



SCTA System Performance Review

June 14, 2016

SCTA-Lancaster Division Performance Report

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AGENCY TRANSPORTATION PROFILE

FIXED-ROUTE SERVICE

Agency	Lancaster Division (d.b.a. RRTA)	Reading Division (d.b.a. BARTA)	South Central Transit Authority (d.b.a. SCTA)
Year Founded	1976	1973	2014
Reporting Fiscal Year End (FYE)	FYE 2015	FYE 2015	FYE 2015
Service Area (square miles)	248	864	1112
Service Area Population	420,920	411,442	832,362
Annual Operating Statistics*	Fixed-Route	Fixed-Route	Fixed-Route
Vehicles in Maximum Service (VOMS)	33	44	77
Operating Cost	\$9,146,317	\$10,788,694	\$19,935,011
Operating Revenues	\$3,572,403	\$3,226,887	\$6,799,290
Total (Actual) Vehicle Miles	1,549,105	1,598,783	3,147,888
Revenue Miles of Service (RVM)	1,471,650	1,530,835	3,002,485
Total Vehicle Hours	116,323	127,172	243,495
Revenue Vehicle Hours (RVH)	109,825	121,373	231,198
Total Passenger Trips	1,926,379	3,034,952	4,961,331
Senior Passenger (Lottery) Trips	230,757	413,238	643,995
Act 44 Performance Statistics			
Passengers / RVH	17.54	25.01	21.46
Operating Cost / RVH	\$83.28	\$88.89	\$86.22
Operating Revenue / RVH	\$32.53	\$26.59	\$29.41
Operating Cost / Passenger	\$4.75	\$3.55	\$4.02
Other Performance Statistics			
Operating Revenue / Operating Cost	39.06%	29.91%	34.11%
Operating Cost / Total Vehicle Hours	\$78.63	\$84.84	\$81.87
Operating Cost / Total Vehicle Miles	\$5.90	\$6.75	\$6.33
Total Passengers / Total Vehicle Hours	17.54	25.01	21.46
Operating Cost / RVM	\$6.22	\$7.05	\$6.64
RVM / Total Vehicle Miles	95.00%	95.75%	95.38%
RVH / Total Vehicle Hours	94.41%	95.44%	94.95%
Operating Subsidy / Passenger Trip	\$2.89	\$2.49	\$2.65

* source: dotGrants 2015 reporting. RRTA operating cost and revenue values are adjusted to credit rebates and external revenue against operating costs.

AGENCY TRANSPORTATION PROFILE

PARATRANSIT SERVICE

South Central Transit Authority (d.b.a. SCTA)	Lancaster Division (aka RRTA)	Reading Division (aka BARTA) ¹	SCTA Total
Reporting Fiscal Year End (FYE)	FYE 2015	FYE 2015	FYE 2015
Annual Operating Statistics*			
Vehicles in Maximum Service (VOMS)	56	57	113
Operating Cost	\$6,041,984	\$5,183,541	\$11,225,525
Operating Revenues	\$5,533,507	\$2,453,356	\$7,986,863
Total (Actual) Vehicle Miles	2,515,784	957,748	3,473,532
Revenue Miles of Service (RVM)	2,024,420	566,075	2,590,495
Total Vehicle Hours	163,759	93,745	257,504
Revenue Vehicle Hours (RVH)	148,767	50,667	199,434
Total Passenger Trips	280,904	184,708	465,612
Senior Passenger (Lottery) Trips	101,219	76,281	177,500
Act 44 Performance Statistics			
Passengers / RVH	1.89	3.65*	2.33
Operating Cost / RVH	\$40.61	\$102.31*	\$56.29
Operating Revenue / RVH	\$37.20	\$48.42*	\$40.05
Operating Cost / Passenger	\$21.51	\$28.06	\$24.11
Other Performance Statistics			
Operating Revenue / Operating Cost	91.58%	47.33%	71.15%
Operating Cost / Total Vehicle Hours	\$36.90	\$55.29	\$43.59
Operating Cost / Total Vehicle Miles	\$2.40	\$5.41	\$3.23
Total Passengers / Total Vehicle Hours	1.89	3.65	2.33
Operating Cost / RVM	\$2.98	\$9.16*	\$4.33
RVM / Total Vehicle Miles	80.47%	59.10%*	74.58%
RVH / Total Vehicle Hours	90.85%	54.05%*	77.45%
Operating Subsidy / Passenger Trip	\$1.81	\$14.78	\$6.96

* source: dotGrants 2015 reporting

¹ Reading Division reported live miles and hours instead of revenue miles and hours. An “*” represents statistics that used live miles and hours to calculate values, which under normal circumstances would have used revenue miles and hours.

EXECUTIVE SUMMARY

In July 2007 the Pennsylvania Legislature passed Act 44, establishing a framework for a PennDOT driven transit agency performance review process. The purpose of a review is to assess efficiency and effectiveness of service, financial stability, and general management/business practices. The assessment identifies best practices that can be shared with other transit agencies and makes transit agencies aware of improvement opportunities.

An Act 44 transit performance review of the South Central Transit Authority (d.b.a. SCTA) – Lancaster Division (d.b.a., RRTA, Red Rose Transit Authority) was conducted in early 2016. The performance review focused on fixed-route service. This report addresses the performance criteria that Act 44 established, trends and comparisons with peer agencies, targets for future performance, best practices and opportunities for improvement. This report also addresses the management, general efficiency and effectiveness of services.

On the basis of this performance report, SCTA will develop an action plan for the Lancaster Division, which identifies the steps SCTA will take to meet the agreed upon Act 44 performance criteria targets by FY 2019-20 (Fiscal Year End (FYE) 2020). The general goals are to maximize efficiency and promote cost savings, maximize service quality, and maximize ridership and revenue. The action plan should focus on the most critical areas for the agency, as prioritized by SCTA’s management and its governing board.

A draft action plan is due to the Department within 90 days of receipt of this report. PennDOT will work with SCTA to agree on a plan which, when approved by the SCTA Board, will be submitted as the final action plan. SCTA must report quarterly to the Board and PennDOT on the progress of the action plan, identifying actions taken to date, and actions to be implemented. SCTA’s success will be measured, in part, on meeting performance targets established through this review.

An Act 44 transit performance review of the Reading Division (d.b.a., BARTA, Berks Area Regional Transportation Authority) was conducted in early 2014², prior to regional consolidation under SCTA.

ACT 44 PERFORMANCE DETERMINATION

Act 44 performance factors were analyzed to quantify the SCTA- Lancaster Division’s fixed-route bus operation in comparison to its peer agencies for Fiscal Year End (FYE) 2014 and over a five-year trend period from FYE 2009 to FYE 2014 (the most recent NTD data available at the time of the peer selection). Peers were selected (by mode) through an analytical process and were agreed to in advance by SCTA.

A transit agency’s performance can fall into two categories: “In Compliance” or “At Risk.” The following criteria are used to make the determination:

- “At Risk” if more costly than one standard deviation **above** the peer group average in –
 - Single-year and five-year trend for Operating Cost / Revenue Vehicle Hour
 - Single-year and five-year trend for Operating Cost / Passenger

² <http://www.penndot.gov/Doing-Business/Transit/InformationandReports/Documents/Act%2044%20Performance%20Reviews/BARTA%20Performance%20Review%20Report.pdf>.

- “At Risk” if performing worse than one standard deviation **below** the peer average in –
 - Single-year and five-year trend for Passengers / Revenue Vehicle Hour
 - Single-year and five-year trend for Operating Revenue / Revenue Vehicle Hour

If the agency falls outside of these prescribed boundaries, it is considered “At Risk” for that factor and must improve as agreed upon between PennDOT and the agency.

ACT 44 PEER COMPARISON FINDINGS BY MODE: BUS

An analysis of the eight key criteria mandated by Act 44 was conducted and **it was determined that the SCTA-Lancaster Division is “In Compliance” for all eight criteria and “At Risk” for none.** The peer comparison process as applied to Act 44 criteria (below, in bold typeface) revealed the following:

In Compliance

1. **FYE 2014 passengers / revenue vehicle hour** ranks 7th out of the 14 transit agencies and is worse than the peer group average.
2. The **five-year trend of passengers / revenue vehicle hour** is worse than the peer group average.
3. **FYE 2014 operating cost / revenue vehicle hour** ranks 2nd least costly of the 14 transit agencies and is better than the peer group average.
4. The **five-year trend for increase in operating cost / revenue vehicle hour** is better than the peer group average.
5. **FYE 2014 operating revenue / revenue vehicle hour** ranks 4th out of the 14 transit agencies and is better than the peer group average.
6. The **five-year trend for operating revenue/ revenue vehicle hour** is near the peer group average.
7. **FYE 2014 operating cost / passenger** ranks 4th out of the 14 transit agencies and is better than the peer group average.
8. The **five-year trend for operating cost / passenger** is worse than the peer group average.

At Risk

1. None.

A summary of the specific Act 44 measures and their values are presented in the following table.

Performance Criteria	FYE	Determination	Rank (of 14)	Relation to Peer Average	Value	Peer Average
Passengers / Revenue Hour	2014	In Compliance	7	Worse	17.42	18.05
	Trend	In Compliance	12	Worse	-1.62%	0.80%
Operating Cost / Revenue Hour	2014	In Compliance	2	Better	\$82.45	\$97.15
	Trend	In Compliance	5	Better	1.09%	2.18%
Operating Revenue / Revenue Hour	2014	In Compliance	4	Better	\$26.51	\$20.77
	Trend	In Compliance	10	Worse	3.72%	5.17%
Operating Cost / Passenger	2014	In Compliance	4	Better	\$4.73	\$5.57
	Trend	In Compliance	10	Worse	2.75%	1.46%

GENERAL FINDINGS

In accordance with Act 44, findings are indicated as “best practices” or “opportunities for improvement.” Best practices are current practices that enhance the efficiency, effectiveness, and/or quality of service of SCTA and may be shared with other agencies as techniques for improvement. Improvement opportunities identify tasks that may be undertaken to increase the efficiency, effectiveness, and /or quality of service of the agency.

BEST PRACTICES

1. Acting as a regional leader in joint procurement opportunities.
2. Putting well-documented policies in place that serve as a framework for many essential procedures like fare reconciliation, financial statement preparation and procurement.
3. Routinely evaluating route performance on a monthly basis as part of an annual fixed-route service analysis.
4. Monitoring key customer service metrics such as on-time performance, customer complaints, percentage of phone calls answered and conducting annual customer service evaluations of drivers.
5. Monitoring labor costs by tracking measurable variables (e.g., road calls, mechanic productivity, repair times, parts usage, purchasing, etc.) to identify opportunities to reduce costs.
6. Developing an integrated IT system that allows technology in different departments to efficiently communicate with one another.
7. Providing real-time information to customers.
8. Implementing a sales outlet program that incentivizes local businesses to sponsor RRTA passes for employees via tax benefits.

9. Conducting procurement training for all employees involved in the procurement process.

OPPORTUNITIES FOR IMPROVEMENT TO ADDRESS IN THE ACTION PLAN

1. Develop a Board-driven succession plan for the Executive Director that would address any future vacancies.
2. Insure road supervision is available during all hours of operation.
3. Review policies for consistency amongst both Divisions (i.e., Lancaster and Reading), and update where inconsistencies are found.

FINANCIAL REVIEW

Prior to the merger of administrative functions and the combination of other services between Lancaster and Reading Divisions, Lancaster County contributed local monies for the SCTA-Lancaster Division's public transportation funding requirements. Following the merger, SCTA identified a cost savings of over \$800,000 per year resulting from consolidation. These cost savings qualified Lancaster and Berks for a waiver, eliminating their required local match for state operating subsidies for up to a five-year period, as allowed by Act 89. Following the five-year period, Lancaster and Berks counties will be required to resume their local match commitment. For the sixth year of the merger and beyond, Berks and Lancaster Counties agree to split the required local match 50/50.

The SCTA-Lancaster Division currently has a balanced operating budget. Operating cash reserves have steadily increased since 2012. Internally developed projections of service levels and budgets indicate a plan to maintain a balanced budget over the next five years. The SCTA-Lancaster Division had \$4,119,787 in Section 1513 carryover funds available and no local carryover operating funds as of FYE 2015. SCTA's management is currently executing a strategy to exhaust the RRTA prior year carryover balances and use current year state funds to rebuild reserves in the SCTA-Lancaster Division carryover fund.

Accounts payable and receivable amounts are negligible. SCTA maintains a \$1,000,000 line of credit with a tax-free interest rate of 0.5% less than prime, or 4% as of FYE 2015. Management should continue taking appropriate actions to manage costs, achieve farebox recovery goals, and to maintain cash reserves to preserve SCTA-Lancaster Division's excellent overall financial health.

