

# A Short Ride on The Bus: OCTA's Mission Imperiled

## 1. SUMMARY

The mission statement of the Orange County Transportation Authority (OCTA) is a masterpiece of brevity and focus:

“Our mission is to enhance the quality of life in Orange County by delivering safer, faster, and more efficient transportation solutions.”

Unfortunately for OCTA and its regular passengers, the recession that began in 2007 has resulted in such severe cutbacks in bus service that the transit agency's ability to fulfill that mission has become a matter of conjecture. Because of reduced funding, OCTA in December 2008 cut bus revenue vehicle hours (the number of hours that its buses are on the streets) by 233,000. Another 150,000 hours of bus service were slashed in the first part of 2010.

For many of the county's low-income wage earners, office workers and students, the cutbacks mean a longer wait for the bus. Or the bus doesn't come at all, because it was one of the routes eliminated in the OCTA downsizing.

The major reasons for the cutbacks in service were the recession-inspired sharp decline in state sales tax revenue (created under the Transportation Development Act) that bankrolls the state's Local Transportation Fund and the Schwarzenegger Administration's decision to end most state financial support of local transit agencies, because the state has its own budgetary problems. In addition, the portion of tax revenues for transit fell significantly due to the state of the economy. Revenue for Orange County bus transit has been reduced 20%.

In response to the loss of revenue, the Orange County Transportation Authority management has



# A Short Ride on The Bus: OCTA's Mission Imperiled

exercised prudent judgment by deciding to increase fares and reduce service levels to stay within its estimated income. OCTA plans further reductions to deal with future revenue losses, if they occur. Also, county transit authorities will evaluate the results of a study being conducted by a consulting team to determine if a redesign would improve the system's effectiveness and efficiency.

Yet while OCTA's managers and staff scramble to find enough money to provide a decent level of service for their riders, federal and local dollars are being awarded to transit-related projects whose needs appear less urgent than those of the local bus system. A handout that raises questions about competing priorities is the award of \$2.25 billion in federal stimulus funds for the California High Speed Rail project, a transportation notion that many agree is at least a decade or more away from carrying its first passenger. None of the \$2.25 billion can be used for bus operations.

Additionally, \$143 million of local Measure M funds is budgeted to build a huge Anaheim transportation center that the host city isn't funding. It is not widely known that Measure M funds, derived from a half-cent sales tax that Orange County voters have twice approved, cannot be used for bus operations. Although the formula for distributing Measure M funds allocated 25% to "transit," the bulk of that "transit" revenue has gone to the Metrolink rail system and projects related to Metrolink.

However, the Grand Jury found no evidence that OCTA has tried to amend the allocation formula to allow more funding to go to its bus system.

Neither High Speed Rail nor the Anaheim transportation center has any direct benefit for the OCTA bus system, yet the transit agency arguably had the greater need and the ability to use the funds more quickly as an economic stimulus to save existing jobs and create new ones.

Little interest in OCTA's plight has been evinced by most of the six members of Congress whose districts include Orange County. Only Congresswoman Loretta Sanchez took part in the Southern California

Transit Forum hosted by Chapman University on Feb. 5, 2010, while the other House members from Orange County have remained silent about solutions for local transit funding issues.

Despite these straits, OCTA has managed to continue providing bus service—albeit truncated—to a segment of county population that depends on it.

Based on its study, the findings and recommendations of the 2009-2010 Orange County Grand Jury include:

- Service-hour reductions and route eliminations have negatively impacted the total number of OCTA bus boardings.
- OCTA management has exercised prudent judgment in the funding crisis with selective trims in bus service.
- OCTA's need for operating funds is more urgent and immediate than that of other transportation entities.
- OCTA needs the authority to overcome local parochial interests that thwart development of a modern comprehensive transit system.

## 2. REASON FOR INVESTIGATION

As one funding source after another dried up or was substantially reduced, OCTA has struggled to maintain a viable bus transit service that meets the needs of its riders. With considerably less money to run the system than in recent years, the transit agency has had to invoke harsh measures to preserve an acceptable level of service. This study was undertaken to assess how well OCTA can fulfill its goal of providing "faster, safer and more efficient" transportation in this era of diminished financial resources.

## 3. METHOD OF INVESTIGATION

The Grand Jury conducted in-depth discussions with members of OCTA's management and with members of the OCTA Board of Directors. Members of the Grand Jury have attended meetings of the

# A Short Ride on The Bus: OCTA's Mission Imperiled

agency's Board, public informational gatherings, and the Southern California Transit Forum.

In addition, the Grand Jury scrutinized a number of documents obtained from public agencies and publicly accessible archives.

