



Final Audit Report
April 2016

Orange County Transportation Authority

Triennial Performance Audit, FY 2013 - FY 2015

City of Laguna Beach



MA and ASSOCIATES
Certified Public Accountants





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Chapter 1

Executive Summary

The Triennial Performance Audit (TPA) of the City of Laguna Beach’s public transit program covers the three-year period ending June 30, 2015. The California Public Utilities Code requires all recipients of Transportation Development Act (TDA) funding to complete an independent performance audit on a three-year cycle in order to maintain funding eligibility.

The City of Laguna Beach (City), through its Laguna Beach Municipal Transit Lines (LBMTL) program, provides intra-community transportation within Laguna Beach, including fixed-route (Mainline) service, a Summer Festival Trolley Service, and an off-season weekend trolley service. The Mainline Service consists of three fixed routes operating six days a week, year round. There is no Mainline Service on Sunday. The Gray Route services the Top of the World Elementary School, Laguna Canyon, and North Laguna. The Blue route serves Arch Beach Heights and Bluebird Canyon. The Red route serves downtown to the Ritz Carlton in Dana Point and back along Pacific Coast Highway.

The Summer Festival Trolley Service is a free three-route service designed to accommodate residents and visitors who primarily come to Laguna Beach for the Pageant of the Masters, local art festivals and other day excursions during the ten-week summer season.

In March 2015, the City began offering off-season weekend trolley service. The route includes a loop along Pacific Coast Highway extending from the Mission Hospital parking area in South Laguna to Cajon Street in North Laguna. During peak times, up to six trolleys are in service. The program is funded primarily by the OCTA Measure M Project V grant program, which also funded the purchase of three new trolleys.

In September 2015, the Orange County Transportation Authority (OCTA) selected the independent consultant team of Ma and Associates/Moore & Associates, Inc. (“Audit Team”) to prepare Triennial Performance Audits of three entities: itself as the RTPE, its transit division (the Orange County Transit District) and the Laguna Beach Municipal Transit Lines. Ma and Associates is a Certified Public Accounting firm; Moore & Associates is a general consulting firm specializing in public transportation. Selection of the consultant team followed a competitive procurement process.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit of the City’s public transit program for the period defined as:

- Fiscal Year 2012/13,
- Fiscal Year 2013/14, and
- Fiscal Year 2014/15.

The purpose of this performance audit is to objectively evaluate the efficiency, economy, and effectiveness of Laguna Beach’s public transit program. This performance audit was conducted in accordance with the standards and processes applicable to performance audits outlined in the *Government Auditing Standards*, issued by the Comptroller General of the United States and with the



guidance contained in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, published by the California Department of Transportation (Caltrans). Our services were performed in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA). The findings and results of this performance audit and related recommendations and comments are contained within this report. We greatly appreciate the time and cooperation from management and staff during the performance audit.

The Triennial Performance Audit includes five elements:

- Compliance requirements,
- Follow-up of prior report recommendations,
- Analysis of program data reporting,
- Performance audit, and
- Functional audit.

Test of Compliance

With one exception, the City of Laguna Beach met the test of compliance with respect to Transportation Development Act (TDA) regulations.

1. The City failed to report FTE properly to the State Controller in FY 2014/15, using person-count in lieu of full-time equivalent.

Status of Prior Recommendations

The prior audit – completed in 2013 by CH2M Hill in association with PMC for the three fiscal years ending June 30, 2012 – included five functional recommendations:

1. Monitor system performance against performance benchmarks developed for the transit system as part of the update to the Short Range Transit Plan.
Status: Implemented.
2. Properly report FTEs in State Controller's Report in compliance with state statute.
Status: Not implemented.
3. Assess alternative cost-allocation methods for the Mainline and Summer Festival service modes.
Status: Implemented.
4. Adopt formalized on-time performance monitoring procedures.
Status: Implemented.
5. Enhance the delivery and quality of supplemental local demand-response and taxi services.
Status: Not implemented.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team submits one compliance finding for the City of Laguna Beach.

1. The City failed to report FTE properly to the State Controller in FY 2014/15, using person-count in lieu of full-time equivalent.



However, the audit team set forth two functional findings. While these are not compliance findings, we felt they were significant enough to warrant specific recommendations for their implementation.

1. Data is not reported consistently to the NTD and State Controller, or on local reports such as the annual budgets, audited financial reports, and monthly performance summaries.
2. The Mainline Service, while the only fare-generating service, has the lowest ridership of any of the City’s transit services.

Exhibit 1.1 Summary of Audit Recommendations

Compliance Recommendations		Importance	Timeline
1	Develop procedures to ensure consistent and accurate reporting of FTE using the TDA definition.	High	FY 2015/16
Functional Recommendations		Importance	Timeline
1	Steps should be taken to ensure data is reported consistently on the NTD and State Controller reports, and in a manner that can be compared with budget reports and audited financial reports.	High	FY 2015/16
2	The Mainline Service should be reviewed and potentially restructured in order to better serve the community while also increasing operational efficiency.	Medium	FY 2015/16

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Chapter 2

Performance Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Laguna Beach’s public transit program covers the three-year period ending June 30, 2015. The California Public Utilities Code requires all recipients of Transit Development Act (TDA) funding to complete an independent performance audit on a three-year cycle in order to maintain funding eligibility.

In September 2015, the Orange County Transportation Authority selected the independent consultant team of Ma and Associates/Moore & Associates, Inc. (“Audit Team”) to prepare a TPA of the City of Laguna Beach, to which it allocates TDA funding.

The TPA is designed to be an independent and objective evaluation of the City of Laguna Beach as a public transit operator. Direct benefits of a TPA include providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, TPA fulfills the requirement of PUC 99246(a) that the RTPA designate an independent entity other than itself to conduct a performance audit of the activities of each operator to whom it allocates funds.

The audit was also conducted in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

Objectives

The Triennial Performance Audit has four primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Evaluate the efficiency and effectiveness of the transit operator; and
4. Provide sound, constructive recommendations for improving the efficiency and functionality of the transit operator.

Scope

The TPA is a systematic examination of performance evaluating the efficiency, economy, and effectiveness of the transit operator. The audit of the City of Laguna Beach’s transit program included six tasks:

1. A review of compliance with TDA requirements and regulations.
2. An assessment of the implementation of recommendations contained in prior Performance Audits.
3. A verification of the methodology for calculating performance indicators including the following activities:
 - Assessment of internal controls,



- Test of data collection methods,
 - Calculation of performance indicators, and
 - Evaluation of performance.
4. Comparison of data reporting practices:
 - National Transit Database, and
 - Transit Operator Reports.
 5. Examination of the following functions:
 - General management and organization,
 - Service planning,
 - Scheduling, dispatching, and operations,
 - Personnel management and training,
 - Administration,
 - Marketing and public information, and
 - Fleet maintenance.
 6. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the review of the transit operator's major functions.

Methodology

The methodology for the Triennial Performance Audit of the City of Laguna Beach included extensive review of documents relevant to the scope of the TPA, as well as information contained on the City's website (www.lagunabeachcity.net). The documents reviewed included the following (spanning the full three-year period):

- Triennial Performance Audit report for the prior audit period;
- Monthly performance reports;
- State Controller reports;
- Annual budgets;
- Comprehensive Annual Financial Reports (CAFRs);
- Transit marketing collateral;
- Fleet inventory;
- Preventive maintenance schedules and forms;
- California Highway Patrol Terminal Inspection reports;
- National Transit Database reports;
- Accident/road call logs;
- Customer complaint logs;
- Short Range Transportation Plan; and
- Organizational chart.

The methodology for this audit included a site visit to the City's Maintenance Facility located at 1900 Laguna Canyon Rd. on November 10, 2015. Interviews were conducted with City staff responsible for the management and oversight of the transit program, including Tom Toman (Deputy Director of Community Services and Parking), Scott Manchan (Transit Supervisor), and Michael Thomas (Parking Supervisor). The audit team also reviewed materials germane to the TPA and toured the City's maintenance facility located at 1900 Laguna Canyon Rd.



A draft report was provided to the City for review and comment on February 11, 2016, at which time the operator was given the opportunity to address and comment on any issues. Discussions and/or details arising from that review were subsequently incorporated into this report, up to and including the elimination or revision of some recommendations based upon this discussion. Management responses to initial findings and recommendations are included in Section 8 of this report.

This report is comprised of eight chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the audit and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
 - Compliance with statutory and regulatory requirements,
 - Progress in implementing prior recommendations,
 - Consistency between data reported to different agencies,
 - Performance measures and trends,
 - Functional review, and
 - Findings and recommendations.

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Chapter 3

Program Compliance

This section examines the City of Laguna Beach's compliance with the Transportation Development Act as well as relevant sections of the California Code of Regulations. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. The Orange County Transportation Authority (OCTA) considers full use of funds under California Code of Regulations (CCR) 6754(a) as referring to operating funds but not capital funds. The TPA findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with City staff as well as a physical inspection of relevant documents including fiscal audits for each year of the triennium, State Controller annual filings, California Highway Patrol terminal inspections, year-end performance reports, and other compliance-related documentation.

With one exception, the City of Laguna Beach met the test of compliance with respect to Transportation Development Act (TDA) regulations.

1. The City failed to report FTE properly to the State Controller in FY 2014/15, using person-count in lieu of full-time equivalent.



Exhibit 3.1 Transit Development Act Compliance Requirements

REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
Uniform System of Accounts and Records: The transit operator submits annual reports to the RTPA based upon the Uniform System of Accounts and records established by the State Controller.	PUC 99243	In compliance	FY 2012/13: October 2, 2013 FY 2013/14: October 15, 2014 FY 2014/15: October 19, 2015
Annual Fiscal Audit: The operator has submitted annual fiscal and compliance audits to its RTPA and to the State Controller within 180 days following the end of the fiscal year, or has received the appropriate 90-day extension allowed by law.	PUC 99245	In compliance	FY 2012/13: December 18, 2013 FY 2013/14: December 29, 2014 FY 2014/15: December 23, 2015
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 §1808.1 following a CHP inspection of the operator's terminal.	PUC 99251 B	In compliance	CHP reports with a satisfactory rating dated: October 29, 2012 October 8, 2013 October 8, 2014
Transportation Planning Agency Regulations: The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	PUC 99261	In compliance	
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).	PUC 99266	In compliance	
Data Reporting: The operator's definitions of performance measures are consistent with the Public Utilities Code 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 miles, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.	PUC 99247	Finding.	The FTE reported on the FY 2014/15 State Controller's Report reflected person-count, rather than the TDA-specific calculation methodology.