FIVE-YEAR PERFORMANCE TARGETS

This transit agency performance report outlines areas where improvements may be made to enhance the overall quality, effectiveness, and efficiency of the transit system. As a result of the performance review, a set of "performance targets" has been established that apply to SCTA as a whole (i.e., Lancaster and Reading Divisions). These performance targets are required to comply with Act 44 performance criteria and represent the minimum performance levels that SCTA should work to achieve during the next review cycle (i.e., five years from the date of this report). These performance targets were created using historical data analyzed during the five-year trend analysis as well as the most current audited PennDOT dotGrants information available (FYE 2015). Standards were extrapolated to FYE 2020 and are designed to be aggressive, yet achievable. Targets for annual increase coincide with those developed for Reading Division. They are summarized as follows:

Performance Criteria SCTA Both Divisions Combined	Fiscal Year End (FYE)				Target Annual Increase
	2013 Actual	2014 Actual	2015 Actual	2020 Target	
Passengers / Revenue Hour	20.95	21.92	21.46	23.69	2.00%
Operating Cost / Revenue Hour	\$82.03	\$85.71	\$86.22	\$99.96	3.00%
Operating Revenue / Revenue Hour	\$25.76	\$27.71	\$29.41	\$32.47	2.00%
Operating Cost / Passenger	\$3.92	\$3.91	\$4.02	\$4.22	1.00%

NEXT STEPS

Upon final transmission of the performance review report, Act 44 regulations stipulate that SCTA "...shall develop and submit to the Department within 90 days...a strategic action plan that focuses on continually improving the system to achieve the established minimum performance targets." The action plan should outline corrective action that will be taken to address "Opportunities for Improvement" – as prioritized by the SCTA oversight board and management.

Functional area "Opportunities for Improvement" are areas in which adjustments may result in cost savings, improved service quality, and ridership and/or revenue increases. Achieved improvements in these areas will assist in meeting the performance targets by directly addressing areas that affect Act 44 performance criteria. It should be noted that many functional areas are interrelated. The Action Plan should establish a comprehensive program that focuses on actions that address the larger issues within SCTA.

The template for the Action Plan is provided as an appendix to this report. This template is where SCTA should address its proposed actions to address the "Opportunities for Improvement" findings that directly affect the Act 44 performance metrics. Some actions will be quickly implementable while others may take several discrete steps to achieve over a longer period of time. The template provides a simple-to-follow order of key findings. SCTA must select, prioritize and schedule its intended actions using the template.

SCTA must submit the proposed draft Action Plan using the format provided to the Department for comment. The proposed draft Action Plan may then be revised based on consultation between Lancaster Division's management and the Department. The finalized Action Plan then must be approved by the Board and formally submitted to PennDOT. At the very least, SCTA's management must report on a quarterly basis to the Board and the Department on progress towards accomplishing the Action Plan including actions taken in the previous quarter and actions planned for upcoming quarter(s).

INTRODUCTION

PURPOSE

In July 2007 the Pennsylvania Legislature passed Act 44, which established a framework for a performance review process for all public transportation agencies receiving state financial assistance. This report documents the findings and observations of the public transportation agency performance review for the South Central Transit Authority- Lancaster Division (d.b.a., RRTA, Red Rose Transit Authority).

This performance review was conducted to emphasize the importance of good management, proactive planning, and efficient service, which maximizes the effectiveness of federal, state, and local funding. In addition, other important goals of the review process and this document are to:

- Find, document, and publicize best practices that contribute to efficient, high-quality public transit service delivery, encouraging other Pennsylvania transit agencies to apply them as appropriate.
- Provide guidance to transit agencies on cost-effective ways to improve efficiency, effectiveness, and quality of service.
- Identify and document legal, institutional, or other barriers beyond the control of the transit agency that may impede efficiency in service delivery and management.

PERFORMANCE REVIEW PROCESS

In late 2015, an Act 44-mandated performance review was initiated for SCTA – Lancaster Division. PennDOT, with consultant assistance, conducted the review according to the steps outlined below:

1. Initial notification of performance review selection and transmission of document request
 - A review of available data and requests for what should be “off-the-shelf” information that may not be publicly available was transmitted.
2. Peer selection
 - SCTA and PennDOT agreed to a set of peer agencies that would be used for comparative analysis.
3. Act 44 performance criteria analysis
 - Performance criteria mandated by Act 44 were analyzed for the peer groups.
 - Additional performance criteria were calculated for informative purposes to help guide the on-site review process.
4. On-site review
 - An on-site review was conducted on February 23rd through February 24th, 2016.
 - An interview guide customized for SCTA’s service was used for the review.
 - Topics covered during the interview process included:
 - Governance & Management
 - Human/Labor Relations
 - Finance & Procurement
 - Operations and Scheduling
 - Maintenance
 - Safety and Security
 - Customer Service
 - Information Technology
 - Capital Planning
 - Marketing and Public Relations
 - Planning/Capital Program
 - Contracted Service

AGENCY DESCRIPTION

In December of 2014, the South Central Transit Authority (SCTA) was formed pursuant to resolutions passed by the Lancaster County Board of County Commissioners and the Berks County Board of County Commissioners. SCTA was given authority to carry out public transportation activities within Lancaster and Berks counties, and transfer public transit activities provided by Red Rose Transit Authority (RRTA) and the Berks Area Regional Transit Authority (BARTA) to SCTA.

The newly formed SCTA is the first consolidation in the Commonwealth as allowed under Act 89, and resulted in over \$800,000 in cost savings. Since this amount was greater than the annual local matching fund requirement for state operating subsidies, Lancaster and Berks counties were permitted, and elected, to forgo their local match for five years from the initial agreement.

SCTA is under contract with RRTA and BARTA, each through a mutual cooperation agreement that designates SCTA as the provider of all executive, management, administrative and support services. This agreement gives SCTA authority to take all actions necessary to perform its management service, which includes the rights to purchase according to procurement policies, enter and execute contracts, administer grant agreements, manage and supervise employees, signing authority and the handling of all finances. Each agreement transfers all non-union employees from RRTA and BARTA to SCTA.

Although SCTA performs all executive, management, administrative and support services for RRTA, transit service in Lancaster County will continue to be provided under the RRTA brand, known internally as the Lancaster Division. Likewise, transit service in Berks County will continue under the BARTA brand, referred to as the Reading Division. SCTA is headquartered at the Lancaster Division Operations Center in Lancaster, PA, and Reading Division will continue to be based out of the former BARTA headquarters in Reading, PA.

Lancaster County and Berks County each appoint five members to serve on the ten-member SCTA Board of Directors. The office of Chair and Vice Chair are held by Board members from opposing counties, similar to the offices of Secretary and Treasurer. Once the Board member in office has served their maximum term, the office is filled by a Board member from the opposing County.

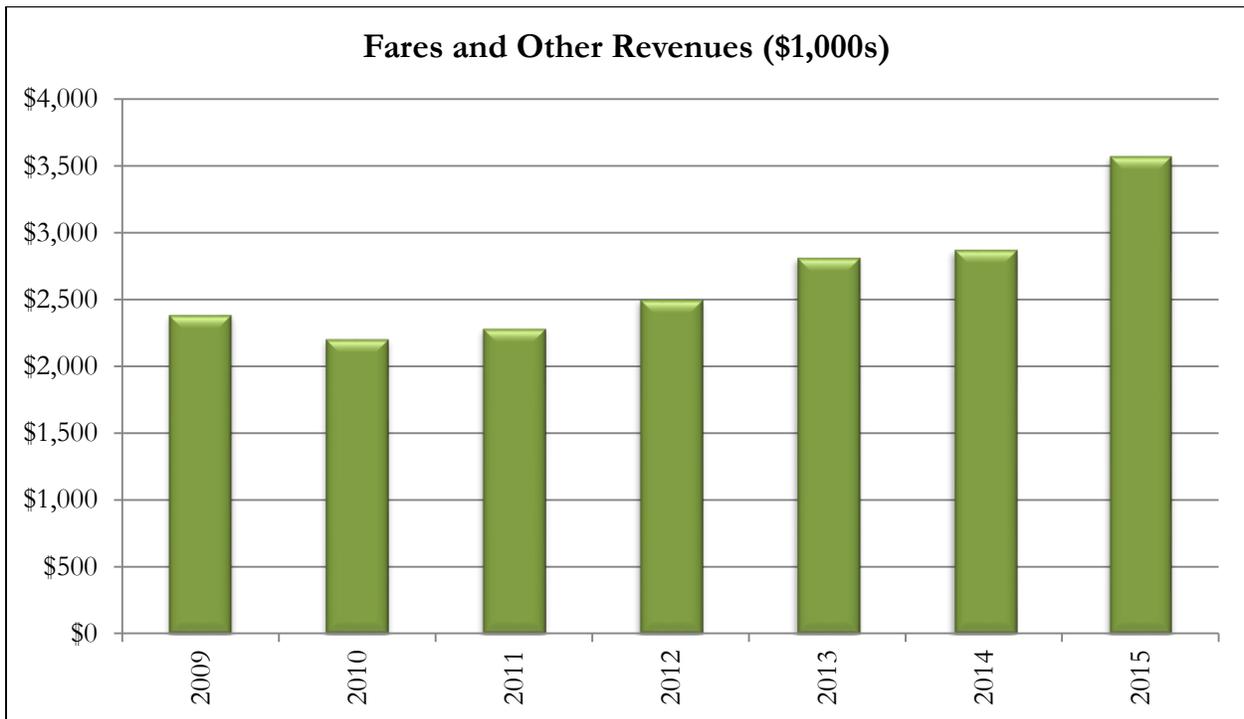
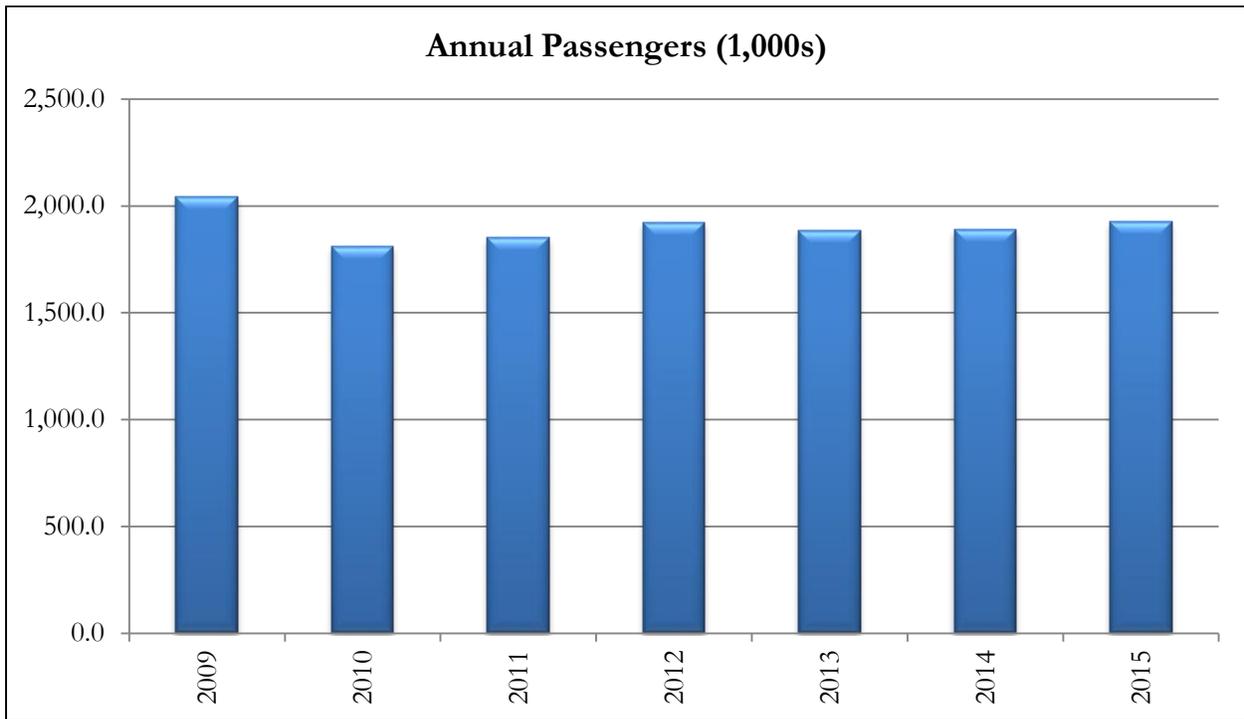
Today, the two SCTA divisions combined represent the Commonwealth's third largest transit system serving about 5.1 million passengers annually with a fleet of 99 fixed-route buses and 124 paratransit vehicles. SCTA leases and maintains the Queens Street Transit Center in downtown Lancaster, the transfer hub of Lancaster Division fixed-route service that features a public parking garage and leasable commercial space. SCTA leases the BARTA Transportation Center in downtown Reading, the central Reading Division transfer hub for fixed-route service, and the former Reading Franklin Street Terminal, a refurbished property of the historic Reading Railroad plus the Park-n-Transit facility adjacent to the Franklin Street Station that includes a 398 space parking garage under management by the Reading Parking Authority.

Exhibit 1 and **Exhibit 2** present fixed-route system level statistics for Lancaster Division derived from PennDOT dotGrants. Important observations evident from the trends in demand, revenues, and operating characteristics for the legacy reporting period of FYE 2009 through 2015 for SCTA's fixed-route service are as follows:

1. Over the last seven years, SCTA-Lancaster Division's annual fixed-route ridership has hovered between 1.9 and 2.0 million passengers annually. There were 1,926,379 passenger boardings in FYE 2015.

