the *Transportation Development Act, Statutes and California Code of Regulations, July, 2018* (TDA Code). While various sections of these regulations are periodically updated through legislative action, the annual booklet of TDA Code has not been updated during this triennium. To ensure that this audit addresses legislative changes enacted in the past three years, an overview of recent legislation was conducted to examine its potential impact on the FY 2019 - 2021 Triennial Performance Audit of Orange County operators.



Legislative Issues Affecting the Triennial Performance Audit

Since 2018, three legislative bills were passed into law that may have implications on this year's performance audit. Assembly Bill (AB) 90, signed into law in June 2020 and AB 149 enacted in July 2021 mitigate penalties for noncompliance with requirements for allocation of state funding to the State Transit Assistance Program (STA), which result in funding reductions. Amendments to STA provisions provide stability for funding that could be impacted by service productivity losses experienced by transit operations statewide, due to the coronavirus pandemic.

A third bill, SB 1119, amends the Low Carbon Transit Operations Program (LCTOP) to permit the use of these funds for transit fare subsidies, including discounted and free student transit passes. This provision may impact how fare revenues are aggregated for the purpose of calculating TDA mandated farebox recovery ratios.

Statutory changes made by AB 90 and AB 149 waive funding penalties for noncompliance with farebox recovery ratio, reasonable progress toward implementing prior year performance audit recommendations, STA efficiency standard requirements and 50% expenditure limitation through FY 2022 – 23. The Triennial Performance Audit does not consider compliance with the STA efficiency standard or the 50% expenditure limitation; however, it does assess compliance with farebox recovery ratio standards and progress on prior year audit recommendations.

In conducting this year's audit, given this most recent legislative direction, our reports will reflect any findings of noncompliance related to follow-up on prior performance recommendations (PUC 99244) or farebox recovery standards (PUC 99268.2 and 99268.3) as not being subject to funding penalties being imposed by the Regional Transportation Planning Entity.

A fourth legislative change, SB 508 enacted in October 2015, redefined the term *local funds* as follows:

Section 99268.19. If fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost required by the article, an operator may satisfy that



requirement by supplementing its fare revenues with local funds. As used in this section, “local funds” means any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.”

This legislative change will become relevant in the audit of farebox recovery calculation consistency.

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

- **Compliance with PUC Section 99246** – evaluating the efficiency, effectiveness and economy of the operation of the entity being audited, including, but not limited to, a verification of the performance indicators defined in PUC Section 99247:
 - Operating cost per passenger
 - Operating cost per vehicle hour
 - Passengers per vehicle service hour
 - Passengers per vehicle service mile; and
 - Vehicle service hours per employee
- **Data Collection and Reporting** – verification of TDA data collection and reporting procedures as well as consistency of data reporting between the following reports: LBMTL’s Performance Measurements reports, federal National Transit Database (NTD) and State Controller’s Transit Operators Financial Transactions Report.
- **Prior Audit Recommendations** – reporting on implementation of prior triennial performance audit recommendations.
- **Performance Trends** – summaries of performance indicators for the audit period related specifically to operational performance, efficiency and effectiveness are typically a significant element of the triennial audit process; however, as LBMTL’s service was suspended for approximately one-half of the audit period, an analysis of performance trends will be more difficult to ascertain.
- **Functional Review** - high-level review of key functional areas which were surveyed as part of the audit process. Areas of review included general management, finance, administration, service planning, scheduling, dispatch,



operations, maintenance and marketing. The functional area interviews will provide an opportunity to summarize best practices in the municipal transit emergency response to the pandemic and challenges to rebuild ridership as the region recovers economically.

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

DOCUMENTS REVIEWED

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

- National Transit Database (NTD) reports for FY 2019 through FY 2021
- State Controller Transit Operations Financial Transactions reports for FY 2019 through FY 2021
- Orange County Transportation Authority TDA Guidelines, February 2021
- Prior Triennial Performance Audits and written responses to the recommendations
- California Highway Patrol Inspection Reports for FY 2019 through FY 2021
- City of Laguna Beach Local Transportation Fund Claim packages for FY 2019 – FY 2021
- Cooperative Agreements with Orange County Transportation Authority for funding related to:
 - City of Laguna Beach Senior Mobility Program
 - City of Laguna Beach Project V Community-Based Transit/Circulators
 - City of Laguna Beach Project V Off-Season Weekend Trolley
 - City of Laguna Beach CARES Act Funding
- City of Laguna Beach, Laguna Beach Transit Program: Service Analysis – November 2016



- City of Laguna Beach Summer 2019 Parking Management Plan

INTERVIEWS WITH KEY MANAGEMENT

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

- Michael Litschi, City of Laguna Beach Deputy Director of Public Works, Parking and Transit
- Reza Jafari, City of Laguna Beach Deputy Director of Public Works, Streets and Facilities



3. Background, Challenges and Accomplishments

The City of Laguna Beach has operated transit service since 1970. Over the triennial audit period, LBMTL re-evaluated its service in an effort to promote ridership, particularly among its community-based populations. When the coronavirus pandemic began, the City decided to suspend its transit operations and did not provide any service between March 20, 2020 and June 24, 2021, which deferred LBMTL's planned on-demand micro transit service to replace its fixed-route neighborhood trolley service. The following system profile describes LBMTL service from July 1, 2019 through March 20, 2020.

SYSTEM PROFILE

LBMTL serves a population of 23,190 residents within a nine square mile service area. The area is most known for its annual Summer Festival Season which is a major regional attraction for Orange County. LBMTL provides transit service to these seasonal events as well as year-round community-based transit options for residents and visitors as follows:

- *Fixed-Route Trolley Service* – LBMTL operates fixed-route trolley service along Coast Highway between North Laguna and the Ritz Carlton in Dana Point seven days a week, year-round, and operates an additional trolley route on Laguna Canyon Road linking a peripheral parking lot to downtown Laguna Beach during the summer season from late June to Labor Day, as well as on Saturdays and Sundays in the non-summer season. LBMTL also previously operated a year-round neighborhood trolley service on three routes serving residential neighborhoods. This service was discontinued in March 2020 and replaced with a new on-demand microtransit service that began operation in November 2021.
- *Summer Breeze Service* – Between June and Labor Day, two trolleys provide service approximately every 30 minutes linking a free, peripheral parking lot in the City of Irvine with downtown Laguna Beach and summer art festival venues. This service operates on Saturdays and Sundays from 10 a.m. to 11:30 p.m. From FY 2017 to FY 2019, this service was operated



by OCTA under contract to the City of Laguna Beach. Since the resuming service in June 2021, the City of Laguna Beach has operated the service using a private contractor and City-owned trolleys.