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REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
50 Percent Expenditure Limitation: Funding provided through the TDA makes up no more than 50 percent of the operator’s operating, maintenance, capital, and debt service requirements after federal grants are deducted.	PUC 99268	In compliance	
Revenue Ratios: If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent).	PUC 99268.2, 99268.4, 99268.5	Not applicable	The City qualified for funding without meeting the mandated farebox requirements under the 50 percent expenditure limitation provision.
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 a plan approved by the RTPA, which will fully fund the retirement system for 40 years.	PUC 99271	In compliance	The retirement system for eligible transit employees is part of the City’s retirement program.
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.	CCR 6754 (a) (3)	Not applicable	The City does not receive direct state or federal funding, but receives equivalent local funding from OCTA in lieu of direct STAF and FTA grants.

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Chapter 4

Prior Recommendations

This section reviews and evaluates the implementation of prior TPA recommendations. This objective assessment provides assurance the City of Laguna Beach has made quantifiable progress toward improving both the efficiency and effectiveness of its public transit program.

The prior performance audit – completed in 2013 by CH2MHill in association with PMC for the three fiscal years ending June 30, 2012 – included five functional recommendations.

1. **Monitor system performance against performance benchmarks developed for the transit system as part of the update to the Short Range Transit Plan.**

Discussion: This recommendation was carried over from the previous performance audit, which recommended the City develop transit system performance benchmarks against which to measure its productivity. At the time of the prior TPA, there were no established performance standards against which transit service could be measured. The City subsequently retained a consultant to develop performance benchmarks for its Summer Festival service.

The performance audit recommended the City develop a methodology to create specific performance benchmarks against which actual data could be compared on a regular basis. The 2015/2016 update of the Short Range Transit Plan should suggest initial benchmark indicators such as operating cost per service hour, cost per passenger, and passengers per hour. One recommended method for establishing initial benchmarks is to calculate a three-year average for each indicator and then update the benchmarks annually using the most recent three-year average. Also, it was recommended the City develop separate benchmarks for Mainline and Summer Festival Shuttle services because those services and ridership markers are distinct.

Progress: The City has begun collecting standardized performance data. The data is being used and evaluated to compare current year performance traits against prior years for Mainline, Festival, Charter, and Off-season Weekend service.

Status: Implemented.



2. Properly report FTEs in State Controller’s Report in compliance with state statute.

Discussion: This recommendation was carried over from the previous performance audit. The PUC defines full-time equivalent (FTE) annual work hours divided by 2,000. The City was reporting annual FTEs in the State Controller’s Report using headcounts for both part-time and full-time employees connected with the transit system.

It was recommended the City use the pay hours reported in the National Transit Database and divide those hours by 2,000 to arrive at the correct FTE count for the State Controller’s Report. The City’s State Controller’s Reports for the audit period still showed the actual number of employees instead of the calculated FTE count. Alternatively, the FTE count was shown correctly on the TDA Claim forms; the same FTEs were recommended to be reported for the State Controller Report.

Progress: Transit administrative staff stated they now use the hours reported in the National Transit Database and divides those by 2,000 to arrive at the correct FTEs in the State Controller’s Report and demonstrated same through appropriate documentation. This data was reported correctly during FY 2012/13 and FY 2013/14. However, the most recent State Controller Report erroneously reports person-count rather than calculated FTE. Given this is a long-standing issue, this recommendation is being carried forward into this performance audit.

Status: Not implemented.

3. Assess alternative cost-allocation methods for the Mainline and Summer Festivals service modes.

Discussion: The City allocated costs on its budget trial balance spreadsheet for all service moves. The City utilized a cost allocation formula in which 69 percent of administrative and maintenance costs were attributed to the Mainline service of 31 percent of costs by service, which may not have been reflective of the current costs to provide either transit administration or maintenance. As vehicles age or are replaced, the cost to maintain the fleet will vary substantially for each service. While the auditor agrees that all costs should be allocated by service to enable better analysis of performance trends, it was the existing method of allocation maintenance and administration costs that was questioned.

Maintenance costs are driven primarily by the total number of miles driven by each vehicle, including both revenue service and deadhead. The auditor suggested a simplified allocation method of dividing the annual total maintenance costs by the proportion of vehicle miles driven annually by the two services. If the mileage of one service increases or decreases, the allocation proportion would also increase or decrease. Under this method (using FY 12 mileage information), Mainline service would be allocated about 53 percent of maintenance costs and the Summer Festival service about 47 percent of maintenance costs. Since the Mainline service uses traditional bus transit vehicles and the Festival services uses trolley buses, and the services do not share vehicles, this method would provide an equitable method for allocating maintenance costs based on vehicle usage.



Progress: The City is currently analyzing the percentage of maintenance costs attributable to each service by comparing mileage driven and fleet age. The City will also determine the percentage of administrative costs by comparing revenue service hours for each service. With the recent reorganizations of Public Works and Community Services, the addition of the Off-season Weekend Trolley Division and the approval of the two year budget for FY 2015/2016 and 2016/2017, staff will continue to strategically evaluate maintenance costs.

Status: Implemented

4. Adopt formalized on-time performance monitoring procedures.

Discussion: At the time of the prior TPA, the City utilized several methods to monitor on-time performance. On-time performance was primarily tracked on trip sheets. Drivers also briefed supervisors on road conditions during their runs (motorized and pedestrian traffic congestion along the routes, particularly during the Summer Festival, can sometimes result in delays). In light of these road conditions, supervisors conducted shadow runs and followed the buses to ensure that buses were running on schedule. Stewards on the Canyon Route also assisted in monitoring on-time performance.

The auditor recommended the City work toward standardizing its on-time performance monitoring procedures by utilizing technologies such as GPS that were already provided on the vehicles. Drivers could still call-in at certain time points during their runs to verify their locations. GPS could be used in concert with other traffic monitoring technologies in place to re-route buses around bottlenecks to maintain schedule adherence.

Progress: The City is utilizing GPS to assist in tracking on-time arrival for Mainline service. Eighteen GPS units were purchased for Festival Service, and staff is using the units for off-season weekend service. Trip sheets will continue to be used to track Festival Services and will be supported by GPS, and separately, transit dispatch is logging all on-time performance. Staff is also working with its GPS vendor to produce detailed reports specific to on-time performance monitoring.

Status: Implemented.

5. Enhance the delivery and quality of supplemental local demand-response and taxi service.

Discussion: As a supplement to City service, local specialized demand-response services were provided by a local non-profit, Sally's Fund, as well as the after-hours Taxi Plus program made available by the City to Laguna Beach residents. These long-standing programs provide benefits to local residents and are evaluated and modified by the City's Community Services Department to improve delivery to customers. These modifications include either new contract provisions for participating taxi cab companies or potential competitive bidding for the senior service.

It was recommended the City comply with the OCTA Measure M grant conditions for senior mobility and undertake a competitive procurement process for the local senior demand-response service. Doing so would benefit the City by providing an ADA-compliant vehicle while also seeking offers for improved operational efficiencies. As part of the contracting



process, the auditor recommended the City also consider including incentives and/or liquidated damages in the contract, to hold the contractor accountable to meet performance benchmarks stipulated in the contract. With regard to the Taxi Plus program, consideration should be given to issuing an RFP to procure a single or very limited number of taxi cab companies to partake in the program. This as well as specific contract terms and conditions would help improve service consistency for residents and allow the City to focus its contract administration and monitoring on the selected company. The one taxi company would also be able serve more passengers from the program and build potential greater efficiencies. The duration of the contract was suggested to be based on a set time period with optional extensions at the City's choosing.

Progress: The SRTP currently being prepared by the IBI Group will include an evaluation of the City's taxi voucher program. While it has not yet been finalized, this recommendation is considered to be in progress and is not being carried forward.

Status: Not implemented.



Chapter 5

Data Reporting Analysis

An important aspect of the TPA process is assessing how effectively and consistently the transit operator reports performance statistics to local, state, and federal agencies. Often as a condition of receipt of funding, an operator must collect, manage, and report data to different entities. Ensuring such data are consistent can be challenging given the differing definitions employed by different agencies as well as the varying reporting timeframes. This chapter examines the consistency of performance data reported by the City of Laguna Beach to the State Controller and Federal Transit Administration specific to the audit period. Submissions to these entities were included within the Transit Operators Financial Transactions Report (TOR) and the National Transit Database (NTD) report, respectively.

Exhibit 5.1 provides a comparison between performance data reported within the NTD and TOR reports for the prior performance audit period (beginning in FY 2009/10) through the current audit period (ending in FY 2014/15). Entries for FY 2009/10 through FY 2011/12 reflect data reported during the prior audit completed by CH2MHill/PMC.

Across the audit period, the City has been inconsistent in its reporting of key performance data to the two reporting entities. Details of the observed variances are provided below.

- **Operating Cost:** For each year of the TPA period, the operating cost reported to the State Controller and that reported to NTD were inconsistent. Variances between the two figures ranged from 13.6 percent in FY 2012/13 and 24.1 percent in FY 2013/14. While some variation in these figures is not unusual given the different reporting requirements for the NTD and State Controller, it is unusual for these figures to vary so greatly. The operating cost reported to the NTD and State Controller is also significantly lower than the operating cost reported in the City's CAFR.
- **Fare Revenue:** The fare revenue reported to each entity is somewhat inconsistent in FY 2012/13 and FY 2013/14, with variances of 3.1 percent and 10.2 percent, respectively. However, while the fare revenue reported to the State Controller in FY 2014/15 is reasonable given prior years' revenues (\$141,615), the fare revenue reported to the NTD (\$65,310) looks to be in error.
- **Vehicle Service Hours:** Vehicle Service Hours were generally consistent in FY 2012/13 and FY 2013/14. Data reported to the State Controller in FY 2014/15 (24,826) is in line with prior years' data. Data reported to the NTD in FY 2014/15 looks to be in error (19,395). It is also inconsistent with the reported Total Vehicle Hours reported to the NTD (30,422), which would result in 11,027 deadhead hours (more than one-third of total hours).
- **Passengers:** In FY 2012/13 and FY 2013/14, passenger totals saw a variance of 7.7 percent and 9.7 percent, respectively. However, in FY 2013/14, the error seems to be one of data entry, as the figures reported were 617,810 (State Controller) and 677,810 (NTD). It is likely the number was misread and entered incorrectly in the State Controller Report as the City's monthly performance reports support the 677,810 figure.



In FY 2014/15, the reported figures were grossly inconsistent. The NTD report cited 931,702 passengers, while the State Controller Report reported only 430,621. The NTD report is the more accurate of the two, so the State Controller Report again reflects an error.

