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Board Report

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

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FINANCE, BUDGET AND AUDIT COMMITTEE
JUNE 15, 2016

SUBJECT: **FISCAL YEAR 2013-2015 TRIENNIAL PERFORMANCE REVIEW REPORT**

ACTION: **RECEIVE AND FILE FISCAL YEAR 2013-2015 TRIENNIAL REVIEW REPORT**

RECOMMENDATION

RECEIVE AND FILE the:

A.   Fiscal Year (FY) 2013-2015 **Triennial Performance Review of Los Angeles County Transit Operators and Metro Operations**, summarized in Attachment A; and

B.   FY 2013-2015 Triennial Performance Review of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as the Regional Transportation Agency (RTPA), summarized in Attachment B.

ISSUE

The Transportation Development Act (TDA) requires Triennial Performance Reviews of Transit Operators and RTPAs and a certification of completion to be submitted to the State by June 30, 2016. The FY 2013-2015 Triennial Performance Review Report is completed and the report presents the results of the review.

DISCUSSION

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires LACMTA to conduct an independent performance review of all Los Angeles County Transit Operators receiving TDA Article 4 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The TDA also requires that regional transportation planning agencies (RTPAs) undergo an independent performance review, focusing particularly on the planning roles. The review is conducted every three years, and the LACMTA must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that the LACMTA may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

Under contract to the LACMTA, the firm of Lin Ma & Associates, Inc. independently conducted the FY

2013-2015 Performance Review of the Transit Operators, Metro Operations and the LACMTA, as the RTPA for Los Angeles County. The following Section1, describes the scope of the review for Los Angeles County transit operators and Metro operations and a summary of the Findings:

1. <u>REVIEW OF LOS ANGELES COUNTY TRANSIT OPERATORS AND METRO OPERATIONS</u>

 The following Los Angeles County transit operators were included in this review:

- City of Arcadia
- City of Claremont
- City of Commerce
- City of Culver City
- City of Gardena
- City of La Mirada
- Long Beach Public Transportation Company
- City of Montebello
- City of Norwalk
- City of Redondo Beach
- City of Santa Monica
- City of Torrance
- Foothill Transit
- Antelope Valley Transit Authority
- City of Los Angeles Department of Transportation
- City of Santa Clarita
- Metro Operations

Also, for the first time, included are the Tier 2 operators as follows:

- City of Burbank
- City of Glendale
- City of Los Angeles Department of Transportation - Community DASH Services
- City of Pasadena

The FY 2013-2015 Performance Audit included all State-mandated elements:

- Verification of TDA data collection and reporting requirements;
- Compliance with (PUC) requirements;
- Progress in implementing prior review recommendations;
- Review of TDA performance indicator trend analysis; and
- High level functional area performance review.

In addition, the audit reviewed operators' data submitted for the LACMTA's Transit Performance Measurement Program (TPM). The LACMTA uses the TPM data to allocate transit subsidy funds to

Los Angeles County Transit Operators, including Metro Operations.

1.1 Findings

All Transit Operators, including Metro Operations, are in full or partial compliance with TDA requirements for Transit Operators. Transit Operators have addressed the majority of recommendations included within the prior performance review. A summary of the Operator audits is provided in Attachment A.

2.　REVIEW OF THE MTA AS THE REGIONAL TRANSPORTATION PLANNING AGENCY (RTPA)

The review of the LACMTA as the RTPA included:

- Progress on implementing prior cycle review recommendations;
- Compliance with PUC requirements; and
- Performance results for the LACMTA as the RTPA

2.1 Findings:

Progress on Implementing Prior Cycle Review Recommendations

The prior review of the LACMTA as the RTPA offered four recommendations for LACMTA's consideration. Three recommendations have been implemented. The fourth recommendation is carried forward as an element of the current review.

Compliance with PUC Requirements

The LACMTA is in full compliance with the fifteen PUC requirements for RTPA's that apply specifically to the LACMTA.