- *Senior Mobility Program* – LBMTL provides funding to a local nonprofit organization, Sally’s Fund, to provide specialized transportation services to allow local seniors to access nutritional programs, shopping and medical appointments and other community-based activities. The service provides door to door ADA – accessible transportation and is free of charge to residents aged 60 and over.

FARES

LBMTL has offered a free fare system since December 2019. Exhibit 1 presents the fare structure in place during the first year and 6 months of the audit period.

Exhibit 1: Summary of Transit Fares			
Fare Type	Cash	20-Ride Pass	Monthly Pass
NEIGHBORHOOD MAINLINE BUS			
Adult	\$ 0.75	\$ 15.00	\$ 30.00
Senior/Disabled/Medicare	\$ 0.30	\$ 15.00	\$ 30.00
SUMMER FESTIVAL AND MAINLINE BUS			
Senior/Disabled/Medicare	Free	Free	Free

KEY CHALLENGES DURING THE AUDIT PERIOD

On January 29, 2021, the Centers for Disease Control and Prevention (CDC) issued an Order requiring the public to wear face masks while traveling on public transportation and



in transportation hubs. When LBMTL service resumed the following June, the system had adapted its services to the CDC's requirements.

Another notable challenge experienced by LBMTL during the audit period included service restructuring and conversion from in-house operations to contracted service.

KEY ACCOMPLISHMENTS DURING THE AUDIT PERIOD

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

- Installed its *DoubleMap* CAD/ AVL system.
- Designed its *Local* on-demand micro transit service.
- Executed a purchased transportation contract for drivers and dispatch operations, and
- Executed a Cooperative Agreement with OCTA to receive federal Coronavirus Aid, Relief and Economic Security (CARES) Act revenues to offset economic impacts of the COVID - 19 pandemic.



4. Compliance Review

AREAS OF REQUIRED COMPLIANCE

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

COMPLIANCE WITH THE STATE PUC REQUIREMENT

Transit systems must comply with TDA requirements that are specified in PUC Regulations and the California Code of Regulations as noted in Exhibit 2. The compliance matrix provides the degree to which funds allocated to the claimant pursuant to TDA requirements were expended in conformance with applicable laws and rules and regulations. LBMTL was found to be compliant with all applicable PUC requirements.



Exhibit 2: Laguna Beach Transit’s Compliance with PUC Requirements		
Code Reference	Operator Compliance Requirements	Compliance Finding
PUC Section 99243	Submit annual reports to the State Controller, based on the Uniform System of Accounts and Records established by the State Controller, within seven months after the end of the fiscal year.	In Compliance
PUC Section 99245	Submit annual fiscal and compliance reviews to RTPE and State Controller within 180 days of the end of the fiscal year or receive 90-day extension.	In Compliance
PUC Section 99251	CHP has certified operator’s compliance with Vehicle Code 1808.1 within 13 months prior to TDA claim submittal.	In Compliance
PUC Section 99261	Claims for TDA funds are submitted in compliance with RTPE’s rules and regulations.	In Compliance
PUC Section 99264	Public transportation vehicles designed to be operated by one person are not routinely staffed with two or more persons.	In Compliance
PUC Section 99266	Operating budget has not increased by more than 15% over preceding year unless reasonable justification has been provided.	In Compliance
PUC Section 99267	The operator’s definitions of performance measures are consistent with the PUC.	In Compliance
PUC Section 99268.2 99268.3	Operator has maintained a ratio of fare revenues to operating costs at least equal to or exceeding 20% for the general public service in urban areas.	In Compliance ¹
PUC Section 99271	The current cost of the operator’s retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPE-approved plan to fully fund the retirement system within 40 years.	In Compliance
CA Code of Regs	Available federal funds are used prior to claiming STA funds.	In Compliance
¹ LBMTL has been granted dispensation from the farebox recovery standard, in lieu of compliance with the 50% expenditure limitation provision of TDA statute, per OCTA TDA Guidelines.		



CONSISTENCY OF DATA REPORTING

Operators are expected to consistently report performance statistics to local, state and federal agencies. Exhibit 3 provides a summary of key statistics provided to the following agencies:

- **Orange County Transportation Authority** – OCTA requires the submission of a Transit Performance Measurements report detailing key operating statistics with LBMTL’s annual Local Transportation Fund claim submission.
- **State Controller’s Office** - The State Controller’s office requires that all agencies submit an annual summary of financial statistics.
- **National Transit Database (NTD)** - The Federal Transit Administration (FTA) requires that transit agencies which receive FTA grants annually submit financial and operating data in uniform categories.



Ex 3: Laguna Beach Transit			
Compliance Data Consistency			
Source	Review Period		
	FY19	FY20	FY21
Operating Costs			
FTA National Transit Database	\$ 3,147,200	\$ 3,277,395	\$ 1,351,764
State Controller's Report	\$ 3,153,474	\$ 3,191,236	\$ 1,015,749
TDA Performance Measures	\$ 3,875,940	\$ 2,130,084	\$ 1,045,568
Farebox Revenues			
FTA National Transit Database	\$ 26,777	\$ 4,800	\$ 1,626
State Controller's Report	\$ 131,033	\$ 111,230	\$ 1,626
TDA Performance Measures	\$ 294,105	\$ 34,693	\$ 10,669
Local Subsidies and Auxiliary Revenues			
FTA National Transit Database	\$ 1,956,764	\$ 2,158,092	\$ 687,856
State Controller's Report	\$ 1,913,363	\$ 1,877,217	\$ 109,759
TDA Performance Measures	Not Reported	Not Reported	Not Reported
Unlinked Passengers			
FTA National Transit Database	820,829	639,141	12,921
State Controller's Report	829,963	639,141	12,921
TDA Performance Measures	872,297	876,090	12,921
Vehicle Service Hours			
FTA National Transit Database	43,008	32,475	1,093
State Controller's Report	41,536	32,475	1,093
TDA Performance Measures	43,300	42,880	1,093
Vehicle Service Miles			
FTA National Transit Database	365,581	282,290	8,091
State Controller's Report	364,730	282,290	8,091
TDA Performance Measures	372,143	367,897	8,091
Employee Full Time Equivalent			
FTA National Transit Database	41	Not Reported	Not Reported
State Controller's Report	42	42	77
TDA Performance Measures	22	22	77
Peak Vehicles			
FTA National Transit Database	23	23	18
State Controller's Report	14	14	18
Active Vehicles			
FTA National Transit Database	27	25	25
State Controller's Report	25	25	25