- **Employees:** In FY 2014/15, the State Controller Report appears to reflect a person-count rather than the Full-Time Equivalent (FTE) calculation. In documentation provided to the audit team, the FTE calculation works out to 22.3 FTE. However, this figure does not agree with the employee work hour data submitted in the NTD report, which results in 13 FTE.

Exhibit 5.1 Data Reporting Consistency

Performance Measure	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Operating Cost (Actual \$)						
National Transit Database	\$1,965,748	\$2,135,173	\$2,001,986	\$1,794,271	\$2,375,175	\$1,796,775
State Controller Report	\$1,965,748	\$2,135,173	\$2,001,986	\$1,737,552	\$1,884,686	\$2,057,690
Fare Revenue (Actual \$)						
National Transit Database	\$292,312	\$299,692	\$289,164	\$179,839	\$166,731	\$65,310
State Controller Report	\$292,312	\$299,692	\$289,164	\$174,351	\$151,347	\$141,615
Vehicle Service Hours (VSH)						
National Transit Database	20,345	21,598	22,065	23,957	22,290	19,395
State Controller Report	20,345	21,598	22,065	24,474	22,290	24,826
Total Vehicle Hours						
National Transit Database	24,505	25,443	24,280	27,380	25,328	30,422
State Controller Report	24,505	25,443	24,280	-	-	-
Vehicle Service Miles (VSM)						
National Transit Database	188,664	202,671	209,436	233,463	216,812	243,284
State Controller Report	188,664	202,671	209,436	240,917	217,701	243,284
Total Vehicle Miles						
National Transit Database	212,370	232,245	217,679	248,006	244,642	262,679
State Controller Report	212,370	232,245	217,679	-	-	-
Passengers						
National Transit Database	595,209	572,780	666,482	707,826	677,810	931,702
State Controller Report	595,209	572,780	666,482	657,411	617,810	430,621
Employees						
National Transit Database	12	20	16	27	27	13
State Controller Report	12	20	16	16	16	125
Peak Vehicles						
National Transit Database	21	23	24	23	22	25
State Controller Report	21	23	24	23	23	25

Exhibit notes:

- Data for FY 2009/10 – FY 2011/12 was taken from the prior Triennial Performance Audit rather than State Controller and NTD reports.
- Fare revenue for FY 2012/13 – FY 2014/15 reflects only revenue collected onboard transit vehicles as reported to the two entities.



Chapter 6

Performance Analysis

Performance indicators are typically employed to quantify and assess the efficiency of a transit operator's activities. Such indicators provide insight into current operations as well as trend analysis of operator performance. Through a review of indicators, relative performance as well as possible inter-relationships between key functions is revealed.

The Transportation Development Act (TDA) requires recipients of TDA funding to track and report five performance indicators:

- Operating Cost/Passenger,
- Operating Cost/Vehicle Service Hour,
- Passengers/Vehicle Service Hour,
- Passengers/Vehicle Service Miles, and
- Vehicle Service Hours/Employee.

To assess the validity and use of performance indicators, the audit team performed the following activities:

- Assessed internal controls in place for the collection of performance-related information,
- Validated collection methods of key data,
- Calculated performance indicators, and
- Evaluated performance indicators.

The procedures used to calculate TDA-required performance measures for the current triennium were verified and compared with indicators included in similar reports to external entities (i.e., State Controller and Federal Transit Administration).

Operating Cost

The Transportation Development Act requires an operator to track and report transit-related costs reflective of the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. The most common method for ensuring this occurs is through a compliance audit report prepared by an independent auditor in accordance with California Code of Regulations Section 6667¹. The annual independent financial audit should confirm the use of the Uniform System of Accounts and Records. *Operating cost* – as defined by PUC Section 99247(a) – excludes the following:

¹ CCR Section 6667 outlines the minimum tasks which must be performed by an independent auditor in conducting the annual fiscal and compliance audit of the transit operator.



- Cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC Section 99243,
- Subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission,
- Direct costs of providing charter service, and
- Vehicle lease costs.

Vehicle Service Hours and Miles

Vehicle Service Hours (VSH) and *Miles (VSM)* are defined as the time/distance during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times/miles between the time or scheduled time of the first passenger pickup and the time or scheduled time of the last passenger drop-off during a period of the vehicle's continuous availability.² For example, demand-response service hours include those hours when a vehicle has dropped off a passenger and is traveling to pick up another passenger, but not those hours when the vehicle is unavailable for service due to driver breaks or lunch. For both demand-response and fixed-route services, service hours exclude hours of "deadhead" travel to the first scheduled pick-up, and will also exclude hours of "deadhead" travel from the last scheduled drop-off back to the terminal. For fixed-route service, a vehicle is considered to be in revenue service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (i.e., subtracting driver lunch and breaks but including scheduled layovers).

Passenger Counts

According to the Transportation Development Act, *total passengers* is equal to the total number of unlinked trips (i.e., those trips that are made by a passenger that involve a single boarding and departure), whether revenue-producing or not.

Employees

Employee hours is defined as the total number of hours (regular or overtime) which all employees have worked, and for which they have been paid a wage or salary. The hours must include transportation system-related hours worked by persons employed in connection with the system (whether or not the person is employed directly by the operator). Full-Time Equivalent (FTE) is calculated by dividing the number of person-hours by 2,000.

Fare Revenue

Fare revenue is defined by California Code of Regulations Section 6611.2 as revenue collected from the farebox plus sales of fare media.

TDA Required Indicators

To calculate the TDA indicators for the City of Laguna Beach, the following sources were employed:

- Operating Cost was not independently calculated as part of this TPA. Operating Cost data were obtained via Transit Operator Reports submitted to the State Controller for each fiscal year covered by this audit. Operating Cost from the audited reports is consistent with TDA

² A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.



- guidelines and accurately reflects the costs for the City's transit services. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and charter-related expenses.
- Fare Revenue was not independently calculated as part of this audit. Fare Revenue data were obtained via Transit Operators Financial Transaction Reports submitted to the State Controller for each fiscal year covered by this performance audit. Fare revenue from the reports is consistent with TDA guidelines.
 - Vehicle Service Hours (VSH) data were obtained via Transit Operators Financial Transaction Reports submitted to the State Controller for each fiscal year covered by this performance audit. Data from these reports were then compared to information included within the City's monthly performance data summary reports. The City calculates VSH using schedule hours reconciled with driver trip sheets. The City's calculation methodology is consistent with PUC guidelines.
 - Vehicle Service Miles (VSM) data were obtained via Transit Operators Financial Transaction Reports submitted to the State Controller for each fiscal year covered by this audit. Data from these reports were then compared to information included within the City's monthly performance data summary reports. The City calculates VSM by subtracting deadhead and out-of-service miles subtracted from total vehicle mileage (as noted on each vehicle's odometer). This methodology is consistent with PUC guidelines.
 - Unlinked trip data were obtained via Transit Operators Financial Transaction Reports submitted to the State Controller for each fiscal year covered by this audit. Data from these reports were then compared to information included within the City's monthly performance data summary reports. The City's calculation methodology is consistent with PUC guidelines.
 - Full-Time Equivalent (FTE) data were obtained via Transit Operators Financial Transaction Reports submitted to the State Controller for each fiscal year covered by this audit. Data from these reports was then compared to information included within the City's annual work hour statements as well as the data provided via NTD filings. The City's calculation methodology is consistent with PUC guidelines.

Performance Trends

Performance trends for the City of Laguna Beach's public transit program were analyzed for the three years covered by this Triennial Performance Audit. Indicators were calculated using the methodologies described in the previous section. While data from the Transit Operators Financial Transaction Reports (TOR) were primarily used to calculate these indicators, the variances observed in Chapter 5 (Data Reporting Analysis) should be taken into account when assessing these observations. Where noted, NTD data was used for certain performance metrics. Performance data for the individual services was taken from City-provided performance data.

Systemwide, Operating Cost has increased throughout the audit period. This is not surprising given the addition of the Weekend Service in FY 2014/15. Farebox revenue has decreased steadily, again not surprising given the Mainline Service is the only transit program that charges a fare, and ridership on that service is declining.

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Operating Cost/Passenger, Passengers/Vehicle Service Hour, and Passengers/Vehicle Service Mile have all improved across the audit period. Farebox recovery has declined, a direct result of the decrease in fare revenue and increased Operating Cost.

Exhibit 6.1 Performance Indicators

Performance Measure	System-Wide					
	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Operating Cost (Actual \$)	\$1,965,748	\$2,135,173	\$2,001,986	\$1,737,552	\$1,884,686	\$2,057,690
<i>Annual Change</i>		8.6%	-6.2%	-13.2%	8.5%	9.2%
Fare Revenue (Actual \$)	\$292,312	\$299,692	\$289,164	\$174,351	\$151,347	\$141,615
<i>Annual Change</i>		2.5%	-3.5%	-39.7%	-13.2%	-6.4%
Vehicle Service Hours (VSH)	20,345	21,598	22,065	24,474	22,290	24,826
<i>Annual Change</i>		6.2%	2.2%	10.9%	-8.9%	11.4%
Vehicle Service Miles (VSM)	188,664	202,671	209,436	240,917	217,701	243,284
<i>Annual Change</i>		7.4%	3.3%	15.0%	-9.6%	11.8%
Passengers	595,209	572,780	666,482	707,826	677,810	931,702
<i>Annual Change</i>		-3.8%	16.4%	6.2%	-4.2%	37.5%
Employees	12.0	20.0	16.0	16.0	16.0	22.3
<i>Annual Change</i>		66.7%	-20.0%	0.0%	0.0%	39.4%
Performance Indicators						
Operating Cost/VSH (Actual \$)	\$96.62	\$98.86	\$90.73	\$71.00	\$84.55	\$82.88
<i>Annual Change</i>		2.3%	-8.2%	-21.8%	19.1%	-2.0%
Operating Cost/Passenger (Actual \$)	\$3.30	\$3.73	\$3.00	\$2.45	\$2.78	\$2.21
<i>Annual Change</i>		12.9%	-19.4%	-18.3%	13.3%	-20.6%
Passengers/VSH	29.26	26.52	30.21	28.92	30.41	37.53
<i>Annual Change</i>		-9.4%	13.9%	-4.3%	5.1%	23.4%
Passengers/VSM	3.15	2.83	3.18	2.94	3.11	3.83
<i>Annual Change</i>		-10.4%	12.6%	-7.7%	6.0%	23.0%
Farebox Recovery	14.9%	14.0%	14.4%	10.0%	8.0%	6.9%
<i>Annual Change</i>		-5.6%	2.9%	-30.5%	-20.0%	-14.3%
Hours/Employee	1,695.4	1,079.9	1,379.1	1,529.6	1,393.1	1,113.3
<i>Annual Change</i>		-36.3%	27.7%	10.9%	-8.9%	-20.1%
TDA Non-Required Indicators						
Operating Cost/VSM	\$10.42	\$10.54	\$9.56	\$7.21	\$8.66	\$8.46
<i>Annual Change</i>		1.1%	-9.3%	-24.5%	20.0%	-2.3%
VSM/VSH	9.27	9.38	9.49	9.84	9.77	9.80
<i>Annual Change</i>		1.2%	1.2%	3.7%	-0.8%	0.3%
Fare/Passenger	\$0.49	\$0.52	\$0.43	\$0.25	\$0.22	\$0.15
<i>Annual Change</i>		6.5%	-17.1%	-43.2%	-9.3%	-31.9%

Sources: All information drawn from State Controller Reports except: FY 2014/15 fare revenue (NTD), Passengers (all years) (NTD), and FY 2014/15 Employees (City-provided documents).