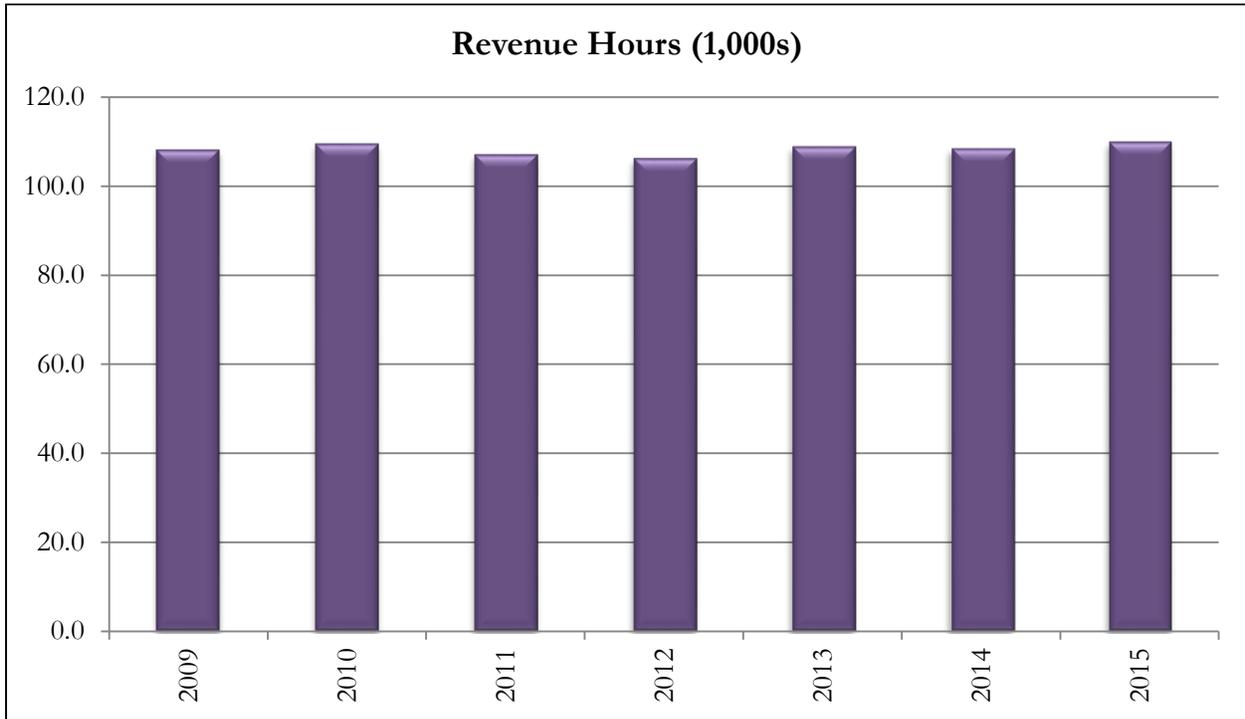
2. SCTA-Lancaster Division's FYE 2015 total operating revenue (including passenger fares, advertising, rents and other local revenues) was \$1.90 per passenger trip. Lancaster Division's regular base fare ranges by zone, \$1.70 base zone full fare, \$1.85 for a 1-zone trip, \$2.15 for a 2-zone trip, \$2.50 for a 3-zone trip and \$2.90 for a 4-zone trip. Transfers prices vary by zone, 5¢ for a base zone transfer, 20¢ for a 1-zone transfer, 50¢ for a 2-zone transfer, 85¢ for a 3-zone transfer and \$1.25 for a 4-zone transfer. Farebox revenue alone was \$1.54 per passenger. This equates to a farebox recovery of 32.1% of total operating expenses and a total revenue (from all sources) recovery of 39.7% of operating expenses.
3. Revenue hours of service increased relatively little from FYE 2009 to FYE 2015. SCTA-Lancaster Division supplied 109,825 revenue hours of service in FYE 2015.
4. SCTA-Lancaster Division's operating costs increased in total by about 9.4% over the same time period, going from about \$8.4 million to \$9.2 million annually. Operating costs increased, in part, due to maintenance costs associated with a third of the fleet, 14 buses, being over 12 years old, but have been mostly replaced in October, 2015 with ten new hybrid-electric buses, and four more to be replaced by the end of May, 2016.

Exhibit 1: Fixed-Route Passengers and Revenues FYE 2009-2015



Source: NTD and PennDOT Legacy Reporting System (dotGrants) adjusted for other revenues (i.e., rebates, management fees, etc.) that are credited against operating expenses.

Exhibit 2: Fixed-Route Revenue Hours and Operating Costs FYE 2009-2015



NTD and PennDOT Legacy Reporting System (dotGrants) adjusted for other revenues (i.e., rebates, management fees, etc.) that are credited against operating expenses.

ACT 44 PERFORMANCE ASSESSMENT

Act 44 establishes the framework for a performance review process as follows:

“The Department may conduct performance reviews of an award recipient under this section to determine the effectiveness of the financial assistance. Reviews shall be conducted at regular intervals as established by the Department in consultation with the management of the award recipient. After completion of a review, the Department shall issue a report that: highlights exceptional performance and identifies any problems that need to be resolved; assesses performance, efficiency, and effectiveness of the use of the financial assistance; makes recommendations on follow-up actions required to remedy any problem identified...”³

The law sets forth the following performance criteria to be used to satisfy its objectives:⁴

- Passengers / revenue vehicle hour;
- Operating cost / revenue vehicle hour;
- Operating revenue / revenue vehicle hour;
- Operating cost / passenger; and,
- Other items as the Department may establish.

Performance criteria are to be compared for both the system being reviewed and for a group of five or more peers by mode, determined by considering the following:⁵

- Revenue vehicle hours;
- Revenue vehicle miles;
- Number of peak vehicles; and,
- Service area population.

The law further instructs PennDOT to prepare a five-year trend analysis for the local transportation organization under review and the peer systems by performance criteria and by mode, and make a determination of “In Compliance” or “At Risk” status based on findings.

PEER SYSTEM SELECTION

A list of tentative peers was submitted to SCTA’s management for review and comment. After discussions were complete, the following 13 peer systems, in addition to Lancaster Division, are included in the fixed-route bus peer comparisons:

1. Jefferson Parish Department of Transit Administration (Jet) Gretna, LA
2. Escambia County Area Transit (ECAT) Pensacola, FL
3. Mountain Metropolitan Transit (MMT) Colorado Springs, CO
4. Wichita Transit (WT) Wichita, KS
5. Fort Wayne Public Transportation Corporation (Citilink) Fort Wayne, IN
6. Valley Regional Transit (VRT) Meridian, ID
7. Rockford Mass Transit District (RMTD) Rockford, IL
8. Sonoma County Transit (SCT) Santa Rosa, CA
9. South Central Transportation Authority – Reading Division (BARTA Div) Reading, PA
10. County of Lackawanna Transit System (COLTS) Scranton, PA

³ Title 74 Pa. C.S.A. §1513 (e)

⁴ Title 74 Pa. C.S.A. §1513 (f)

⁵ 67 Pa Code Chapter 427, Annex A . §427.12(d)(1)(i), Jan 2011.

11. Merrimack Valley Regional Transit Authority (MVRTA) Haverhill, MA
12. City of Visalia – Visalia City Coach (Visalia Transit) Visalia, CA
13. Stark Area Regional Transit Authority (SARTA) Canton, OH

ACT 44 COMPARISONS AND FINDINGS

Comparison of SCTA with the selected peer systems was completed using NTD-reported data and PennDOT dotGrants Legacy statistics. Due to its consistency and availability⁶ for comparable systems, the NTD FYE 2014 Reporting Year database was selected as the primary data source used in the calculation of the five-year trend Act 44 metrics:

- Passengers / revenue vehicle hour
- Operating cost / revenue vehicle hour
- Operating revenue / revenue vehicle hour
- Operating cost / passenger

The definition of the variables used in the calculations is as follows:

- *Passengers*: Annual unlinked passenger boardings by mode for both directly-operated and purchased transportation
- *Operating Costs*: Annual operating cost of services provided (excluding capital costs) by mode for both directly-operated and purchased transportation
- *Operating Revenue*: Total annual operating revenue generated from farebox and other non-state, non-federal sources by mode for both directly-operated and purchased transportation
- *Revenue Vehicle Hours*: The total annual number of “in-service” hours of service provided by mode for both directly-operated and purchased transportation
- *Average*: Un-weighted linear average of all values being measured across all peer transit agencies, including SCTA
- *Standard Deviation*: Standard deviation of all values being measured across all peer transit agencies, including SCTA

Act 44 stipulates that metrics fall into two categories: “In Compliance” and “At Risk.” The following criteria are used to make the determination:

- “At Risk” if more costly than one standard deviation **above** the peer average in:
 - The single-year or five-year trend for Operating Cost / Revenue Vehicle Hour
 - The single-year or five-year trend for Operating Cost / Passenger
- “At Risk” if performing worse than one standard deviation **below** the peer group average in:
 - The single-year or five-year trend for Passengers / Revenue Vehicle Hour
 - The single-year or five-year trend for Operating Revenue / Revenue Vehicle Hour

If an agency is within these limits, it is considered “In Compliance.” However, if an agency is “At Risk” for any given criterion, it must very closely monitor the effectiveness of remedial strategies identified in the action plan to achieve “Compliance” prior to the next performance review.⁷

⁶ NTD data is available for almost every urbanized area transit system in the United States. The latest data available at the time of the Peer Selection was for Fiscal Year End (FYE) 2014.

⁷ Act 44 identifies potential financial penalties for agencies determined “At Risk” during the review process that are not subsequently determined “In Compliance” within 5 years of the original “At Risk” finding.

FIXED-ROUTE BUS

Results of the SCTA analysis and peer comparison are presented in **Exhibit 3**. SCTA's fixed-route bus is "**In Compliance**" for all eight of the measures and "**At Risk**" for none.

Exhibit 3: Act 44 Peer Comparison Summary

Variable (Lancaster Division)	Act 44 Determination	
	Single Year	Trend
Passengers / RVH	In Compliance	In Compliance
Operating Cost / RVH	In Compliance	In Compliance
Operating Revenue / RVH	In Compliance	In Compliance
Operating Cost / Passenger	In Compliance	In Compliance

For the 13 peer systems plus the SCTA-Lancaster Division, NTD data were extracted and summarized for each of the required Act 44 metrics. Measures were put into histograms and tables for visual inspection, statistical analyses, and ordinal ranking purposes. The single-year results of these analyses are presented in **Exhibit 4**, **Exhibit 5**, **Exhibit 6**, and **Exhibit 7**. Five-year trend analyses are presented in **Exhibit 8**, **Exhibit 9**, **Exhibit 10**, and **Exhibit 11**.

For measures relating to passengers or operating revenue, ordinal rankings are on a highest-to-lowest system. For measures relating to operating cost, ordinal rankings are on a lowest-to-highest system. Thus a ranking of "1st" consistently indicates that the agency scores best amongst its peers and a ranking of "14th" indicates that it performs the poorest on any given metric.

The findings presented in the exhibits are as follows:

1. SCTA-Lancaster Division's FYE 2014 passengers / revenue hour ranks 7th in the peer group and is worse than the peer group average. The passengers / revenue hour have been decreasing at about 1.6% per year.
2. SCTA-Lancaster Division's FYE 2014 operating cost / revenue vehicle hour ranks 2nd in the peer group and is better than the peer group average. The operating cost / revenue vehicle hour was increasing at about 1.1% per year.
3. SCTA-Lancaster Division's FYE 2014 operating revenue / revenue vehicle hour ranks 4th in the peer group and is worse than the peer group average. The trend between FYE 2009 and FYE 2014 indicates that operating revenue / revenue vehicle hour is increasing at an average rate of 3.7% per year while the peer average increased at 5.2%. It is worth noting that senior passengers in Pennsylvania do not pay fares. Rather, cost of providing free service to seniors is paid by a subsidy from the Lottery program. This has the effect of increasing senior ridership while reducing fare revenues.
4. SCTA-Lancaster Division's FYE 2014 operating cost / passenger ranks 4th in the peer group. The trend of operating cost / passenger increased at a rate of 2.8% per year which is a higher (worse) rate of cost increase than the peer group average.

These findings provided a basis for further investigation during the on-site interviews and functional area reviews.