LBMTL was somewhat consistent in reporting key financial and non-financial operating statistics for NTD and State Controller's reporting. Variances exist in how the following statistics are required to be reported by state and federal reporting agencies:

Operating Costs

- Federal NTD report requires capital lease costs for items such as tires and facilities to be reported as operating expenses, where the State Controller's Report capitalizes these costs.
- NTD does not require the reporting of future liability based on present value of projected benefit payments for pension benefits as operating expense, while the State Controller's report requires reporting in accordance with GASB 68.
- Depreciation expense is excluded from operating expenses in NTD reporting, but included in State Controller reporting.

While there are inherent variances in reporting operating costs between state and federal compliance reports, LBMTL's performance measurements reports to OCTA do not coincide with operating costs reported in either compliance document.

Other inconsistencies are shown in the following indicators:

- Farebox Revenue
- Unlinked Passengers
- Vehicle Service Hours
- Vehicle Service Miles
- Full-time Employee Equivalent

These performance measures inconsistencies are detailed in Section 6 as part of LBMTL's functional review.



PRIOR AUDIT RECOMMENDATIONS

TDA audit guidelines require a follow-up as to whether recommendations from the prior period’s audit have been implemented. LBMTL has completed or made reasonable progress on all of the prior year’s performance audit recommendations, as shown in Exhibit 4 below.

Exhibit 4: Prior Audit Recommendations and Implementation Progress		
#	Prior Audit Recommendations	Implementation Progress
1	Work with City's Human Resources Department to explore incentives for hiring and retaining drivers	Complete and ongoing. Implemented employee referral program, online job sites and outreach to veterans, colleges and trades schools, before hiring contracted operator to provide drivers and dispatchers. .
2	Adopt performance standards and procedures with the implementation of the DoubleMap CAD/AVL system	Completed in December 2020
3	Continue to explore mobility as a service option to address decline in ridership.	Implemented Laguna Beach Local On-Demand Neighborhood service in Fall 2021.



5. Operational Performance Trends

OVERVIEW

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

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

Data for the analysis of these indicators were compiled using data from the NTD and the State Controller's reports prepared by LBMTL. The performance trends cover the period from FY 2019 through FY 2021, with FY 2018 used as a base year to provide a point of reference for the analyses.

While designed to assess efficiency and effectiveness trends system-wide over the audit period, this analysis has been exacerbated by the impacts of the coronavirus pandemic (COVID), which resulted in the suspension of LBMTL's service from March 20, 2020 to June 24, 2021.

For the purposes of assessing LBMTL's performance trends, the following exhibits present performance trends in FY 2019 and FY 2020 as pre-pandemic, with only one week of service operated in FY 2021 as post-pandemic.

PERFORMANCE INDICATOR TABLES – SYSTEM-WIDE

Prior to the pandemic, FY 2019 LBMTL's operating costs decreased by 8.05% over the FY 2018 base year. Service levels in that year remained stable, as indicated by the 4.09% and 2.82% increase in vehicle service hours (VSH) and vehicle service miles,



respectively. Unlinked passengers declined by -2.51% in the first year of the audit period, which reflects the continuation of a national trend in transit ridership.

In the next two years, the system experienced significant ridership and revenue losses due to the suspension of service from March 2020 to June 2021. Operating costs presented in subsequent years were driven specifically by the desire to retain employees through the duration of the pandemic. FY 2020 performance data represents service delivery for approximately three fourths of the year. FY 2021 performance data is for one week of operation in June 2021.

Exhibit 5 below provides detailed reporting by each fiscal year of the period:

Exhibit 5: Laguna Beach Transit System-Wide Performance							
Performance Measure ¹	Pre - pandemic			Post - pandemic			
	Base Year FY18	FY19	Percent Change FY18 - 19	FY20	Percent Change FY19 - 20	FY21	Percent Change FY20 - 21
Key Base Measures							
Operating Costs	\$ 3,422,769	\$ 3,147,200	-8.05%	\$ 3,277,395	4.14%	\$ 1,351,764	-58.75%
Fare Revenue	\$ 29,914	\$ 26,777	-10.49%	\$ 4,800	-82.07%	\$ 1,626	-66.13%
Auxiliary + Local Revenues	\$ 2,667,034	\$ 1,779,238	-33.29%	\$ 1,734,470	-2.52%	\$ 687,856	-60.34%
Vehicle Service Hours	41,320	43,008	4.09%	32,475	-24.49%	1,093	-96.63%
Vehicle Service Miles	355,543	365,581	2.82%	282,290	-22.78%	8,091	-97.13%
Unlinked Passengers	841,985	820,829	-2.51%	639,141	-22.13%	12,921	-97.98%
Full Time Equivalent	40	41	3.56%	42	1.39%	77	83.33%
Efficiency Measures							
Cost per VSH	\$ 82.84	\$ 73.18	-11.66%	\$ 100.92	37.91%	\$ 1,236.75	1125.47%
Cost per Passenger	\$ 4.07	\$ 3.83	-5.68%	\$ 5.13	33.74%	\$ 104.62	1940.20%
Passengers per VSH	20.38	19.09	-6.34%	19.68	3.12%	11.82	-39.93%
Passengers per VSM	2.37	2.25	-5.19%	2.26	0.84%	1.60	-29.47%
VSH per FTE*	1,033	1,038.26	0.51%	773.21	-25.53%	14.19	-98.16%
Farebox (Pure) Recovery Ratio	0.87%	0.85%	-2.65%	0.15%	-82.79%	0.12%	-17.87%
Farebox (+ Local/Aux) Ratio	78.79%	57.38%	-27.17%	53.07%	-7.52%	51.01%	-3.89%
Fare per Passenger	\$ 0.04	\$ 0.03	-8.18%	\$ 0.01	-76.98%	\$ 0.13	1575.64%
CPI -- All Index	2.25%	2.25%		2.28%		2.30%	

¹ All data taken from NTD reports except FTE's Auxiliary and Local Revenues, which were derived from the State Controller's reports.



