



LANTA System Performance Review

June 9, 2015

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AGENCY PUBLIC TRANSPORTATION PROFILE

Agency	Lehigh and Northampton Transportation Authority (d.b.a. LANTA)	
Year Founded	1972	
Reporting Fiscal Year End (FYE)	FYE 2013	
Service Area (square miles)	106	
Service Area Population	389,000	
Annual Operating Statistics*	Fixed-Route Bus	Paratransit (Shared Ride + ADA)
Vehicles in Maximum Service (VOMS)	69	105
Operating Cost	\$20,545,390	\$9,845,312
Operating Revenues	\$4,624,779	\$6,654,470
Total (Actual) Vehicle Miles	2,783,936	4,708,868
Revenue Miles of Service (RVM)	2,586,388	4,285,070
Total Vehicle Hours	234,348	284,968
Revenue Vehicle Hours (RVH)	219,864	261,932
Total Passenger Trips	4,877,236	419,584
Senior Passenger (Lottery) Trips	801,099	131,228
Act 44 Performance Statistics		
Passengers / RVH	22.18	1.60
Operating Cost / RVH	\$93.45	\$37.59
Operating Revenue / RVH	\$21.03	\$25.41
Operating Cost / Passenger	\$4.21	\$23.46
Other Performance Statistics		
Operating Revenue / Operating Cost	22.51%	67.59%
Operating Cost / Total Vehicle Hours	\$87.67	\$34.55
Operating Cost / Total Vehicle Miles	\$7.38	\$2.09
Total Passengers / Total Vehicle Hours	20.81	1.47
Operating Cost / RVM	\$7.94	\$2.30
RVM / Total Vehicle Miles	92.90%	91.00%
RVH / Total Vehicle Hours	93.82%	91.92%

* source: PennDOT dotGrants 2013 reporting

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.

The Act 44 transit performance review of the Lehigh and Northampton Transportation Authority (d.b.a. LANTA) was conducted in November 2014. The performance review focused on fixed-route bus service. This report addresses the performance criteria that Act 44 established, specifically related to fixed-route bus services – LANTA trends and a comparison of LANTA to peers, targets for future performance (performance reviews are conducted on a five-year cycle), and opportunities for improvement which should assist LANTA in meeting the future targets. This report also addresses the management, general efficiency and effectiveness of services.

Once this performance review report is delivered, LANTA will develop an action plan which identifies the steps LANTA will take to meet the agreed upon Act 44 performance criteria targets by FY 2018-19. The general goals are to maximize efficiency and promote cost savings, improved service quality, and increased ridership and revenue. The action plan should focus on the most critical areas for the agency, as prioritized by LANTA'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 LANTA to agree on a plan which, when approved by the LANTA Board, will be submitted as the final action plan. At the very least, LANTA 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. LANTA's success will be measured in part on meeting performance targets established through this review (see *Five-Year Performance Targets*, p. vii).

ACT 44 PERFORMANCE DETERMINATION

Act 44 performance factors were analyzed to quantify LANTA's fixed-route bus performance in comparison to its peer agencies in Fiscal Year End (FYE) 2012 and over a five-year trend period from FYE 2007 to FYE 2012 (the most recent NTD data available at the time of the peer selection). Peers were selected through an analytical process and were agreed to in advance by LANTA.

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

- "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.

An analysis of the eight key criteria mandated by Act 44 was conducted and **it was determined that LANTA is “In Compliance” for seven criteria and “At Risk” for one.** The peer comparison process as applied to Act 44 criteria (below, in bold typeface) revealed the following:

In Compliance

1. **FYE 2012 passengers / revenue vehicle hour** ranks 5th out of the 13 transit agencies and is better than the peer group average.
2. The **five-year trend of passengers / revenue vehicle hour** is worse than the peer group average. This is due to a decrease in ridership that followed a fare increase and service changes that occurred in the fall of 2011.
3. **FYE 2012 operating cost / revenue vehicle hour** ranks 9th out of the 13 transit agencies and is worse than the peer group average.
4. The **five-year trend for increase in operating cost / revenue vehicle hour** is slightly worse than the peer group average.
5. **FYE 2012 operating revenue / revenue vehicle hour** ranks 5th out of the 13 transit agencies and is better than the peer group average.
6. The **five-year trend for operating revenue/ revenue vehicle hour** is better than the peer group average.
7. **FYE 2012 operating cost / passenger** ranks 6th out of the 13 transit agencies and is better than the peer group average.

At Risk

1. The **five-year trend for operating cost / passenger** is than worse than the peer group average. This is due to a decrease in ridership that followed a fare increase and service changes that took place in the fall of 2011.

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

Performance Criteria	FYE	Determination	Rank (of 13)	Relation to Peer Average	Value	Peer Average
Passengers / Revenue Hour	2012	In Compliance	5	Better	22.43	19.55
	Trend	In Compliance	12	Worse	-4.65%	0.17%
Operating Cost / Revenue Hour	2012	In Compliance	9	Worse	\$93.80	\$89.05
	Trend	In Compliance	6	Worse	2.61%	2.11%
Operating Revenue / Revenue Hour	2012	In Compliance	5	Better	\$21.55	\$19.09
	Trend	In Compliance	8	Better	3.03%	2.19%
Operating Cost / Passenger	2012	In Compliance	6	Better	\$4.18	\$4.97
	Trend	At Risk	12	Worse	7.61%	2.12%

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 LANTA 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. Major themes are indicated below.

BEST PRACTICES

1. Regularly evaluating and adjusting multi-ride pass prices to maintain effective fare recovery
2. Establishing route guarantee arrangements with Amazon, Penn State, a Community College and the Allentown Parking Authority
3. Self-insuring for healthcare resulting in lower than industry average increase in annual healthcare costs
4. Keeping scheduled overtime to 5% or less and carefully managing unscheduled overtime
5. Recommending “transit friendly” site design guidelines that can be used by local governments through its “Transit Supportive Land Use for the Lehigh Valley”
6. Receiving funds from the Department of Housing and Urban Development “Sustainable Communities” program to support planning and support transit oriented development policies
7. Rotating the Chairman of the Board between Lehigh and Northampton counties to bring fresh ideas to governance and greater buy-in to the decision-making
8. Using automated passenger counters (APC) to inform service planning by providing the exact location and time of passenger boardings and alightings

OPPORTUNITIES FOR IMPROVEMENT TO ADDRESS THE ACTION PLAN

1. Develop a long-term strategy to increase cash reserves and move away from credit-based financing
2. Review the payment terms of future shared-ride service delivery contracts to try to better align the way it compensates contractors with how it receives payments for shared-ride service
3. Evaluate the implications of BRT on overall operating costs to determine the long-term fiscal impacts of the proposed service
4. Reassess organizational structure to see if there are cost-effective ways to better distribute responsibilities and provide greater depth of resources for routine administrative functions
5. Integrate conversion to CNG fueled vehicles into five-year capital and operating plans
6. Establish a process for conducting routine customer satisfaction surveys

7. Coordinate with PennDOT staff to find a way to account for LANTA Flex Service consistently in its dotGrants and NTD reporting
8. Establish a citizen advisory committee to provide community input to service planning and other agency actions
9. Explore opportunities to centrally manage its facilities maintenance records electronically
10. Work with the Lehigh and Northampton counties to ensure that the Board's makeup is more reflective of the community makeup

FINANCIAL REVIEW

Lehigh and Northampton county governments contribute monies to help cover LANTA's operational funding requirements. Per PennDOT dotGrants, LANTA has used most of those amounts to balance its budget and comply with state requirements. The total of fixed-route farebox, route guarantee and contract revenues as a percentage of operating cost is similar to that in similar-sized transit systems in the Commonwealth hovering between 20% and 23%. Fixed-route full fares are \$2.00 and transfers are \$0.25. The effective fare is around \$1.00 per trip. Management actively monitors and adjusts multi-ride pass pricing to maintain farebox recovery.

LANTA has low cash reserves but can use a line of credit for its day-to-day cash flow needs. However, the practice of using a line of credit leads to increases in operating cost. LANTA management should continue to take appropriate actions to control costs, rebuild cash reserves and avoid using its line of credit for day-to-day cash flow needs.

FIVE-YEAR PERFORMANCE TARGETS

This transit agency performance report outlines areas where improvements may be made in order 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 and detailed on page 16. These performance targets are required to comply with Act 44 performance criteria and represent the minimum performance levels that LANTA 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 2013). Standards were extrapolated to FYE 2019 and are designed to be aggressive, yet achievable. They are summarized as follows:

Performance Criteria	Fiscal Year End (FYE)				Target Annual Increase
	2011 Actual*	2012 Actual	2013 Actual	2019 Target	
Passengers / Revenue Hour	28.13	22.43	22.18	24.98	2.0%
Operating Cost / Revenue Hour	\$95.88	\$93.80	\$93.45	\$111.58	3.0%
Operating Revenue / Revenue Hour	\$24.17	\$21.55	\$21.03	\$23.69	2.0%
Operating Cost / Passenger	\$3.41	\$4.18	\$4.21	\$4.47	1.0%

*LANTA had a major service change and a day pass fare increase in the fall of 2011 that impacted all Act 44 performance criteria in FYE 2012 and future years.

