



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
NOVEMBER 18, 2004**

SUBJECT: FISCAL YEAR 2001-2003 TRIENNIAL PERFORMANCE AUDIT REPORT

ACTION: RECEIVE AND FILE FISCAL YEAR 2001-2003 TRIENNIAL AUDIT REPORT

RECOMMENDATIONS

- A. Receive and file the Fiscal Year (FY) 2001-2003 Triennial Performance Audit of Los Angeles County Transit Operators and Metro Operations
- B. Receive and file the FY 2001-2003 Triennial Performance Audit of the Los Angeles County Metropolitan Transportation Authority (MTA) as the Regional Transportation Entity (RTPE)

ISSUE

The FY 2001-2003 Triennial Performance Audit Report has been completed and is ready to be presented to the Board of Directors. The Transportation Development Act (TDA) requires Triennial Performance Audits for Transit Operators and RTPEs.

BACKGROUND

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires the MTA to conduct an independent performance audit of all Los Angeles County Transit Operators receiving TDA Article 4 and Article 8 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The TDA also requires that regional transportation planning entities (RTPEs) undergo an independent performance audit, focusing particularly on the planning roles. This audit is conducted every three years, and the MTA must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that the MTA may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

Under contract, the firm of Booz, Allen and Hamilton independently conducted the FY 2001-2003 Performance Audit of the Transit Operators, Metro Operations and the MTA as the RTPE for Los Angeles County.

A. **AUDIT OF LOS ANGELES COUNTY TRANSIT OPERATORS AND METRO OPERATIONS**

The following Los Angeles County Transit Operators were included in this audit:

- Arcadia

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

The FY 2001-2003 Performance Audit reviewed all areas that the State mandates. Areas audited were:

- Verification of TDA data collection and reporting requirements;
- Compliance with (PUC) requirements;
- Progress in implementing prior audit 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 Los Angeles County Transit Performance Measurement Program (TPM). Staff uses the TPM data to allocate transit subsidy funds to Los Angeles County Transit Operators, including Metro Operations. The recommendations and key findings of the FY 2001-2003 Transit Operators' Triennial Performance audit are summarized in Attachment A. All Transit Operators have addressed prior performance audit recommendations. In addition, all Transit Operators, including Metro Operations, are in full or partial compliance with TDA requirements for Transit Operators.

B. AUDIT OF THE MTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY (RTPE)

The audit of the MTA as the RTPE included:

- Progress in implementing prior audit recommendations;
- Compliance with PUC requirements; and
- Functional review of areas relevant to our role as the RTPE.

Prior Year Audit Recommendation

The prior audit of the MTA as the RTPE offered twelve recommendations for consideration. Eight recommendations have been implemented. The four partially implemented recommendations were carried forward as elements of some of the current audit's recommendations.

Compliance

Of fifteen PUC requirements for RTPEs that apply specifically to the MTA as an RTPE, the audit noted full compliance with thirteen, including Calderon, and partial compliance with two.

Performance Results for the MTA as the RTPE

According to the audit, TDA responsibilities have been performed more effectively. Some of the most notable accomplishments included in the audit are:

- Restructured Countywide Planning and Development, including Area Teams, to provide a parallel structure to Metro Operations service sectors;
- Articulated a more realistic and financially constrained rail program that prioritizes planning and construction activities; and
- Maintained commitments to regional transportation services and innovative solutions such as planning documents (e.g., Long Range Transportation Plan, Short Range Transportation Plan, Regional Transit Plan) and the EZ Pass Program.

This audit also identified areas and opportunities to make the MTA, as the RTPE, more efficient and effective. The audit offers the following recommendations:

- Implement additional administrative actions to further strengthen and improve compliance with State PUC and CAC requirements for TDA and STA administrative functions;
- Codify and formalize success characteristics of the Metro Rapid service through minimum service agreements;
- Establish a countywide transportation performance reporting program;
- Clarify the roles and responsibilities of Countywide Planning and Metro Operations since FY 2003 reorganization; and
- Improve the availability of and access to data and information needed for timely business decisions.