Performance results for the LACMTA as the RTPA

According to the review, the LACMTA has performed its TDA responsibilities effectively. Notable accomplishments cited in the FY13-FY15 review include:

- Opening of ExpressLanes on the I-110 and I-10 freeways.
- Metro Rail began locking turnstiles in an effort to address lost fare revenue.
- Began construction of the new Division 13 Bus Maintenance and Operations facility across from Union Station
- Metro was named a Top Achiever in Supplier Diversity by the Black EOE Journal.
- The EZ Transit Pass fully transitioned to the TAP program.
- Celebration of the 75th anniversary of Union Station.
- Opening of Online Metro Store and launch of the Go511 app for iPhone, iPad, and Android.
- The Metro Board approved continuation of the ExpressLanes project following its one-year

demonstration period.
- Broke ground on its Crenshaw/LAX Transit Project.
- Metro Motion won an Emmy award for its Union Station 75th Anniversary TV show.
- Metro CEO Art Leahy's departure was announced and new CEO Phillip Washington was hired.
- Metro's Complete Streets Policy was recognized by Smart Growth America's National Complete Streets Coalition.
- Metro introduced new online and real-time technology.

This review also identified areas and opportunities to make the LACMTA, as the RTPA, more efficient and effective. The review offers the following recommendation, which was carried forward from the prior review:

- Enhance coordination between the Office of Management and Budget (OMB) and Planning departments.

A summary of the key findings of the FY 2013-2015 Triennial Performance Review of LACMTA as the RTPA are summarized in Attachment B.

FINANCIAL IMPACT

There are no financial or budget impacts.

NEXT STEPS

As required by PUC §99246, staff will transmit the FY 2013-2015 Triennial Performance Review to the State Department of Transportation. Copies of the report are available upon request. Staff will report on the progress of the recommendations to the LACMTA Board annually.
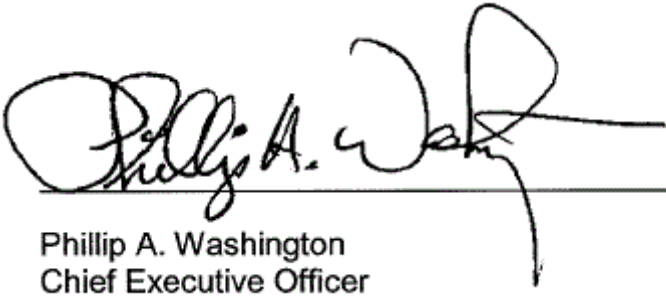
ATTACHMENTS

Attachment A - FY 2013-2015 Performance Review, Executive Summary of Transit
Operators and Metro Operation
Attachment B - FY 2013-2015 Performance Review, Executive Summary of LACMTA as the RTPA

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Phillip A. Washington
Chief Executive Officer

MA and ASSOCIATES
Certified Public Accountants

Legislative Mandate

The State of California mandates LACMTA hire an independent firm to review 14 operators receiving TDA Article 4 funds. Three additional operators do not receive TDA Article 4 funds but receive their equivalent under Metro's Formula Allocation Program (FAP). In addition, four Tier Two operators were included in the current review process. These operators commit to meeting the same mandated compliance requirements as those receiving TDA funds. The mandate includes the following assessments:

- Progress implementing prior recommendations;
- Compliance with PUC requirements; and
- Efficiency, effectiveness, and productivity.

This Triennial Performance Review covers the three-year period ending June 30, 2015.

Municipal Operators

Findings

Municipal operators are generally in compliance with PUC requirements. The majority of findings relate to the following issues:

- Issues related to Full-time Equivalent metric reporting,
- Submitting State Controller reports past TDA-established deadlines,
- Achieving an unaided farebox recovery ratio of at least 20 percent, and
- Consistency in data reporting.

Many prior recommendations have been implemented. Those that have not have been carried forward as recommendations as part of this review.

Challenges

Challenges faced by municipal operators during the review period included the following:

- Achieving ridership growth while reducing operating costs,
- Accommodating increased need with fewer resources, and
- Increasing fare revenue to the point where minimum farebox recovery can be met without relying on additional local subsidies.

Accomplishments

While each operator faced its own challenges and celebrated its own accomplishments during the review period, some of the more notable accomplishments are listed below.