6. Functional Review

In addition to the review of performance trends, the functional review of LBMTL's performance included:

1. The degree to which the system's management has established overall system goals and objectives and the degree to which these standards are being met.
2. The manner and extent to which management seeks to improve the effectiveness and efficiency of its transit services by developing transit plans that are responsive to user needs.
3. How management addresses service effectiveness and efficiency by developing, analyzing and acting upon information based on a review of performance measures.
4. The manner in which management addresses effectiveness and efficiency of vehicle maintenance, complies with vehicle safety regulations and evaluates general maintenance activities.
5. The manner in which management addresses marketing and public relations activities, and
6. The manner and extent to which the budgeting and financial planning process reflects the goals and objectives of the effectiveness and efficiency of transit operations.

Additionally, during this period, data collection and reporting practices related to TDA mandated performance indicators and requirements were reviewed including:

- Revenue collection and allocation by service type
- Non-financial data collection, verification and reporting
- Employee hours data collection, verification and reporting

Exhibits 6-A and 6-B are summaries of TDA performance measures submitted in accordance with OCTA's TDA Guidelines.



Exhibit 6 - A: Laguna Beach Transit Performance Measures by Service Type (FY 2018 - FY 2019)								
Performance Measure ¹	Base Year FY 2018			Total FY 2018	FY 2019			Total FY 2019
	Trolley Service	Summer Festival	Charter		Trolley Service	Summer Festival	Charter	
Operating Costs	\$ 2,692,907	\$ 1,009,566	\$ 33,721	\$ 3,736,194	\$ 2,790,613	\$ 1,050,931	\$ 34,396	\$ 3,875,940
Fare Revenue	\$ 29,914	\$ 228,497	\$ 29,928	\$ 288,339	\$ 30,512	\$ 233,067	\$ 30,526	\$ 294,105
Vehicle Service Hours (VSH)	28,010	14,136	305	42,451	28,570	14,419	311	43,300
Vehicle Service Miles (VSM)	254,681	108,117	2,048	364,846	259,775	110,279	2,089	372,143
Unlinked Passengers	297,432	551,173	6,588	855,193	303,381	562,196	6,720	872,297
Full Time Equivalent (FTE)	14.01	7.07	0.15	21.23	14.29	7.12	0.16	21.57
Transit Performance Measures								
Operating Cost/ Passenger	\$ 9.05	\$ 1.83	\$ 5.12	\$ 4.37	\$ 9.20	\$ 1.87	\$ 5.12	\$ 4.44
Operating Costs/ VSH	\$ 96.14	\$ 71.42	\$ 110.56	\$ 88.01	\$ 97.68	\$ 72.89	\$ 110.60	\$ 89.51
Passenger/ VSH	10.62	38.99	21.60	20.15	10.62	38.99	21.61	20.15
Passenger/ VSM	1.17	5.10	3.22	2.34	1.17	5.10	3.22	2.34
Farebox Recovery Ratio	1.11%	22.63%	88.75%	7.72%	1.09%	22.18%	88.75%	7.59%
VSH/ FTE	1,999	2,000	2,000	2,000	1,999	2,025	1,944	2,007

¹ Performance measures reported to OCTA per TDA Guidelines

Exhibit 6 - B: Laguna Beach Transit Performance Measures by Service Type								
Performance Measure ¹	FY 2020			Total FY 2020	FY 2021*			Total FY 2021
	Trolley Service	Summer Festival	Charter		Local OnDemand	Summer Festival	Charter	
Operating Costs	\$ 1,320,538	\$ 774,462	\$ 35,084	\$ 2,130,084	N/A	\$ 1,045,568	N/A	\$ 1,045,568
Fare Revenue	\$ 31,123	\$ -	\$ 3,570	\$ 34,693	N/A	\$ 10,669	N/A	\$ 10,669
Vehicle Service Hours (VSH)	27,856	14,707	317	42,880	N/A	1,093	N/A	1,093
Vehicle Service Miles (VSM)	253,281	112,485	2,131	367,897	N/A	8,091	N/A	8,091
Unlinked Passengers	295,796	573,440	6,854	876,090	N/A	12,921	N/A	12,921
Full Time Equivalent (FTE)**	14.57	7.35	0.16	22.08	N/A	77.00	N/A	77.00
Transit Performance Measures								
Operating Cost/ Passenger	\$ 4.46	\$ 1.35	\$ 5.12	\$ 2.43	N/A	\$ 80.92	N/A	\$ 80.92
Operating Costs/ VSH	\$ 47.41	\$ 52.66	\$ 110.68	\$ 49.68	N/A	\$ 956.60	N/A	\$ 956.60
Passenger/ VSH	10.62	38.99	21.62	20.43	N/A	11.82	N/A	11.82
Passenger/ VSM	1.17	5.10	3.22	2.38	N/A	1.60	N/A	1.60
Farebox Recovery Ratio	2.36%	0.00%	10.18%	1.63%	N/A	1.02%	N/A	1.02%
VSH/ FTE	1,912	2,001	1,981	1,942	N/A	14	N/A	14

* FY 2021 performance measurements based on Laguna Beach Municipal Transit Lines Fund audited Financial Statements and NTD operating data.

** FTEs taken from FY 2021 State Controller's report.

The information provided indicates a level of data reporting inconsistency that requires further consideration of data collection practices and analysis.