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Exhibit 6.2 System Ridership

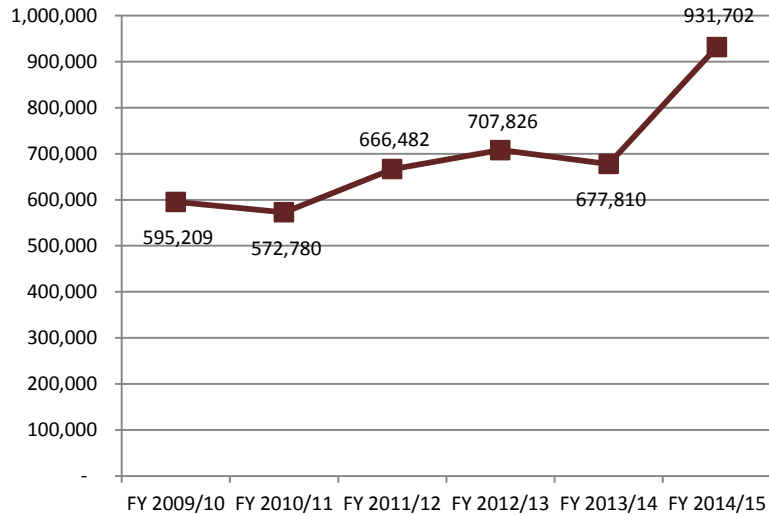


Exhibit 6.3 System Operating Cost/VSH

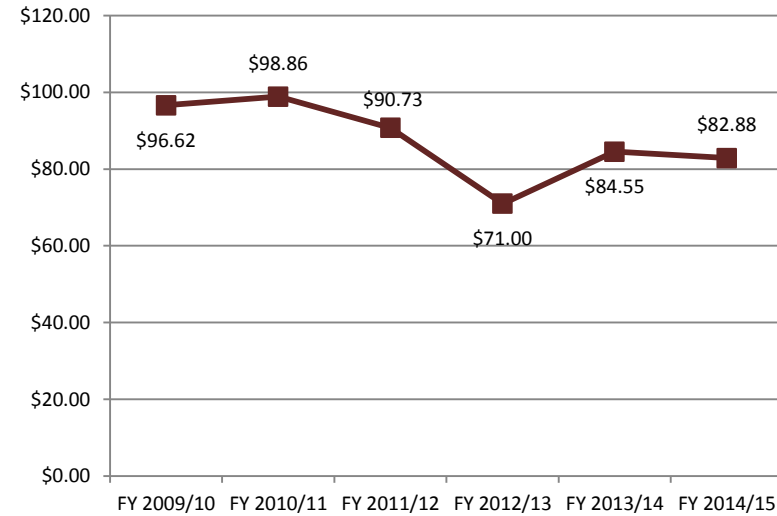


Exhibit 6.4 System Operating Cost/VSM

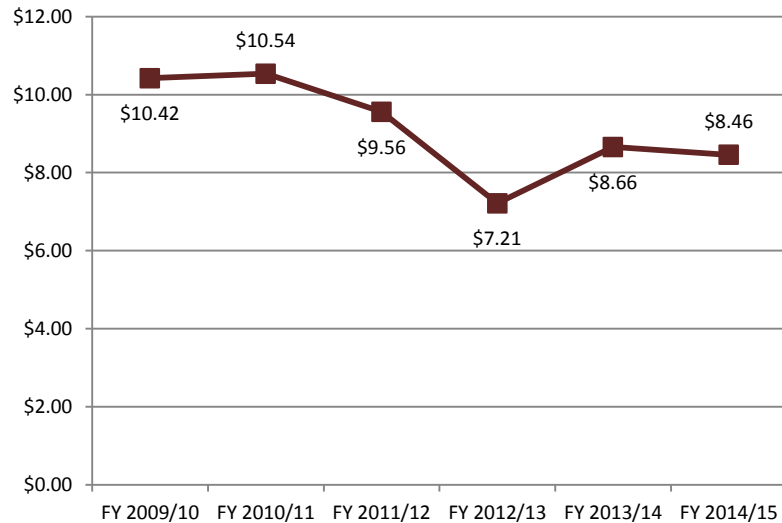
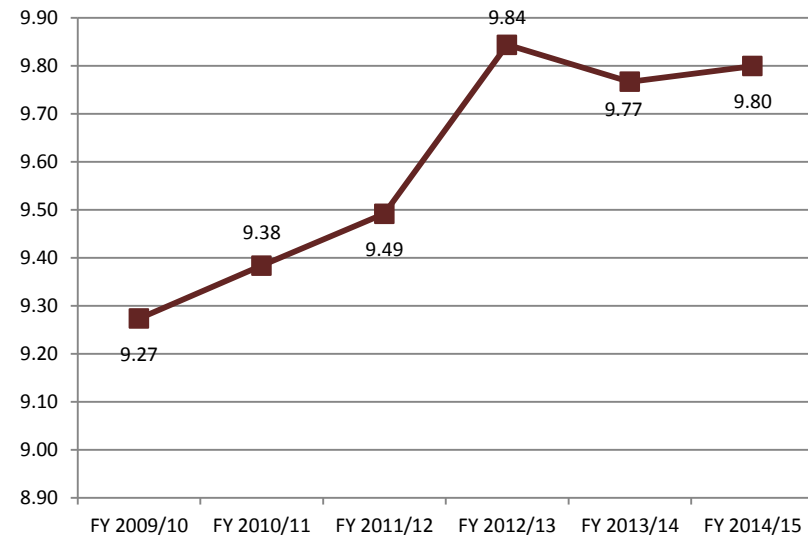


Exhibit 6.5 System VSM/VSH



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Exhibit 6.6 System Operating Cost/Passenger