Exhibit 4: Peer Comparison- Passengers / Revenue Vehicle Hour

Passengers / Revenue Hour (MB)- Lancaster Division					
System	FYE 2014 Single Year		5 Year Change Since FYE 2009		
	Value	Rank of 14	2009 Value	Annual Rate	Rank of 14
Jefferson Parish Department of Transit Administration	21.53	3	21.19	0.32%	7
Escambia County Area Transit	14.97	11	10.84	6.67%	2
Mountain Metropolitan Transit	24.45	2	17.88	6.47%	3
Wichita Transit	17.31	9	20.91	-3.71%	13
Fort Wayne Public Transportation Corporation	18.87	5	17.76	1.21%	5
Valley Regional Transit	15.26	10	15.52	-0.34%	9
Rockford Mass Transit District	18.30	6	18.70	-0.44%	10
Sonoma County Transit	14.68	12	14.66	0.02%	8
South Central Transportation Authority- Reading Division	25.82	1	23.71	1.72%	4
County of Lackawanna Transit System	13.31	14	12.91	0.62%	6
Merrimack Valley Regional Transit Authority	17.32	8	22.98	-5.50%	14
City of Visalia - Visalia City Coach	14.39	13	15.53	-1.51%	11
Stark Area Regional Transit Authority	19.12	4	13.47	7.25%	1
South Central Transportation Authority- Lancaster Division	17.42	7	18.90	-1.62%	12
<i>Average</i>	<i>18.05</i>		<i>17.50</i>	<i>0.80%</i>	
<i>Standard Deviation</i>	<i>3.73</i>		<i>3.87</i>	<i>3.76%</i>	
<i>Average – 1 Standard Deviation</i>	<i>14.32</i>		<i>13.62</i>	<i>-2.97%</i>	
<i>Average + 1 Standard Deviation</i>	<i>21.79</i>		<i>21.37</i>	<i>4.56%</i>	
Act 44 Compliance Determination	In Compliance		In Compliance		
Compared to the Peer Group Average	Worse		Worse		

Exhibit 5: Peer Comparison Operating Cost / Revenue Vehicle Hour

Operating Cost / Revenue Hour (MB)- Lancaster Division					
System	FYE 2014 Single Year		5 Year Change Since FYE 2009		
	Value	Rank of 14	2009 Value	Annual Rate	Rank of 14
Jefferson Parish Department of Transit Administration	\$112.89	12	\$109.45	0.62%	4
Escambia County Area Transit	\$88.69	5	\$65.19	6.35%	12
Mountain Metropolitan Transit	\$92.82	6	\$97.95	-1.07%	2
Wichita Transit	\$93.54	8	\$88.11	1.20%	6
Fort Wayne Public Transportation Corporation	\$103.37	11	\$97.14	1.25%	7
Valley Regional Transit	\$88.69	4	\$74.83	3.46%	11
Rockford Mass Transit District	\$119.97	13	\$117.30	0.45%	3
Sonoma County Transit	\$128.91	14	\$118.60	1.68%	9
South Central Transportation Authority- Reading Division	\$88.53	3	\$75.66	3.19%	10
County of Lackawanna Transit System	\$103.36	10	\$74.12	6.88%	13
Merrimack Valley Regional Transit Authority	\$98.95	9	\$91.30	1.62%	8
City of Visalia - Visalia City Coach	\$64.95	1	\$77.19	-3.40%	1
Stark Area Regional Transit Authority	\$93.01	7	\$65.50	7.26%	14
South Central Transportation Authority- Lancaster Division	\$82.45	2	\$78.12	1.09%	5
<i>Average</i>	\$97.15		\$87.89	2.18%	
<i>Standard Deviation</i>	\$16.12		\$17.99	3.02%	
<i>Average – 1 Standard Deviation</i>	\$81.03		\$69.90	-0.84%	
<i>Average + 1 Standard Deviation</i>	\$113.27		\$105.88	5.21%	
Act 44 Compliance Determination	In Compliance		In Compliance		
Compared to the Peer Group Average	Better		Better		

Exhibit 6: Peer Comparison- Operating Revenue / Revenue Vehicle Hour

Operating Revenue / Revenue Hour (MB)- Lancaster Division					
System	FYE 2014 Single Year		5 Year Change Since FYE 2009		
	Value	Rank of 14	2009 Value	Annual Rate	Rank of 14
Jefferson Parish Department of Transit Administration	\$35.72	1	\$27.69	5.23%	8
Escambia County Area Transit	\$19.55	7	\$11.26	11.66%	1
Mountain Metropolitan Transit	\$27.45	3	\$20.54	5.98%	6
Wichita Transit	\$17.71	10	\$15.22	3.08%	11
Fort Wayne Public Transportation Corporation	\$18.06	9	\$12.83	7.09%	3
Valley Regional Transit	\$10.10	14	\$10.62	-1.02%	14
Rockford Mass Transit District	\$14.79	12	\$12.80	2.93%	12
Sonoma County Transit	\$23.13	5	\$22.25	0.78%	13
South Central Transportation Authority- Reading Division	\$28.75	2	\$21.15	6.33%	5
County of Lackawanna Transit System	\$16.10	11	\$12.13	5.84%	7
Merrimack Valley Regional Transit Authority	\$18.84	8	\$13.80	6.43%	4
City of Visalia - Visalia City Coach	\$19.56	6	\$16.19	3.85%	9
Stark Area Regional Transit Authority	\$14.46	13	\$8.78	10.48%	2
South Central Transportation Authority- Lancaster Division	\$26.51	4	\$22.09	3.72%	10
<i>Average</i>		\$20.77	\$16.24	5.17%	
<i>Standard Deviation</i>		\$6.82	\$5.57	3.38%	
<i>Average – 1 Standard Deviation</i>		\$13.95	\$10.67	1.79%	
<i>Average + 1 Standard Deviation</i>		\$27.59	\$21.81	8.55%	
Act 44 Compliance Determination	In Compliance		In Compliance		
Compared to the Peer Group Average	Better		Worse		

Exhibit 7: Peer Comparison- Operating Cost / Passenger

Operating Cost / Passenger (MB)					
System	FYE 2014 Single Year		5 Year Change Since FYE 2009		
	Value	Rank of 14	2009 Value	Annual Rate	Rank of 14
Jefferson Parish Department of Transit Administration	\$5.24	6	\$5.16	0.30%	6
Escambia County Area Transit	\$5.92	11	\$6.01	-0.30%	3
Mountain Metropolitan Transit	\$3.80	2	\$5.48	-7.08%	1
Wichita Transit	\$5.40	7	\$4.21	5.10%	12
Fort Wayne Public Transportation Corporation	\$5.48	8	\$5.47	0.04%	5
Valley Regional Transit	\$5.81	10	\$4.82	3.81%	11
Rockford Mass Transit District	\$6.56	12	\$6.27	0.89%	7
Sonoma County Transit	\$8.78	14	\$8.09	1.66%	9
South Central Transportation Authority- Reading Division	\$3.43	1	\$3.19	1.45%	8
County of Lackawanna Transit System	\$7.76	13	\$5.74	6.22%	13
Merrimack Valley Regional Transit Authority	\$5.71	9	\$3.97	7.53%	14
City of Visalia - Visalia City Coach	\$4.51	3	\$4.97	-1.91%	2
Stark Area Regional Transit Authority	\$4.87	5	\$4.86	0.01%	4
South Central Transportation Authority- Lancaster Division	\$4.73	4	\$4.13	2.75%	10
<i>Average</i>		<i>\$5.57</i>	<i>\$5.17</i>	<i>1.46%</i>	
<i>Standard Deviation</i>		<i>\$1.43</i>	<i>\$1.19</i>	<i>3.65%</i>	
<i>Average – 1 Standard Deviation</i>		<i>\$4.14</i>	<i>\$3.98</i>	<i>-2.19%</i>	
<i>Average + 1 Standard Deviation</i>		<i>\$7.00</i>	<i>\$6.37</i>	<i>5.11%</i>	
Act 44 Compliance Determination	In Compliance		In Compliance		
Compared to the Peer Group Average	Better		Worse		