- Region-wide: Continued implementation and integration of the TAP universal fare program.
- AVTA: Received the California Transit Association's 2012 Small Operators Transit Excellence Award, launched a successful electric bus demonstration project, and implemented its Track-It Intelligent Transportation System.
- Arcadia: Conducted a Transit Needs Assessment and prepared to launch its two-tiered service concurrent with the opening of the Metro Gold Line Extension in 2016.
- Burbank: Launched its first all-day service, the NoHo-Airport Route, offering service between the NoHo Red Line Station and Burbank Bob Hope Airport.
- Claremont: Transitioned to a new operations contractor and prepared to conduct an assessment of its Dial-A-Ride program.
- Commerce: Upgraded its CNG/LNG fueling station, made bus stop improvements, and launched TransTrack.
- Culver City: Took over operations of the City's Dial-A-Ride van service, began implementing real-time technology, and adjusted service to connect to Metro's Expo Line.
- Foothill Transit: Began using in-house management staff rather than contracting out all employees and launched Line 495, a pilot project connecting the San Gabriel Valley with downtown Los Angeles.
- Gardena: Rebranded its transit program as GTrans, with new bus graphics, signage, logo, and website.
- Glendale: Began participating in the regional TAP universal fare program.
- La Mirada: Began working toward implementation of the regional TAP universal fare program.
- LADOT: Opened the LADOT Transit Store in the LA Mall adjacent to City Hall and completed the installation of new bus stop signage in downtown Los Angeles.
- Montebello: Launched its Avail project and real-time bus tracker.
- Norwalk: Completed construction on a $2.6 million CNG refueling station.
- Pasadena: Launched its Transit Vehicle Arrival Information System and rebranded the service as Pasadena Transit.
- Santa Clarita: Opened its McBean Transit Center Park and Ride Facility.
- Santa Monica: Eliminated its charter bus program and restructured staffing to improve service delivery and customer communications.
- Torrance: Left the MAX program and expanded its fixed-route service to 11 routes.

Metro Operations

Findings

Metro Operations is in compliance with the TDA in all aspects. However, a functional finding regarding the calculation of Full-Time Equivalent (FTE) employees was set forth. Given Metro Operations' unique challenges in calculating FTE for the State Controller's Report due to the lack of availability of audited data at the time the report is prepared, we find a need for additional documentation of discussions with the State Controller's Office to be incorporated into future such reviews.

Of the two prior recommendations, both were found to be no longer relevant. The recommendations dealt with the calculation of FTE and its reporting on the State Controller's Report. Given the additional information provided during the course of this review, both were found to be invalid.

Challenges

Challenges faced by Metro Operations during the review period included the following:

- A change in executive leadership, and
- Aging fleet and infrastructure.

Accomplishments

Some of Metro's more notable operational accomplishments are listed below.

- Metro Rail began locking turnstiles in an effort to reduce lost fare revenue.
- Metro began construction of the new Division 13 Bus Maintenance and Operations facility across from Union Station.
- The EZ Transit Pass was fully transitioned to the TAP program.
- Metro opened its online Metro Store and launched the Go511 app for iPhone, iPad, and Android.
- Metro broke ground on its Crenshaw/LAX Transit Project.

Recommendations

- Provide documentation of the alternative FTE calculation method approved by the State Controller when audited work hour data is not yet available prior to the next Triennial Performance Review.

Countywide Performance[1]

Exhibits on the following pages compare aggregate and average performance metrics of the municipal operators to Metro Operations. Overall, the municipal operators and Metro exhibited similar trends throughout the current and prior review periods. A six-year period (FY 2009/10 through FY 2014/15) is used to better illustrate trends.

Ridership

Overall, municipal ridership declined during the six-year period. At the end of the review period, aggregate ridership had dropped 5.7 percent since FY 2009/10, but was up 0.9 percent from its lowest point in FY 2011/12. Metro ridership saw its lowest point in FY 2010/11 and rose through FY 2014/15, at which time it dropped back down to near-FY 2010/11 levels. By contrast, national transit ridership rose steadily between FY 2009/10 and FY 2014/15, increasing by a net 5.5 percent before dropping 1.3 percent in FY 2014/15.[2]