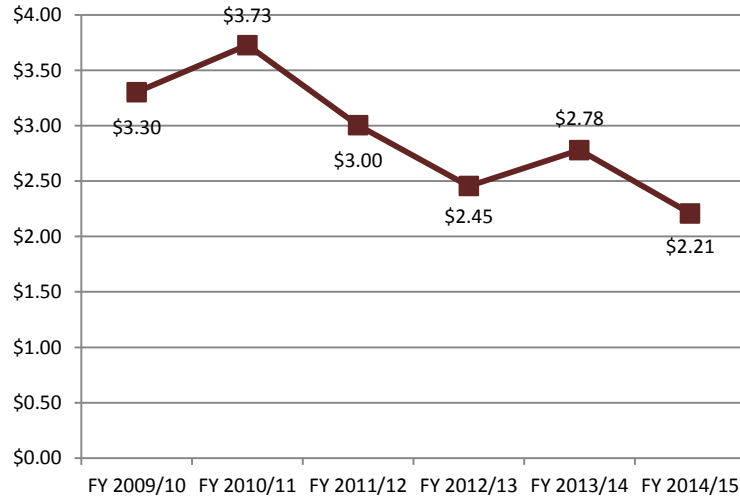


Exhibit 6.7 System Passengers/VSH

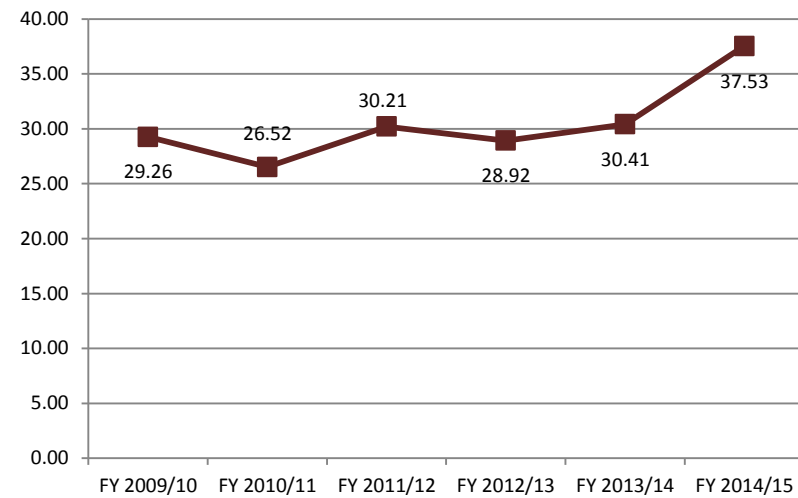


Exhibit 6.8 System Passengers/VSM

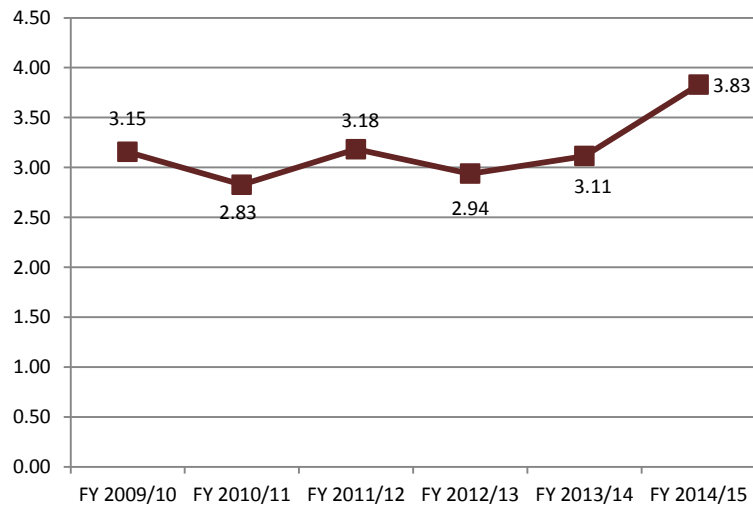


Exhibit 6.9 System VSH/FTE

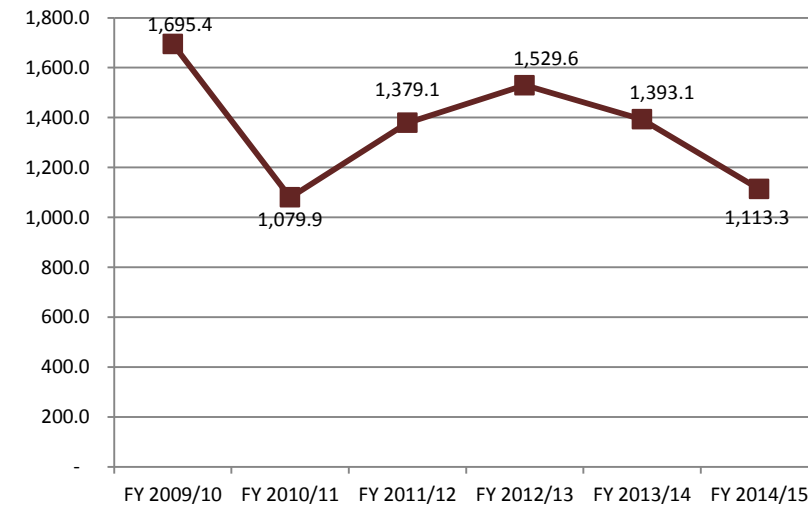




Exhibit 6.10 System Farebox Recovery

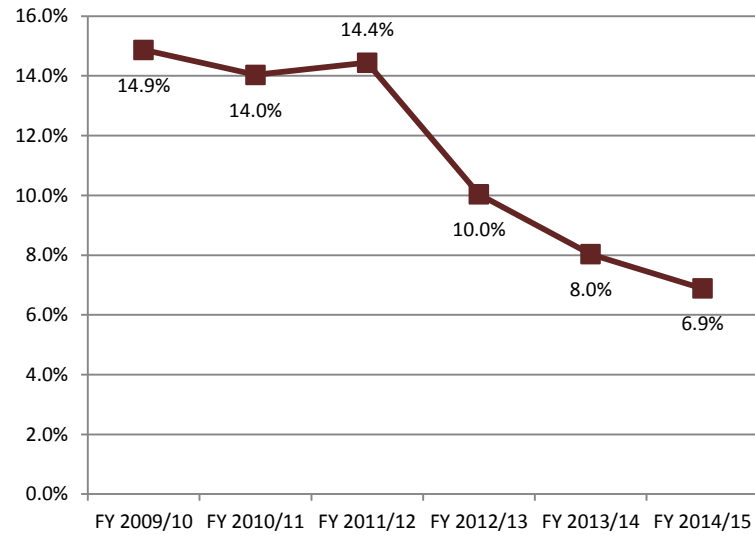
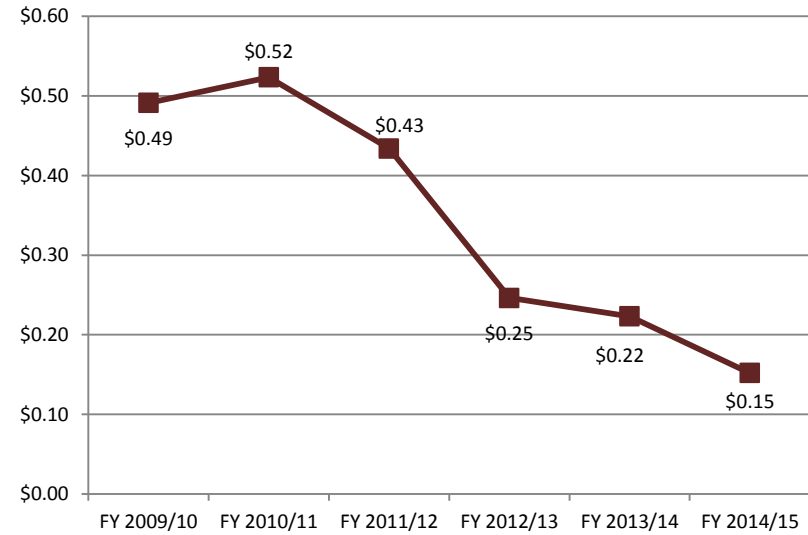


Exhibit 6.11 System Fare/Passenger





Mainline Service

Despite comprising approximately 40 percent of the City’s total Vehicle Service Hours and nearly half of its Vehicle Service Miles, the Mainline Service accounts for only a fraction of total annual ridership. In FY 2012/13, Mainline Service ridership made up 13 percent of the system’s passengers. That figure dropped to less than nine percent in FY 2014/15 with the introduction of the popular Weekend Service.

Performance indicators for the Mainline Service are quite low compared to the popular Festival and Weekend services (see Exhibit 6.22 for a comparison). However, of greater concern is the steady drop in Passengers/Vehicle Service Hour and Passengers/Vehicle Service Mile, both of which decreased significantly over the audit period (18.7 percent and 20.3 percent, respectively).

Declining ridership along with increasing Vehicle Service Hours and Vehicles Service Miles has led to the drop in productivity for the Mainline Service. This lack of productivity will be addressed in the Recommendations chapter of this report.

Exhibit 6.12 Mainline Performance Indicators

Performance Measure	Mainline Service		
	FY 2012/13	FY 2013/14	FY 2014/15
Vehicle Service Hours (VSH)	9,232	9,637	9,753
<i>Annual Change</i>		4.4%	1.2%
Vehicle Service Miles (VSM)	110,807	115,235	118,473
<i>Annual Change</i>		4.0%	2.8%
Passengers	91,853	83,002	81,758
<i>Annual Change</i>		-9.6%	-1.5%
Performance Indicators			
Passengers/VSH	9.95	8.61	8.38
<i>Annual Change</i>		-13.4%	-2.7%
Passengers/VSM	0.83	0.72	0.69
<i>Annual Change</i>		-13.1%	-4.2%
TDA Non-Required Indicators			
VSM/VSH	12.00	11.96	12.15
<i>Annual Change</i>		-0.4%	1.6%

Sources: All information drawn from City-provided performance reports.



Exhibit 6.13 Mainline Ridership

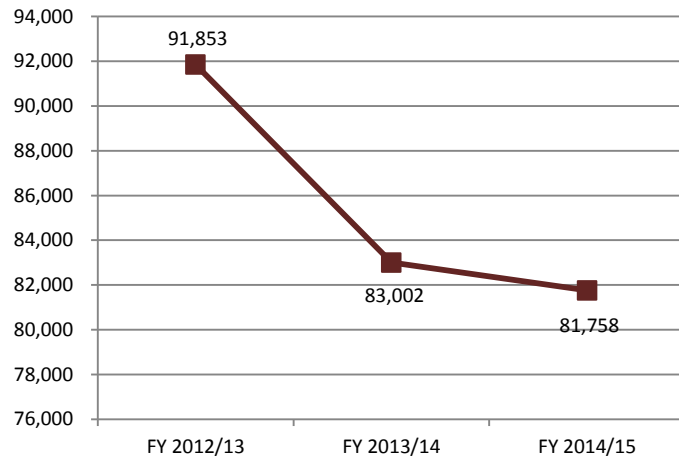


Exhibit 6.14 Mainline VSM/VSH

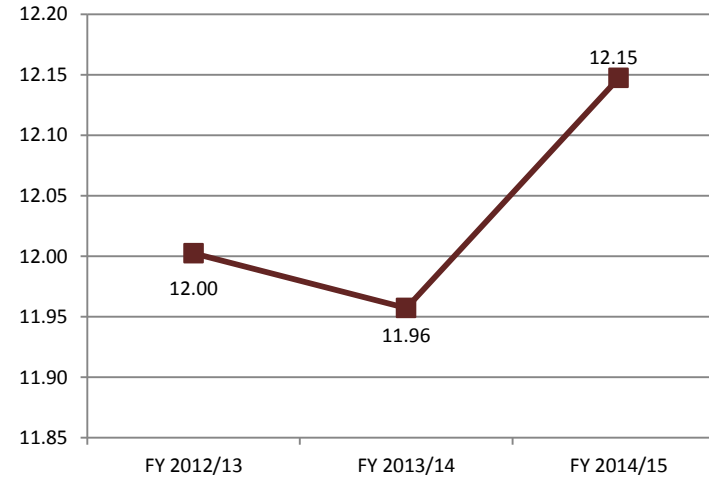


Exhibit 6.15 Mainline Passengers/VSH

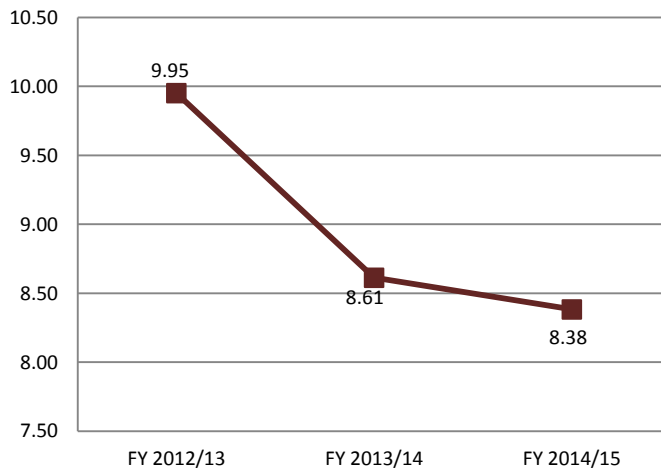
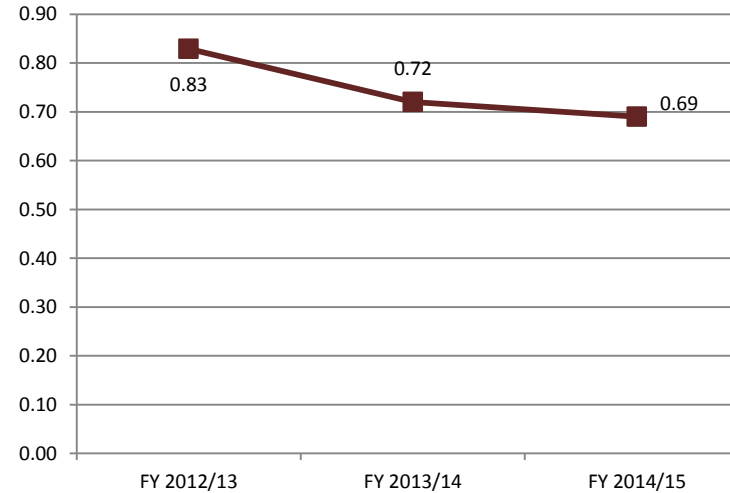


Exhibit 6.16 Mainline Passengers/VSM





Festival Service

The City’s Festival Service has increased in popularity throughout the performance audit period, resulting in a net 15.4 percent increase in ridership. Vehicle Service Hours and Vehicle Service Miles have increased more slowly. As a result, all performance indicators improved between FY 2012/13 and FY 2014/15 (despite a dip in performance in FY 2013/14). Not surprisingly, the Festival Service is the City’s most productive transit service.