- LBMTL implemented its *DoubleMap* Computer-Aided Dispatch/ Automated Vehicle Location (CAD/AVL) system during the audit period; however, as the system is being tested and validated, the agency continues to manually record some operating data, including revenue vehicle miles and revenue vehicle hours, to ensure data consistency.
- LBMTL began using digital passenger counting system that requires the operator to record passenger boardings on a tablet in each trolley. While the trolleys are equipped with Automated Passenger Counters, they were determined to be less



reliable due to the geographic topology of the service area.

- Non-financial data collected manually for compliance reporting is verified by department staff before being transferred to finance department staff, who complete the State Controllers' reports. National Transit Database and Transit Performance Measurements reports are prepared within the transit division.
- While LBMTL only reports its motor bus operating data, its system performance measures are disaggregated by the three types of service it operates: off season fixed route, seasonal fixed route and charter service. As shown on Exhibits 6A and 6B, the service performance indicators by type do not correspond to system totals.

The level of data inconsistency in LBMTL's compliance reporting should be evaluated in order to improve internal controls and resolve issues that may relate to timing differences and data classification and allocation by service type. Strengthened internal controls can provide reasonable assurance that operating data is being aggregated and recorded to provide consistency across regional, state and federal reporting requirements.

In the absence of consistent data reporting, LBMTL's ability to evaluate its system effectiveness and efficiency is limited.

System Goals and Objectives

Several documents reviewed contain annual goals and objectives for LBMTL services. The most comprehensive one is the annual Summer Parking Management Plan, which primarily focuses on the transportation infrastructure which supports the City's annual summer festival activities. This report addresses immediate or short term transit service efficiencies and improvements only. LBMTL does not have a cohesive set of longer term strategic goals for the transit system.

Transit Service Planning

A comprehensive plan, *Laguna Beach Transit Program: Service Analysis*, was most recently prepared in FY 2017. This document provided a detailed assessment of LBMTL's service including:



- A detailed review of all LBMTL service elements.
- Market research and community outreach to obtain public input on the City's mobility services.
- Service improvement recommendations, including system design, fare policy and branding, and
- Financial impacts of proposed service improvements.

While this analysis provides a thorough evaluation of LBMTL service at that point in time, there is not an ongoing short range transit planning process that establishes and monitors LBMTL's progress toward meeting its goals, objectives and service plans.

Use of Performance Indicators

LBMTL submits TDA - mandated performance measures to OCTA, as part of its annual LTF Claims process. It also provides summer festival transit service performance statistics as part of the annual Parking Management Plan. As mentioned previously, the data used for performance reporting is not consistent with information reported to state and federal compliance agencies.

Performance measures reports would be a better analytical tool for both OCTA and LBMTL, with the following improvements:

1. Operating costs should be allocated across LBMTL's three service categories so that when aggregated, they total system operating costs reported to in the State Controller's and NTD reports, in each audited year. In years in which estimated data is reported, operating costs should equal budgeted operating costs.
2. In developing its costs allocation model, LBMTL should restructure its charter fees, so that the cost of charter services equals or is less than the revenues generated from charter operations in order to comply with PUC 99250.
3. LBMTL should include the assignment of auxiliary and local subsidy to facilitate the calculation of its farebox recovery ratios in accordance with SB 508.
4. LBMTL should calculate full-time equivalent employees (FTEs) in accordance with the PUC definition of total employee hours divided by 2000. This should



include total employee hours for purchased transportation services.

5. For each reporting year in the multiyear TDA performance measures report, LBMTL should label year(s) containing audited data and the year(s) for which data is planned or estimated.

Vehicle Maintenance and Safety

The LBMTL transit fleet undergoes annual compliance inspections by the California Highway Patrol. It maintains an active fleet of 25 ADA – accessible transit vehicles. The maintenance function showed significant improvement its performance in FY 2019, as evidenced on Exhibit 10, where its miles between mechanical failures increased by over 31%. In FY 2020, miles between road calls improved by an additional 47%.

Marketing and Public Relations

LBMTL maintains a well-designed website that contains information about the services it provides. It also maintains its bus stops and wayfinding signage at key parking and other boarding locations to assist passengers in accessing the transit service. It has also implemented real-time bus arrival information which is available to customers through its web-enabled “Trolley Tracker” software. The system’s most recent market research effort was in FY 2017.

Budget and Financial Planning

The budget for LBMTL services is approved annually, as part of City of Laguna Beach’s City budgeting process. Budget goals are established through the Department of Public Work’s Parking Management Plan, which focuses on goals and objectives for its seasonal summer festival activities. LBMTL also estimates service costs, revenues and performance over two years in its performance measurements reporting to OCTA.

As part of LBMTL’s financial planning process, it enters into Cooperative Agreements with OCTA to obtain funding for its services, including funding for the City of Laguna Beach’s Senior Mobility Program, which is passed through to a third party agency to operate.

