



COMMITTEE TRANSMITTAL

January 25, 2021

To: Members of the Board of Directors

From: Andrea West, Interim Clerk of the Board *Andrea West*

Subject: Measure M2 Community-Based Transit Circulators Program Project V Ridership Report and Proposed Program Revisions

Transit Committee Meeting of January 14, 2021

Present: Directors Do, Jones, Shaw, and Sidhu
Absent: None

Committee Vote

Following the roll call vote, this item was declared passed 4-0 by the Members present.

Committee Recommendations

- A. Receive and file the Project V Ridership Report as an information item.
- B. Approve Project V Program revisions related to the impacts of the coronavirus and recent internal audit recommendations.
- C. Authorize the Chief Executive Officer to negotiate, execute, and amend as necessary all existing cooperative agreements for Project V services, in order to implement the recommendation above.

Committee Discussion

At the January 14, 2021 Transit Committee meeting, the Measure M2 Community-Based Transit Circulators Program Project V Ridership Report and Proposed Program Revisions item was pulled from the consent calendar and a verbal report was requested. Staff provided an overview of the recommendations with a focus on the proposed changes to performance metrics for the Project V Program.

**Committee Discussion (Continued)**

With Board of Directors (Board) approval, the Project V Program's productivity measurements would move from a boarding per revenue vehicle hour metric to a total operating cost per boarding metric. The subsidy provided by the Orange County Transportation Authority (OCTA) would not increase beyond the escalation noted in the report, and operating costs beyond the OCTA subsidy would be the responsibility of the local agency. Operating costs exceeding specific levels would trigger public disclosure requirements and city council or Board of Supervisors actions. Staff also shared that the existing Project V cooperative agreements will expire within the next few years. The revised productivity measurements are intended to be in effect only for the remaining portion of the existing grants for Project V services. Any future calls for projects would return to the Board for specific authorization.

Director Shaw expressed appreciation for the new metric that requires notification and action by the applicable agency. He also asked about the overall funding status of the program and whether the proposed changes could be accommodated based upon current revenue projections. Staff responded that the proposed changes can be accommodated within projected cash flows while still maintaining future financial capacity.

Transit Committee Chairman Do stated that the presentation addressed his concerns with the recommendations.



January 14, 2021

To: Transit Committee

From: Darrell E. Johnson, Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line of the memo.

Subject: Measure M2 Community-Based Transit Circulators Program
Project V Ridership Report and Proposed Program Revisions

Overview

Measure M2 includes a program to fund Community-Based Transit Circulators known as Project V. The goal of the program is to provide local transit services designed to complement regional transit services. Funding is awarded to local agencies through a competitive call for projects and awarded services are then implemented by awarded local agencies. Ridership reports for each of the Project V-funded services are presented to the Board of Directors twice annually. This item provides the ridership report covering the fourth quarter of fiscal year 2019-20 (April - June 2020) and the first quarter of fiscal year 2020-2021 (July - September 2020). Due to the significant impacts that the coronavirus has had upon Project V services and recent audit recommendations, several revisions to the program are presented for review and approval.

Recommendations

- A. Receive and file the Project V Ridership Report as an information item.
- B. Approve Project V Program revisions related to the impacts of the coronavirus and recent internal audit recommendations.
- C. Authorize the Chief Executive Officer to negotiate, execute, and amend as necessary all existing cooperative agreements for Project V services, in order to implement the recommendation above.

Background

The Measure M2 (M2) Community-Based Transit Circulators Program (known as Project V) is a competitive grant program, which provides funding to develop and implement local transit services. Currently funded service types include community-based circulators, shuttles, trolleys, and demand-responsive services intended to complement regional transit, while also better meeting local needs in areas not adequately served by regional transit.

M2 Project V services are required to adhere to established minimum performance standards, which include achieving six boardings per revenue vehicle hour (B/RVH) by the end of the first year of service, maintaining six B/RVH and going up to ten B/RVH by the end of the second year of service, and then maintaining ten B/RVH for the remainder of the grant term. If services are not meeting standards, or are trending toward not meeting minimum standards, Orange County Transportation Authority (OCTA) staff will meet with the local agency and discuss adjustments, with an overall goal of attempting to improve ridership. However, under the current guidelines, M2 Project V funds are subject to cancellation if a service continues to perform below minimum performance standards. Revisions to these standards are proposed in this item in response to the coronavirus (COVID-19) pandemic. Additional changes are also proposed to both Project V and Project S (extensions to Metrolink) in response to recommendations provided through a recent internal audit of the Combined Transportation Funding Programs (CTFP).