Exhibit 8: Trend Comparison- Passengers / Revenue Vehicle Hour

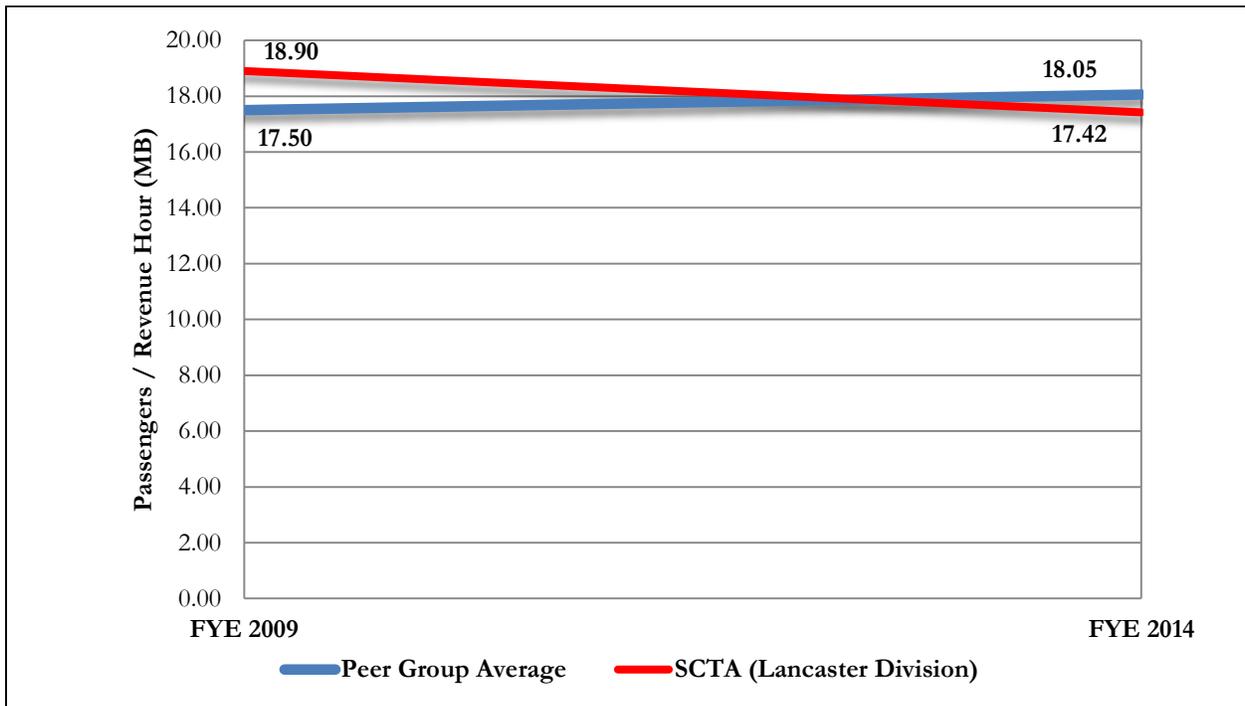


Exhibit 9: Trend Comparison- Operating Cost / Revenue Vehicle Hour

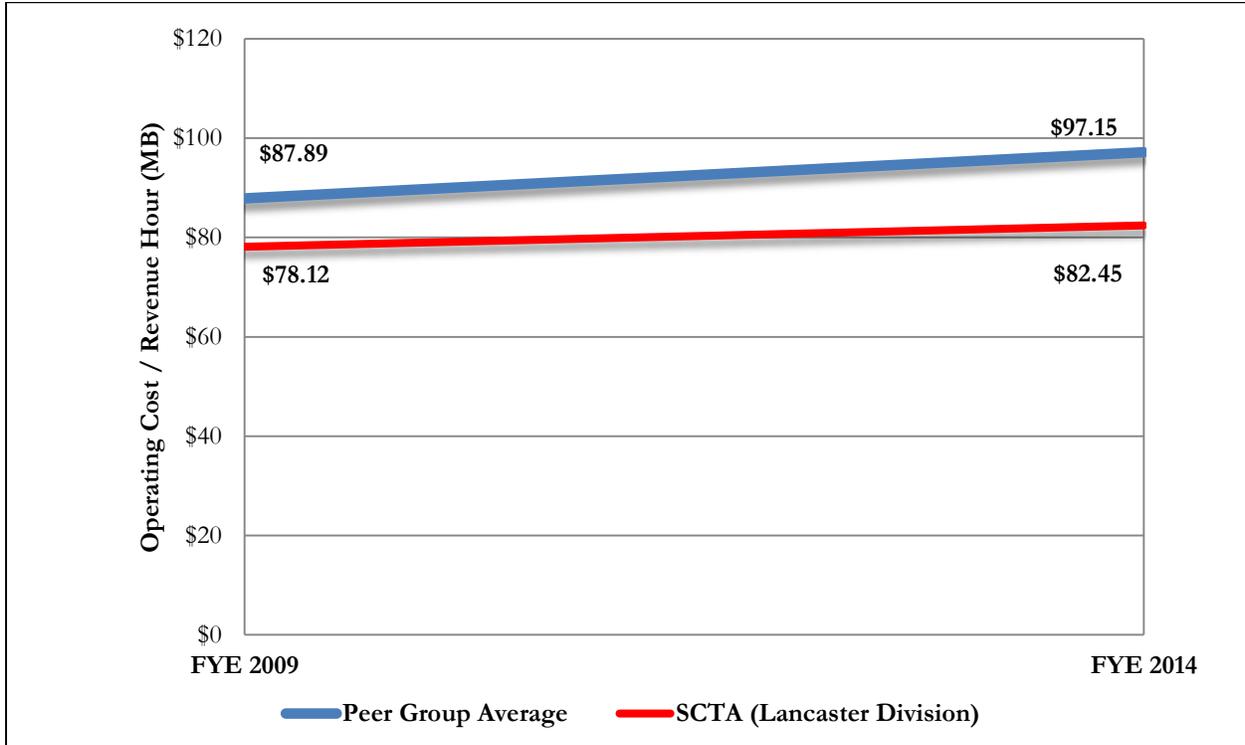


Exhibit 10: Trend Comparison- Operating Revenue / Revenue Vehicle Hour

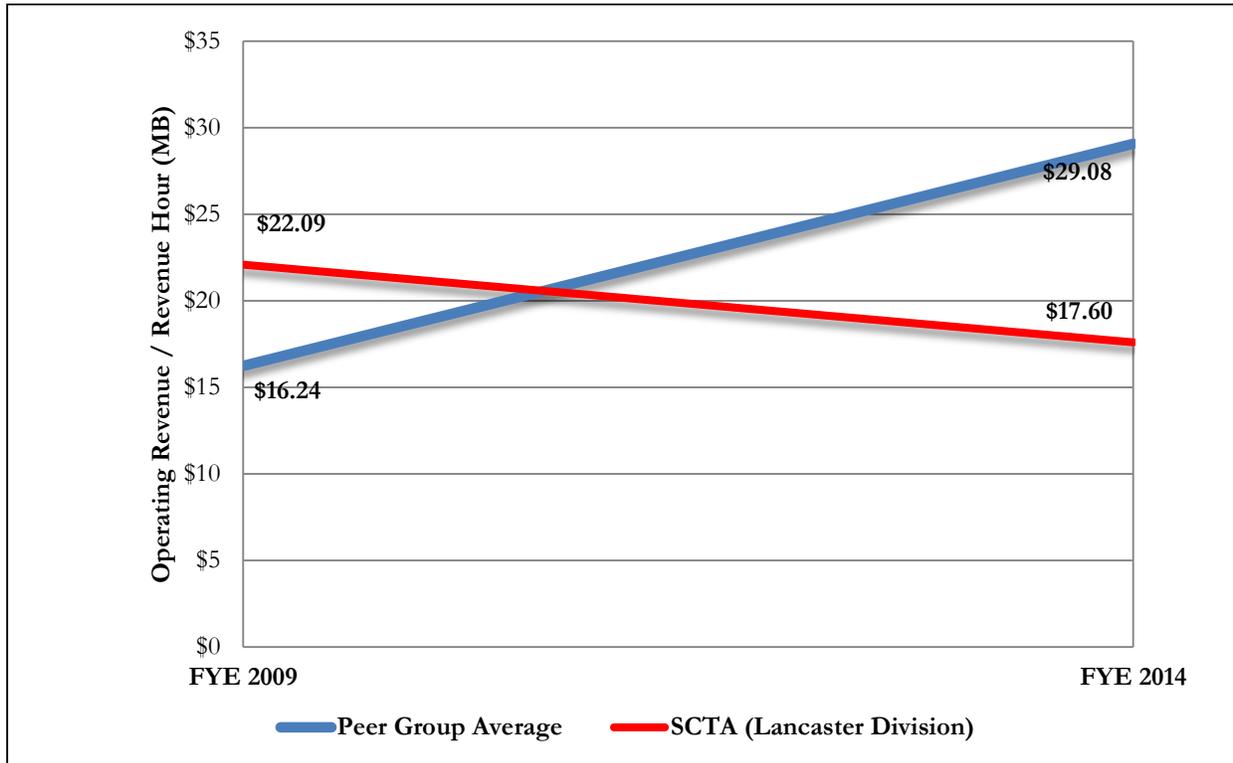
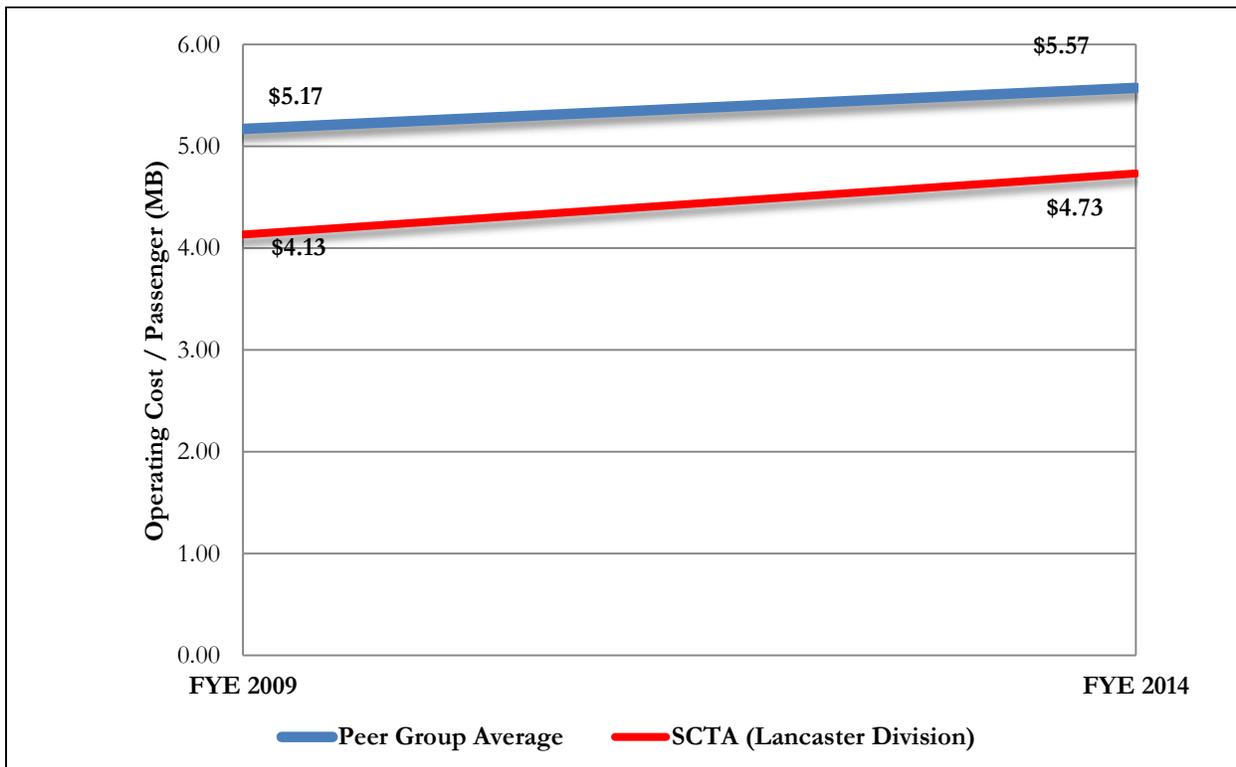


Exhibit 11: Trend Comparison- Operating Cost / Passenger Trend



FIVE-YEAR FIXED-ROUTE PERFORMANCE TARGETS

Act 44 requires that PennDOT and all local transit agencies establish five-year performance targets for each of the following four core metrics for fixed-route service:

- Passengers / Revenue Hour
- Operating Cost / Revenue Hour
- Operating Revenue / Revenue Hour
- Operating Cost / Passenger

These metrics are intended to improve both the effectiveness and efficiency of service delivery. PennDOT uses the most recent audited and agency-verified values for passengers, operating costs and operating revenues as the “baseline” from which to develop the targets. Five-year targets are then developed based on realistic and achievable expectations of improvement.

Passengers / Revenue Hour is a measure of effectiveness of transit service. Passengers may increase due to successful marketing, customer service, improved route planning and natural growth. Declines in passengers / revenue hour can occur in spite of overall ridership increases due to the introduction of relatively inefficient service. Substantial improvements can be realized through the reduction of relatively inefficient services.

Typically, PennDOT suggests a minimum increase of 2% per year in passengers / revenue hour of service. This target is consistent with statewide historic trends; is achievable; and, it encourages agencies to better match service delivery with customer needs. Based on historical trends in ridership, Lancaster Division’s target has been set to 2% growth per year to help Lancaster Division maintain compliance on ridership, and improve revenues, for the next performance review.

Operating Cost / Revenue Hour quantifies the efficiency of service delivery. To some extent, costs can be / should be managed through good governance, proactive management and effective cost containment. PennDOT suggests a target of no more than 3% per year increase in operating cost / revenue hour of service. SCTA’s target has been set to a rate of 3% per year due to a need to make sure future costs and future state subsidies are aligned.

Operating Revenue / Revenue Hour, like operating cost / revenue hour, tries to ensure an agency remains financially solvent in the long run. Operating revenue is composed of fares and other non-subsidy revenues. The target is set to be the same as passenger / revenue hour (2%) to make sure that revenue increases keep pace or exceed cost increases.

Operating Cost / Passenger captures both the efficiency and effectiveness of transit service delivery. The target is set to be equal to the difference between maximum operating cost / revenue hour increase (3.0%) less the minimum passengers / revenue hour goal (2.0%), or 1.0%.

These performance targets represent the minimum performance level that SCTA should achieve for each Act 44 criteria during the next performance review cycle – five years from the date of this report. The performance targets were created using historical data analyzed during the five-year trend analysis as well as the most current certified audit information available. To develop historical data for SCTA, a weighted average of data for Lancaster Division and Reading Division was analyzed over the five-year trend analysis. Standards were extrapolated to FYE 2020 and are designed to be aggressive, yet achievable. Performance targets were agreed to between PennDOT and SCTA before they were finalized so that expected anomalies are reflected in the standards. The performance targets for SCTA’s agency-wide Act 44 metrics are presented in **Exhibit 12, Exhibit 13, Exhibit 14, and Exhibit 15**.

Exhibit 12: Fixed-Route Passengers / Revenue Hour Performance Targets

FYE 2020 Target..... **23.69**
 Interim Year Targets **Annual increase of at least 2.0%**

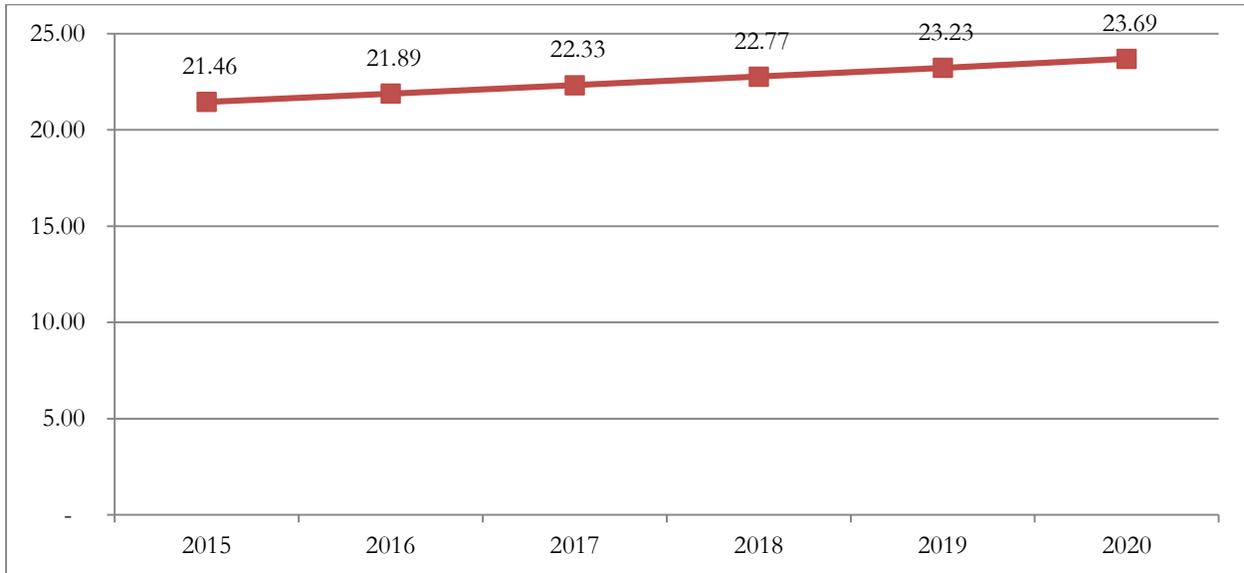


Exhibit 13: Fixed-Route Operating Cost / Revenue Vehicle Hour Performance Targets

FYE 2020 Target..... **\$99.96**
 Interim Year Targets **Annual increase of no more than 3.0%**

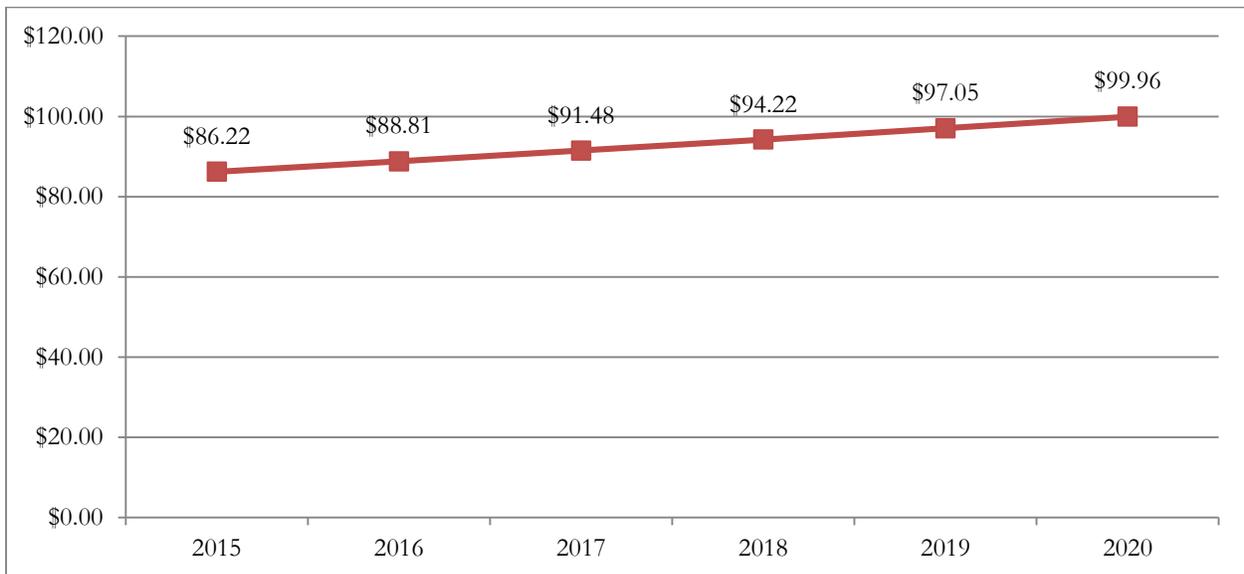


Exhibit 14: Fixed-Route Operating Revenue / Revenue Vehicle Hour Performance Targets

FYE 2020 Target..... **\$32.47**
 Interim Year Targets **Annual increase of at least 2.0%**