NEXT STEPS

Upon final transmission of the performance review report, Act 44 regulations stipulate that LANTA “...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 LANTA 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, and the action plan should establish a comprehensive program that focuses on actions that address the larger issues within LANTA.

The template for the Action Plan has been provided as an appendix to this report. This template includes two parts:

- **Part 1- Act 44 Performance Metric Findings Templates** is where LANTA should address its proposed actions to address the “*Opportunities for Improvement*” findings that directly affect the Act 44 performance metrics.
- **Part 2- Other Actions to Improve Overall Performance Template** should be used to address the “*Other Findings that Impact Overall Agency Performance*” identified during the review. LANTA should use the format provided in **Appendix A: Action Plan Improvement Strategies** to develop its proposed draft Action Plan.

It should be noted that specific actions identified may only partially address the broadly noted opportunities for improvement found in the “**General Findings.**” 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. LANTA must select, prioritize and schedule its intended actions using the template.

LANTA must submit the proposed draft Action Plan using the format provided in **Appendix A: Action Plan Improvement Strategies** to the Department for comment. The proposed draft Action Plan may then be revised based on consultation between LANTA’s management and the Department. The finalized Action Plan then must be approved by the LANTA Board and formally submitted to PennDOT. At the very least, LANTA’s management must report quarterly 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 Lehigh and Northampton Transportation Authority (d.b.a. LANTA).

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 November 2014, an Act 44-mandated performance review was initiated for LANTA. 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
 - A set of peers, used for comparative analysis, was jointly agreed upon by LANTA and PennDOT.
3. Act 44 performance criteria analysis
 - Performance criteria mandated by Act 44 were analyzed for the peer group.
 - Additional performance criteria were calculated for informative purposes to help guide the on-site review.
4. On-site review
 - An on-site review was conducted on November 19 through November 21, 2014.
 - An interview guide customized for LANTA’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

AGENCY DESCRIPTION

The Lehigh and Northampton Transportation Authority (d.b.a. LANTA) was created in 1972 in Lehigh and Northampton counties. LANTA provides fixed-route bus service in and around the cities of Allentown, Bethlehem and Easton. LANTA is overseen by a 10 member board representing Lehigh and Northampton Counties equally.

In the fall of 2011, LANTA implemented several changes that directly impact Act 44 performance criteria and performance trends.

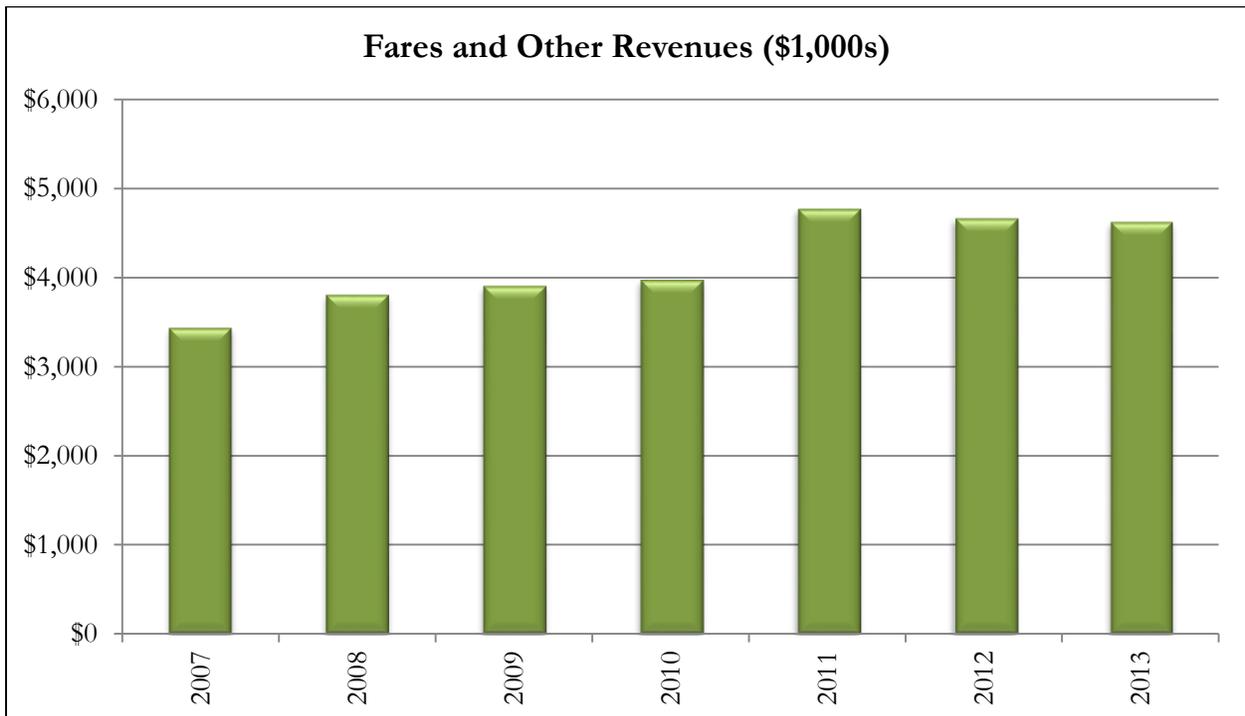
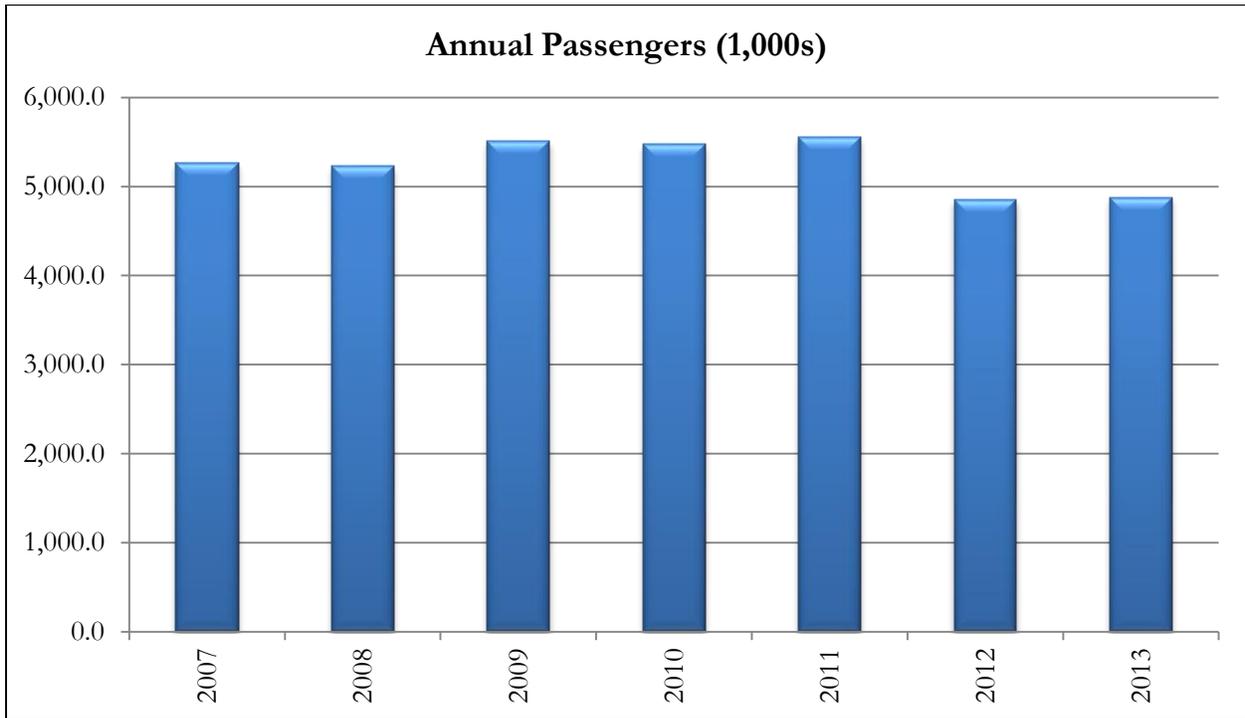
- LANTA underwent a major service change. It interlined routes in an attempt to minimize the number of transfers a passenger would need to make to complete a trip. While this increases customer satisfaction, it has the direct effect of reducing the number of passenger boardings (i.e., decreases reported ridership).
- LANTA added service and increased the span of service for several key routes.
- LANTA increased the price of day passes from \$3.00 to \$4.00 in order to improve overall farebox recovery. Since day passes constitute a large portion of LANTA's ridership, the price increase negatively impacted ridership. However, it also encouraged more passengers to pay for a single ride (\$2.00) and any necessary transfer (\$0.25).
- The calculation of revenue miles and hours was moved from spreadsheets to an automated scheduling software package thereby increasing the accuracy and tracking of exceptions such as detours and other service disruptions.

Currently, LANTA directly operates 23 regular fixed-routes, 10 special fixed-routes and contracts out paratransit operations. It also acts as the manager of Carbon County Transit which is a separate agency for reporting purposes. **Exhibit 1** and **Exhibit 2** present fixed-route bus statistics for LANTA derived from PennDOT dotGrants Legacy Reports.