Service performance is reported to the OCTA Board of Directors (Board) semi-annually, and the current reporting period includes ridership information covering the fourth quarter of fiscal year (FY) 2019-20 (April 1, 2020 through June 30, 2020) and the first quarter of FY 2020-21 (July 1, 2020 through September 30, 2020), which is summarized in this report.

Discussion

Semi-Annual Ridership Report

The COVID-19 pandemic, the State of California's stay-at-home order, and associated social distancing requirements pertaining to transit have had a significant impact upon Project V ridership and services. Only the three services listed below remained operational during this reporting period.

- Anaheim Canyon Circulator;
- Lake Forest Commuter Vanpool Service (Irvine Station and Ossur); and
- San Clemente Lyft Rideshare.

Specific productivity reporting and service notes for these services are provided in Attachment A. The other 23 Project V services identified in Attachment A were either suspended at the direction of the local agency or not initiated due to the pandemic and its associated impacts. In October 2020, OCTA met with local agency project managers to discuss these impacts and consider the future of the Project V Program. Key input from these discussions included the following:

- Most services will not be reinitiated until social distancing requirements are lifted;

- Project V ridership is largely discretionary, and as a result, Project V services may be unable to meet existing minimum ridership requirements post-pandemic and well into the future. However, Project V services add value to the communities they serve, and local agencies noted that they may want to continue to provide Project V services post-COVID-19. As such, they requested that OCTA consider alternative minimum performance standards; and
- Local agencies also noted that they anticipate the overall cost for the service could increase post-COVID-19 and requested that OCTA consider providing additional funding to remedy anticipated cost increases, especially to support more frequent and enhanced cleaning efforts.

Proposed Project V Program Revisions

Given this input, staff has developed proposed Project V program revisions for Board review and consideration. These proposed changes are focused on modifying the program's minimum performance requirements/service parameters to allow for re-establishment and providing annual escalation of funding within the programmed grant amount. Attachment B provides a more detailed overview of the proposed revisions.

The proposed revisions provide local agencies flexibility to reinstate and fund Project V services in a post-COVID-19 environment, while shifting evaluation metrics to be more financially focused, context sensitive, and locally driven. The proposed changes also maintain the fundamental M2 requirement that Project V services be subject to performance measures.

These recommendations were presented to local agency project managers and OCTA's internal M2 Program Management Committee during fall 2020. While local agency project managers stated that they would like to receive as much additional funding as possible, and also eliminate performance measures entirely, both groups were generally supportive of the proposed revisions.

The revisions have also been evaluated from a programmatic funding perspective and they can be accommodated within the program's currently projected revenues and cash flow. Therefore, Board consideration and approval of these proposed program revisions and related cooperative agreement amendments is requested.

CTFP Audit - Findings/Recommendations

During this reporting period, OCTA's Internal Audit Department conducted an audit of oversight and reporting controls of the M2 CTFP. The audit included a finding that on-time performance and customer satisfaction requirements for the Project V Program were not included in agency cooperative agreements. Accordingly, staff is proposing to make adjustments to all appropriate Project V cooperative agreements to clarify that local agencies should carry out customer satisfaction surveys. These surveys should be conducted at least once a year, reported on to OCTA through regular billing processes, and should include a plan to improve service if customer satisfaction is found to be below acceptable standards. A similar change is also proposed for on-time performance. However, this requirement would be implemented, as applicable, given that not all Project V-funded services maintain fixed schedules. Attachment B also includes other changes that clarify other audit requirements.

Next Steps

If approved, these program changes will supersede the individual CTFP Guidelines that were in place for each of the individual calls for projects that guide how the funds are administered for each project. Further, staff will work with local agencies to implement these changes and initiate amendments to all applicable Project V cooperative agreements in order to formalize and facilitate these proposed changes. Staff will also return to the Board in July 2020 with the next Project V semi-annual report, which will include the standard Project V Ridership Report and an update on the effectiveness of the proposed changes herein, to the program.

Summary

A status report on Project V services is provided for informational purposes. Approval of proposed Project V programmatic changes related to impacts from COVID-19 and a CTFP audit finding/recommendation are also requested. If these proposed changes are approved by the Board, authorization is also requested to initiate amendments to all applicable Project V cooperative agreements in order to implement the proposed changes identified in this report.