The recommendations and key findings of the FY 2001-2003 MTA as RTPE Triennial Performance Audit are summarized in Attachment B.

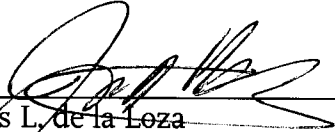
NEXT STEPS

As required by PUC §99246, staff will transmit the FY 2001-2003 Triennial Performance Audit to the State Department of Transportation. Staff will report on the progress of the audit recommendations to the Board annually.

ATTACHMENTS

- A. FY 2001-2003 Performance Audit Executive Summary of Transit Operations and Metro Operations
- B. FY 2001-2003 Performance Audit Executive Summary of MTA as the RTPE

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Triennial Performance Audits – Executive Summary

Metro & Sixteen Included and Eligible Operators

Presented by

Booz | Allen | Hamilton

in association with

Alt Mayer & Associates

Los Angeles, CA
October, 2004

Agenda

- ▶ **Audit Scope**
- ▶ **Metro Transit Operations**
 - Compliance Findings
 - Performance Trends
 - Recommendations
- ▶ **Municipal Operators**
 - Compliance Findings
 - Performance Trends
 - Recommendations
- ▶ **Countywide Summary**

Performance Audits are Required for Continued Receipt of TDA Funds

- ▶ The audit covers the period July 1, 2000 through June 30, 2003 (FY01-FY03)
- ▶ The audit scope meets State requirements:
 - Progress to implement prior audit recommendations
 - Compliance with PUC requirements
 - Efficiency, effectiveness, and productivity of operations
- ▶ The audit also reviews the results of the Transportation Performance Measurement (TPM) Program
- ▶ Audits were conducted for Metro Operations and the 16 transit operators that are included in the Formula Allocation Program (FAP)

Metro Operations



Metro is in Compliance with TDA Requirements for Transit Operators

- ▶ Metro Operations is in compliance with all PUC requirements regarding report submittals, CHP compliance, TDA claims, vehicle operation, budget growth, farebox recovery, fully funded retirement system, private contracting, and use of federal funds
 - Farebox recovery over the audit period averaged 28.2%
- ▶ Metro demonstrated progress in addressing three prior performance audit recommendations:
 - Data reporting inconsistencies have generally improved over the last audit period though additional action is warranted.
 - Aggressive steps to control workers' comp costs have been taken
 - In coordination with Municipal Operators, developed and adopted the Regional Transit Plan in 2002

Metro Performance Was Generally Positive Over the Audit Period, Though Ridership Did Not Grow in Proportion to Service

- ▶ System-wide TDA performance trends for directly-operated service demonstrate stable cost efficiency performance, but declining cost effectiveness and system productivity
- ▶ Service level increases in excess of ridership increases were due, in large part, to consent decree requirements

Verified TDA Statistics & Performance Indicators	Base Year FY00	Audit Review Period		% Change FY00-FY03	
		FY01 (d)	FY02		
Operating Costs (a)	\$775,956,318	\$746,341,117	\$864,516,941	\$897,613,275	15.7%
Unlinked Passengers	416,818,721	398,110,504	445,196,341	429,804,232	3.1%
Vehicle Service Hours	7,323,878	6,967,419	7,711,378	7,874,992	7.5%
Vehicle Service Miles	93,881,247	90,188,227	100,448,339	102,579,398	9.3%
Employee FTEs (b) (c)	8,628	7,327	8,603	9,085	5.3%
Op. Cost Per Vehicle Service Hour	\$105.95	\$107.12	\$112.11	\$113.98	7.6%
Op. Cost Per Passenger	\$1.86	\$1.87	\$1.94	\$2.09	12.2%
Passengers Per Vehicle Service Hour	56.9	57.1	57.7	54.6	-4.1%
Passengers Per Vehicle Service Mile	4.44	4.41	4.43	4.19	-5.6%
Veh Service Hours Per Employee FTE (c)	792	886	836	813	2.6%
Percentage Change Consumer Price Index (CPI-W)		3.7%	2.7%	3.3%	10.0%

Source: National Transit Database Reports for FY00 - FY03

(a) Operating costs exclude depreciation, charter, vehicle lease costs

(b) Employee work hours / 2,000

(c) Measure calculated for directly operated service only

(d) MTA experienced a labor strike in FY01



Metro Fixed-Route Bus Performance (Directly-Operated and Contract)...