Exhibit 6.17 Festival Performance Indicators

Performance Measure	Festival Service		
	FY 2012/13	FY 2013/14	FY 2014/15
Vehicle Service Hours (VSH)	12,964	13,693	13,517
<i>Annual Change</i>		5.6%	-1.3%
Vehicle Service Miles (VSM)	102,970	101,577	109,869
<i>Annual Change</i>		-1.4%	8.2%
Passengers	615,973	594,807	710,599
<i>Annual Change</i>		-3.4%	19.5%
Performance Indicators			
Passengers/VSH	47.51	43.44	52.57
<i>Annual Change</i>		-8.6%	21.0%
Passengers/VSM	5.98	5.86	6.47
<i>Annual Change</i>		-2.1%	10.5%
TDA Non-Required Indicators			
VSM/VSH	7.94	7.42	8.13
<i>Annual Change</i>		-6.6%	9.6%

Sources: All information drawn from City-provided performance reports.

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Exhibit 6.18 Festival Ridership

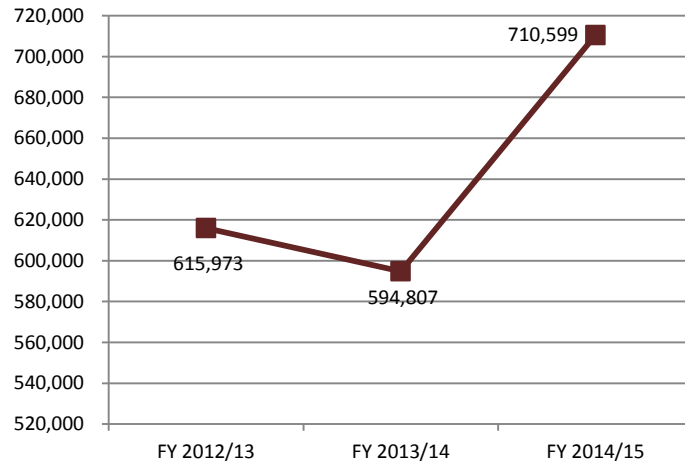


Exhibit 6.19 Festival VSM/VSH

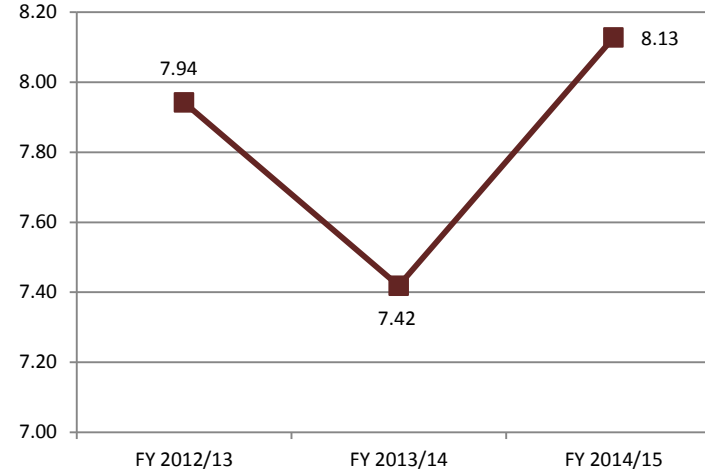


Exhibit 6.20 Festival Passengers/VSH

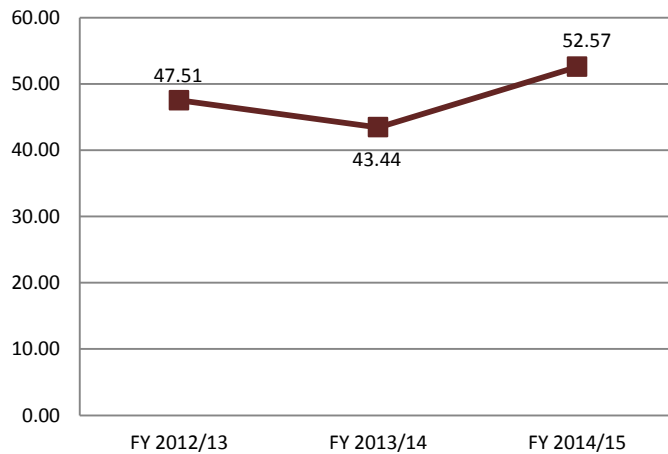
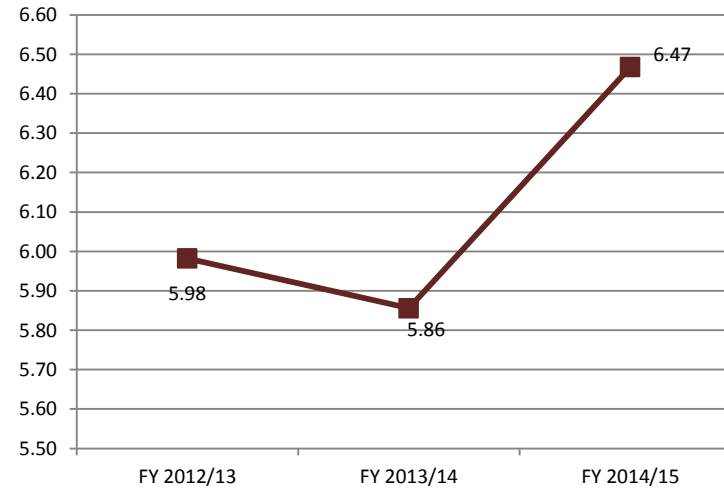


Exhibit 6.21 Festival Passengers/VSM





Weekend Service

Given the relatively short duration of the Weekend Service, which debuted in March 2015, limited performance data is available. Exhibit 6.22 presents performance indicators for the Weekend Service compared to the Festival and Mainline services for FY 2014/15.

Exhibit 6.22 Performance Indicators

Performance Measure	Weekend Service FY 2014/15	Mainline Service FY 2014/15	Festival Service FY 2014/15
Vehicle Service Hours (VSH)	3,873	9,753	13,517
Vehicle Service Miles (VSM)	38,310	118,473	109,869
Passengers	145,704	81,758	710,599
Performance Indicators			
Passengers/VSH	37.62	8.38	52.57
Passengers/VSM	3.80	0.69	6.47
TDA Non-Required Indicators			
VSM/VSH	9.89	12.15	8.13

Sources: All information drawn from City-provided performance reports.



Chapter 7

Functional Review

A functional review of the City of Laguna Beach’s public transit program is intended to assess the effectiveness and efficiency of the operator. Following a general summary of the City’s transit program, this chapter addresses seven functional areas. The list, taken from Section III of the *Performance Review Guidebook* published by Caltrans, reflects those transit services provided by the City of Laguna Beach through its transit program:

- General management and organization;
- Service planning;
- Scheduling, dispatch, and operations;
- Personnel management and training;
- Administration;
- Marketing and public information; and
- Fleet maintenance.

Service Overview

The City of Laguna Beach operates a transit program, Laguna Beach Municipal Transit Lines (LBMTL), to meet the transportation needs of residents and visitors alike, and to reduce vehicular traffic and its impacts within the community. LBMTL provides intra-community transportation services and augments the inter-community services and paratransit services provided by the Orange County Transportation Authority (OCTA). LBMTL provides three types of service within the city of Laguna Beach.

The Mainline Service consists of three fixed routes operating six days a week, year round. There is no Mainline Service on Sunday. The Gray Route services the Top of the World Elementary School, Laguna Canyon, and North Laguna. The Blue route serves Arch Beach Heights and Bluebird Canyon. The Red route serves downtown to the Ritz Carlton in Dana Point and back along Pacific Coast Highway.

The Summer Festival Trolley Service is a free three-route service designed to accommodate residents and visitors who primarily come to Laguna Beach for the Pageant of the Masters, local art festivals and other day excursions during the ten-week summer season.

In March 2015, the City began offering off-season weekend trolley service. The route includes a loop along Pacific Coast Highway extending from the Mission Hospital parking area in South Laguna to Cajon Street in North Laguna. During peak times, up to six trolleys are in service. The program is funded primarily by the OCTA Measure M Project V grant program, which also funded the purchase of three new trolleys.

The City also offers a Free Ride to Work program for employees who work within city limits. The program consists of a pass for 50 free rides.



LBMTL is free during the summer and off-season weekend service. A fare is charged for regular Mainline service during the off-season.

Exhibit 7.1 Mainline Service Off-Season Fare Structure

Fare Category	Fare
Adults	\$0.75
Handicapped/disabled	\$0.30
Medicare card carrier	\$0.30
Children (under 7 w/adults)	Free
Senior Citizens	\$0.30
20 Ride Pass	\$15.00
Monthly Pass	\$30.00
Transfers	Free

General Management and Organization

LBMTL is operated by the Community Services Department. Although the Transit Services Division operates under the Community Services Department, its operations rely upon other City departments such as the City Council, City Manager, Administrative Services, and Public Works. In October 2014, parking and transit operations (not including Fleet Maintenance) were transferred to the Community Services Department as part of a limited reorganization to combine parking and transit procedures. These now-integrated operations will return to the Public Works Department in January 2016.

The Public Works Department maintains the City’s equipment and infrastructure and administers capital improvements. Public Works is organized into eight divisions including Transit and Fleet Maintenance:

- **Transit** is tasked with budgeting, administering, and operating the City's transit program. The division coordinates with OCTA on transit issues and funding as an intracity service provider. The division is headed by a Deputy Community Services Director and has four full-time staff. An additional 80 to 100 part-time staff are employed during the summer festival season.
- **Fleet Maintenance** The division is headed by a Deputy Public Works Director and has three employees who are responsible for the routine repair and maintenance of City vehicles and equipment. The division maintains over 200 pieces of equipment, including 27 transit vehicles.

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.

The City of Laguna Beach is governed by an 11-member city council, which generally meets the second and fourth Tuesday of the month at 6:00 p.m. City council meetings are held at City Hall, located at 505 Forest Avenue in Laguna Beach. This location is served by all Mainline routes.