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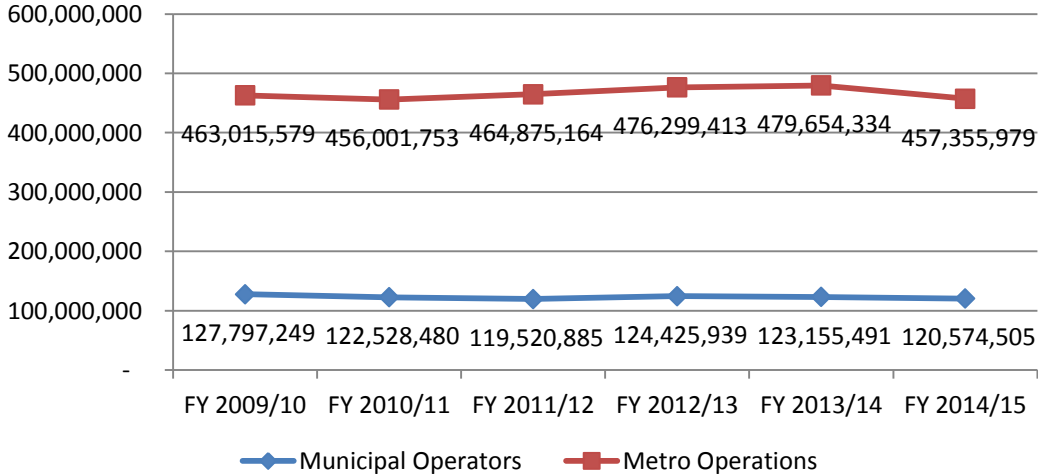
[1] Note: FY 2009/10 – FY 2011/12 data does not include metrics for the cities of Burbank, Glendale, and Pasadena.
[2] National ridership trend data from the American Public Transportation Association.

Vehicle Service Hours (VSH)
Metro VSH dropped a net 0.8 percent across the six-year period, characterized by a decrease of 5.6 percent between FY 2009/10 and FY 2011/12 followed by a steady increase. Municipal operators saw experienced a similar pattern with decreases during the first three years followed by increases during the current review period. Municipal operators experienced a net 0.1 percent decline across the six-year period.
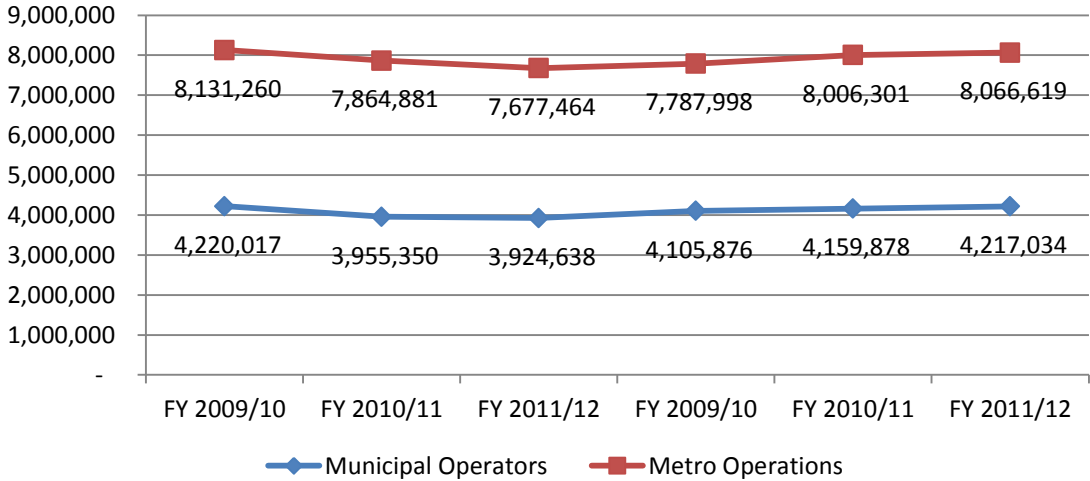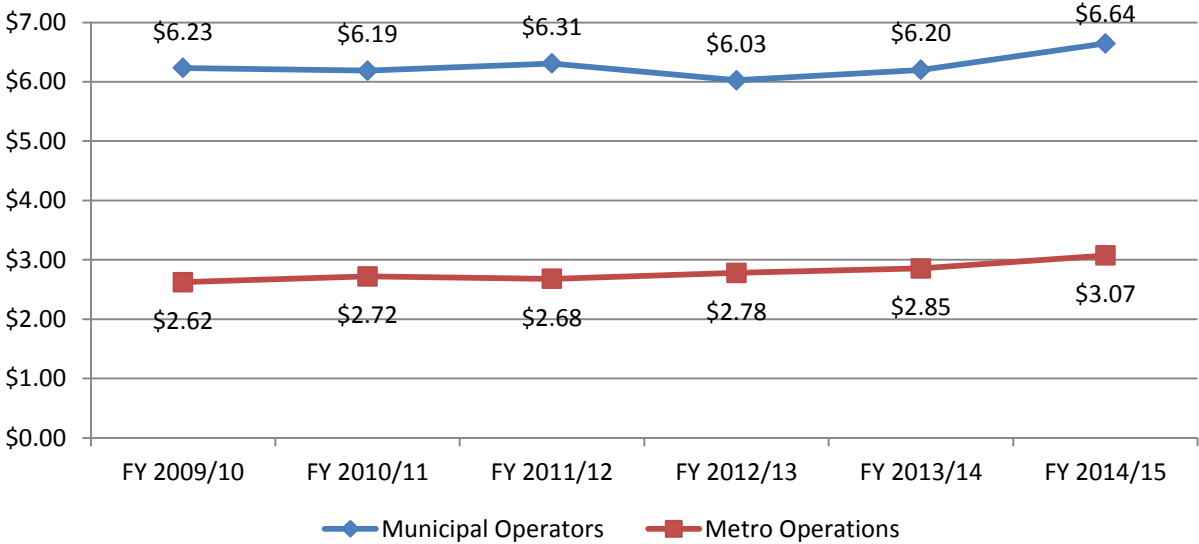