## 4. BACKGROUND AND FACTS

Public transportation is important as it provides mobility, shapes land use and development, creates jobs and enables general economic growth. According to the American Public Transportation Association (APTA), bus transit can positively affect the economy by:

- Reducing traffic congestion due to fewer automobiles on the streets, leading to lower direct travel costs to businesses and households.
- Reducing costs for travel and vehicle ownership for bus passengers, which may lead to changes in consumer spending.
- Reducing business costs due to increased worker dependability and reduced congestion.
- Increasing business productivity due to access to a labor market spread over a larger geographic area.
- Increasing personal timesavings and reducing vehicle emissions.

For each \$1.00 in public transportation investment, about \$3.50 in economic activity is generated in cost savings and economic growth.<sup>1</sup> Decreases in transit activity will have a negative effect on the economy.

### 4.1 RAISING DOUBTS

County Supervisor John Moorlach—who is a member of the OCTA Board of Directors by virtue of his elected county office—has publicly asked: “Is

<sup>1</sup>Economic Impact of Public Transportation Investment, American Public Transportation Association, October 2009.

there a point where maybe a bus system isn't even necessary? Taxpayers cover about 80% of OCTA's bus service while fares cover 20%. Federal and state laws require the county to offer bus service or lose highway funding, but maybe the tradeoff isn't worth it. That's just theoretical. It's just to get the thinking going, because the state has pretty much decimated OCTA's bus service by discontinuing state funding of the service.”<sup>2</sup>

In the wake of Moorlach's public philosophizing, doubts have surfaced about the necessity of maintaining a public bus system. Some fellow Board members share Moorlach's misgivings that a publicly funded bus system is necessary.

A member of another County entity which had been looking into OCTA's funding problems had this advice for transit-dependent bus riders who feared that the system might not survive the financial crisis: “They should all buy cars.”

### 4.2 Funding the System

As it has for many businesses in the private sector, downsizing has come to the Orange County Transportation Authority. The recession that began in 2007 put severe constraints on consumer spending. For OCTA the impact was felt most sharply in the agency's share of Measure M revenues, which come from a countywide half-cent sales tax and from the state's Local Transportation Fund. Measure M was approved by Orange County voters in November 1990 and instituted a 20-year sales tax. Both Measure M and its 30-year extension (M2), approved Nov. 7, 2006, allot 43% of the tax revenue to freeway improvements, 32% to streets and roads, and 25% to transit.

OCTA receives funding from a variety of other sources. These include federal assistance, state assistance and a share of certain tax revenues. Federal assistance usually is limited to capital expenditures.

<sup>2</sup>Orange County Register, August 11, 2009, Supervisor Moorlach interview

# A Short Ride on The Bus: OCTA's Mission Imperiled

The state served notice in 2009 that it would no longer help to fund local transit agency operations. But in March 2010, Gov. Schwarzenegger and the Legislature agreed on a package that included \$22 million for OCTA over the following 16 months, plus \$19.25 million annually beginning with fiscal year 2011-12.

Altogether, the transit agency is looking at a loss of \$50 million a year in revenues from state and local sources, resulting in a return to the 2001-2002 levels of service and spending. "We've got to live within our means," a member of OCTA's management team said, adding that another \$14 million to \$15 million would have to be cut from spending plans for Fiscal Year 2010-2011.

Meanwhile, OCTA, which hiked fares in 2009 to increase operating revenue, is lobbying strenuously to maintain state funding, has tried to secure stimulus funds and has received permission to temporarily divert some federal funds from capital spending into bus operation use. Despite these efforts, OCTA projects that in the next five years its bus operating revenues will decline by more than \$270 million, compared with the expectations in its 2008 Comprehensive Business Plan. Operating revenues are projected to decline by 24% over the next 20 years.<sup>3</sup>

Increasing bus fares has reduced ridership, tending to negate the bump in revenue from increased fares. Ridership also is declining in the depressed economy. Transit agencies that receive state support through the Local Transportation Fund must obtain at least 20% of their revenue from riders' fares. When the fare box percentage falls below 20%, fares typically are raised.

## 4.3 Amount of Service

In 2008, a year before the cutbacks began, the Orange County Transportation Authority provided 1,937,931 bus revenue vehicle hours on a budget

<sup>3</sup>OCTA Fiscal Year 2009-2010, Transit Budget Assumptions.

of \$337,995,231.<sup>4</sup> Service cutbacks started with a reduction of 133,000 annual revenue vehicle hours in December 2008. In September 2009 another 100,000 revenue vehicle hours were cut. The OCTA Board voted in November 2009 to trim 300,000 more hours, the first 150,000 in March 2010 and another 150,000 if state funding were not provided for the 2010-2011 fiscal year.