Important observations evident from the trends in demand, revenues, and operating characteristics for the Legacy reporting period of Fiscal Year End (FYE) 2007 through 2013 for LANTA's fixed-route service are as follows:

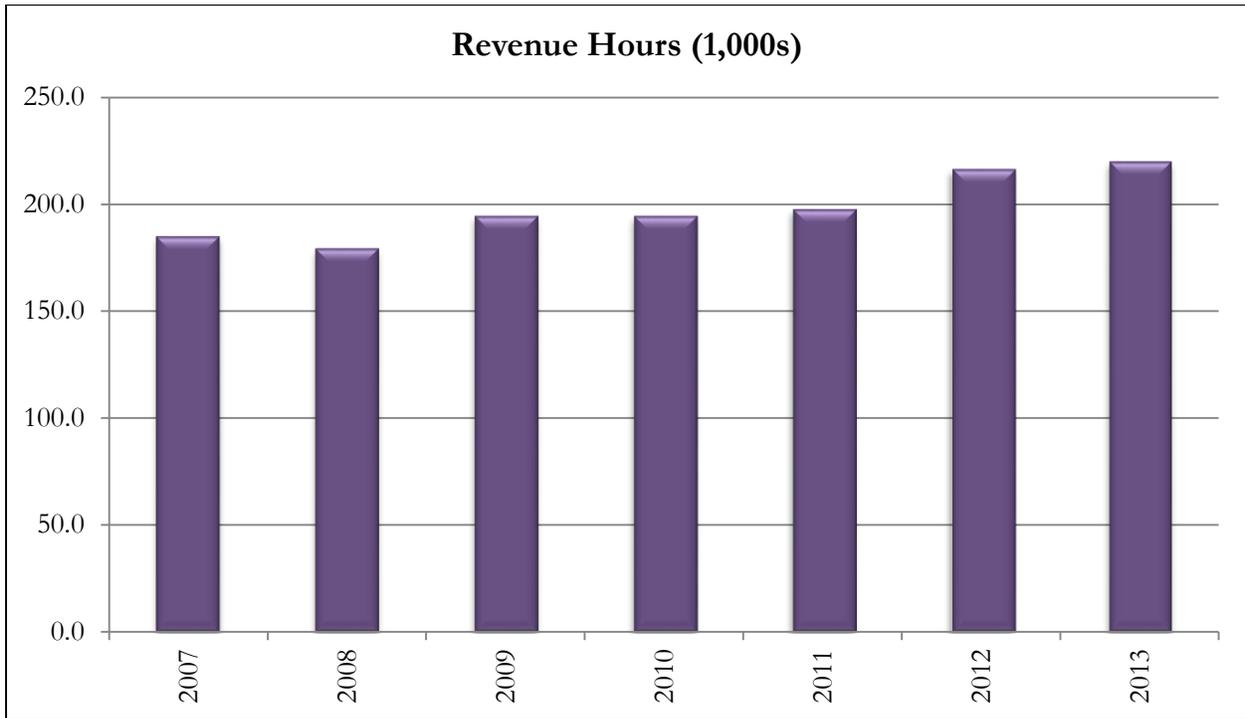
1. LANTA's annual fixed-route ridership has decreased 7.3% from FYE 2007 to 2013, and was about 4,877,200 passengers in FYE 2013. All of the decline occurred in FYE 2012. The decline in ridership is attributed largely to the route restructuring that occurred in September 2011 and a change in the cost for day passes that went into effect in October 2011.
2. LANTA's 2013 total operating revenue (including passenger fares and other local revenues) is similar to that seen in other Pennsylvania transit systems, averaging \$0.95 per passenger trip in FYE 2013. A high rate of pass usage keeps LANTA's effective fare low compared to its base regular base fare of \$2.00. Transfers cost \$0.25. Farebox recovery and total revenue recovery are 21.1% and 22.5% of total operating expenses respectively.
3. Revenue hours of service increased by 18.9% between 2007 and 2013. Most of this increase occurred in the fall of 2011 when LANTA restructured its service. LANTA provided approximately 220,000 revenue hours of service in FYE 2013.
4. Total operating costs increased by 34.7% between 2007 and 2013, growing from about \$15,247,600 to \$20,545,400. This is attributable to the increased revenue hours of service in 2011 combined with a 2.61% annual rate of cost increase per revenue hour.

Exhibit 1: Fixed-Route Passengers and Revenues FYE 2007-2013



Source: NTD and PennDOT Legacy Reporting System (dotGrants)

Exhibit 2: Fixed-Route Revenue Hours and Operating Costs FYE 2007-2013



Source: NTD and PennDOT Legacy Reporting System (dotGrants)

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...”¹

The law sets forth the following performance criteria to be used to satisfy its objectives²:

- 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: ³

- 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 LANTA’s management for review and comment. After discussions were complete, the following 12 peer systems, in addition to LANTA, were included in subsequent analyses for peer comparison purposes:

1. Birmingham-Jefferson County Transit Authority (MAX) Birmingham, AL
2. Corpus Christi Regional Transportation Authority (The B) Corpus Christi, TX
3. Metropolitan Tulsa Transit Authority (MTTA) Tulsa, OK
4. SunLine Transit Agency (SunLine) Thousand Palms, CA
5. Charleston Area Regional Transportation Authority (CARTA) Charleston, SC
6. Transit Authority of Northern Kentucky (TANK) Fort Wright, KY
7. Central Contra Costa Transit Authority (County Con) Concord, CA
8. Chatham Area Transit Authority (CAT), Savannah, GA
9. Toledo Area Regional Transit Authority (TARTA) Toledo, OH

¹ Title 74 Pa. C.S.A. §1513 (e)

² Title 74 Pa. C.S.A. §1513 (f)

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

10. Madison County Transit District (MCT) Granite City, IL
11. Cumberland Dauphin-Harrisburg Transit Authority (CAT), Harrisburg, PA
12. Mass Transportation Authority (MTA) Flint, MI

ACT 44 FIXED-ROUTE COMPARISONS AND FINDINGS

Comparison of LANTA with the selected peer systems was completed using NTD-reported data and PennDOT dotGrants Legacy statistics. Due to its consistency and availability⁴ for comparable systems, the NTD FYE 2012 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 LANTA
- *Standard Deviation*: Standard deviation of all values being measured across all peer transit agencies, including LANTA

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

⁴ 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) 2012.

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 review⁵.

Detailed results of the LANTA analysis and peer comparison are presented in the **Fixed-Route Bus Performance Comparisons** section below and can be summarized as follows:

Exhibit 3: Act 44 Compliance Summary

Metric	Single Year	Five-Year Trend
Passengers / Revenue Hour	In Compliance	In Compliance
Operating Cost / Revenue Hour	In Compliance	In Compliance
Operating Revenue / Revenue Hour	In Compliance	In Compliance
Operating Cost / Passenger	In Compliance	At Risk

FIXED-ROUTE BUS PERFORMANCE COMPARISONS

For the 12 peer systems plus LANTA, NTD and PennDOT dotGrants 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 based on a highest-to-lowest system. For measures relating to operating cost, ordinal rankings are based 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 “13th” indicates that it performs the poorest on any given metric.

The findings presented in the exhibits can be summarized as follows:

1. LANTA’s FYE 2012 passengers / revenue hour ranks 5th out of the 13 agencies in the peer group and is above the peer group average. The trend (decline) is attributable to a fare increase and service changes that occurred in the fall of 2011. Since then, ridership has stabilized.
2. LANTA’s FYE 2012 operating cost / revenue vehicle hour is the 4th most costly of all the agencies in the peer group. Operating cost / revenue hour has increased at a slightly higher rate than the peer group average.
3. LANTA’s 2012 operating revenue / revenue vehicle hour ranks as the 5th best of the peers. The trend between FYE 2007 and FYE 2012 indicates that operating revenue / revenue vehicle hour is increasing at a rate greater than passengers / revenue hour. This is due, in part, to recent fare increases.
4. LANTA’s operating cost / passenger is below the peer group average for FYE 2012 and ranks 6th. The trend of annual cost / passenger increase (7.6%) is high at about three times that of the peer group average (2.1%). This is due, in part, to declines in ridership.

These findings provided a basis for further investigation during the on-site interviews and functional area reviews. Those findings are presented in the next section of the report.

⁵ 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.