- ▶ Cost per hour and per passenger stayed within CPI growth over the audit period
- ▶ Service productivity declined slightly as ridership did not grow as fast as service levels. Expanded service levels were driven largely by Consent Decree requirements

Verified TDA Statistics & Performance Indicators	Base Year			Audit Review Period			% Change FY00-FY03
	FY00	FY01	FY02	FY03	FY03	FY03	
Operating Costs (a)	\$668,020,528	\$623,193,554	\$718,598,910	\$744,313,207			11.4%
Unlinked Passengers	359,001,513	336,308,899	378,039,587	366,240,007			2.0%
Vehicle Service Hours	6,942,309	6,538,236	7,203,571	7,324,932			5.5%
Vehicle Service Miles	85,655,002	80,281,617	88,709,035	89,810,284			4.9%
Employee FTEs (b)	7,794	6,412	7,495	7,937			1.8%
Op. Cost Per Vehicle Service Hour	\$96.22	\$95.32	\$99.76	\$101.61			5.6%
Op. Cost Per Passenger	\$1.86	\$1.85	\$1.90	\$2.03			9.2%
Passengers Per Vehicle Service Hour	51.7	51.4	52.5	50.0			-3.3%
Passengers Per Vehicle Service Mile	4.19	4.19	4.26	4.08			-2.7%
Veh Service Hours Per Employee FTE (c)	828	946	892	861			4.0%
Percentage Change Consumer Price Index (CPI-W)					3.7%	2.7%	
						3.3%	10.0%

Source: National Transit Database Reports for FY00 - FY03

(a) Operating costs exclude depreciation, charter, vehicle lease costs

(b) Employee work hours / 2,000

(c) Measure calculated for directly operated service only



Metro Light Rail Performance...

- ▶ Cost per hour declined over the audit period as service levels grew faster than total operating cost. However, cost per passenger exceeded CPI growth as ridership grew just 6.7 percent while total operating cost grew by 40 percent
- ▶ Light rail performance is driven largely by longer train lengths during the latter part of the audit period

Verified TDA Statistics & Performance Indicators	Base Year FY00	Audit Period			% Change FY00-FY03
		FY01	FY02	FY03	
Operating Costs (a)	\$61,387,358	\$68,646,312	\$83,689,122	\$86,200,054	40.4%
Unlinked Passengers	29,859,558	30,610,139	32,605,548	31,869,211	6.7%
Vehicle (Car) Service Hours	195,998	185,618	247,787	286,150	46.0%
Vehicle (Car) Service Miles	4,658,489	4,366,779	5,781,961	6,782,590	45.6%
Employee FTEs (b)	492	517	659	652	32.5%
Op. Cost Per Vehicle Service Hour	\$313.20	\$369.83	\$337.75	\$301.24	-3.8%
Op. Cost Per Passenger	\$2.06	\$2.24	\$2.57	\$2.70	31.6%
Passengers Per Vehicle Service Hour	152.3	164.9	131.6	111.4	-26.9%
Passengers Per Vehicle Service Mile	6.41	7.01	5.64	4.70	-26.7%
Veh Service Hours Per Employee FTE	398	359	376	439	10.2%
Percentage Change Consumer Price Index (CPI-W)		3.7%	2.7%	3.3%	10.0%

Source: National Transit Database Reports for FY00 - FY03

(a) Operating costs exclude depreciation, charter, vehicle lease costs

(b) Employee work hours / 2,000

Metro Heavy Rail Performance...