Thus, in approximately a year and a half, OCTA bus service cuts amount to 383,000 hours—a reduction of almost 20%. An additional 150,000 hour cut is pending for a total of 533,000 hours.

## 4.4 Local Economic Impact

Through surveys of passengers, OCTA has a good idea of who its riders are. The average Orange County bus rider comes from a household whose average annual income is \$31,800. Seventy percent of the riders have no car. Most regular riders use the bus to get to work or school. Without the bus, OCTA officials point out, many workers cannot get to their jobs and students will be unable to continue the education and training that today's complex society requires.

Will Kempton, OCTA's chief executive officer, told the Feb. 5, 2010, Southern California Transit Forum at Chapman University that in 2009 there were 57 million separate boardings of Orange County buses.

One member of the transit agency's board characterized the economic impact this way: "The businesses and industries in Orange County that depend on low-income workers would grind to a halt."

The effect of the January 2009 fare increase on ridership emphasizes the economic status of OCTA passengers: After fares were hiked, boardings plummeted by nearly half a million in the next three months and by another 750,000 in the following quarter.

<sup>4</sup>OCTA 2009-2010 approved budget, page TO-2.

# A Short Ride on The Bus: OCTA's Mission Imperiled

In the March 2010 reduction of 150,000 vehicle revenue hours, 51,300 riders were impacted, OCTA estimates. A planned second 150,000-hour reduction would have impacted an additional 86,536<sup>5</sup> riders, but that reduction was temporarily shelved when some state funding was restored.

The transit agency's 77 bus lines (down from 80 in 2009) reach all of the county's 34 cities. The core of the service is considered to be the 27 routes that provide 82% of the service. One-fourth of OCTA's ridership begins or ends their trips in Santa Ana.

## 4.5 The Future

For those who have a choice, the Orange County bus transit cannot compete with automotive travel. Buses are slow. They compete for space on the same roads with car and truck traffic. Because the distance between home and work often is considerable, travel times can run over an hour—especially if the rider must transfer from one bus to another. Because of cutbacks, the waiting time between buses is longer.

OCTA's managers and some of its board members say that the current crisis of funding and reduced service is energizing them to take a fresh look at how to restructure the system to make it more efficient and better serve its patrons. When the current top-to-bottom study of OCTA is completed after 12 to 18 months, OCTA staff will be examining the bus service, administrative costs and staffing levels to develop a delivery model that will produce the best system within funding limitations.

In November 2009 the OCTA Board directed staff to issue a Request for Proposals that will lead to selecting a consultant to study and redesign the Orange County transit system.

At the highest OCTA management levels, the Grand Jury heard such comments as:

- “When the dollars come back to our budget, we won't necessarily return to the same scale of service.”

- “Our aim should be to offer service in the most efficient way.”

One choice to be made by designers of Orange County's next generation of transit is whether to allow buses and light-rail cars on public streets. Some modern urban transit systems put their vehicles underground or on elevated lanes and private rights-of-way to avoid adding to traffic congestion. OCTA already owns some of the rights-of-way on which Pacific Electric's red cars ran until the 1950s. Some OCTA officials believe that a light rail system of the future may utilize those former PE routes.

The last attempt to build an urban light-rail line in Orange County was officially terminated in May 2005 after starting out as a 28-mile project and then being cut back to 9.3 miles and finally to 8.5 miles.

A City Councilman at the time (who was part of the planning sessions) recalls that five cities—Anaheim, Costa Mesa, Irvine, Orange and Santa Ana—conceived a privately financed and operated light-rail line (Fixed Guideway) that would run from Irvine in the south to Anaheim in the north. Fullerton later joined the group, replacing Anaheim as the northern terminus. Bus lines would feed into the basic north-south rail spine from major east-west streets.

But the Fixed Guideway project failed to attract private investment, and OCTA took over, providing funding from Measure M sales tax revenue for the light-rail line, which was renamed CenterLine.

Ultimately this plan fell victim to parochial squabbling among the six cities—some didn't want elevated tracks running through their town, and others didn't want their streets congested by trolley cars competing with automobiles.

“Nothing constructive in light rail is going to happen in Orange County,” said the City Councilman who took part in the planning meetings both before and when the project came under OCTA's aegis, “because no person or agency has the power or influence to act effectively.”

<sup>5</sup>Approval of March 2010 Service Change, OCTA Transit Committee, November 12, 2009.