Exhibit 4: Fixed-Route Passengers / Revenue Vehicle Hour

Passengers / Revenue Hour (MB)					
System	FYE 2012 Single Year		5 Year Change Since FYE 2007		
	Value	Rank	2007 Value	Annual Rate	Rank
Birmingham-Jefferson County Transit Authority	12.22	12	13.51	-1.98%	11
Corpus Christi Regional Transportation Authority	25.62	2	25.07	0.44%	6
Metropolitan Tulsa Transit Authority	16.89	9	13.31	4.88%	2
SunLine Transit Agency	23.26	4	23.26	0.00%	7
Charleston Area Regional Transportation Authority	23.28	3	13.84	10.96%	1
Transit Authority of Northern Kentucky	17.01	8	17.89	-1.01%	9
Central Contra Costa Transit Authority	14.89	10	16.25	-1.73%	10
Chatham Area Transit Authority	19.77	7	20.29	-0.52%	8
Toledo Area Regional Transit Authority	11.46	13	22.76	-12.82%	13
Madison County Transit District	13.46	11	12.05	2.24%	5
Cumberland Dauphin-Harrisburg Transit Authority - (d.b.a. CAT)	21.00	6	17.58	3.62%	3
Mass Transportation Authority	32.87	1	28.74	2.72%	4
Lehigh and Northampton Transportation Authority	22.43	5	28.46	-4.65%	12
<i>Average</i>	19.55		19.46	0.17%	
<i>Standard Deviation</i>	6.08		5.78	5.50%	
<i>Average – 1 Standard Deviation</i>	13.47		13.68	-5.34%	
<i>Average + 1 Standard Deviation</i>	25.63		25.24	5.67%	
Act 44 Compliance Determination	In Compliance		In Compliance		
Compared to the Peer Group Average	Better		Worse		

Exhibit 5: Fixed-Route Operating Cost / Revenue Vehicle Hour

Operating Cost / Revenue Hour (MB)					
System	FYE 2012 Single Year		5 Year Change Since FYE 2007		
	Value	Rank	2007 Value	Annual Rate	Rank
Birmingham-Jefferson County Transit Authority	\$99.67	11	\$83.54	3.59%	9
Corpus Christi Regional Transportation Authority	\$85.81	6	\$78.11	1.90%	5
Metropolitan Tulsa Transit Authority	\$77.35	4	\$65.56	3.36%	7
SunLine Transit Agency	\$93.75	8	\$103.23	-1.91%	2
Charleston Area Regional Transportation Authority	\$69.04	2	\$57.36	3.78%	10
Transit Authority of Northern Kentucky	\$83.19	5	\$77.63	1.39%	4
Central Contra Costa Transit Authority	\$118.30	13	\$97.52	3.94%	11
Chatham Area Transit Authority	\$68.83	1	\$65.34	1.05%	3
Toledo Area Regional Transit Authority	\$72.46	3	\$97.69	-5.80%	1
Madison County Transit District	\$88.25	7	\$68.52	5.19%	13
Cumberland Dauphin-Harrisburg Transit Authority - (d.b.a. CAT)	\$109.36	12	\$86.41	4.82%	12
Mass Transportation Authority	\$97.84	10	\$82.20	3.54%	8
Lehigh and Northampton Transportation Authority	\$93.80	9	\$82.46	2.61%	6
<i>Average</i>	<i>\$89.05</i>		<i>\$80.43</i>	<i>2.11%</i>	
<i>Standard Deviation</i>	<i>\$15.19</i>		<i>\$13.84</i>	<i>3.02%</i>	
<i>Average – 1 Standard Deviation</i>	<i>\$73.86</i>		<i>\$66.59</i>	<i>-0.91%</i>	
<i>Average + 1 Standard Deviation</i>	<i>\$104.24</i>		<i>\$94.27</i>	<i>5.13%</i>	
Act 44 Compliance Determination	In Compliance		In Compliance		
Compared to the Peer Group Average	Worse		Worse		

Exhibit 6: Fixed-Route Operating Revenue / Revenue Vehicle Hour

Operating Revenue / Revenue Hour (MB)					
System	FYE 2012 Single Year		5 Year Change Since FYE 2007		
	Value	Rank	2007 Value	Annual Rate	Rank
Birmingham-Jefferson County Transit Authority	\$10.37	12	\$10.67	-0.56%	10
Corpus Christi Regional Transportation Authority	\$7.06	13	\$13.19	-11.74%	13
Metropolitan Tulsa Transit Authority	\$18.63	7	\$13.84	6.13%	4
SunLine Transit Agency	\$17.64	9	\$24.33	-6.23%	11
Charleston Area Regional Transportation Authority	\$18.59	8	\$12.45	8.34%	3
Transit Authority of Northern Kentucky	\$21.44	6	\$20.30	1.09%	9
Central Contra Costa Transit Authority	\$24.07	3	\$20.45	3.31%	6
Chatham Area Transit Authority	\$23.36	4	\$19.95	3.21%	7
Toledo Area Regional Transit Authority	\$13.86	10	\$24.14	-10.50%	12
Madison County Transit District	\$11.70	11	\$6.32	13.09%	2
Cumberland Dauphin-Harrisburg Transit Authority - (d.b.a. CAT)	\$25.77	2	\$19.86	5.35%	5
Mass Transportation Authority	\$34.18	1	\$17.80	13.94%	1
Lehigh and Northampton Transportation Authority	\$21.55	5	\$18.57	3.03%	8
<i>Average</i>	\$19.09		\$17.07	2.19%	
<i>Standard Deviation</i>	\$7.26		\$5.37	7.95%	
<i>Average – 1 Standard Deviation</i>	\$11.84		\$11.69	-5.76%	
<i>Average + 1 Standard Deviation</i>	\$26.35		\$22.44	10.13%	
Act 44 Compliance Determination	In Compliance		In Compliance		
Compared to the Peer Group Average	Better		Better		

Exhibit 7: Fixed-Route Operating Cost / Passenger

Operating Cost / Passenger (MB)					
System	FYE 2012 Single Year		5 Year Change Since FYE 2007		
	Value	Rank	2007 Value	Annual Rate	Rank
Birmingham-Jefferson County Transit Authority	\$8.15	13	\$6.18	5.69%	10
Corpus Christi Regional Transportation Authority	\$3.35	3	\$3.12	1.45%	6
Metropolitan Tulsa Transit Authority	\$4.58	7	\$4.93	-1.45%	3
SunLine Transit Agency	\$4.03	5	\$4.44	-1.91%	2
Charleston Area Regional Transportation Authority	\$2.97	1	\$4.14	-6.47%	1
Transit Authority of Northern Kentucky	\$4.89	8	\$4.34	2.42%	8
Central Contra Costa Transit Authority	\$7.94	12	\$6.00	5.77%	11
Chatham Area Transit Authority	\$3.48	4	\$3.22	1.58%	7
Toledo Area Regional Transit Authority	\$6.32	10	\$4.29	8.05%	13
Madison County Transit District	\$6.56	11	\$5.69	2.88%	9
Cumberland Dauphin-Harrisburg Transit Authority - (d.b.a. CAT)	\$5.21	9	\$4.91	1.16%	5
Mass Transportation Authority	\$2.98	2	\$2.86	0.80%	4
Lehigh and Northampton Transportation Authority	\$4.18	6	\$2.90	7.61%	12
<i>Average</i>	\$4.97		\$4.39	2.12%	
<i>Standard Deviation</i>	\$1.78		\$1.14	4.06%	
<i>Average – 1 Standard Deviation</i>	\$3.20		\$3.24	-1.94%	
<i>Average + 1 Standard Deviation</i>	\$6.75		\$5.53	6.19%	
Act 44 Compliance Determination	In Compliance		At Risk		
Compared to the Peer Group Average	Better		Worse		