- ▶ Heavy rail performance is consistent with that for light rail – cost per hour growth less than CPI but declining cost effectiveness and service productivity
- ▶ Growth in heavy rail ridership of 13.4 percent reflects the opening of the North Hollywood extension in FY01

Verified TDA Statistics & Performance Indicators	Base Year FY00	Audit Review Period			% Change FY00-FY03
		FY01	FY02	FY03	
Operating Costs (a)	\$46,548,432	\$54,501,251	\$62,228,909	\$67,100,014	44.2%
Unlinked Passengers	27,957,650	31,191,466	34,551,206	31,695,014	13.4%
Vehicle (Car) Service Hours	185,571	243,565	260,020	263,910	42.2%
Vehicle (Car) Service Miles	3,567,756	5,539,831	5,957,343	5,986,524	67.8%
Employee FTEs (b)	342	399	449	496	45.0%
Op. Cost Per Vehicle Service Hour	\$250.84	\$223.76	\$239.32	\$254.25	1.4%
Op. Cost Per Passenger	\$1.66	\$1.75	\$1.80	\$2.12	27.2%
Passengers Per Vehicle Service Hour	150.7	128.1	132.9	120.1	-20.3%
Passengers Per Vehicle Service Mile	7.84	5.63	5.80	5.29	-32.4%
Veh Service Hours Per Employee FTE	543	611	580	532	-1.9%
Percentage Change Consumer Price Index (CPI-W)		3.7%	2.7%	3.3%	10.0%

Source: National Transit Database Reports for FY00 - FY03

(a) Operating costs exclude depreciation, charter, vehicle lease costs

(b) Employee work hours / 2,000



Three Recommendations Have Been Made to Metro Operations

- ▶ Recommendation 1: Examine financial and performance data collection and reporting processes to ensure consistency among reports (continued from prior audit)
- ▶ Recommendation 2: Continue to investigate opportunities to realize the full potential of bus service sectors
- ▶ Recommendation 3: Establish a process to determine the impact on transit system performance from major technological improvement initiatives



Municipal Operators

Most Municipal Operators Are Generally in Compliance with TDA Requirements, but Data Collection and Reporting Could Be Improved

- ▶ Municipal Operators are in compliance with all PUC requirements regarding report submittals, CHP compliance, TDA claims, vehicle operation, budget growth, farebox recovery, fully funded retirement system, private contracting, and use of federal funds
 - Municipal Operators' system-wide farebox recovery over the audit period averaged 26.1%
- ▶ Most Municipal Operators have addressed prior audit recommendations
- ▶ Data collection and reporting continues to be an issue of concern, particularly with respect to collection and reporting of TPM data. However, the simplified TPM reporting process should contribute significantly to improved operator compliance over the next audit period

Municipal Operator Fixed-Route Performance Showed Stable Cost Efficiency but Declining Cost Effectiveness Performance

Verified TDA Statistics & Performance Indicators	Base Year FY00	Audit Review Period			% Change FY00-FY03
		FY01	FY02	FY03	
Operating Costs (a)	\$179,042,782	\$204,325,946	\$220,100,034	\$243,686,488	36.1%
Unlinked Passengers	106,886,958	113,268,422	117,952,842	120,944,156	13.2%
Vehicle Service Hours	2,757,320	3,125,297	3,229,630	3,451,638	25.2%
Vehicle Service Miles	37,328,997	41,598,205	43,397,878	45,185,964	21.0%
Oper Cost per Vehicle Service Hour	\$64.93	\$65.38	\$68.15	\$70.60	8.7%
Oper Cost per Passenger	\$1.68	\$1.80	\$1.87	\$2.01	20.3%
Passengers per Vehicle Service Hour	38.8	36.2	36.5	35.0	-9.6%
Passengers per Vehicle Service Mile	2.86	2.72	2.72	2.68	-6.5%
Percentage Change					
Consumer Price Index (CPI-W)	--	3.7%	2.7%	3.3%	10.0%

(a) Operating costs exclude depreciation, charter, vehicle lease costs.