Cost per Vehicle Service Hour
Cost/VSH rose steadily for both Metro and the municipal operators. Metro's Cost/VSH increased 16.6 percent across the six-year period, while the municipal operators saw an aggregate increase of 10.7 percent.
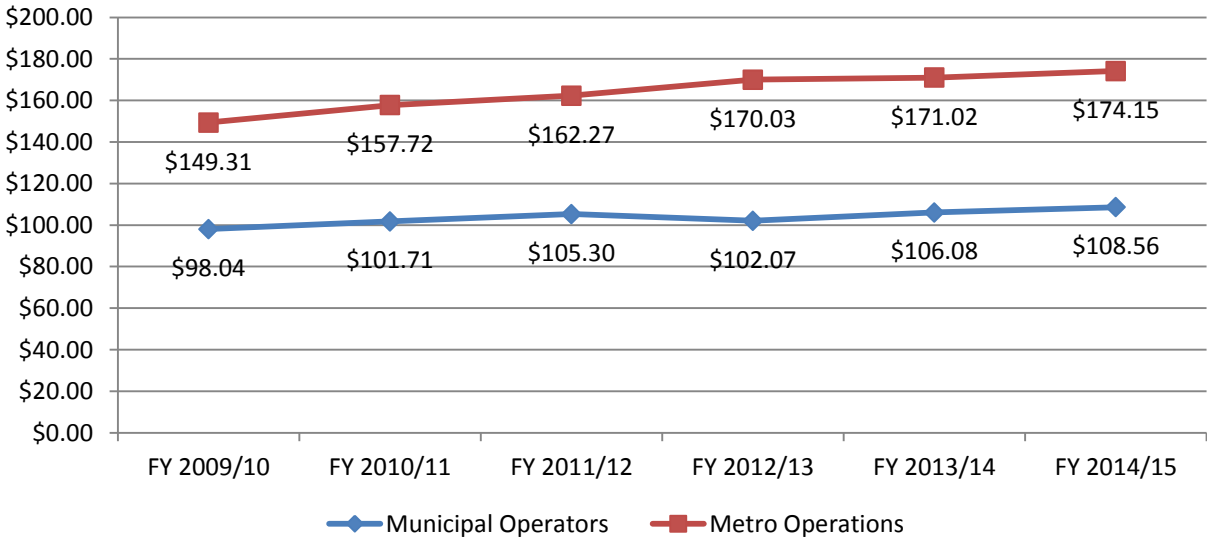
Cost per Passenger

Cost/passenger also rose during the six-year period. Municipal operators' cost/passenger saw its lowest point in FY 2012/13 before peaking at a six-year high in FY 2014/15 (a net increase of 6.6 percent). Metro saw a 17.2 percent net increase, steady except for a slight dip in FY 2011/12.


Passengers per Vehicle Service Hour

Metro's Passengers/VSH increased through FY 2012/13, but saw a net decline of 0.4 percent across the six-year period. Municipal operators saw a net decrease of 5.6 percent, which happened gradually between FY 2011/12 and FY 2014/15.