Exhibit 8: Fixed-Route Passengers / Revenue Vehicle Hour Trend FYE 2007-2012

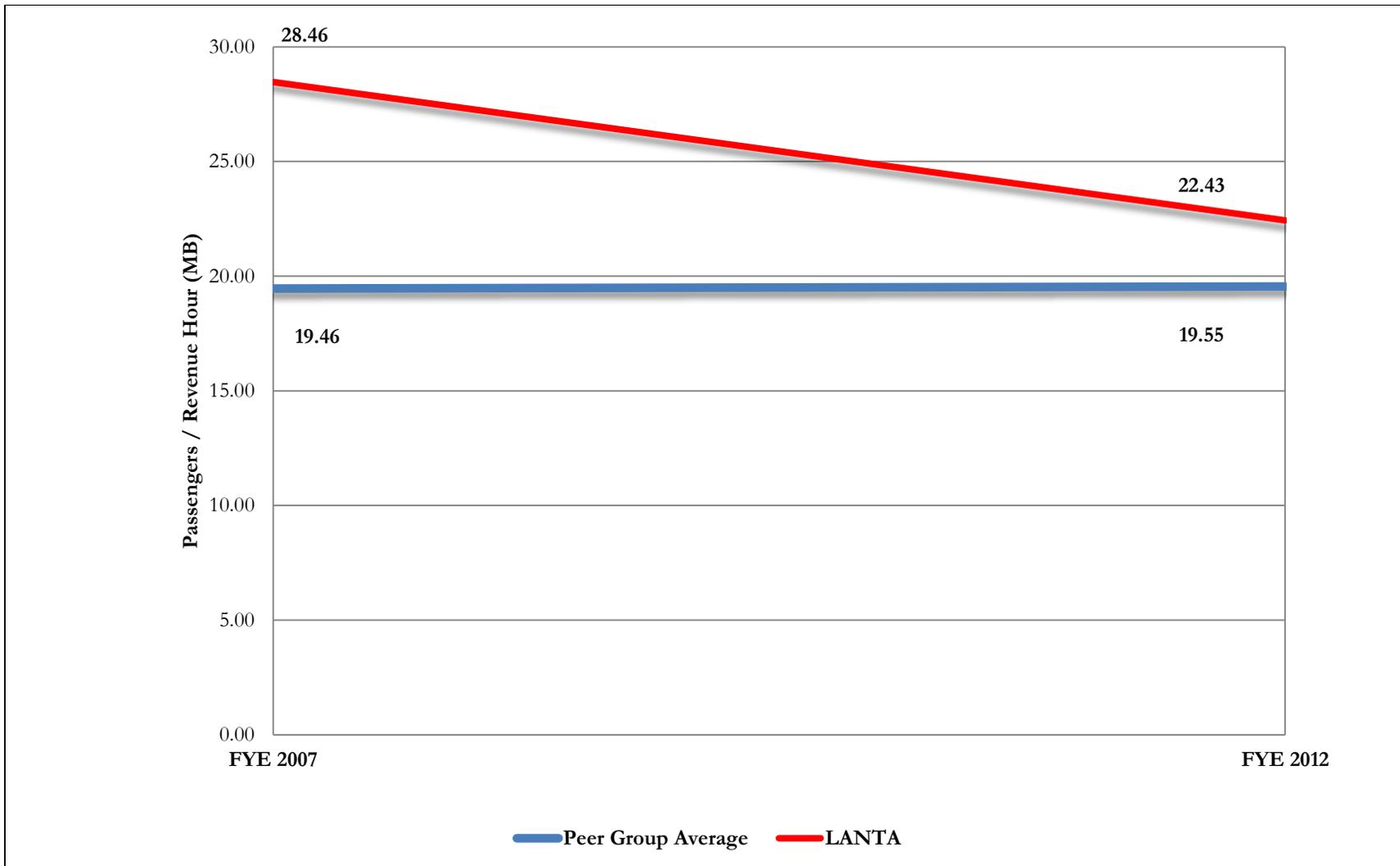


Exhibit 9: Fixed-Route Operating Cost / Revenue Vehicle Hour Trend FYE 2007-2012

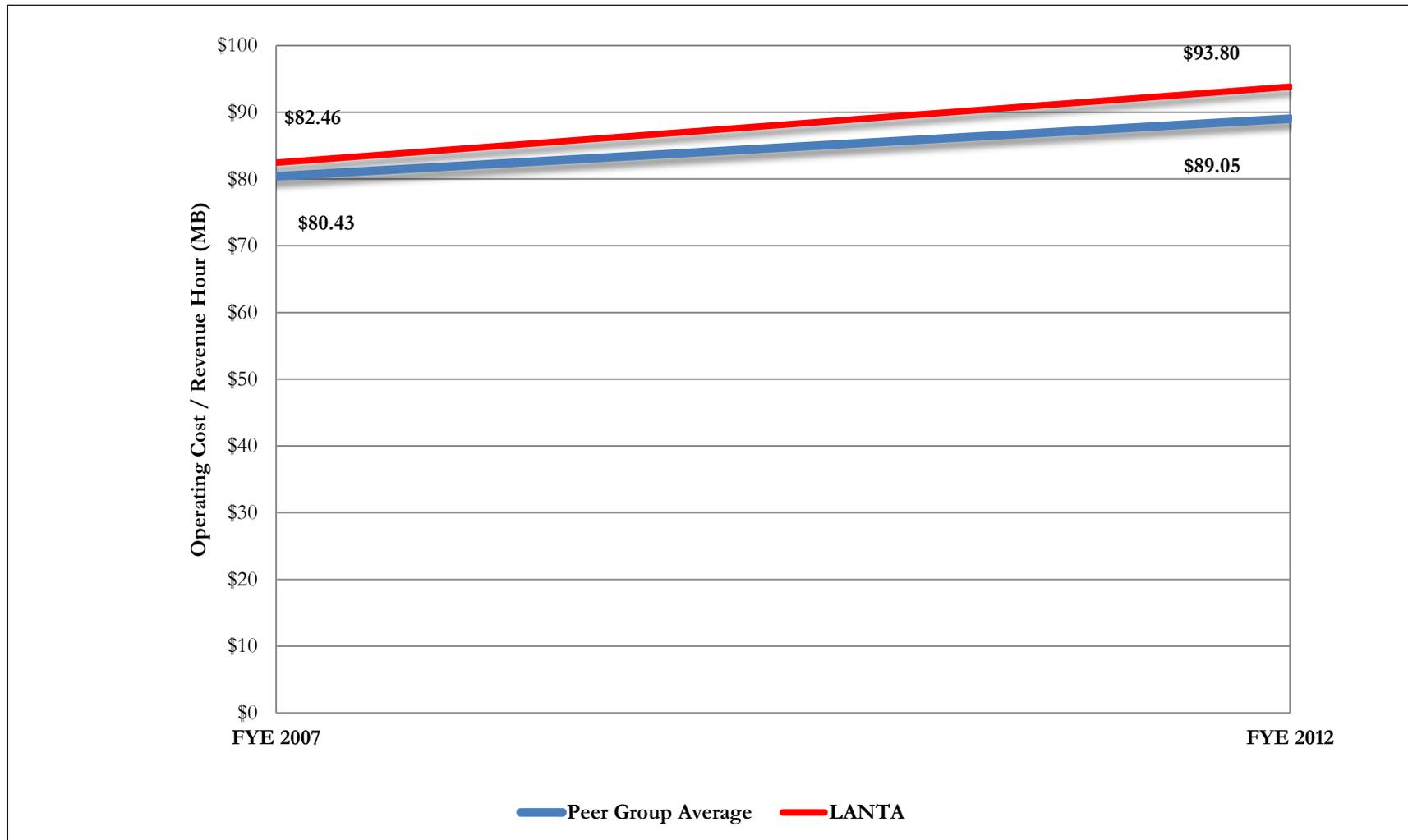


Exhibit 10: Fixed-Route Operating Revenue / Revenue Vehicle Hour Trend FYE 2007-2012

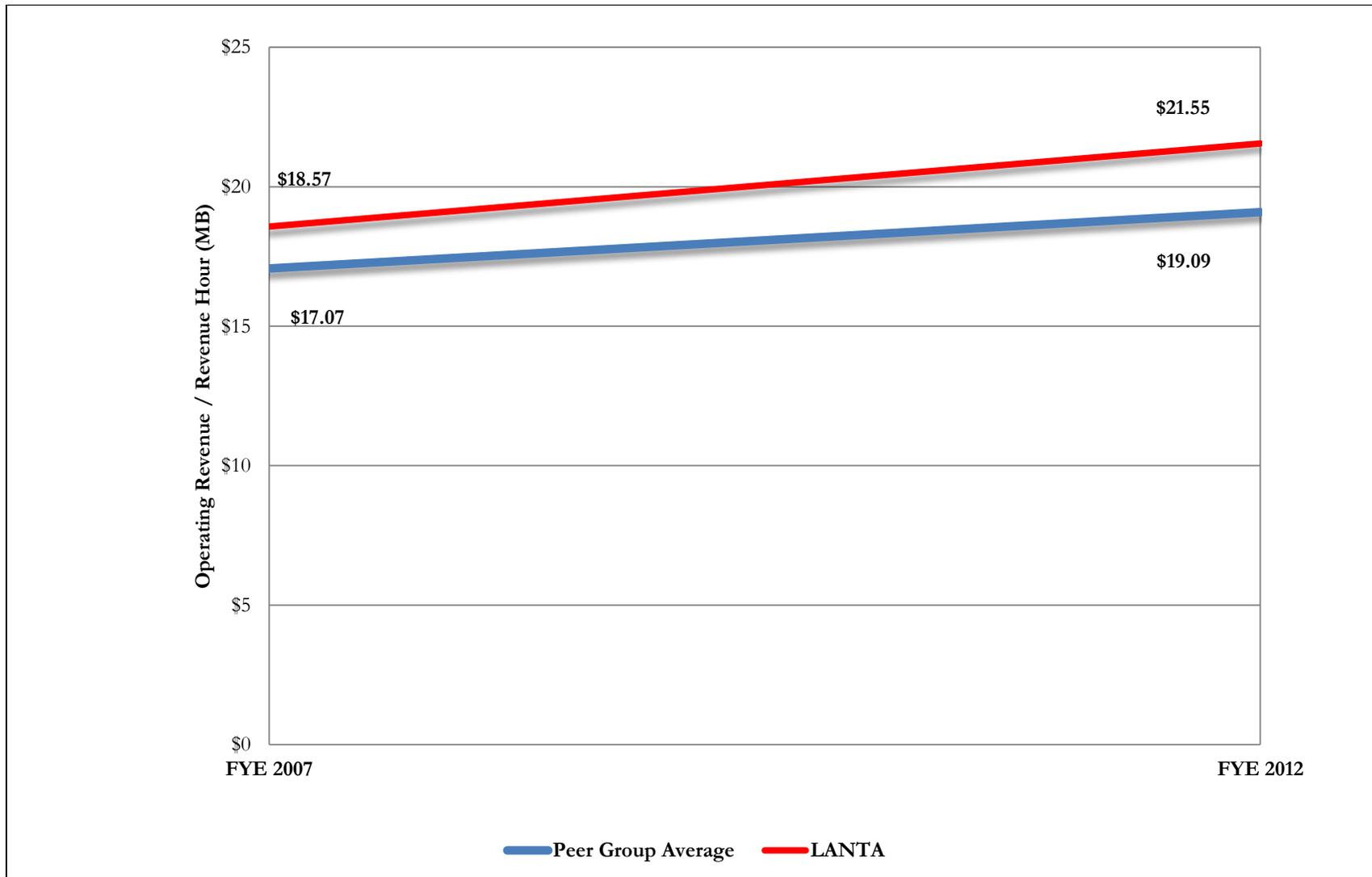
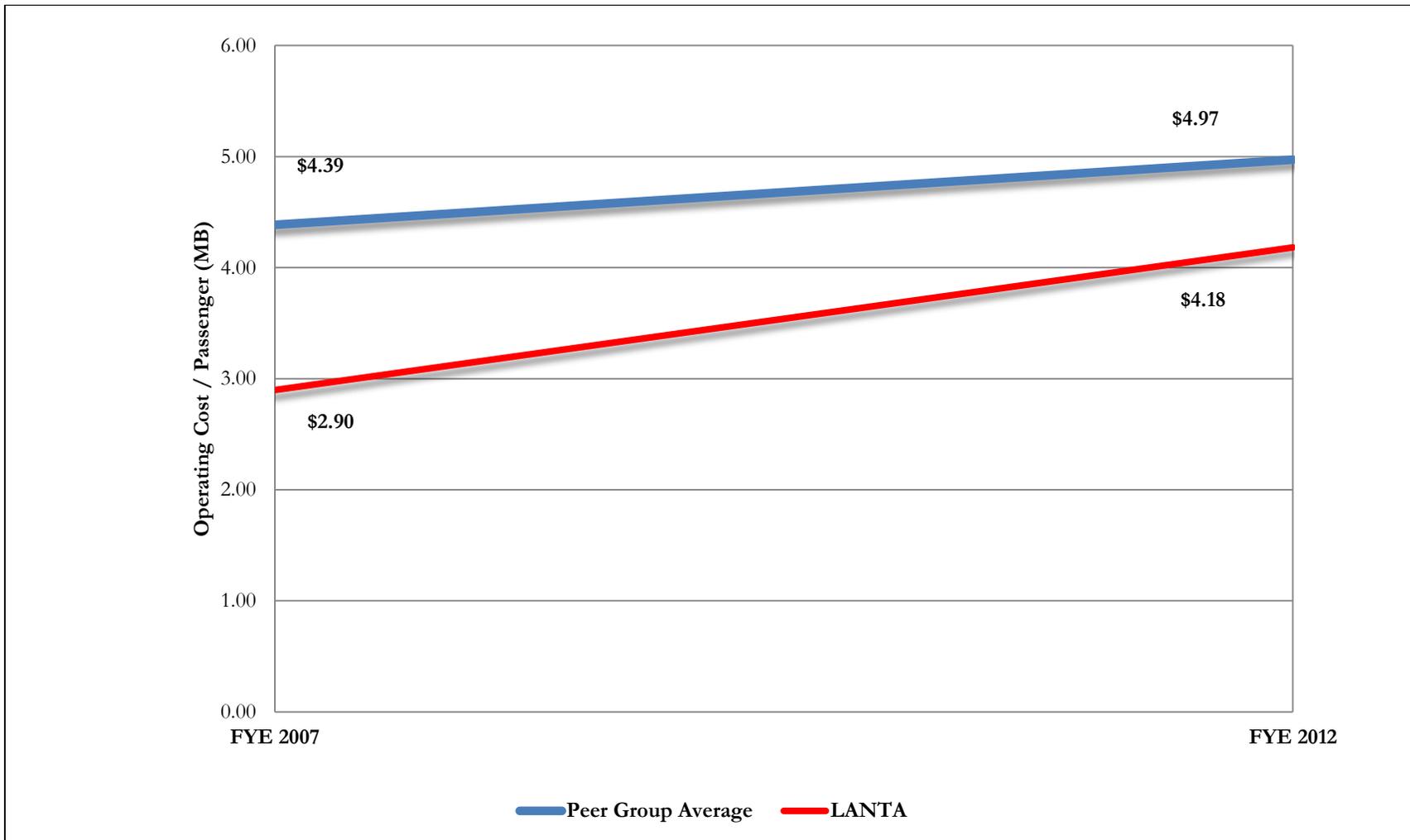