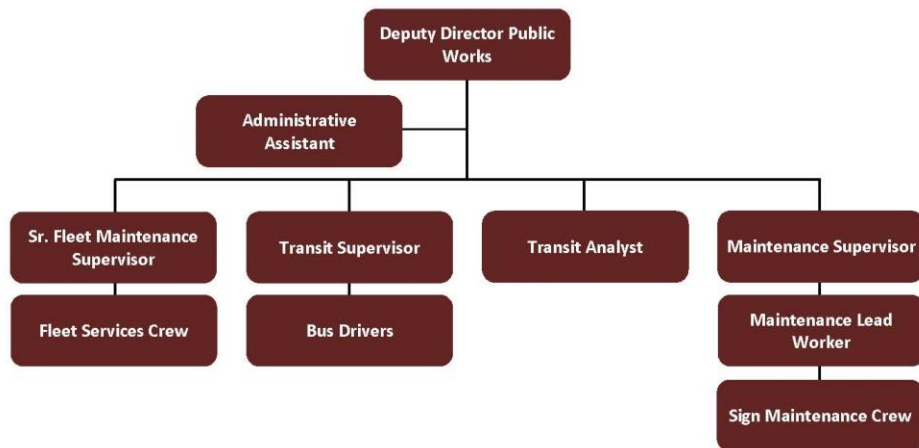


The Summer Festival service started in 2002 and ridership grew. In March 2015, a weekend trolley service began and was so popular that the City had to purchase additional trolleys. The OCTA grant that funds the off-season service requires an average of 10 riders on each trolley per hour of operation, and the City averages 41 riders/hour and 60 during the summer.

The City regularly reviews and acts upon performance and financial information and is currently evaluating performance of the new weekend trolley service and its Mainline Service, as well as the condition of an aging fleet. Options will be discussed with the City Council in early 2016.

In the summer of 2014, trolleys provided 704,000 unlinked trips, up from approximately 550,000 per year they had been averaging. A route change in 2015 to bypass the bus depot transfer point resulted in a ridership decline to 656,000. This change has resulted in shorter travel times and simplified routings.

Exhibit 7.2 Organizational Chart



Service Planning

The City’s primary transit planning document is its Short Range Transit Plan, last fully updated in 2008. The SRTP includes route-by-route performance analysis. A consultant was hired in 2013 to update the SRTP, with completion expected in Spring 2016. The City is currently evaluating options as it considers future service provision. While the Mainline Service experiences a rush during peak hours, it is mostly empty during the day. A conversation with city council will help determine next steps, including the possibility of midday general public demand-response service or other options. The SRTP will address many future plans.

The City conducts informal, non-scientific surveys of riders at the end of each summer season. The SRTP includes a survey of Mainline riders and non-riders. City council meetings are publicized online and also streamed live on the City’s website.

OCTA provides ACCESS paratransit service. A donation-based service called Sally’s Fund, a 501(c)(3) public charity, provides transportation for seniors. The City owns the vans utilized by Sally’s Fund and provides some funding as part of its Community Assistance Grant program. Other senior transportation services are provided by regional programs including Age Well Senior Services, Jewish Federation and



Family Services, and a Volunteer Driver program.

Scheduling, Dispatch, and Operations

Full-time drivers are assigned to Mainline service. All other assignments are available for bid. Weekend and festival assignments are typically staffed by part-time personnel and are based on personal availability rather than seniority.

Personnel Management and Training

The City hires all drivers and maintenance personnel directly. Staffing levels are considered to be appropriate. More than 85 bus drivers are needed in the summer, while 35 are needed in the off-season. Finding drivers could be a challenge as the program continues to expand. Two full-time bus drivers are on staff; an additional full-time driver position is authorized but has never been filled. The Mainline service also relies on 10-12 part-time drivers. Staffing levels will be evaluated as part of the current SRTP.

Full-time employees have full benefits packages. Part-time employees have sick time and are part of the City's pension program.

The City's personnel/risk manager handles human resources issues.

Administration

Fare revenue is kept in a basement vault station which is monitored with cameras. Bills are counted and coins are weighed. An armored car service collects the vault every two weeks. Cash levels are low given most riders use monthly passes or get free rides due as part of the City's Free Ride to Work program.

Marketing and Public Information

Recent marketing efforts have included the launch of the off-season trolley service, which was heavily promoted through the distribution of materials at public events and to hospitality industry targets. Online and print media ads and direct mailers were also utilized. Other marketing efforts included changeable message signs, press releases, and a trolley with a promotional banner parked along Coast Highway.

Marketing collateral includes an annual summer season brochure paid for in part by advertisements from festivals. New public information efforts include a trolley tracker app that has been downloaded approximately 70,000 times. Mainline service promotions included service maps and brochures.

Customer complaints are documented in a spreadsheet and tracked through resolution. When a resolution is determined, the rider is notified. In 2014, the City introduced a city-wide customer satisfaction management system which transit staff also plans to utilize.



Fleet Maintenance

The current fleet maintenance facility is considered to be sufficient. A preventive maintenance program is emphasized for trolleys, which used to be in service for just 10 weeks but now are used year-round with heavy passenger loads.

A looming question is vehicle replacement, especially for vehicles assigned to the Mainline service. Although Laguna Beach Transit has six buses and just three routes, the vehicles are aging and not attractive to choice riders. The City does not have a vehicle replacement fund.

Exhibit 7.3 details the City’s transit fleet.

Exhibit 7.3 Laguna Beach Transit Fleet

MAKE/MODEL	VIN	YEAR ACQUIRED
Cable Car Trolley	4UZAACBY31CH65899	2001
Cable Car Trolley	4UZAACBY61CH65900	2001
Cable Car Trolley	4UZAACBY92CK51831	2002
Cable Car Trolley	4UZAACB214CM51813	2004
Molly Trolley	4UZAACB21ACAT3301	2010
Molly Trolley	4UZAACB23ACAT3302	2010
Molly Trolley	4UZAACB25ACAT3303	2010
Molly Trolley	4UZAACB27ACAT3304	2010
Eldorado MST Bus	4UZAACB236CW32687	2006
Eldorado MST Bus	4UZAACB294CN23910	2004
Eldorado MST Bus	4UZAACB216CW32686	2006
Eldorado MST Bus	4UZAACB204CN23908	2004
Eldorado MST Bus	4UZAACB2X6CW32685	2006
Eldorado MST Bus	4UZAACB224CN23909	2004
Chevrolet P-30 Bus	1GBKP37N3R3306374	1994
Chevrolet P-30 Bus	1GBKP37N0R3306297	1994
Cable Car Trolley	4UZAACBY53CL72602	2003
Cable Car Trolley	4UZAACBY73CL72603	2003
Hometown Trolley	1F66F5DY7E0A00013	2013
Hometown Trolley	1F66F5DY9E0A01373	2013
Hometown Trolley	1F66F5DY0E0A01374	2013
Hometown Trolley	1F66F5DY2E0A01375	2013
Hometown Trolley	1F66F5DY8D0A11892	2013
Hometown Trolley	1F66F5DYXD0A11893	2013
Hometown Trolley	1F66F5DY2EOA16135	2015
Hometown Trolley	1F66F5DY4EOA16136	2015
Hometown Trolley	1F66F5DY1FOA05712	2015

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Chapter 8

Findings and Recommendations

Conclusions

With one exception, we believe the City of Laguna Beach to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Preliminary findings and recommendation intended to improve the effectiveness of the operator are detailed below, inclusive of management response. Final findings and recommendations are presented beginning on page 40.

Preliminary Findings and Recommendations

Through discussions with City staff, analysis of program performance, and a review of program compliance and function, the audit team presented the following preliminary compliance finding:

1. The City failed to report FTE properly to the State Controller in FY 2014/15, using person-count in lieu of full-time equivalent.

In addition, the audit team set forth three preliminary functional findings. While these are not compliance findings, we felt they were significant enough to warrant specific recommendations for their implementation.

1. Data is not reported consistently to the NTD and State Controller, or on local reports such as the annual budgets, audited financial reports, and monthly performance summaries.
2. The Mainline Service, while the only fare-generating service, has the lowest ridership of any of the City's transit services.
3. The City does not have a formal fleet replacement plan.

Preliminary Recommendations

In completing this Triennial Performance Audit, we submitted the following preliminary recommendations for the City of Laguna Beach's public transit program. They were divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the TPA that are not specific to TDA compliance.

Preliminary TDA Program Compliance Recommendations

Recommendation 1: Properly calculate FTE for inclusion in the Transit Operators Financial Transaction Report.



Discussion: Full-Time Equivalent (FTE) data appear to be reported correctly for the first two years of the audit period. In FY 2014/15, however, the number of employees jumped to 125, representing actual person-count rather than calculated FTE.

Recommended Action(s): The City should utilize the PUC-stipulated method for calculating the FTE metric in its State Controller filings.

Timeline: FY 2015/16.

Anticipated Cost: Negligible

Management Response/Discussion: The City's Deputy Director of Community Services stated that Full Time Equivalent (FTE) calculations have been recalculated using the proper formula for FTE based on 2,000 hours and provided documentation to that effect. However, given there has been an issue with FTE reporting across multiple audit cycles, this recommendation is being carried forward as a compliance recommendation.

Preliminary Functional Recommendations

Functional Recommendation 1: Steps should be taken to ensure data is reported consistently on the NTD and State Controller reports, and in a manner that can be compared to budget reports and audited financial reports.

Discussion: In reviewing the reports submitted to the NTD and State Controller, the audit team found it was difficult to determine which data was correct. In addition, neither report could be matched to the financial data presented in the budget or the audited financials. A review of monthly performance data provided by the City was used to identify several instances of incorrect data being reported, which were detailed in Chapter 5.

In addition, it appeared that parking revenue may be reported incorrectly on the State Controller Report. While parking revenue could not be directly matched to funds in the City's CAFR, we believe it is being reported on the State Controller Report as "Special Transit Fares" rather than as "Non-Transportation Revenues." "Special Transit Fares" refers to revenue received from an organization or beneficiary of service rather than a passenger. "Non-Transportation Revenues," as defined by the State Controller's Office, includes revenue associated from parking lot fees.

Recommended Action(s): Implement systems for entering, tracking, and reporting data to the various external entities. Ensure data reported to external entities meet the specific definitions required by each entity. The City should follow up with the State Controller's Office to ensure it is reporting all revenue in the appropriate manner.

Timeline: FY 2015/16.

Anticipated Cost: Negligible.



Management Response/Discussion: The FTE calculation has been recalculated using the formula for FTE based on 2,000 hours. Additionally, the information needed for the NTD and State Controller reports have been streamlined. All information will be obtained from new data spreadsheets designed to capture the required data allowing for consistency between reports.