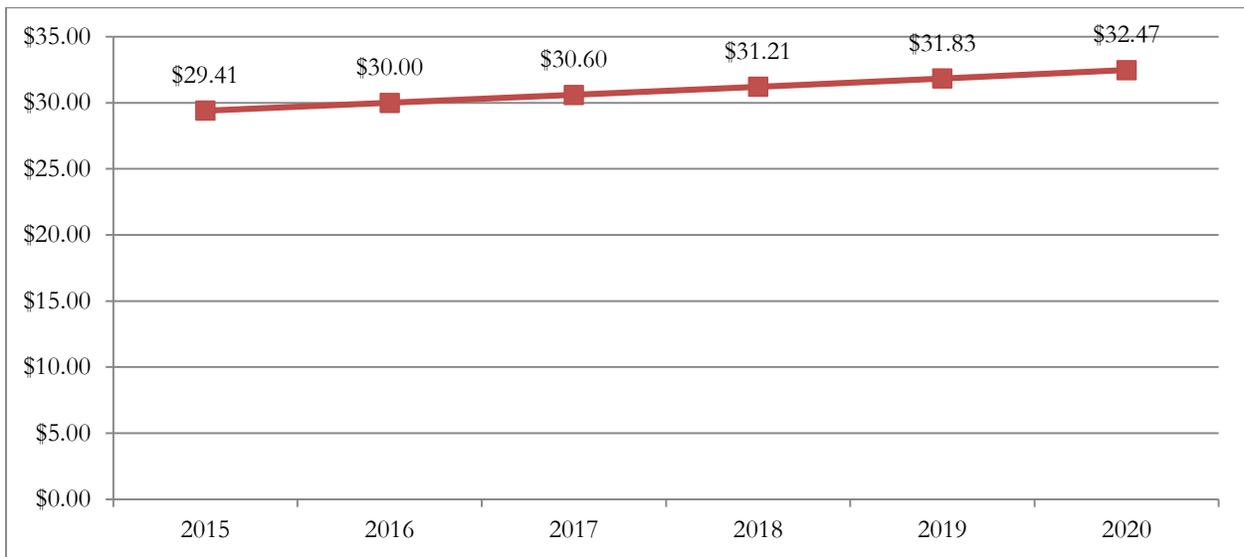
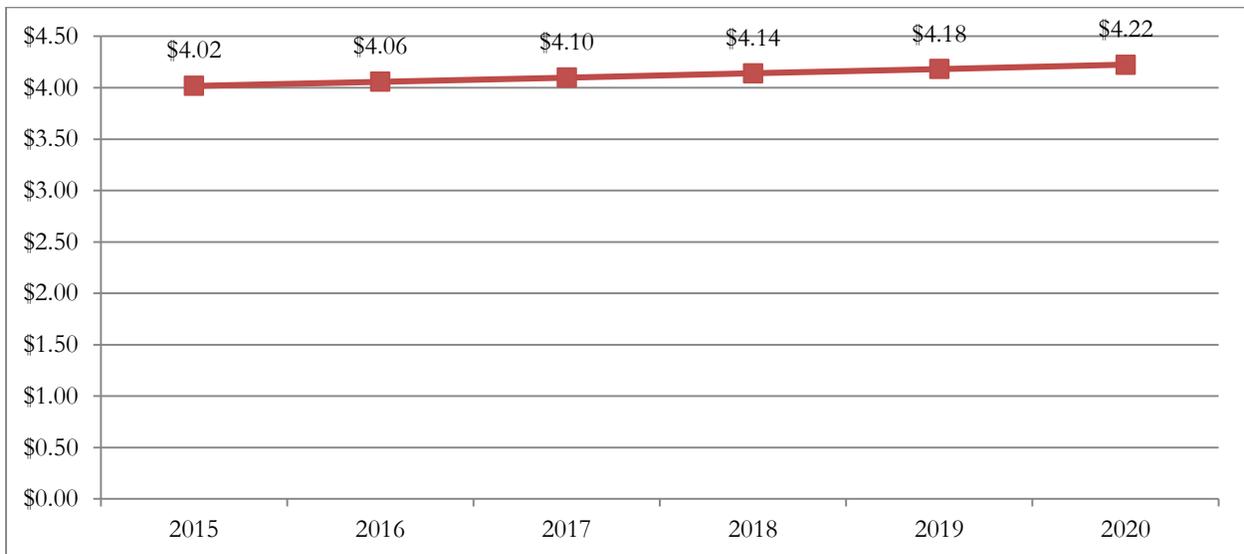


Exhibit 15: Fixed-Route Operating Cost / Passenger Performance Targets

FYE 2020 Target..... **\$4.22**
 Interim Year Targets **Annual increase of no more than 1.0%**



FUNCTIONAL REVIEW

Functional reviews are used to determine the reasons behind performance results found in the Act 44 comparisons, to catalog “best practices” to share with other transit agencies, and to identify opportunities for improvement that should be addressed in the Action Plan (see **Appendix A: Action Plan Improvement Strategies**). Fourteen (14) functional areas were reviewed through documents received from the agency and interviews conducted onsite. The functional areas are as follows:

1. **Governance** – Responsibilities include setting vision, mission, goals, and objectives; management oversight; recruiting and retaining top management personnel; and advocacy for the agency’s needs and positions.
2. **Management** – Responsible for the day-to-day operations of the agency. Manage, monitor, analyze, direct, and plan for the future with regard to all functional areas. Inform and report to the governing body, and implement governing body direction.
3. **Human Resources** – Responsible for employee retention, recruitment, training, performance reviews, grievance procedures, employee benefits, and labor relations.
4. **Finance** – Includes budgeting, accounting, cash flow management, revenue handling, and insurance.
5. **Procurement** – Includes acquisition of rolling stock, vehicle parts, non-revenue capital items (i.e., office equipment) and other operations-related items.
6. **Operations** – Includes management of daily service operations, on-street supervision and control, dispatching, and general route management.
7. **Maintenance** – Includes vehicle and facilities maintenance management, procedures, and performance.
8. **Scheduling** – Includes route and driver scheduling and decision-making, pay premium considerations, general management, procedures, and performance.
9. **Safety and Security** – Includes vehicle and passenger safety, facility security, and emergency preparedness.
10. **Customer Service** – Includes management, procedures, and performance related to current and future customers of the fixed-route system and other topics such as service information and complaint handling processes.
11. **Information Technology** – Includes automated mechanisms for in-house and customer service communication including future plans for new technology.
12. **Capital Planning** – Includes assessing and programming current and future capital needs reflecting both funded and unfunded projects. Includes the Transportation Improvement Plan (TIP), 12-Year Capital Plan, 20-Year Long-Range Transportation Plan (LRTP), and Transit Development Plan (TDP).
13. **Marketing** – Includes maximizing current markets and expanding into new markets. Includes managing the perception of the agency by the public at-large to encourage current and future ridership.
14. **Planning** – Includes analysis of information to effectively plan for changes to the system in the short-, medium-, and long-term horizons, to help ensure continued success.

The functional review findings are organized by a brief description of the Act 44 variables guiding the performance review: passengers, fare and other non-subsidy revenues, and operating costs. These 14 areas work together to effectively meet the needs of passengers, to deliver high-quality service in a cost-effective manner and to provide resources that will adapt to changing needs.

The following sections summarize ways to deliver service more efficiently and effectively. It is important that service is both sensitive and responsive to the community's needs, while being able to maximize productivity, direct service hours effectively, control operating costs, and achieve optimum revenue hours. The observations recorded during the review process are categorized as *Best Practices* or *Elements to Address* in the *Action Plan*. *Best Practices* are those exceptional current practices that are beneficial and should be continued or expanded.

Items to Address in the Action Plan are recommendations which have the potential to maximize productivity, to direct service hours effectively, to control operating costs, and to achieve optimum revenue levels which will enhance the system's future performance for one or more of the Act 44 fixed-route performance factors. For the convenience of SCTA, Action Plan templates have been included in **Appendix A: Action Plan Improvement Strategies** (pp. 31-33). Some actions will be quickly implementable while others may take several discrete steps to achieve over a longer period. The template provides a simple-to-follow order of key findings of this report that should be addressed in the Action Plan.

OPPORTUNITIES TO INCREASE FIXED-ROUTE RIDERSHIP

Act 44 defines “passengers” as unlinked passenger trips, or passenger boardings, across all routes in the fixed-route transit system. Increases in ridership directly represent how effectively management has matched service levels to current demand for service.

BEST PRACTICES

1. SCTA-Lancaster Division places customer service as a top priority for service delivery. Lancaster Division routinely monitors variables such as on-time performance, customer complaints and the percentage of phone calls answered as well as conducts annual driver evaluations.
2. SCTA-Lancaster Division continually evaluates route performance as a part of an annual fixed-route service analysis. Each month, performance evaluations are conducted by route. At the end of the year, management reviews each evaluation and performs an analysis to determine if service changes are merited based on the monthly aggregated data.
3. SCTA-Lancaster Division features “Bus Finder”, a GPS-based bus tracking system. Real time information is an important element of customer satisfaction that increases public transit's attractiveness, particularly to younger and more technologically astute passengers.

ELEMENTS TO ADDRESS IN PART 1-A OF THE ACTION PLAN (SEE P. 31)

1. None.

OPPORTUNITIES TO INCREASE FIXED-ROUTE REVENUES

Act 44 defines “revenues” as all non-subsidy revenues generated to help fund the operation of a transit system. The largest contributors to this are typically farebox revenues, route guarantees, and advertising revenues.

BEST PRACTICES

1. SCTA-Lancaster Division has a sales outlet program that allows employers to sponsor RRTA passes by covering the cost of passes or a portion of the cost for employees. In addition to the tax benefits to the employer and employee, the sales outlet program incentivizes private businesses to promote public transportation.

ELEMENTS TO ADDRESS IN PART 1-B OF THE ACTION PLAN (SEE P. 31)

1. None.

OPPORTUNITIES TO CONTROL OPERATING COSTS

Act 44 defines “operating costs” as the non-capital costs incurred in the day-to-day operations of a transit system. Labor, maintenance, and operating costs such as fuel, tires and lubricants contribute to this measure in significant ways. Many transit agencies have noted cost increases much higher than the general rate of inflation. Compounding this is the reality that operating subsidies are not likely to increase at a comparable rate. Consequently, controlling operating cost increases is one key to maintaining current service levels.

BEST PRACTICES

1. SCTA is a regional leader in joint procurement opportunities that have secured low cost fuel and assisted smaller agencies in bus purchases. Joint procurement opportunities allow agencies to negotiate a better rate by having a greater purchasing power. SCTA’s role has helped neighboring agencies negotiate better terms than if they pursued standalone procurement opportunities.
2. SCTA has an integrated IT system that allows technology in different departments to efficiently communicate with one another. For example, the work order system is tied to procurement through the processing of purchase orders. Once parts are received, they are immediately scanned into the system, which allows the Maintenance Department to monitor parts turnover.
3. SCTA-Lancaster Division monitors labor costs by tracking measurable variables (e.g., road calls, mechanic productivity, repair times, parts usage, purchasing, etc.). This allows the Maintenance Director to monitor indirect labor (time spent not working on the fleet) and identify opportunities to reduce associated costs.

ELEMENTS TO ADDRESS IN PART 1-C OF THE ACTION PLAN (SEE P. 32)

1. Road supervision is currently available between 7:00 a.m. and 5:30 p.m. Per the CBA with ATU Local # 1241, shifts are picked based on seniority, which often leaves the newest drivers with the early or late shifts that lack road supervision. **SCTA should evaluate the costs associated with increasing its road supervision oversight to cover all hours of operation.**

OTHER FINDINGS THAT IMPACT OVERALL AGENCY PERFORMANCE

“Other Findings” is a collection of findings from the functional review that may improve current or future operations. While not directly tied to Act 44 measures, actions to address these findings will result in a more seamless operation and greater operational efficiency.

BEST PRACTICES

1. SCTA-Lancaster Division has well-documented policies in place that serve as a framework for many procedures such as fare reconciliation, financial statement preparation and procurement. By establishing codified policies, SCTA-Lancaster Division can effectively communicate consistent policies to all employees.
2. SCTA held procurement procedure training with all employees involved in the procurement process. With about 19 employees involved in procurement to some degree, informative training on the procedure is helpful to all involved in the process by reducing the likelihood of procurement process mistakes.

ELEMENTS TO ADDRESS IN PART 2 OF THE ACTION PLAN (SEE P. 33)

1. SCTA has a succession plan policy in place for senior management positions. However, the plan does not extend to the Executive Director position. With new senior management, SCTA remains vulnerable to the loss of the current Executive Director, since it does not appear staff are prepared to step in and take over due to an unexpected vacancy. The Board should **develop a succession plan for the Executive Director that would address any future vacancy** in that position.
2. SCTA heavily subsidizes the cost of shared-ride operations at Reading Division with fixed-route funds, spending about \$14.78 in operating subsidy per shared-ride passenger trip. By comparison, the Lancaster Division subsidizes shared-ride at about \$1.81 per passenger trip. Ideally, non-ADA shared-ride service fully recovers its cost and does not require fixed-route operating funds to subsidize its operation. In order to increase available funding for fixed-route service, the SCTA Board **should periodically review its shared-ride fare recovery policies for consistency at both Divisions** to minimize the effect of shared-ride costs on fixed-route operations.