Exhibit 11: Fixed-Route Operating Cost / Passenger Trend FYE 2007-2012



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:

- 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 by mode 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 targeted increase of 2% per year in passengers / revenue hour of service. This target is recommended because: it is consistent with statewide historic trends; it is achievable; and, it encourages agencies to better match service delivery with customer needs. LANTA’s target has been set to 2% growth per year to help LANTA 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. LANTA’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 LANTA 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. Standards were extrapolated to FYE 2019 and are designed to be aggressive, yet achievable. Performance targets will be agreed to between PennDOT and LANTA before they are finalized so that expected anomalies are reflected in the standards. The suggested performance targets for LANTA’s 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 2019 Target..... **24.98**
 Interim Year Targets **Annual increase of at least 2.0%**

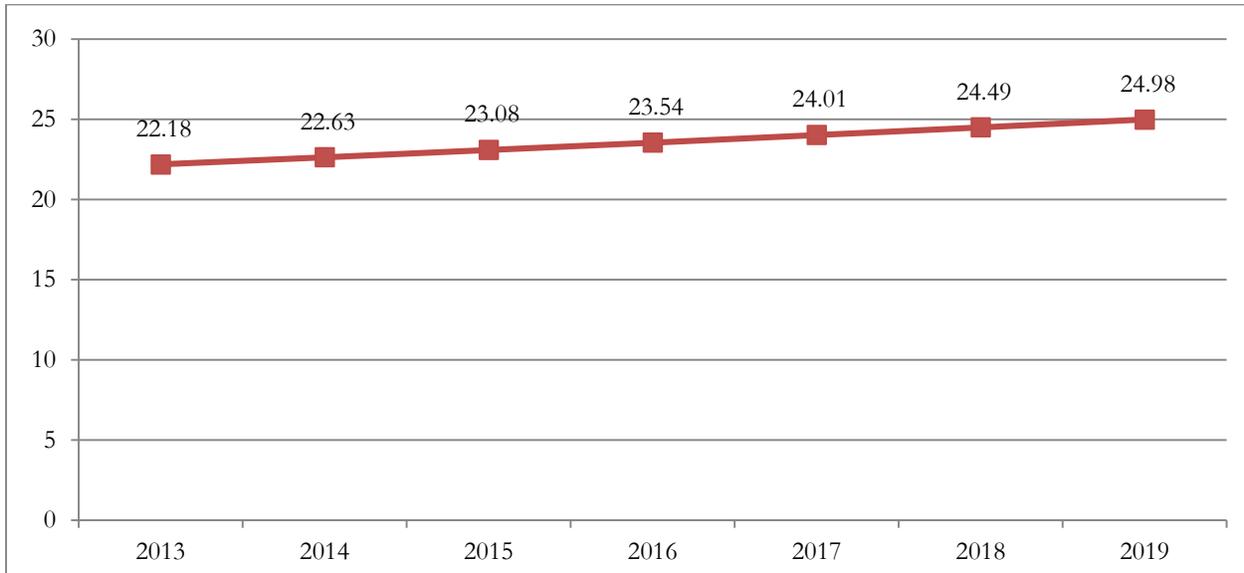


Exhibit 13: Fixed-Route Operating Cost / Revenue Vehicle Hour Performance Targets

FYE 2019 Target..... **\$111.58**
 Interim Year Targets **Annual increase of no more than 3.0%**

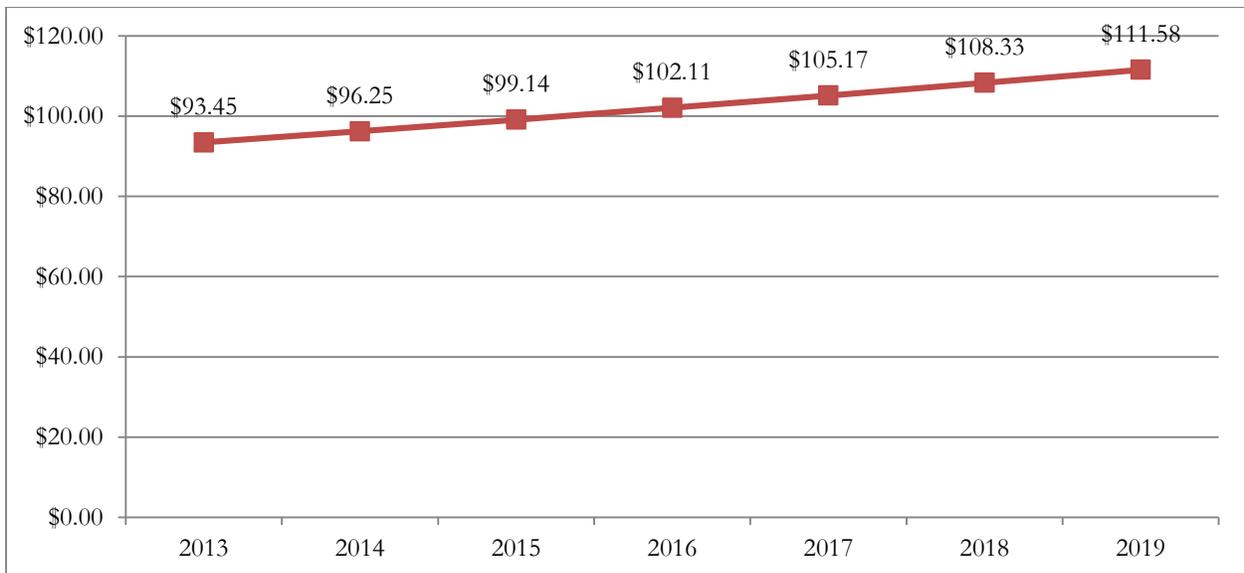


Exhibit 14: Fixed-Route Operating Revenue / Revenue Vehicle Hour Performance Targets