Attachments

- A. Project V Services – Ridership Report
- B. Proposed Project V Program Revisions

Prepared by:



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Approved by:



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Project V Services - Ridership Report

Reporting Period: Q4 of FY 2019-20 and Q1 of FY 2020-21

Agency	Service Description	Measure M2 Project V Funds	Service Type	Service Start Month/Year	Boardings Per Revenue Vehicle Hour (B/RVH) ¹	Notes
Anaheim	Anaheim Canyon Circulator	\$ 1,141,864	Commuter Feeder Service	July 2020	3	The service did not meet the minimum performance standard. However, it is still in its initial startup period and has 12 months to meet the minimum performance standard of six B/RVH. A letter has been sent to City of Anaheim advising them of this finding.
Dana Point	Dana Point Trolley	\$ 2,456,511	Seasonal Service	June 2015	N/A	The service did not operate during the reporting period.
Dana Point	Dana Point Trolley Expansion	\$ 905,968	Seasonal Service	June 2017	N/A	The service did not operate during the reporting period.
Dana Point	Dana Point Trolley Continuity	\$ 1,745,065	Seasonal Service	September 2019	N/A	The service did not operate during the reporting period.
Dana Point	Dana Point Trolley Continuity (2020 Call for Projects)	\$ 2,209,739	Seasonal Service	TBD	N/A	The service was awarded funds during the 2020 Project V call for projects. However, it was not initiated and its current start date is TBD.
Huntington Beach	Huntington Beach Special Events	\$ 93,287	Special Event	July 2014	N/A	The service did not operate during the reporting period.
Huntington Beach	HB Southeast Rideshare Pilot Program (2020 Call for Projects)	\$ 806,240	Shared-Ride Hailing Service	TBD	N/A	The service was awarded funds during the 2020 Project V call for projects. However, it was not initiated and its current start date is TBD.
Irvine	Irvine iShuttle Route E - Irvine Station - East	\$ 2,705,984	Commuter Service	February 2019	N/A	The service did not operate during the reporting period.
Irvine	Irvine iShuttle Route F - Tustin Station - Irvine Business Complex	\$ 2,712,258	Commuter Service	February 2019	N/A	The service did not operate during the reporting period.
La Habra	Special Event Service	\$ 96,810	Special Event	November 2016	N/A	The service did not operate during the reporting period.
La Habra	Community Special Event Service	\$ 66,234	Special Event	TBD	N/A	The service was awarded funds during the 2020 Project V call for projects. However, it was not initiated and its current start date is TBD.
Laguna Beach	Off-Season Weekend Trolley Service	\$ 3,612,360	Special Event	March 2015	N/A	This service's grant term expired on June 30, 2020. However, it was extended through a new 2020 Project V call for projects grant award (see below).
Laguna Beach	Off-Season Weekend Trolley Service (2020 Call for Projects)	\$ 3,850,000	Special Event	TBD	N/A	The service was awarded funds during the 2020 Project V call for projects. However, it was not initiated and its current start date is TBD.
Laguna Beach	Summer Breeze Bus Service	\$ 634,357	Seasonal Service	June 2018	N/A	The service did not operate during the reporting period.
Laguna Niguel	Laguna Niguel Summer Trolley - Southern Section	\$ 886,082	Seasonal Service	TBD	N/A	The service was awarded funds in 2019. However, it was not initiated and its current start date is TBD.
Lake Forest	Commuter Vanpool Service Irvine Station and Ossur	\$ 148,855	Commuter Service	July 2015	6	The service did not meet its minimum performance standard. However, its grant term expired on June 30, 2020 and the service is no longer operating.