FINANCIAL REVIEW

Assessing the financial health and trajectory of transit agencies is an effort that relies on accurate data from certified audit reports, accounts payable, accounts receivable, PennDOT dotGrants, and interviews with management and financial staff. This financial review focuses on “high-level” snapshot and trend indicators to determine if additional follow up by PennDOT is warranted through the review of audit reports, other financial reports, and budgets. The review assesses the financial status through a review of the following:

- High-Level Indicators of Financial Health
- Total Public Transportation Operational Expenditures and Funding
- Fixed-Route Funding
- Paratransit Funding
- Balance Sheet Findings
- Financial Projections

HIGH-LEVEL INDICATORS OF FINANCIAL HEALTH

As shown in **Exhibit 16**, the SCTA-Lancaster Division is in line with all industry goals and targets for all high-level financial indicators. Available reserves, mostly attributable to state funds, have been above 25% of annual operating cost in most years. Section 1513 funds represent a significant reserve of carryover funds, amounting to \$4,119,787 as of FYE 2015. SCTA-Lancaster Division has no carryover local funds available.

Accounts payable and receivable amounts are negligible. SCTA has a \$1,000,000 available line of credit with a tax-free interest rate of 0.5% less than prime, or 4% as of FYE 2015.

FYE 2015 was the first year of the merger of administrative functions, and the combination of other services and functions between the Lancaster and Reading divisions. As a result of the merger and an associated cost savings of over \$800,000 per year, Lancaster and Berks counties were qualified to eliminate their required local match for state operating subsidies for a five-year period as allowed by Act 89. Following the five-year period, Lancaster and Berks counties will be required to resume a local match commitment.

TOTAL PUBLIC TRANSPORTATION OPERATIONAL EXPENDITURES AND FUNDING

SCTA-Lancaster Division public transportation has grown from a \$14.4 million per year operation in FYE 2011 to a \$15.2 million per year operation in FYE 2015, a 5.7% increase. Approximately 60.2% of SCTA-Lancaster Division’s operational expenses are for fixed-route service. The remaining operational expenses are for ADA complementary and shared-ride paratransit service (39.8%), as shown in **Exhibit 18**.

SCTA-Lancaster Division’s operational funding comes from a variety of sources including state funds, federal funds, local funds and passenger fares. SCTA has used state, federal and local funds to finance both its fixed-route and paratransit operations (**Exhibit 19**). Combined, state and federal operating subsidies are the second largest funding source, representing approximately 39.5% of total operating income. Passenger fares and other local funds also are the largest share of income for SCTA-Lancaster Division, accounting for 60.5% of total operating income (**Exhibit 20**).

Exhibit 16: High-level Financial Indicators

Indicator	SCTA Value	Assessment Criteria / Rationale	Source
State Carryover 1513 Subsidies / Annual Operating Cost	27.1%	The combined target should be 25%+. This provides flexibility to account for unexpected cost increases or service changes.	FYE 2015 Audit and PennDOT dotGrants
Local Carryover Subsidies / Annual Operating Cost	0.0%		
Credit available/ Annual Payroll	15.7%		
Actual Local Match / Required Match	100%	Target 100%+. Local match that exceeds required minimums gives a transit agency flexibility to change service, to accommodate unexpected cost changes and make capital investments.	PennDOT dotGrants 2015
Accounts Payable (AP) 90+ days	0.0%	Target should be 0% over 90 days. Larger values indicate cash flow concerns.	SCTA reported value
Accounts Receivable (AR) 90+ days	0.0%	Target should be 0% over 90 days. Larger values can cause cash flow problems.	SCTA reported value
Debt / Annual Operating Cost	0.0%	Target should be 0%. Low debt amounts reduce borrowing costs.	FYE 2015 Audit

* FYE 2015

Exhibit 17: Public Transportation Operating Expense by Service Type

Expense by Service Type	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015
Fixed Route	\$8.4	\$8.6	\$9.4	\$8.9	\$9.1
Paratransit	\$6.0	\$6.3	\$6.2	\$5.9	\$6.0
Total (\$ millions) *	\$14.4	\$14.9	\$15.7	\$14.8	\$15.2

* May not add due to rounding. Some other revenues (e.g., rebates, management fees, etc.) offset expenses reported in dotGrants and NTD to arrive at estimated Lancaster Division operating expenses.

Exhibit 18: Share of Public Transportation Operating Expenses by Service Type

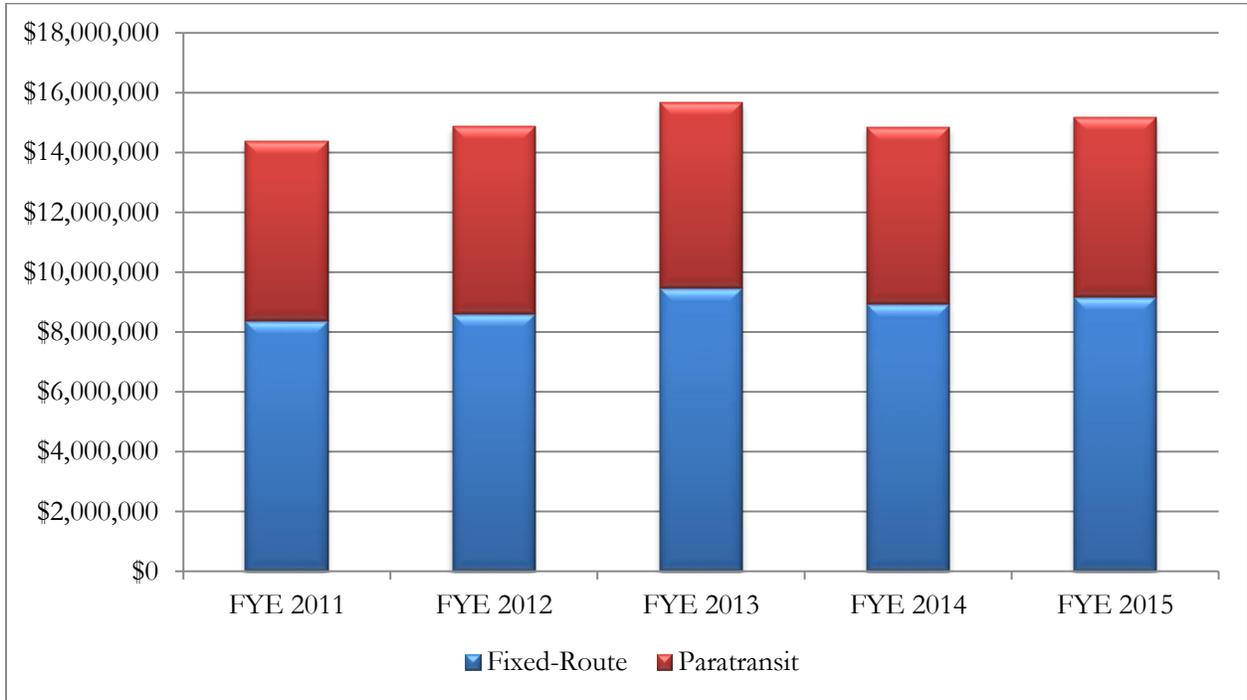
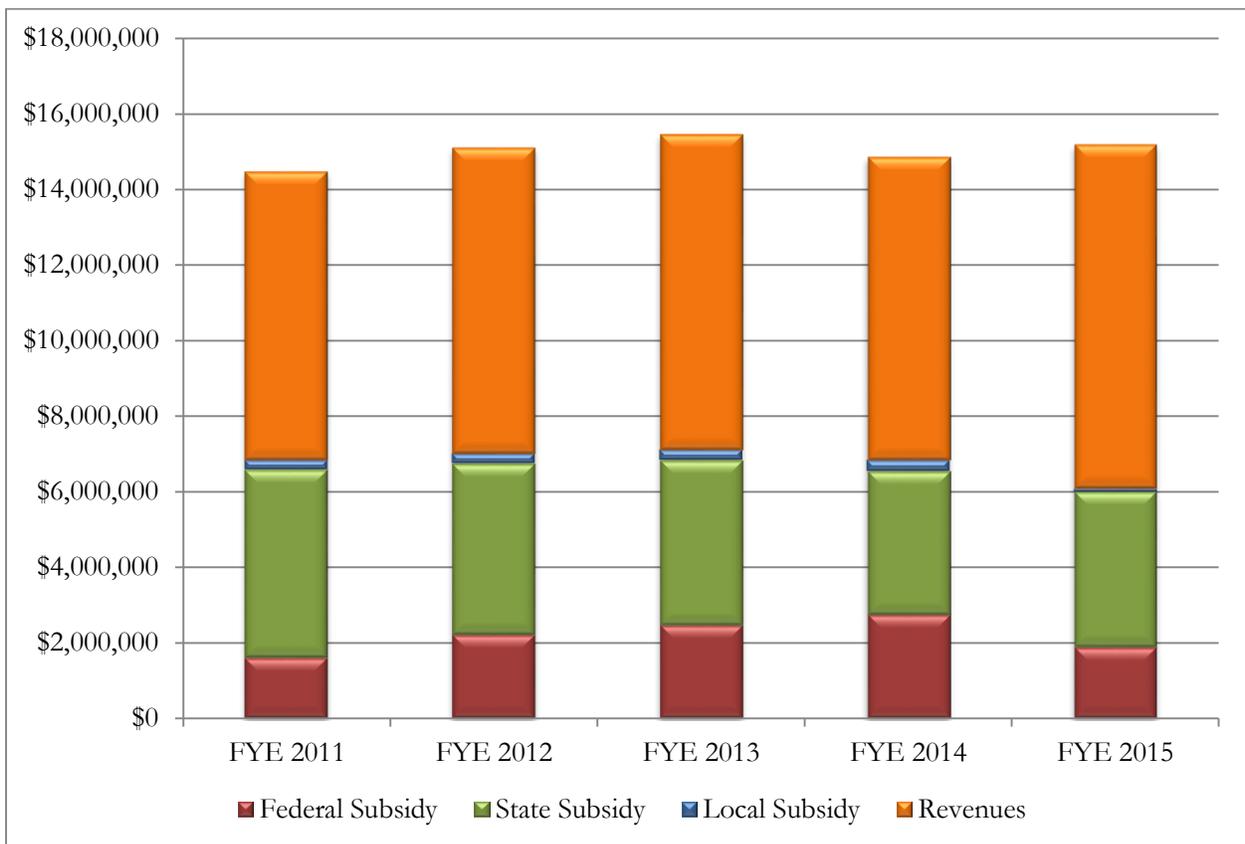


Exhibit 19: Percent of Total Public Transportation (Fixed-Route + Paratransit) Operating Budget by Funding Source

Share of Funding	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015
Federal Subsidy	11.0%	14.6%	15.9%	18.4%	12.3%
State Subsidy	34.5%	30.1%	28.3%	25.7%	27.2%
Local Subsidy	1.7%	1.7%	1.7%	1.9%	0.5%
Revenues	52.8%	53.6%	54.1%	54.0%	60.0%
Local Subsidy / State Subsidy	4.9%	5.7%	6.2%	7.4%	1.8%

Exhibit 20: Total Public Transportation (Fixed-Route + Paratransit) Operating Budget by Funding Source



FIXED-ROUTE FUNDING

SCTA-Lancaster Division's fixed-route funding comes from general revenues and government subsidies. Direct passenger fares have covered between 25.2% and 32.1% of total operating revenues (**Exhibit 21**).

Based on the FYE 2011 to FYE 2015 dotGrants reporting, Lancaster Division operated current year funding with \$4,119,787 excess state funds being "carried over" at the end of 2015. SCTA-Lancaster Division had no in carryover local operating funds available at the end of 2015.

Exhibit 21: Fixed-Route Funding

Funding Category	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015
Revenues					
Passenger Fares	\$2,175,811	\$2,371,900	\$2,382,688	\$2,416,282	\$2,966,580
Advertising	\$65,908	\$89,580	\$129,218	\$100,659	\$153,114
Charter	\$0	\$0	\$0	\$0	\$0
Route Guarantees	\$0	\$0	\$0	\$0	\$0
Other- (Misc)*	\$0	\$0	\$0	\$94,601	\$153,592
Other (Concession & Interest)	\$70,596	\$5,112	\$5,702	\$3,030	\$1,789
Other (Parking)	\$0	\$96,048	\$560,181	\$258,504	\$297,328
Subtotal	\$2,312,315	\$2,562,640	\$3,077,789	\$2,873,076	\$3,572,403
Subsidies					
Federal Operating Grant	\$1,214,340	\$1,795,000	\$2,050,000	\$2,250,000	\$1,400,000
Act 44 (1513) State Prior	\$1,656,530	\$1,134,079	\$1,273,692	\$1,324,401	\$2,943,851
Act 44 (1513) State Current	\$3,027,125	\$2,841,110	\$2,771,945	\$2,207,423	\$1,155,561
Municipal Prior	\$0	\$0	\$0	\$0	\$0
Municipal Current	\$210,357	\$253,993	\$266,843	\$280,335	\$74,502
Special- (Local)	\$31,396	\$0	\$0	\$0	\$0
Subtotal	\$6,139,748	\$6,024,182	\$6,362,480	\$6,062,159	\$5,573,914
Total Funding	\$8,452,063	\$8,586,822	\$9,440,269	\$8,935,235	\$9,146,317
Passenger Fares/ Total Funding	25.7%	27.6%	25.2%	27.0%	32.4%

*Source: PennDOT dotGrants Reporting System. Some one-time other revenues from rebates and management fees are credited against operating expenses in FYE 2014 and FYE 2015.