FYE 2019 Target..... **\$23.69**
 Interim Year Targets **Annual increase of at least 2.0%**

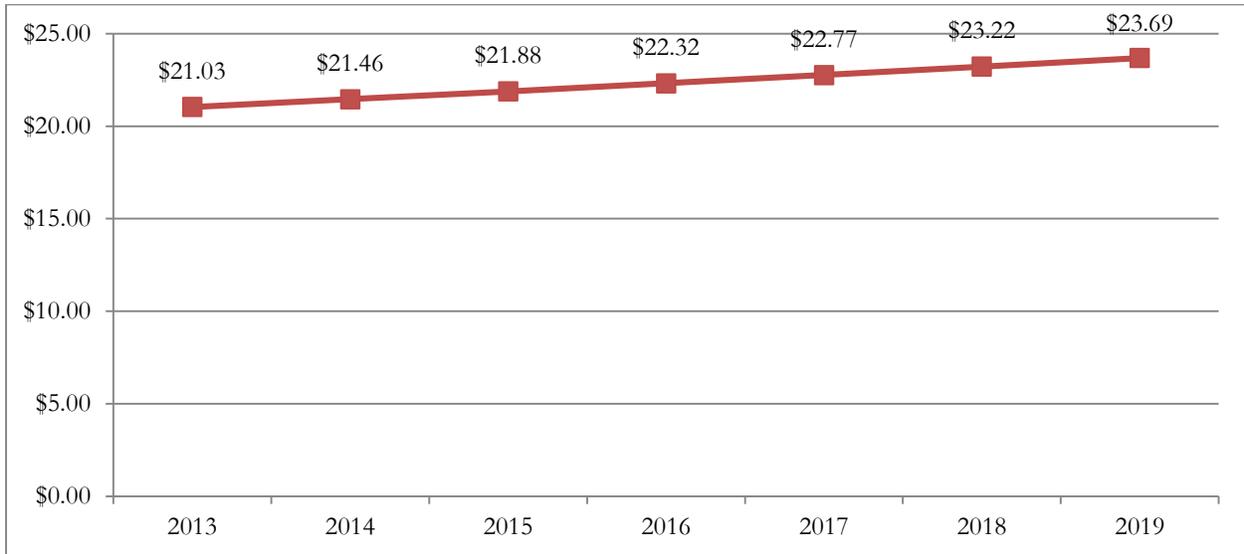
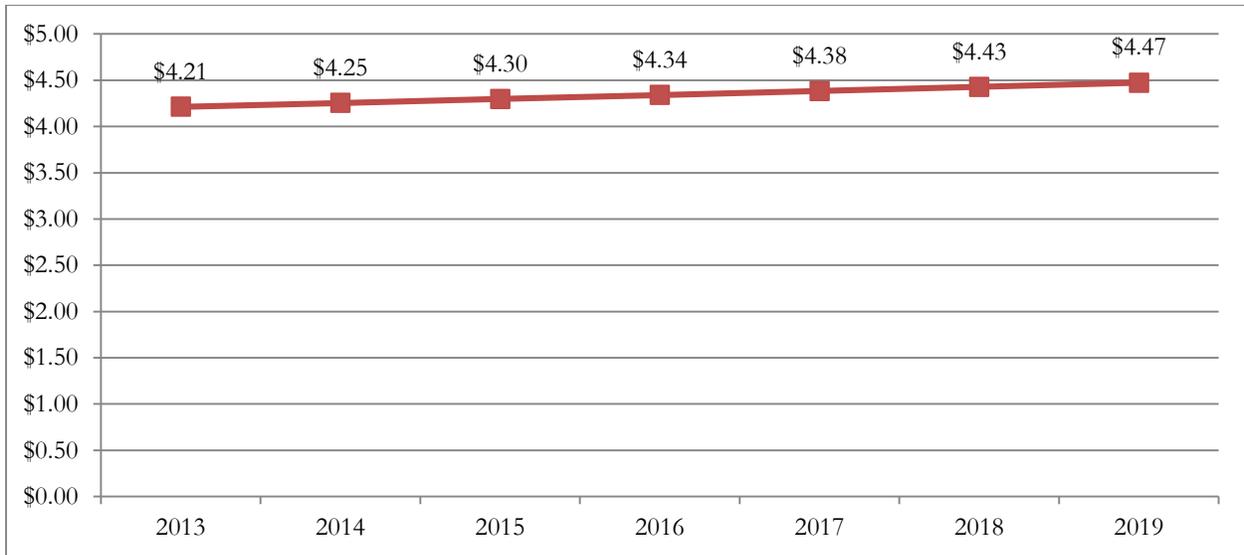


Exhibit 15: Fixed-Route Operating Cost / Passenger Performance Targets

FYE 2019 Target..... **\$4.47**
 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**). A total of 14 functional areas were reviewed through documents received from the agency and interviews conducted on-site. 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 are intended to summarize the opportunities 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 that were 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 can enhance the system's future performance overall for one or more of the Act 44 fixed-route performance factors. For the convenience of LANTA, Action Plan templates have been included in **Appendix A: Action Plan Improvement Strategies** (pp. 32-35). Some actions will be quickly implementable while others may take several discrete steps to achieve over a longer period of time. The template does however provide 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. Through its "Transit Supportive Land Use for the Lehigh Valley," LANTA has taken a proactive approach to recommending site design guidelines that can be used by local governments to ensure new developments are "transit friendly." By working with local governments on land development issues, LANTA maximizes its potential ridership and maintains its effectiveness in the Lehigh Valley.
2. LANTA coordinates with and is perceived positively by the Lehigh and Northampton counties, the local MPO, and, local municipalities. LANTA supports local land use planning and has taken a proactive stance to support transit oriented development policies in the Lehigh Valley.

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

1. The last customer service survey was completed in 2013 but prior to that the last occurred in 2008. These types of surveys are key in providing the transit agency rider feedback on the delivery and performance of services. **LANTA should establish a process for conducting routine customer satisfaction surveys** at least once every two years. This recommendation is consistent with the *Moving LANTA Forward* marketing plan developed in 2009.
2. LANTA provides flex service to provide additional access to fixed-route and for short trips at the end of routes. This service is not accounted for in fixed-route or shared-ride statistics. LANTA will need to **work with PennDOT staff to see if there is a way to account for Flex Service consistently in its dotGrants and NTD reporting.**

3. LANTA lacks a citizen advisory committee (CAC) for fixed-route service. These committees give voice to the community on transit issues affecting them, and act as a soundboard for the transit agency when developing new ideas. **LANTA should establish a citizen advisory committee** to provide community input to service planning and other agency actions.

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. LANTA regularly evaluates and adjusts multi-ride pass prices to maintain effective fare recovery. By actively managing system-wide fare recovery, LANTA has been able to ensure fare revenues have kept pace with operating cost increases.
2. LANTA has established route guarantee arrangements with Amazon, Penn State, a Community College and the Allentown Parking Authority. Such arrangements provide an important and alternate source of operating funds that improve an agency’s overall financial health.

ELEMENTS TO ADDRESS IN PART 1-B OF THE ACTION PLAN (SEE P. 33)

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. LANTA has taken a proactive approach to managing operating costs by self-insuring for healthcare. The result is LANTA has maintained an average 3% increase in annual healthcare costs. This rate of cost increase is much lower than observed in many agencies.
2. LANTA management keeps scheduled overtime to 5% or less and carefully manages unscheduled overtime. Carefully managing overtime is a proactive way to control operating costs, as labor costs are among the largest single cost items to a transit agency.

ELEMENTS TO ADDRESS IN PART 1-C OF THE ACTION PLAN (SEE P. 34)

1. LANTA has a \$6 million line of credit that it uses for its capital and operating cash flow needs. The interest payment on the loan is about \$150,000 per year. To reduce operating costs, LANTA should **develop a long-term strategy to increase cash reserves and move away from credit-based financing**, especially as it relates to funding routine operating costs.

2. Facilities maintenance is not tracked in LANTA's current fleet management system though it could be tracked that way. The result is that facilities maintenance contracts and facilities maintenance records are not well organized. This could lead to confusion over what is covered under contracts, when a particular service is due, etc. LANTA should **explore opportunities to centrally manage its facilities maintenance records electronically** using its fleet management software's capabilities.
3. LANTA subcontracts shared-ride service delivery in the LANTA service area as well as in Carbon County. However, the way LANTA charges passengers for those trips, on a per trip basis, is not the same as the way it compensates its contractor. The contractor is reimbursed a fixed amount per month plus a per trip charge. LANTA pays the fixed amount per month regardless how many customers use the service. As a result of declining ridership and the payment structure to the contractor, LANTA's shared-ride operating costs exceed revenues. LANTA's management should **review the payment terms of future service delivery contracts** to try to better align the way it compensates the contractor with how it receives payment for such service. In that way, revenues and costs will be more predictable and easier to forecast in order to have a balanced shared-ride budget.
4. LANTA currently identifies hybrid bus technology as the preferred alternate fuel technology for future vehicle purchases. However, the Commonwealth has identified CNG as the preferred alternate fuel technology for future vehicle purchases due to a lower overall expected lifecycle cost. In fact, LANTA's maintenance facility was recently reconstructed to standards that will accommodate a CNG fleet in anticipation of CNG conversion. To successfully make the transition, LANTA should **integrate conversion to CNG fueled vehicles into its five-year capital and operating plans**. LANTA's conversion to CNG should also be taken into consideration before the ordering and purchasing additional hybrid vehicles.