Project V Services - Ridership Report

Reporting Period: Q4 of FY 2019-20 and Q1 of FY 2020-21

Agency	Service Description	Measure M2 Project V Funds	Service Type	Service Start Month/Year	Boardings Per Revenue Vehicle Hour (B/RVH) ¹	Notes
Lake Forest	Commuter Shuttle Service Irvine Station and Panasonic	\$ 1,226,862	Commuter Service	June 2017	N/A	The City of Lake Forest cancelled this service in April 2020 due to low ridership.
Mission Viejo	Local Community Circulator	\$ 3,332,879	Local Circulator	October 2016	N/A	The service did not operate during the reporting period.
Newport Beach	Balboa Peninsula Seasonal Trolley	\$ 685,454	Seasonal Service	June 2017	N/A	The service did not operate during the reporting period.
Newport Beach	Balboa Peninsula Seasonal Trolley Expansion	\$ 278,400	Seasonal Service	August 2018	N/A	The service did not operate during the reporting period.
Orange County	Local Circulator and Special Event Service (OC RanchRide)	\$ 2,041,547	Local Circulator and Special Event	June 2017	N/A	The service did not operate during the reporting period.
San Clemente	Summer Weekend Trolley and Seasonal Service	\$ 1,181,393	Seasonal and Special Event	May 2017	N/A	The service did not operate during the reporting period.
San Clemente	Summer Weekday Trolley and Seasonal Service Expansion	\$ 1,537,200	Seasonal and Special Event	July 2018	N/A	The service did not operate during the reporting period.
San Clemente	Downtown Route (2020 Call for Projects)	\$ 969,536	Seasonal and Special Event	TBD	N/A	The service was awarded funds during the 2020 Project V call for projects. However, it was not initiated and its current start date is TBD.
San Juan Capistrano	Special Event and Weekend Summer Trolley Service	\$ 958,642	Seasonal and Special Event	July 2018	N/A	The service did not operate during the reporting period.

Agency	Service Description	Measure M2 Project V Funds	Service Type	Service Start Month/Year	Boardings Per Hour of Service (B/HOS) ¹	Notes
San Clemente	On-Demand	\$ 914,400	Ride Hailing	October 2016	9	Service only offered single rides during the reporting period due to the coronavirus (ridesharing option disabled).

1. Rounded to the next whole number.

N/A - No service hours during reporting period (service was either seasonal and/or impact by the coronavirus).

ACRONYMS

Q4 - Quarter 4 (April - June 2020)

Q1 - Quarter 1 (July - September 2020)

FY - Fiscal year

TBD - To be determined

N/A - Not applicable

NOTE: Services below the minimum performance standard are shaded

Minimum Performance Standards for B/RVH

- Six passenger B/RVH by end of year one (12 months from the first day of operating the service).
- Maintain six B/RVH and meet or exceed ten B/RVH by end of year two.
- Ten B/RVH must then be maintained every year thereafter.

Minimum Performance Standards for B/HOS

- Staff will continue to monitor and measure service performance and assess appropriate next steps for this program which will include evaluation of all project related efforts and existing policies in order to determine how best to support and administer this emerging transit delivery model.

Proposed Project V Program Revisions

Recommended Changes to Project V Performance Requirement

Changes to the Project V performance requirement as described below are recommended to help manage the reduced ridership that is resulting from social distancing and stay-at-home requirements related to the coronavirus.

- Existing Project V Minimum Performance Requirement:
 - Year 1 - Meet or exceed six boardings per revenue vehicle hour (B/RVH) by the end of the first year of service.
 - Year 2 - Maintain six B/RVH and meet or exceed ten B/RVH by the end of the second year of service.
 - Year 3 - Maintain ten B/RVH each reporting period thereafter through the life of the grant.
- Existing Action for not Meeting Minimum Performance Standards:
 - After Year 1, services that perform below the minimum performance standards (above) for two or more reporting periods will be evaluated for cancellation.
- Proposed Project V Minimum Performance Requirement:
 - Change the Project V minimum performance requirement from the current B/RVH metrics (listed above) to a maximum cost per boarding metric established by the Orange County Transportation Authority (OCTA). Based upon evaluation of existing and similar services, this amount should be set at twice the current \$9 per boarding subsidy (i.e., \$18 per boarding). However, when this amount is escalated consistent with other actions identified in this item, it will result in a maximum cost per boarding for fiscal year (FY) 2020-21 of \$20.10, and will continue escalating at conservative 1.85 percent inflation rate¹ each FY thereafter.

¹ The 1.85 percent escalation rate is based upon input and assumptions from the Comprehensive Business Plan, The Chapman University forecast, input from the OCTA Finance Department, and Project V cash flow needs.

Proposed Project V Program Revisions

- Proposed Action for not Meeting the New Minimum Performance Standard:
 - Require that the city council (or the Board of Supervisors {BOS}), since they will be responsible for bearing the cost of the service beyond OCTA's maximum per boarding subsidy, either:
 - Reaffirm support for the service through a city council/BOS action,
 - Discontinue the service, or
 - Implement potential service changes or cost saving measures.

Recommended Escalation for Project V Per Boarding Subsidy:

Project V Guidelines allow for the escalation of the Project V subsidy per boarding. However, the only escalation that has been provided to date occurred during the 2016 call for projects. At the time, the per boarding subsidy was increased from \$8 per boarding to \$9 per boarding. Staff is proposing to increase the maximum per boarding subsidy to help local agencies meet increased service costs.