PARATRANSIT FUNDING

Paratransit funding is about 39.5% of SCTA-Lancaster Division's public transportation operation and consists of ADA complementary, shared-ride (Lottery) and other service. Local, state and federal subsidies as well as passenger fares are used to finance paratransit operating costs (**Exhibit 22**). The paratransit program has increased slightly from \$6,018,528 as of FYE 2011 to \$6,041,984 as of FYE 2015. The paratransit budget is a little less than half the size of SCTA-Lancaster Division's fixed-route budget.

Exhibit 22: Paratransit Funding by Source

Category	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015
Revenues					
Passenger Fares	\$281,071	\$263,312	\$266,878	\$286,144	\$243,903
Lottery	\$1,496,278	\$1,456,096	\$1,452,999	\$1,457,514	\$1,769,502
PwD Reimbursement	\$194,045	\$200,262	\$190,317	\$234,327	\$275,026
PwD Admin	\$0	\$0	\$0	\$0	\$543,117
AAA	\$202,934	\$195,818	\$180,475	\$201,257	\$245,725
MH/MR	\$1,148,932	\$1,246,337	\$1,185,378	\$1,153,925	\$1,169,196
MATP	\$1,505,134	\$1,678,733	\$1,698,396	\$1,629,489	\$1,615,140
Other- Smaller Agencies in Lancaster	\$490,019	\$493,051	\$273,950	\$164,224	\$166,019
Other- Interest Income	\$998	\$945	\$1,000	\$417	\$0
Other Misc Revenue	\$4,800	\$4,419	\$30,034	\$26,248	\$301
Subtotal	\$5,324,211	\$5,538,973	\$5,279,427	\$5,153,545	\$5,533,507
Subsidies					
Federal Operating Grant	\$383,871	\$411,078	\$407,268	\$483,573	\$475,351
Act 44 (1513) State Prior	\$0	\$62,518	\$63,485	\$72,589	\$73,747
Act 44 (1513) State Current	\$257,037	\$501,386	\$265,420	\$209,112	(\$41,621)
Municipal Prior	\$0	\$0	\$0	\$0	\$0
Municipal Current	\$3,000	\$3,000	\$3,000	\$3,000	\$1,000
Special- (State)	\$50,409	\$0	\$0	\$0	\$0
Subtotal	\$694,317	\$977,982	\$739,173	\$768,274	\$508,477
Total Funding	\$6,018,528	\$6,516,955	\$6,018,600	\$5,921,819	\$6,041,984

Source: PennDOT dotGrants Reporting System

BALANCE SHEET FINDINGS

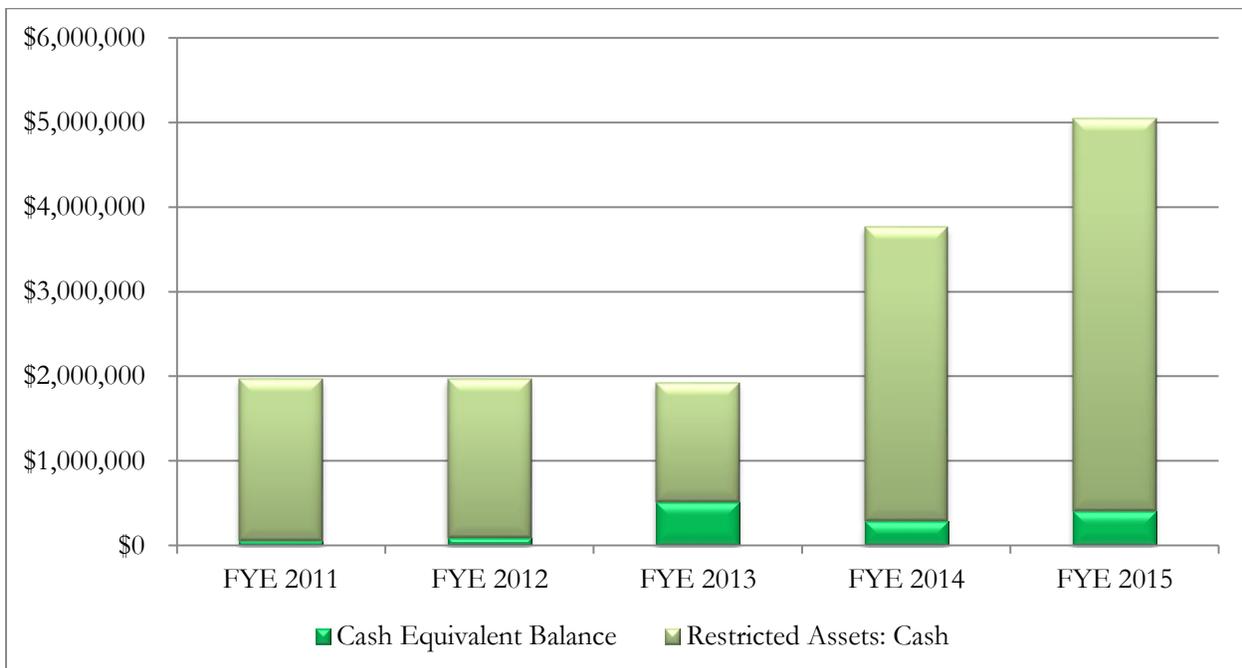
Review of balance sheets from SCTA-Lancaster Division shows that since FYE 2011, the agency has been growing its cash equivalent balance on hand (**Exhibit 23** and **Exhibit 24**). Net current cash on hand reported as of FYE 2015 was about \$400,000. However, it has \$4.6 million in restricted cash assets. The margin between current assets and liabilities is higher than that seen in many other transit agencies in the Commonwealth. Accounts payable have decreased from a high of \$2.3 million in FYE 2011 to \$614,000 as of FYE 2015. SCTA maintains a \$1,000,000 line of credit with a tax-free interest rate of 0.5% less than prime, or 4% as of FYE 2015.

Exhibit 23: Balance Sheet Summary (FYE 2011 – FYE 2015)

Balance Sheet Report	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015
Current Assets					
Cash Equivalent Balance	\$52,047	\$87,956	\$505,801	\$280,549	\$401,990
Restricted Assets: Cash	\$1,913,167	\$1,874,720	\$1,415,823	\$3,485,671	\$4,642,512
Grant Receivable (incl. capital)	\$1,735,935	\$797,412	\$224,212	\$68,514	\$161,426
Investments	\$0	\$0	\$0	\$0	\$0
Other Accounts Receivable	\$727,455	\$549,357	\$552,911	\$379,465	\$428,332
Inventory Value	\$320,983	\$329,701	\$335,936	\$331,656	\$252,951
Pre-paid Expenses	\$73,204	\$72,650	\$76,020	\$87,796	\$87,671
Current Liabilities					
Accounts Payable	\$2,334,171	\$1,310,424	\$608,055	\$626,854	\$614,556
Accrued Expenses	\$193,445	\$114,463	\$162,431	\$131,634	\$319,043
Deferred Revenue	\$1,939,956	\$1,901,556	\$1,927,903	\$3,485,671	\$4,642,512
Line of Credit	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Total Operating Expense	\$14,373,591	\$14,863,633	\$15,669,197	\$14,829,590	\$15,188,301
Cash Eqv. Bal / Total Operating Exp.	0.4%	0.6%	3.2%	1.9%	2.6%
Line of Credit / Annual Payroll	15.20%	15.13%	13.43%	14.30%	15.68%
Current Assets	\$4,822,791	\$3,711,796	\$3,110,703	\$4,633,651	\$5,974,882
Current Liabilities	\$4,467,572	\$3,326,443	\$2,698,389	\$4,244,159	\$5,576,111

Source: Annual Audit Reports and dotGrants

Exhibit 24: End-of-Year Cash Balance (FYE 2011 – FYE 2015)



FINANCIAL PROJECTIONS

All transit agencies in the Commonwealth that receive Section 1513 operating subsidies have been asked by PennDOT to develop a five-year projection of their operating and capital budgets. The purpose is to assess the relationship of planned service levels to operating budget projections, capital needs and available resources—federal and state subsidies which are expected to increase by no more than 3% per year. Projections are completed entirely by SCTA based on their own assumptions of future service levels as well as available operating and capital funding. Financial projections are reported from FYE 2016 through FYE 2020.

As shown in **Exhibit 25**, SCTA-Lancaster Division’s projected operating budget assumes an average increase of 6.3% from FYE 2016 to FYE 2020, as compared to 2.5% from FYE 2011 to FYE 2015. It also assumes no local match for operations until FYE 2020. As an urbanized area under direction of the Lancaster County Transportation Coordinating Committee (LCTCC), the Lancaster County Metropolitan Planning Organization (MPO), Lancaster Division receives FTA 5307 funds for transit capital and operating assistance.

Exhibit 25: Lancaster Division Projected Operating Budget Summary (FYE 2016-2020)

Operating Budget	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Total Operating Expenses	\$9,976,000	\$10,655,000	\$11,378,000	\$12,146,000	\$12,753,000
Total Operating Revenues	\$3,635,000	\$3,789,000	\$3,948,000	\$4,239,000	\$4,324,000
Total Operating Deficit	\$6,341,000	\$6,866,000	\$7,430,000	\$7,907,000	\$8,429,000
Federal Subsidy	\$800,000	\$880,000	\$924,000	\$1,109,000	\$1,331,000
State Subsidy	\$5,980,000	\$5,980,000	\$5,980,000	\$5,980,000	\$5,980,000
Local Subsidy	\$0	\$0	\$0	\$0	\$375,000
Total Funding	\$6,780,000	\$6,860,000	\$6,904,000	\$7,089,000	\$7,686,000
1513 Reserves	\$439,000	-\$6,000	-\$526,000	-\$818,000	-\$744,000
Operating Costs Change from Previous Year	-8.0%	6.8%	6.8%	6.7%	5.0%

* May not add due to rounding

SCTA-Lancaster Division has upcoming labor negotiations in May 2016 with ATU Local #1241 for operators that may result in an increase in operating costs associated with wages and fringe benefits. In addition, SCTA-Lancaster Division plans to expand service, at about 2,000 hours per year with an anticipated 1-2% increase in ridership. Internally developed projections for budgets (FYE 2016 through FYE 2020) assume software upgrades, preventative maintenance, facility upgrades and vehicle replacement for hybrid fixed-route buses and paratransit vehicles.

SCTA-Lancaster Division will replace eight hybrid buses, nine paratransit vans and one service truck by FYE 2016. SCTA-Lancaster Division plans to increase fares beginning in FY 16-17, at \$0.10 per year until FY 18-19. There are also plans to replace three trolley buses, eight 2005 hybrid buses, nine paratransit buses and nine paratransit vans by FY 18-19. Additional capital investments in software upgrades and parking garage equipment are expected in FY 17-18. Lancaster Division expects an additional replacement of six 2007 hybrid buses, 18 paratransit vans in FY 19-20.

CONCLUSIONS

Prior to the merger of administrative functions and the combination of other services between Lancaster and Reading Divisions, Lancaster County contributed local monies for the SCTA-Lancaster Division's public transportation funding requirements. Following the merger, SCTA identified a cost savings of over \$800,000 per year resulting from consolidation. These cost savings qualified Lancaster and Berks for a waiver, eliminating their required local match for state operating subsidies for up to a five-year period, as allowed by Act 89. Following the five-year period, Lancaster and Berks counties will be required to resume their local match commitment. For the sixth year of the merger and beyond, Berks and Lancaster Counties agree to split the required local match 50/50.

The SCTA-Lancaster Division currently has a balanced operating budget. Operating cash reserves have steadily increased since 2012. Internally developed projections of service levels and budgets indicate a plan to maintain a balanced budget over the next five years. The SCTA-Lancaster Division had \$4,119,787 in Section 1513 carryover funds available and no local carryover operating funds as of FYE 2015. SCTA's management is currently executing a strategy to exhaust the RRTA prior year carryover balances and use current year state funds to rebuild reserves in the SCTA-Lancaster Division carryover fund.

Accounts payable and receivable amounts are negligible. SCTA maintains a \$1,000,000 line of credit with a tax-free interest rate of 0.5% less than prime, or 4% as of FYE 2015. Management should continue taking appropriate actions to manage costs, achieve farebox recovery goals, and to maintain cash reserves to preserve SCTA-Lancaster Division's excellent overall financial health.

APPENDIX A: ACTION PLAN IMPROVEMENT STRATEGIES

PART 1- ACT 44 PERFORMANCE METRIC FINDINGS TEMPLATE

A. ACTIONS TO INCREASE PASSENGERS / REVENUE HOUR TEMPLATE

Recommendation From narrative starting on page 19	SCTA Action	Estimated Initiation Date	Estimated Completion Date
None.			

B. ACTIONS TO INCREASE OPERATING REVENUE / REVENUE HOUR TEMPLATE

Recommendation From narrative starting on page 20	SCTA Action	Estimated Initiation Date	Estimated Completion Date
None.			

C. ACTIONS TO REDUCE OR CONTAIN OPERATING COST / REVENUE HOUR TEMPLATE

Recommendation From narrative starting on page 20	SCTA Action	Estimated Initiation Date	Estimated Completion Date
Revise road supervision hours to cover all hours of operation.			

PART 2- OTHER ACTIONS TO IMPROVE OVERALL PERFORMANCE TEMPLATE

Recommendation From narrative starting on page 21	SCTA Action	Estimated Initiation Date	Estimated Completion Date
Develop a Board-driven succession plan for the Executive Director that would address future vacancies.			
Review policies for consistency amongst both Divisions, and update where inconsistencies are found.			

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