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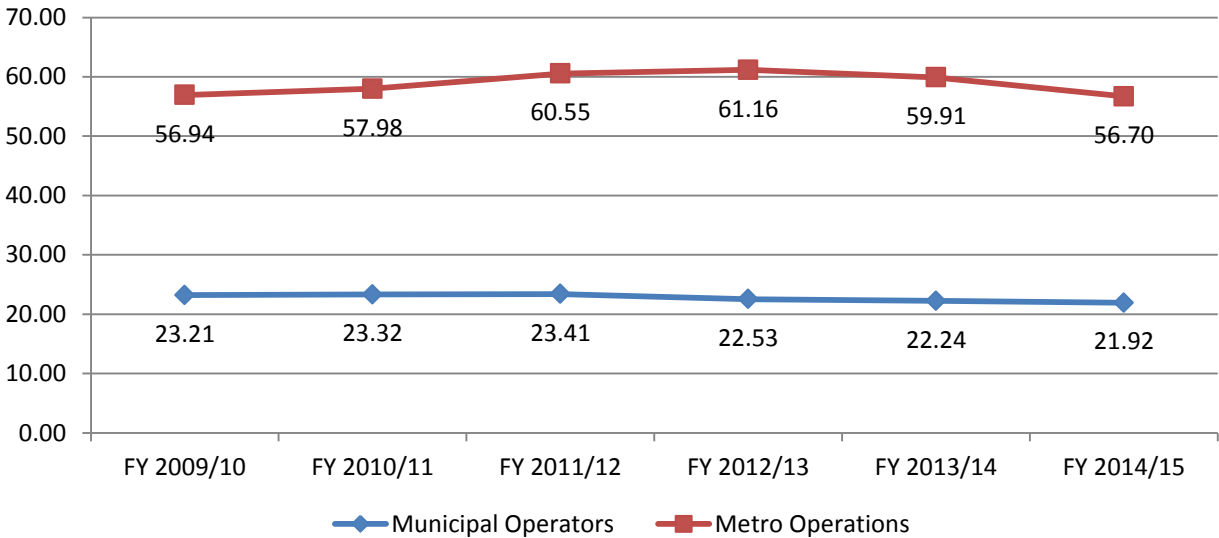
Farebox Recovery Ratio[3]

Metro's farebox recovery fluctuated as much as 7.3 percent during the six-year period, ultimately ending the period 2.7 percent lower than it began. Municipal operators experienced similar trends but noted an overall net increase of 4.8 percent across the six-year period.

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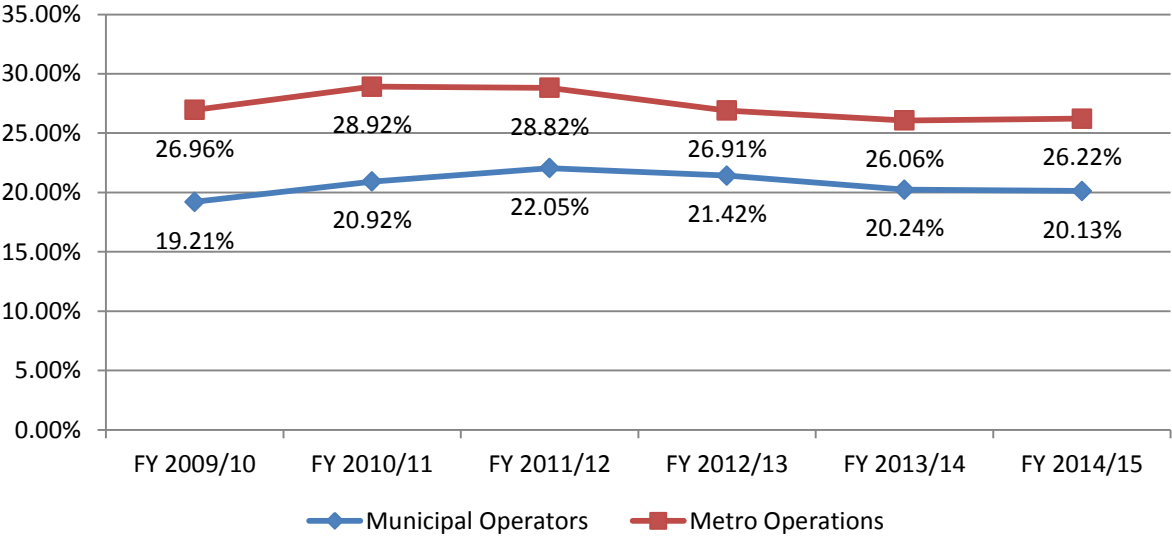
[3] Note: Local subsidies were not included in the calculations used for this graphic. As such, the average farebox recovery ratio for municipal operators for FY 2009/10 is below 20 percent. All operators were found to be in compliance with TDA after local subsidies were taken into account.