- Existing Project V Maximum Subsidy per Boarding:
 - \$9.00 per boarding.
- Proposed Project V Maximum Subsidy per Boarding:
 - Escalate the current \$9.00 subsidy per boarding starting from FY 2016-17 (the year it was established) through FY 2019-20 based upon published Consumer Price Index data for the Los Angeles-Anaheim-Long Beach area, and in FY 2020-21 escalate based upon a conservative 1.85 percent inflation rate¹. This will result in the FY 2020-21 Project V subsidy per boarding being escalated to \$10.05 and increasing at a 1.85 percent rate each FY thereafter.

Recommended Escalation for Project V Annual Funding Cap:

In order to support cost increases over time, an annual escalation to the Project V funding cap is proposed, starting in FY 2021-22.

- Existing Project V Annual Funding Cap:
 - Local agencies may be awarded, from all eligible project categories, and are provided an annual cap based on the amounts listed in the original application, which is no more than \$550,000 annually.

Proposed Project V Program Revisions

- Proposed Project V Annual Funding Cap:

Escalate the program's \$550,000 annual funding cap and each project's annual funding cap by 1.85 percent¹ annually starting in FY 2021-22, when applicable. This change will not adjust the total programmed amount previously approved by the Board of Directors.

Recommended Change for Project V Customer Satisfaction Survey Requirement:

A recent audit of the Measure M2 (M2) Competitive Transportation Funding Programs (CTFP) noted inconsistencies between the Project V Guidelines and related project agreements. In particular, the audit noted that customer satisfaction requirements for the Project V Program are not included in agency cooperative agreements. The reason for this is that the type of projects that were ultimately funded did not necessarily lend themselves to this type of measurement. Staff is proposing changes to make this an optional measurement rather than a requirement in the CTFP Guidelines by changing the language from "must" to "should" as noted below:

As part of the Project V service, local agencies ~~must~~ **should** develop strategies **surveys** to measure ridership satisfaction ~~and on-time performance and must achieve an 85 percent on-time performance on an ongoing basis, and rider satisfaction must be 90 percent satisfied based on customer surveys~~ **based upon local service objectives. These surveys should be conducted at least once a year; reported on to OCTA through regular billing processes; and should include a plan to improve service, if customer satisfaction is found to be below the local agencies' service objectives.**

Recommended Change for Project V On-Time Performance Requirement:

The audit also noted lack of a requirement for reporting of on-time performance. This is because the majority of the community circulator services do not maintain a published schedule. Instead, the services publish the span of service and the bus arrival intervals. In response, staff is proposing changes to the CTFP Guidelines to make this a recommendation and not a requirement by changing the language from "must" to "should when applicable", as noted below:

As part of the Project V service, local agencies, ~~must~~ **should, if applicable**, develop strategies **methods** to measure ridership satisfaction ~~and on-time performance and must achieve an 85 percent on-time performance on an ongoing basis, and rider satisfaction must be 90 percent satisfied based on customer surveys~~ **based upon local service objectives. These methods should be implemented at least once a year; reported on to OCTA through regular billing processes; and should include a plan to improve service if on-time performance is found to be below the local agencies' service objectives.**

Proposed Project V Program Revisions

Recommended Change for the CTFP Guidelines - Annual Audit Requirement:

The internal auditor also provided a verbal recommendation that staff clarify an M2 transit program requirement (applicable to Project S – Transit Extensions to Metrolink and Project V), that local agencies submit audited operations and maintenance (O&M) cost data each year.

Local agencies provide O&M cost information each year; however, there was a lack of clarity on what was meant by “audited” O&M costs. It is impractical to request local agencies to audit this information and submit it by September 30 each year. It is also unnecessary as they submit a significant amount of back up material when they submit requests for reimbursement, which are verified by staff, consistent with standard project management practices, prior to issuing reimbursement.

Further, the audit requirement language attached to O&M funding (provided through M2 Project S and Project V) did not identify the type or intent of the audit that is required. Therefore, staff is recommending that this requirement (identified below) be eliminated from the Project S and Project V transit programs as a specific requirement, given that it is redundant with other statements in the CTFP Guidelines, which state that all projects funded through the CTFP are subject to audit by OCTA’s Internal Auditor and staff’s current project management practices with respect to issuing reimbursements.

~~Awarded agencies must submit audited operations and maintenance costs and ridership and fare performance data to OCTA by September 30 of each year for the prior fiscal year.~~