## A Short Ride on The Bus: OCTA's Mission Imperiled

A single city, pursuing its own interests, he explained, is able to veto any transit project that crosses municipal lines because although OCTA has the responsibility for countywide transit, it does not have the authority to solve disputes.

Parochialism has even thwarted OCTA's efforts to improve traffic flow on major streets that run through two or more cities. OCTA's attempts to synchronize traffic signals on such thoroughfares frequently fall victim to objections from competing traffic managers of adjacent cities.

Meanwhile, parochial interests are reducing the potential amount of money that OCTA might be able to spend on its bus system or a modernized transit network that could include light rail. Since 1990, 75% of the revenue from the half-cent Measure M sales tax has gone for freeways, roads and

streets. Only 25% goes to transit, with Metrolink a major recipient. The 30-year extension of Measure M that voters approved in 2006 was originally expected to generate \$11.86 billion, but current estimates are that it may be 40% less. It will be split the same way as the original Measure M funds.

But not all of that money will go directly toward moving people from one place to another. Anaheim's successful lobbying to build a cathedral-like Anaheim Regional Transportation Intermodal Center (ARTIC) will divert more than \$143 million of Measure M funds into constructing the facility that would be a terminus for the California High Speed Rail line, as well as Amtrak, Metrolink and bus transit passengers.

The largest chunk of Measure M revenues (43%) goes to freeways, but there are questions about how



*Artist's conception of the Anaheim Regional Transportation Intermodal Center planned for a 16-acre site near Angel Stadium.*

# A Short Ride on The Bus: OCTA's Mission Imperiled

much more freeway expansion there can be without doing damage to the property tax base. With 350,000 to 500,000 more motor vehicles added to California's highways in some years, some in government have asked whether freeway construction can keep pace.

Meanwhile, Anaheim Mayor Curt Pringle, who is chairman of the High Speed Rail board, promises 600,000 new construction jobs to build the "bullet train" line and another 450,000 permanent jobs statewide once the system is built with a large infusion of federal funds.

Most observers agree that it will be many years before any of those jobs are created, even if the numbers are accurate. And critics point out that some of the federal money could be used more quickly by OCTA to save transit jobs and maintain bus routes.

## 5. FINDINGS

Based on its investigation of the Orange County Transportation Authority, the 2009-2010 Orange County Grand Jury has arrived at five principal findings, as follows:

- F.1 While severe cuts are being made in Orange County's bus service because of reduced funding, OCTA has budgeted \$143 million of Measure M revenue for an Anaheim transportation center for which Anaheim is contributing no funds.
- F.2 OCTA's need for operating funds is more urgent and immediate than that of other transportation entities, yet OCTA has not moved to revise its funding distribution formula so that the county's bus system can receive Measure M revenue.
- F.3 Service hour reductions, route eliminations and fare increases have negatively impacted the total number of OCTA bus boardings.
- F.4 OCTA needs enhanced authority in order to overcome local parochial interests that thwart development of a modern county-wide transit system.

F.5 OCTA has exercised prudent management in the funding crisis with selective trims in bus service.

*Responses to Findings F.1, F.2, F.3, F.4, and F.5 are required from the OCTA.*

## 6. RECOMMENDATIONS

Based on its investigation of bus transit system in Orange County, the 2009-2010 Orange County Grand Jury makes the following five recommendations:

- R.1 Re-examine the decision to use \$143 million of Measure M revenue to build the Anaheim Regional Transportation Intermodal Center and consider acting to revise the Measure M fund allocation formula, with a goal of increasing the portion for bus transit and reducing the portion for freeway construction.
- R.2 The governmental relations committee of the OCTA Board should urge Orange County's congressional delegation to lobby for legislative modification of the \$2.25 billion award of federal stimulus funds to the High Speed Rail project.
- R.3 If full state funding is restored to OCTA, bus fares should be reduced because the 2009 fare increase was counterproductive. Lower fares could stimulate greater ridership and thus increase operating revenue.
- R.4 Orange County political leaders and transportation managers should launch a series of meetings aimed at creating a countywide transit agency that will have sufficient authority and funding to overcome parochialism in developing a modern transit system. Representatives of business and industry as well as the public could be invited by the local transportation officials to participate.

*Responses to Recommendations R.1, R.2, R.3, and R.4 are required from the OCTA.*

# A Short Ride on The Bus: OCTA's Mission Imperiled

## 7. REQUIRED RESPONSES

The California Penal Code specifies the required permissible responses to the findings and recommendations contained in this report. The specific sections are quoted below:

### §933.05

(a) For purposes of Subdivision (b) of Section 933, as to each grand jury finding the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.