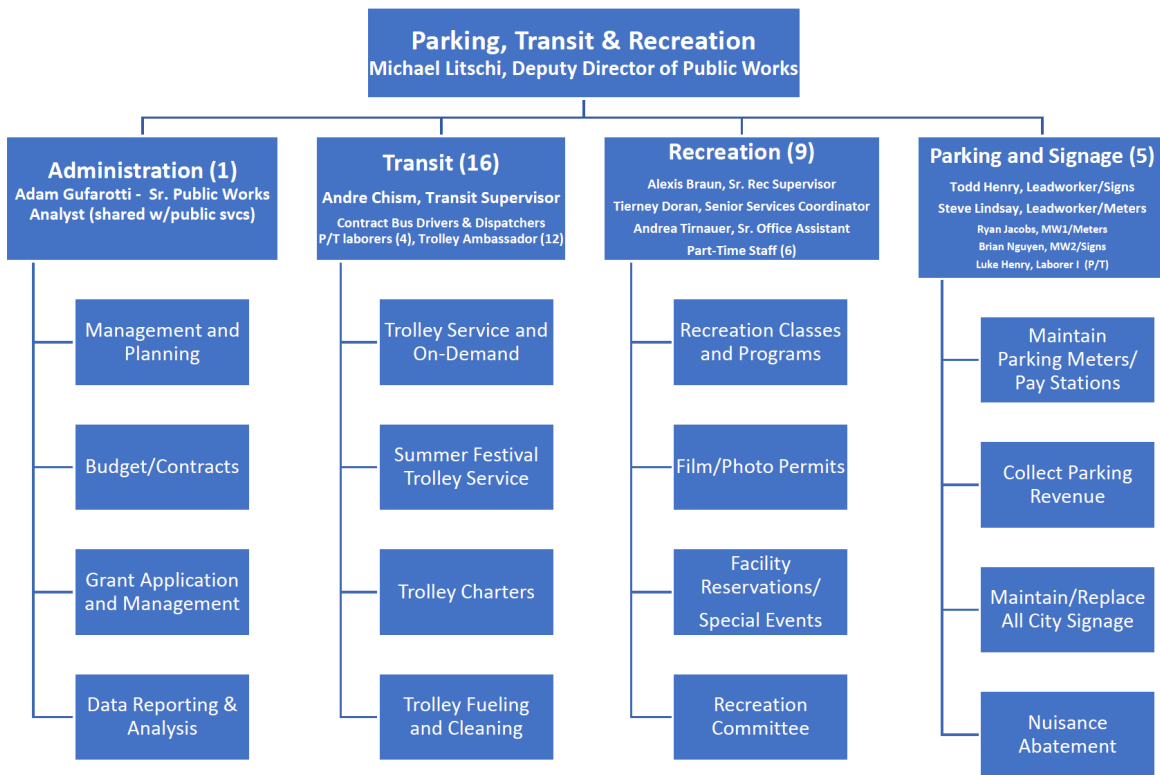


LBMTL Organizational Structure

LBMTL operates as a function of the City of Laguna Beach Department of Public Works within the Transit and Parking Division. During most of the audit period, the City directly operated its fixed route services and recruited seasonal employees to operate peak summer festival services. When its service resumed in the final weeks of FY 2021, LBMTL implemented a purchased service contract with a private vendor to supply drivers and dispatchers year-round. The organizational structure, as service resumed in June 2021 is shown in the following Exhibit 7:

Exhibit 7

PUBLIC WORKS DEPARTMENT / PARKING, TRANSIT AND RECREATION Organizational Chart

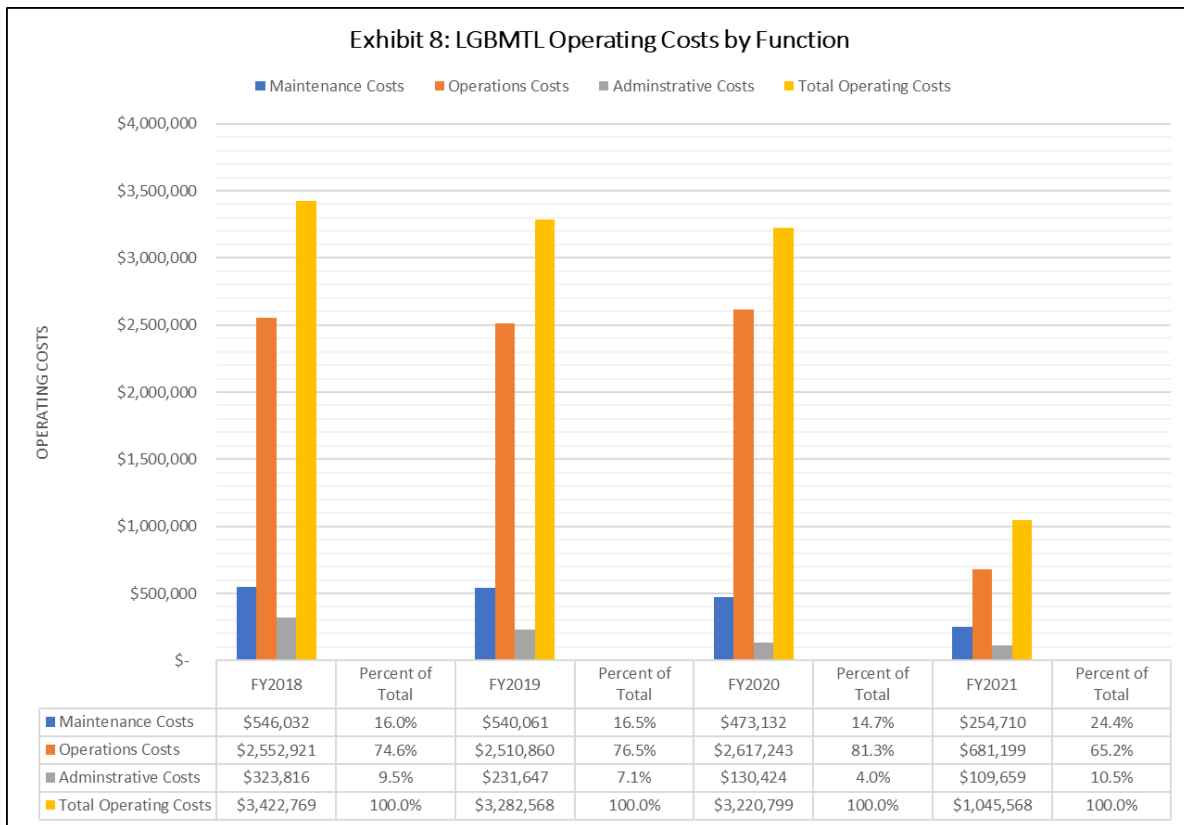


In addition to the examination of data collection and reporting practices, a review of operating costs by division provided insights on performance trends within each functional area.



Exhibit 8 is a representation of LBMTL’s operating costs aggregated to each of its core functions. It shows that during the audit period, Operations Division costs increased from 76.5% of total costs in FY 2019 to 83.3% of total costs in FY 2020.

Maintenance costs, as a percentage of total operating costs decreased in FY 2020 over the previous year. Administrative costs also decreased as a percentage of total operating costs during the audit period.