7

Summary of TDA Compliance Findings

The following matrix summarized the TDA compliance findings for each of the transit operators. Those with no columns marked had no compliance findings.

	On-time State Controller Reports	Calculation of FTE metric
AVTA		
Arcadia		
Burbank		
Claremont	X	X
Commerce		
Culver City		
Foothill Transit		
Gardena		
Glendale		
LADOT		
La Mirada		
Long Beach		
Metro Operations		
Montebello		
Norwalk		
Pasadena	X	
Redondo Beach		
Santa Clarita		X
Santa Monica		
Torrance		X

Summary of Functional Findings

The following matrix summarized the functional findings for each of the transit operators. Functional findings addressed issues not relevant to TDA compliance identified through the functional review process. Those with no columns marked had no functional findings.

	Did not implement one or more prior recommendations	Unsubsidized farebox below 20 percent[4]	Inconsistent data reporting	Incorrect reporting on State Controller Report	Other
AVTA					
Arcadia	X	X			
Burbank		X		X	
Claremont	X	X			
Commerce	X				
Culver City			X	X	
Foothill Transit					X
Gardena		X	X	X	
Glendale		X			X
LADOT		X	X		
La Mirada	X	X	X		
Long Beach					
Metro Operations					X
Montebello		X			X
Norwalk	X	X	X		
Pasadena		X	X		
Redondo Beach		X			
Santa Clarita					
Santa Monica					
Torrance		X			

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[4] The industry standard for urbanized transit program is generally considered to be 20 percent. All operators are in compliance with the TDA through the use of local subsidies. This functional finding examines the operators' farebox recovery ratios without the addition of local subsidies to assess the productivity of the transit program.

ATTACHMENT B

Los Angeles County Metropolitan Transportation Authority
(as the RTPA)
FY 2012/13 – FY 2014/15 Triennial Performance Review
Executive Summary
June 2016

MA and ASSOCIATES
Certified Public Accountants

Legislative Mandate

The State of California mandates LACMTA hire an independent firm to review its role as a Regional Transportation Planning Agency (RTPA). The mandate includes the following assessments:

- Progress implementing prior recommendations;
- Compliance with PUC requirements; and
- Efficiency, effectiveness, and productivity.

This Triennial Performance Review covers the three-year period ending June 30, 2015.

Findings

The RTPA is in full compliance with PUC requirements.

Of the four prior recommendations, three were implemented. The one remaining recommendation, which called for enhanced coordination between the Office of Management and Budget and the Planning Department, was carried forward to this review.

Challenges

Challenges faced by Metro as the RTPA during the review period included the following:

- A change in executive leadership,
- An agency-wide lack of succession planning, and
- Effective coordination and communication between departments.

Accomplishments

- Opening of ExpressLanes on the I-110 and I-10 freeways.
- Metro Rail began locking turnstiles in an effort to address lost fare revenue.
- Began construction of the new Division 13 Bus Maintenance and Operations facility across from Union Station.
- Metro was named a Top Achiever in Supplier Diversity by the Black EOE Journal.
- The EZ Transit Pass fully transitioned to the TAP program.
- Los Angeles Mayor and Metro Board Member Antonio Villaraigosa received APTA's 2012 Distinguished Service Award for his contributions to the public transportation industry through policy, legislative initiative, and leadership.
- Celebration of the 75th anniversary of Union Station.
- Opening of online Metro Store and launch of the Go511 app for iPhone, iPad,

and Android.
- The Metro Board approved continuation of the ExpressLanes project following its one-year demonstration period.
- Broke ground on its Crenshaw/LAX Transit Project.
- Metro Motion won an Emmy award for its Union Station 75th Anniversary TV show.
- Metro's Complete Streets Policy was recognized by Smart Growth America's National Complete Streets Coalition.
- Metro introduced new online and real-time technology.

Recommendations

Metro functioning as the RTPA had no compliance recommendations.

Functional Recommendations
- Enhance coordination between the Office of Management and Budget (OMB) and Planning departments.