Source: FY00-FY03 National Transit Database Reports

- ▶ Fixed-route operators include Antelope Valley, Commerce, Culver City, Foothill, Gardena, LADOT, Long Beach, Montebello, Norwalk, Santa Clarita, Santa Monica, and Torrance



Metro

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Municipal Operator Demand Response Services Exhibited Increasing Costs and Modest Ridership Growth

Verified TDA Statistics & Performance Indicators	Base Year FY00	Audit Review Period		% Change FY00-FY03	
		FY01	FY02		FY03
Operating Costs (a)	\$9,666,901	\$10,120,956	\$11,353,370	\$12,619,788	30.5%
Unlinked Passengers	739,641	763,951	745,046	782,960	5.9%
Vehicle Service Hours	174,545	175,452	171,167	179,404	2.8%
Vehicle Service Miles	2,609,888	2,647,531	2,675,981	2,743,990	5.1%
Oper Cost per Vehicle Service Hour	\$55.38	\$57.69	\$66.33	\$70.34	27.0%
Oper Cost per Passenger	\$13.07	\$13.25	\$15.24	\$16.12	23.3%
Passengers per Vehicle Service Hour	4.2	4.4	4.4	4.4	3.0%
Passengers per Vehicle Service Mile	0.28	0.29	0.28	0.29	0.7%
Percentage Change					
Consumer Price Index (CPI-W)	--	3.7%	2.7%	3.3%	10.0%

(a) Operating costs exclude depreciation, charter, vehicle lease costs.

Source: FY00-FY03 National Transit Database Reports

- ▶ Demand Response operators include Antelope Valley, Arcadia, Claremont, Commerce, La Mirada, Long Beach, Montebello, Norwalk, Redondo Beach, Santa Clarita, Santa Monica, and Torrance

Municipal Operator Recommendations Focus on Data Collection and Reporting, and Service Planning Issues

Type of Recommendation	Antelope Valley	Arcadia	Claremont	Commerce	Culver City	Foothill	Gardena	LADOT	La Mirada	Long Beach	Montebello	Norwalk	Redondo Beach	Santa Clarita	Santa Monica	Torrance
Service Planning	X		X			X	X	X			X			X		
Fare Structure		X					X									
Data Collection & Reporting		X	X	X	X		X	X	X	X		X	X	X	X	X
Cost Allocation				X							X	X				
Performance Monitoring								X	X						X	
Other Efficiency & Effectiveness				X	X					X	X	X	X		X	X

Countywide Performance



Metro

Countywide Ridership was Up over the Audit Period; Cost per Hour Growth was Less than Inflation

FY00-FY03 Percent Change	MTA Bus	MTA Rail	Muni Bus	Muni Demand	Countywide Total
Operating Costs (a)	11.4%	42.0%	36.1%	30.5%	19.6%
Unlinked Passengers	2.0%	9.9%	13.2%	5.9%	5.2%
Vehicle Service Hours	5.5%	44.2%	25.2%	2.8%	12.2%
Vehicle Service Miles	4.9%	55.2%	21.0%	5.1%	12.5%
Oper Cost per Vehicle Service Hour	5.6%	-1.5%	8.7%	27.0%	6.6%
Oper Cost per Passenger	9.2%	29.2%	20.3%	23.3%	19.7%
Passengers per Vehicle Service Hour	-3.3%	-23.7%	-9.6%	3.0%	-6.3%
Passengers per Vehicle Service Mile	-2.7%	-29.2%	-6.5%	0.7%	-6.5%

(a) Operating costs exclude depreciation, charter, vehicle lease costs.

Source: FY00-FY03 National Transit Database Reports

Triennial Performance Audit – Executive Summary

Audit of MTA as the Regional Transportation Planning Agency

Presented by
Booz | Allen | Hamilton

in association with
Altmayer & Associates

Los Angeles, CA
October 29, 2004

Performance Audits are Required for Continued Receipt of TDA Funds

- ▶ State-mandated independent audit of MTA's regional transportation planning responsibilities as the Regional Transportation Planning Entity (RTPE)
- ▶ RTPE audit scope:
 - PUC compliance findings
 - Progress to implement prior audit recommendations
 - Functional area performance review
 - Recommendations