OPERATIONS

As referenced in Section 5, LBMTL operational performance over the audit period continued to be challenged with declining ridership in FY 2019, prior to the pandemic.

During the audit period, operations addressed the following key issues:

- Installation and factory acceptance of its CAD/ AVL system.



- Design of its on-demand micro transit system to replace fixed-route neighborhood trolley service.

See Exhibit 9 for specific performance metrics associated with system-wide operations.

Exhibit 9: Laguna Beach Transit Operations Performance							
Performance Measure	Pre - pandemic			Post - pandemic			
	Base Year FY18	FY19	Percent Change FY18 - 19	FY20	Percent Change FY19 - 20	FY21	Percent Change FY20 - 21
Key Base Measures							
Operations Costs	\$ 2,552,921	\$ 2,510,860	-1.65%	\$ 2,617,243	4.24%	\$ 681,199	-73.97%
Vehicle Service Hours	41,320	43,008	4.09%	32,475	-24.49%	1,093	-96.63%
Unlinked Passengers	841,985	820,829	-2.51%	639,141	-22.13%	12,921	-97.98%
Fare Revenue	\$ 29,914	\$ 26,777	-10.49%	\$ 4,800	-82.07%	\$ 1,626	-66.13%
Efficiency Measures							
Operations Cost per VSH	\$ 61.78	\$ 58.38	-5.508%	\$ 80.59	38.05%	\$ 623.24	673.32%
Passengers per Hour	\$ 20.38	\$ 19.09	-6.339%	\$ 19.68	3.12%	\$ 11.82	-39.93%
Fare per Passenger	\$ 0.04	\$ 0.03	-8.180%	\$ 0.01	-76.98%	\$ 0.13	1575.64%
CPI -- All Index	2.25%	2.25%		2.28%		2.30%	

MAINTENANCE

The LBMTL maintenance function addressed the following issues during the audit period:

- Maintenance of idled vehicles and parking facilities shared with OCTA, which continued operation while LBMTL's service was suspended.

Exhibit 10 provides a detailed reporting of maintenance performance indicators by fiscal year during the audit period:

Exhibit 10: Laguna Beach Transit Maintenance Performance							
Performance Measure	Pre - pandemic			Post - pandemic			
	Base Year FY18	FY19	Percent Change FY18 - 19	FY20	Percent Change FY19 - 20	FY21	Percent Change FY20 - 21
Key Base Measures							
Maintenance Costs	\$ 546,032	540,061	-1.09%	473,132	-12.39%	254,710	-46.17%
Vehicle Service Miles	355,543	365,581	2.82%	282,290	-22.78%	8,091	-97.13%
Peak Vehicles	23	23	0.00%	23	0.00%	18	-21.74%
Active Vehicles	28	27	-3.57%	25	-7.41%	25	0.00%
Mechanical Failures	199	156	-21.61%	82	-47.44%	4	-95.12%
Efficiency Measures							
Maintenance Cost per VSM	\$ 1.54	\$ 1.48	-3.81%	\$ 1.68	13.46%	\$ 31.48	1778.27%
Miles Between Road Calls	1,786.65	2,343.47	31.17%	3,442.56	46.90%	2,022.75	-41.24%
Spare Ratio	17.86%	14.81%	-17.04%	8.00%	-46.00%	28.00%	250.00%
CPI -- All Index	2.25%	2.25%		2.28%		2.30%	



ADMINISTRATION

The LBMTL administrative function addressed the following issues during the audit period:

- Maintaining a safe work environment for employees, in compliance with CDC requirements, during the pandemic.

Exhibit 11 highlights key performance indicators:

Exhibit 11: Laguna Beach Transit Administrative Performance							
Performance Measure	Pre - pandemic			Post - pandemic			
	Base Year FY18	FY19	Percent Change FY18 - 19	FY20	Percent Change FY19 - 20	FY21	Percent Change FY20 - 21
Key Base Measures							
Administrative Costs	\$ 323,816	\$ 231,647	-28.46%	\$ 130,424	-43.70%	\$ 109,659	-15.92%
Vehicle Service Hours	41,320	43,008	4.09%	32,475	-24.49%	1,093	-96.63%
Vehicle Service Miles	355,543	365,581	2.82%	282,290	-22.78%	8,091	-97.13%
Peak Vehicles	23	23	0.00%	23	0.00%	18	-21.74%
Efficiency Measures							
Admin. Cost per VSH	\$ 7.84	\$ 5.39	-31.27%	\$ 4.02	-25.44%	\$ 100.33	2398.13%
Admin. Cost per VSM	\$ 0.91	\$ 0.63	-30.43%	\$ 0.46	-27.08%	\$ 13.55	2833.46%
Admin. Cost per Peak Vehicle	\$ 14,078.96	\$ 10,071.61	-28.46%	\$ 5,670.61	-43.70%	\$ 6,092.17	7.43%
CPI -- All Index	2.25%	2.25%		2.28%		2.30%	



7. Conclusions, Recommendations and Management Responses

LBMTL met compliance requirements with respect to PUC 99246, by submitting timely submittals of regional, state and federal compliance reports and evaluating its transit operation pursuant to TDA - mandated performance indicators. The agency, however, was inconsistent in its reporting of key financial and operating statistics to regional, state and federal compliance agencies.

The following are findings and recommendations intended to improve transit services, compliance with requirements, and the consistency of performance indicator reporting and their use in evaluating LBMTL service.

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

Developing strategic goals for a transit system is a basic and standard management practice for transit systems. Without such a system of strategic goals it is not clear what is planned to be improved for the system, or what progress is being made. LBMTL approach to goals setting has been more short term rather than having a longer term strategic approach. A plan need not be prepared annually, but LBMTL should agree on an established time interval to produce the document (i.e., every 3 – 5 years), which will then be reviewed by OCTA.

Recommendation 1: LBMTL should develop a consolidated service program which incorporates goals, objectives, proposed service and related financial plans, supported by market research and public input, to facilitate cooperative, performance and funding arrangements, for review by OCTA.