The audit team felt several elements listed within the recommendation were not addressed in the management response, so this recommendation is carried forward into the final recommendations.

Functional Recommendation 2: The Mainline Service should be reviewed and potentially restructured in order to better serve the community while operating more efficiently.

Discussion: The Mainline Service is perceived as the least productive element of the City's service offerings, even though it is the only service for which a fare is charged. However, it is the only service designed around the needs of residents as opposed to visitors. The City has indicated that the direction the Mainline Service should take is a matter for discussion with the city council in 2016. In addition, the current Short Range Transit Plan slated for completion in Spring 2016 will include strategies for improving performance of the Mainline Service.

Recommended Action(s): Request the Council discuss strategies for improving performance of the Mainline Service, incorporating any recommendations presented in the soon-to-be-completed Short Range Transit Plan. Consideration of alternate service delivery methods should be part of this discussion.

Timeline: FY 2015/16.

Anticipated Cost: Variable.

Management Response/Discussion: Since August 2015, the Mainline Service has undergone changes that improved the overall service. The system no longer shuts down for one hour mid-day during peak times. A lunch "slip seat" process was also implemented. This utilizes a separate operator to provide lunch relief keeping the bus in service while the operator is relieved for a meal break. Additionally, operators have stopped rotating routes. In the past operators would rotate routes every hour. Stopping this rotation has improved the systems on time performance. Additionally, the Mainline Service will be implementing a pilot program utilizing new routes and times from June 24-August 31, 2016. The new service will have a total of five routes operating on a more frequent headway of 30 minutes or less. This will assist in capturing new riders, which were not being previously served.

Functional Recommendation 3: The City should develop a fleet replacement plan given the age of its Mainline buses and the now year-round use of its trolleys.

Discussion: The City has a number of vehicles past their useful life. All vehicles are model year 2006 or older, with some up to 21 years old. The continued use of older vehicles and increased use of the trolleys makes development of a vehicle replacement plan a necessity. A vehicle replacement plan will identify when funding will need to be available to replace aging vehicles so that some of the older vehicles can be retired before the annual cost of maintaining them becomes too great.



Recommended Action(s): Develop a fleet replacement plan spanning a 10-year horizon.

Timeline: FY 2016/17.

Anticipated Cost: Negligible.

Management Response/Discussion: A fleet replacement plan was established by the City Council in January 2016. Given this recommendation has already been addressed, it will not be carried forward into the final findings and recommendations.

Final Findings and Recommendations

Following discussions with City of Laguna Beach staff, analysis of program performance, and a review of program compliance and function, and reflective of management response received subsequent to its review of the administrative draft report, the audit team submits one compliance finding.

1. The City failed to report FTE properly to the State Controller in FY 2014/15, using person-count in lieu of full-time equivalent.

However, the audit team set forth two functional findings. While these are not compliance findings, we felt they were significant enough to warrant specific recommendations for their implementation.

1. Data is not reported consistently to the NTD and State Controller, or on local reports such as the annual budgets, audited financial reports, and monthly performance summaries.
2. The Mainline Service, while the only fare-generating service, has the lowest ridership of any of the City's transit services.

Elements of Findings and Subsequent Recommendations

In completing this Triennial Performance Audit, we submit the following findings and recommendations for the City of Laguna Beach. They have been divided into two categories: TDA Program Compliance Findings and Recommendations and Functional Findings and Recommendations. TDA Program Compliance Findings and Recommendations are intended to assist in bringing the agency into compliance with the requirements and standards of the TDA, while Functional Findings and Recommendations address issues identified during the TPA that are not specific to TDA compliance. Each finding is presented with the elements identified within the *Government Auditing Standards* as well as one or more recommendations.

TDA Compliance Findings and Recommendations

Compliance Finding 1: The City failed to report FTE properly to the State Controller in FY 2014/15, using person-count in lieu of full-time equivalent.

Criteria: In its definition of the "vehicle service hours per employee" performance measure, PUC Section 99247 defines employee as "based on the assumption that 2,000 person-hours of work in one year constitute one employee."



Condition: In FY 2014/15, the City reported FTE improperly on its State Controller Report, using an actual count of the number of employees rather than calculating full-time equivalent based on the above definition. While the City demonstrated proper calculation of full-time equivalent to the audit team as part of the data review process, this metric was still reported incorrectly.

Cause: The improper reporting is often due to unfamiliarity with the reporting process. Particularly in small municipalities, staffing turnover in the department responsible for preparing the State Controller Report can result in lack of understanding as to the proper definition of “Employees” as identified within the report. Other common challenges include using an actual count of the number of employees or calculating FTE using the federal definition, which divides work hours by 2,080.

Effect: The City’s failure to use proper calculation methodology in its determination of full-time equivalents is a compliance issue and could result in a reduction in TDA funding. While the City has demonstrated use of the proper definition for FTE for this audit process, failure to report this metric properly is an ongoing issue that has been cited in multiple Triennial Performance Audits. Steps should be taken to ensure this issue does not recur in the future.

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

Recommended Action(s): Verifiable desktop procedures should be developed to ensure consistent and accurate reporting of NTD. The same procedure should be used regardless of who is preparing the report, and source data should be consistent for all reports. In addition, anyone responsible for preparing State Controller Reports on behalf of the City’s transit program should review the Transit Operators Financial Transaction Reports Instructions, published by the State Controller’s Office and available on the State Controller’s Office website at www.sco.ca.gov/ard_locinstr_transit_forms.html. Instructions for reporting Supplemental Operating Data (including Total Employees) begins on page 21. In addition, we recommend the City maintain a manual specific to transit reporting so that proper reporting can be ensured despite changes in personnel.

Timeline: FTE as reported on the City’s State Controller Report for FY 2015/16 (due in October 2016) should reflect the proper calculation.

Anticipated Cost: Negligible.

Functional Findings and Recommendations

Functional Finding 1: Data is not reported consistently to the NTD and State Controller, or on local reports such as the annual budgets, audited financial reports, and monthly performance summaries.

Criteria: Operators are required to report performance data to two entities (State Controller and National Transit Database), both of which have different submittal deadlines. In addition, data found in these reports is typically reported as part of City budgets, financial reports, and monthly performance summaries. When the data reported in these reports vary significantly, it is difficult to determine how the system is actually performing.



Condition: In reviewing the reports submitted to the NTD and State Controller, the audit team found it was difficult to determine which data was correct. In addition, neither report could be matched to the financial data presented in the budget or the audited financials. A review of monthly performance data provided by the City was used to identify several instances of incorrect data being reported, which were detailed in Chapter 5.

In addition, it appeared that parking revenue may be reported incorrectly on the State Controller Report. While parking revenue could not be directly matched to funds in the City's CAFR, we believe it is being reported on the State Controller Report as "Special Transit Fares" rather than as "Non-Transportation Revenues." "Special Transit Fares" refers to revenue received from an organization or beneficiary of service rather than a passenger. "Non-Transportation Revenues," as defined by the State Controller's Office, includes revenue associated from parking lot fees.

In its response, the City stated that the FTE calculation has been recalculated using the formula for FTE based on 2,000 hours. Additionally, the information needed for the NTD and State Controller reports have been streamlined. All information will be obtained from new data spreadsheets designed to capture the required data allowing for consistency between reports. However, this fails to address consistent reporting on other documents and reports, including financial and budget documents. The response also fails to address issues with how parking revenue is reported to the State Controller.

Cause: Not all data is finalized at the time some reports are submitted. When data is not centrally collected within the operator's organization, it can also vary depending on who is preparing a report and at what time during the year.

Effect: Data reported inconsistently makes it difficult to accurately evaluate the system, given conflicting cost or performance data.

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

Recommended Action(s): The City has begun implementing this recommendation by designing new spreadsheets to capture this data in a central location. However, this centralized data must also be used in the development of financial reports, annual budgets, and other such documents.

Timeline: FY 2015/16.

Anticipated Cost: Negligible.

Functional Finding 2: The Mainline Service, while the only fare-generating service, has the lowest ridership of any of the City's transit services.

Criteria: PUC Section 99268 establishes a 20 percent farebox recovery minimum for urbanized transit systems in order to remain compliant with TDA. While the City of Laguna Beach is measured against the 50 percent expenditure limitation instead of the 20 percent minimum, this standard is also used as a



general measure of efficiency and productivity. The low ridership of the City's Mainline Service has resulted in an unproductive service and steadily decreasing unsubsidized farebox recovery.

Condition: The Mainline Service is perceived as the least productive element of the City's service offerings, even though it is the only service for which a fare is charged. However, it is the only service designed around the needs of residents as opposed to visitors. The City has indicated that the direction the Mainline Service should take is a matter for discussion with the city council in 2016. In addition, the current Short Range Transit Plan slated for completion in Spring 2016 will include strategies for improving performance of the Mainline Service.

Since August 2015, the Mainline Service has undergone changes that improved the overall service. The system no longer shuts down for one hour mid-day during peak times. A lunch "slip seat" process was also implemented. This utilizes a separate operator to provide lunch relief keeping the bus in service while the operator is relieved for a meal break. Additionally, keeping operators on a single route (rather than rotating every hour) has improved the system's on-time performance.

A pilot program for the Mainline Service will operate from June 24-August 31, 2016. The new service will have a total of five routes operating on a more frequent headway of 30 minutes or less. This is expected to capture new riders which were not being previously served.

Cause: The Mainline Service generally serves seniors, low-income residents, and high school students – all traditionally transit-dependent populations. The aging vehicles and observation that no one rides (due to empty buses during off-peak hours) contributes to the lack of appeal for potential riders who have other travel options.

Effect: An unattractive service is unlikely to grow in ridership. Improving the quality of the vehicles (through the City's vehicle replacement plan) and creating a system that serves the needs of the community is essential to notable increases in ridership (and fare revenue).

Recommendation: 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.

Recommended Action(s): At the end of the pilot program, the City should conduct an objective assessment of the program's success to determine if the program worked to increase ridership on the Mainline service and whether that service should be continued year-round.

Timeline: Evaluation of the changes implemented in August 2015 should be conducted on a monthly or quarterly basis to determine their effectiveness and whether any refinements are needed. Evaluation of the pilot program should take place on a monthly basis, with a comprehensive review in September 2016.

Anticipated Cost: Negligible.



Exhibit 8.1 Summary of Performance Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Develop procedures to ensure consistent and accurate reporting of FTE using the TDA definition.	High	FY 2015/16
Functional Recommendations		Importance	Timeline
2	Steps should be taken to ensure data is reported consistently on the NTD and State Controller reports, and in a manner that can be compared with budget reports and audited financial reports.	High	FY 2015/16
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.	Medium	FY 2016/17