MTA is Generally in Compliance with PUC Requirements for RTPES

- ▶ Of 15 PUC requirements for RTPEs, there is full compliance with 14, including Calderon, and in partial compliance with one:
 - The Board has reviewed progress on prior audit recommendations. However, the Board needs to take action and make a finding that each of the operators has made reasonable efforts to implement prior audit recommendations prior to approving an increase in TDA funding
- ▶ The prior audit offered 12 recommendations for consideration:
 - Seven recommendations have been implemented
 - Five recommendations were partially implemented and are carried forward as elements of some of the current audit’s recommendations

Goal Setting and Strategic Planning Have Improved Markedly Over the Last Performance Audit

- ▶ CP&D developed planning documents that are integral to MTA's planning and programming responsibilities under law, including the Long Range Transportation Plan, Short Range Transportation Plan, Congestion Management Plan
- ▶ The Regional Transit Plan provides a framework for integrating transit services throughout the County
- ▶ The Strategic Performance Program provides a basis for agency-wide direction, decisions and activities

MTA Has Taken Steps to Perform its TDA Responsibilities More Effectively

- ▶ Restructured CP&D, including Area Teams that provide a parallel structure to Metro Operation's Service Sectors
- ▶ Administered over \$1.4 billion in local transportation funds:
 - Although FY03 Call for Projects was cancelled, steps were taken to minimize the impacts of State budget problems on transportation funding
 - Consolidated responsibility for funds administration in Programming & Policy Analysis and compiled relevant Board policies and funding program guidelines
- ▶ Articulated a more realistic and financially constrained rail capital program that prioritizes planning and construction activities
- ▶ Maintained the commitment to regional multi-modal transportation services and innovative solutions:
 - Planning documents (LRTP, SRTP, Regional Transit Plan)
 - EZ Pass Program, Universal Fare System
 - Metro Rapid Program
 - Advanced Transportation Management System

The Audit Identified Some Areas that Deserve Further Attention

- ▶ Maintaining and asserting the clear definition and separation of responsibilities between Operations, Finance and CP&D is important to the perception of MTA's neutrality and fairness in administering regional funds (federal, state and local sales tax) Countywide and to all modes.
- ▶ In addition to updating the adopted LRTP and SRTP, staff should build on these documents to develop a Countywide performance monitoring program

Five Recommendations Are Offered for Consideration by the RTPE

- ▶ Implement additional administrative actions to further strengthen and improve compliance with State PUC and California Administrative Code requirements for TDA and STA administrative functions. For example, MTA should:
 - Prepare funding apportionments prior to March 1st each year (requires revenue estimates be provided by Finance to the Planning department to meet Planning timelines)
 - Include required findings in Board Resolutions allocating TDA and STA funds (current Board report approach does not require Board resolutions making the required findings; it only requires the allocations be approved)
 - Update guidelines for analyzing and evaluating TDA Article 4 claims
 - Separate MTA claimant functions as operator from oversight functions as RTPE
 - Account for the expenditure of planning and administrative funds for MTA as RTPE under the appropriate PUC section
 - Request clarification from Caltrans and the State Secretary of Business regarding apportionment procedures for Article 4 and Article 8 funds (note that this issue is not unique to MTA; other agencies have needed to request similar clarification)

Five Recommendations Are Offered for Consideration by the RTPF (continued)

- ▶ Codify and formalize success characteristics of the Metro Rapid service through minimum service agreements
- ▶ Establish a Countywide multi-modal transportation performance reporting program that is visible and relevant to the public
- ▶ Clarify roles and responsibilities of Planning and Operations since the FY03 reorganization:
 - Transition service planning for established services to Operations, while development of countywide planning documents and initiatives should remain with the Planning Division
 - Improve coordination between Planning Area Teams and Operations Sectors
 - Recognize role of Planning in projects that involve the region's operating agencies

Five Recommendations Are Offered for Consideration by the RTPE (continued)

- ▶ Improve the availability of and access to data and information needed for business decisions (e.g., requests for data/information from the Board). For example, MTA should consider:
 - Increasing integration among data systems to make more information available on-line
 - Developing and adopting a process for handling data requests that specifies responsibilities and provides guidelines to ensure that responses to such requests are timely and provide the best data