Management Response 1: The City of Laguna Beach currently prepares an annual Parking Management Plan (PMP) update that is submitted to the City Council for review and approval each Spring. The PMP includes an update on performance of the City's parking and transit programs for the previous summer season, as well as recommended strategies for the upcoming year. In addition, the City prepares quarterly performance



reports for its two Project V-funded trolley services, the Summer Breeze and the Off-Season Weekend Coastal, which are submitted to OCTA for review and approval. During the audit period, staff also submitted a number of other reports to City Council regarding the performance of neighborhood and off-season trolley service, which resulted in the approval of modified service plans for these routes, including the introduction of an on-demand microtransit service to replace underperforming fixed-route neighborhood trolley service. The City's trolley service was suspended in March 2020 due to the COVID-19 pandemic, which complicated service planning efforts and goal setting. During the coming year, the City will monitor transit ridership as demand stabilizes and will establish a set of new, post-pandemic performance goals for its transit services, which will be provided to OCTA for review. In addition, over the next 12 to 18 months, the City will work to complete a short-range transit plan that outlines proposed transit services, performance measures and financial plans, as well as a public outreach component.

Finding 2: LBMTL does not have a methodology for allocating operating costs across LBMTL service types.

LBMTL reports its fixed route transit system performance to OCTA by the type of service it provides throughout the year: summer festival service; off-season trolley service; and charter service. These services are reported to state and federal reporting agencies aggregated as a single fixed route mode. In comparing the aggregated costs of these three service types (See Exhibits 6A & 6B) to total fixed route operating costs reported on State Controller and NTD reports (See Exhibit 3), significant variances existed. Operating costs are a key indicator in evaluating operator performance under TDA regulations, and should be calculated for each service type as defined in PUC 99247. In the absence of a complete allocation of costs, the performance of each service type cannot be reliably evaluated.

Recommendation 2: LBMTL should develop a methodology for allocating operating costs across LBMTL service types, so that when aggregated, total operating costs reflect operating costs reported in other compliance reports.



Management Response 2: The City’s finance and accounting system segregates direct operating costs for the City’s various transit services into multiple accounts, including summer festival transit service, neighborhood transit service, off-season weekend transit service and charter service. The City also has separate accounts for overall transit administration and transit maintenance. City Public Works staff will work with Finance staff to develop a cost allocation methodology that assigns a proportionate share of administration and maintenance costs to each service type based on Revenue Vehicle Miles or other appropriate statistic. Due to the inconsistent reporting guidelines between state and federal agencies, variances in the figures reported to each agency will continue to exist; however, the City will ensure that appropriate backup is prepared showing the methodology used to prepare the data submitted to each reporting agency so that it can be tied to the City’s audited transit operating and maintenance costs.

Finding 3: LBMTL charter fees do not fully cover the cost of charter services provided.

The review of performance indicators related to LBMTL charter service present a farebox recovery ratio of 10.18% in FY 2020 and 88.75% in FY 2019. Revenues generated from LBMTL’s charter operation do not cover the cost of operating charter services resulting in a public subsidy of these services. PUC 99250 requires Charter bus services not incur an operating cost deficit.

Recommendation 3: LBMTL charter fees should be structured to eliminate public subsidy of charter operations.

Management Response 3: The City’s trolley charter program was suspended in March 2020 due to the COVID-19 pandemic. Before it resumed in October 2021, City staff took an item to City Council to revise the charter program guidelines and rates to ensure the program is in full compliance with all provisions of PUC § 99250. These changes were approved, and charter fees are now structured to ensure there is no public subsidy of charter operations.



Finding 4: LBMTL performance measures do not include the assignment of auxiliary and local subsidy to facilitate the calculation of farebox recovery ratios in accordance with SB 508.

State TDA law allows local funds to be included in the calculation of farebox recovery ratios, when fare revenues are insufficient to meet applicable farebox recovery standards, and specifies revenue account classes that are eligible to be included in the calculation. SB 508, enacted in 2015 broadened the definition of local funds to include “any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.”

LBMTL currently complies with the 50 percent expenditure limit provision of TDA statute, in lieu of meeting the 20 percent farebox recovery ratio; however, TDA law requires the annual calculation of this indicator. Local revenues are eligible for inclusion in this calculation pursuant to PUC 99268.19. The inclusion of local funds in LBMTL’s farebox recovery ratio calculation would reflect a more favorable representation of farebox recovery in LBMTL’s performance measurements reporting.

Recommendation 4: LBMTL should consider the assignment of auxiliary and local subsidy to facilitate the calculation of farebox recovery ratios in accordance with SB 508.

Management Response 4: The City currently complies with the 50 percent expenditure limit provision of the TDA statute in lieu of meeting a 20 percent farebox recovery ratio. However, City staff will work with OCTA to evaluate the potential benefits of including auxiliary and local funding in the calculation of farebox recovery ratios in accordance with SB 508.

Finding 5: LBMTL’s performance measures reporting of employee full-time equivalents (FTEs) to OCTA is incomplete.

Performance measure reporting standards require that FTE employees be fully reported, including FTE employees provided under purchased transportation contracts. LBMTL



should ensure that FTEs are accurately reported using a basis of 2,000 hours per FTE. This is particularly important as LBMTL privatizes more of its operations.

Recommendation 5: LBMTL should obtain accurate information on FTE employees provided by its contractor and include that in its reporting to OCTA.

Management Response 5: City staff will continue to ensure that information on FTEs is correctly tracked and reported for both in-house and contracted transit staff, using a basis of 2,000 hours per FTE.

Finding 6: The three years of information presented in LBMTL’s performance measures reports do not distinguish between audited and estimated data.

LBMTL’s performance measures reports are submitted to OCTA as part of its annual TDA/ STA claims process. The reports are required to contain a year of the most recently audited data and two years of projected performance indicators. Because of the inherent two year lag in obtaining audited performance data, the performance reports can be subject to confusion if the reports become detached from the claims package, unless each year of data is noted as being audited or projected.

Recommendation 6: TDA performance reports should clearly identify and distinguish between audited and estimated data.

Management Response 6: City staff will work with OCTA to update the format of the performance measures report included in the annual TDA claim. This will include ensuring that the performance measures clearly distinguish between audited and estimated data.