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 can result in a more seamless operation and greater operational efficiencies.

BEST PRACTICES

1. LANTA has a rotating Chairman of the Board that alternates between the counties. This has proven an effective approach to bring fresh ideas to governance. Rotating leadership results in more effective governance by allowing leaders greater buy-in to the decision-making process and establishes a strong organizational culture of shared responsibility.
2. LANTA uses Automated Passenger Counters (APC) for service planning. The use of APC's informs service planning by providing the exact location and time of passenger boardings and alightings. Using APC data to fine-tune service gives LANTA the ability to maximize service where it is used the most. LANTA also uses Automatic Vehicle Location (AVL), cameras, etc. to follow up on customer complaints thereby making best use of the IT investments. By staying forward thinking in practice with their technology, LANTA is able to provide improved customer service by responding to patron needs with real-time information.

ELEMENTS TO ADDRESS IN PART 2 OF THE ACTION PLAN (SEE P. 35)

1. Though Lehigh and Northampton counties have a large number of Hispanic transit riders that use LANTA, there is no Hispanic representation on the LANTA Board. Management should continue to **work with the respective counties to ensure that the Board's makeup better reflects the makeup of the community at large.**
2. LANTA plans to implement bus rapid transit (BRT). This has the potential to increase operating costs and reduce reserves. LANTA should **evaluate the implications of BRT on its operating cost structure** to determine the fiscal impacts of the proposed service and to see how such service would impact LANTA's overall financial health.
3. LANTA's Assistant Executive Director for Finance/Administration has multiple high-level responsibilities including oversight of Carbon County Transit. Yet she is the only point of contact for routine questions on invoice submissions, etc. LANTA should **reassess the agency's organization structure** to see if there are cost-effective ways to better distribute responsibilities and provide greater depth of resources for routine administrative functions.

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. The focus is on:

- 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

Several high-level indicators of financial health and stability have been examined to determine LANTA’s current state. As shown in **Exhibit 16**, LANTA is not in line with most industry goals and targets for high-level financial indicators. Available state carryover funds are at 12.6% and available local carryover funds are at 0.0%. LANTA has \$3.8 million in carryover section 1513 funds identified in dotGrants.

Accounts payable amounts are negligible. Accounts receivable shows more than \$200,000 due from Carbon County Transit for more than a year. LANTA has a \$6.0 million line of credit that can be used for LANTA’s capital or operating needs. The line of credit was about 89% used at the end of fiscal year 2013. The borrowing was associated with anticipated capital grants funding that had yet to be received. By the end of FYE 2014, that debt was retired.

LANTA uses local contributions that amount to 2.5% of operating costs which equates to a 6.1% match of local funds to state funds (FYE 2013). Local match funds are contributed by the counties of Lehigh and Northampton equally. Due to Act 44 requirements, local contribution amounts will steadily increase in the coming years.

In FYE 2013, LANTA used \$5.2 million in federal funding largely to subsidize preventative maintenance costs associated with operations. This equates to 19% of LANTA’s total operating budget. By using federal capital funding for operations, LANTA has less funding available for bus replacement and other capital needs.

LANTA’s failure to collect prompt payment from Carbon County, use of debt financing, low carryover funds and associated cash reserves is a cause of concern. Management should take appropriate actions to increase available reserves in coming years.

Exhibit 16: High-level Financial Indicators

Indicator	LANTA Value⁶	Assessment Criteria / Rationale	Source
State Carryover 1513 Subsidies / Annual Operating Cost	12.6%	The combined target should be 25%+. This provides flexibility to account for unexpected cost increases or service changes.	FYE 2013 Audit and dotGrants
Local Carryover Subsidies/ Annual Operating Cost	0.0%		
Credit available/ Annual Operating Cost	2.1%		
Actual Local Match / Required Match	108.6%	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.	dotGrants 2013
Accounts Payable (AP) 90+ days	0.0%	Target should be 0% over 90 days. Larger values indicate cash flow concerns.	LANTA reported value (7/17/14)
Accounts Receivable (AR) 90+ days	0.8%	Target should be 0% over 90 days. Larger values can cause cash flow problems.	LANTA reported value (7/17/14)
Debt / Annual Operating Cost	17.6%	Target should be 0%. Low debt amounts reduce borrowing costs. LANTA's debt is associated with anticipated capital grants.	FYE 2013 Audit

⁶ Values reported as end of reporting period balances.

TOTAL PUBLIC TRANSPORTATION OPERATIONAL EXPENDITURES AND FUNDING

As shown in **Exhibit 17**, LANTA public transportation has grown from a \$25.6 million per year operation in FYE 2008 to a \$30.4 million per year operation in FYE 2013, a 15.79% increase, an average annual increase of 3.5%. Approximately 67.6% of LANTA’s operational expenses are for fixed-route service. The remaining operational expenses are for ADA complementary and shared-ride paratransit service (32.4%), as shown in **Exhibit 18**.

LANTA’s operational funding comes from a variety of sources including state funds, federal funds, local funds and passenger fares. LANTA uses government subsidies to finance both its fixed-route and ADA paratransit operations (**Exhibit 19**). Passenger fares and other revenues are an important share of total revenue, representing approximately 37.4% of total operating income. Combined state and federal operating subsidies remain the largest funding source for LANTA (**Exhibit 20**) accounting for 60.1% of total operating income. Local funding is in line with Act 44 requirements.

Exhibit 17: Public Transportation Operating Expense by Service Type (FYE 2008 2013)

Expense by Service Type	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Fixed Route	\$16.6	\$18.0	\$17.9	\$18.8	\$19.9	\$20.5
ADA and Shared-ride Paratransit	\$9.0	\$9.3	\$9.3	\$9.3	\$9.7	\$9.8
Total (\$ millions)*	\$25.6	\$27.3	\$27.1	\$28.0	\$29.6	\$30.4

* May not add due to rounding

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

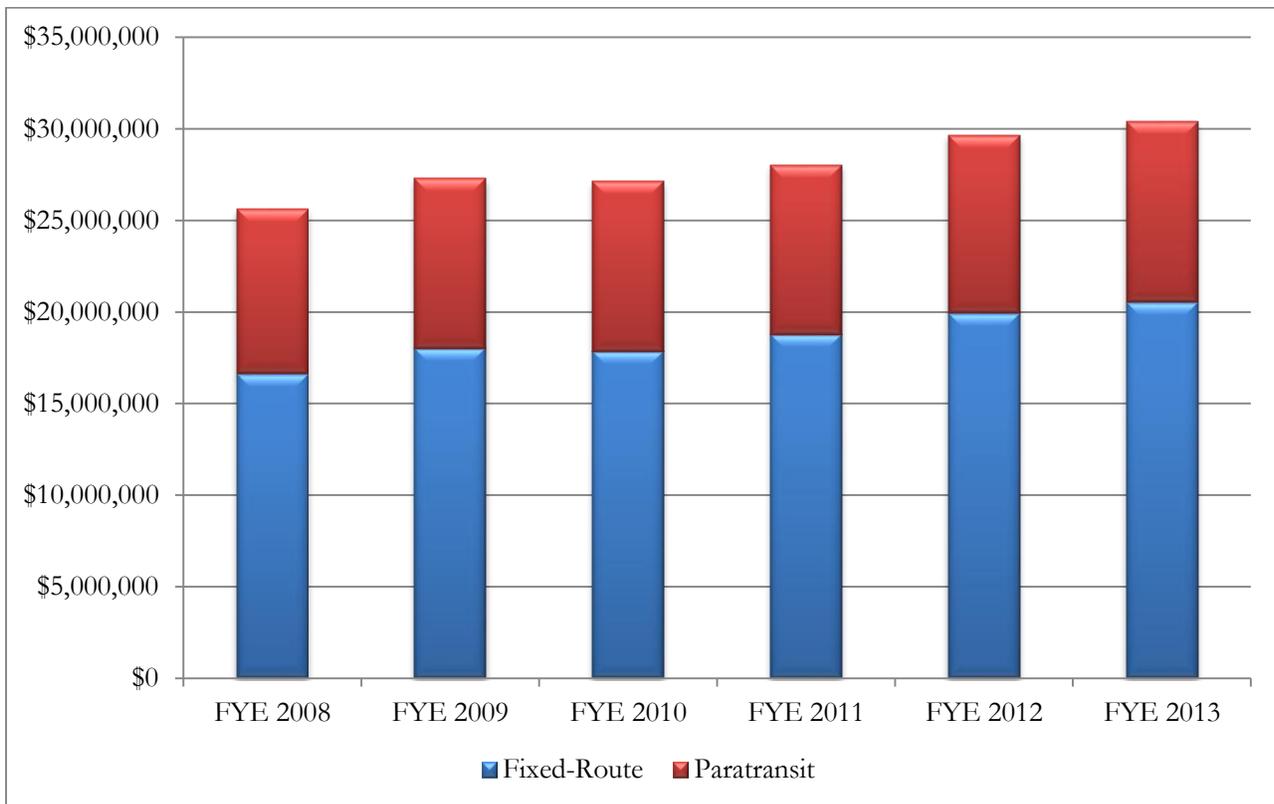
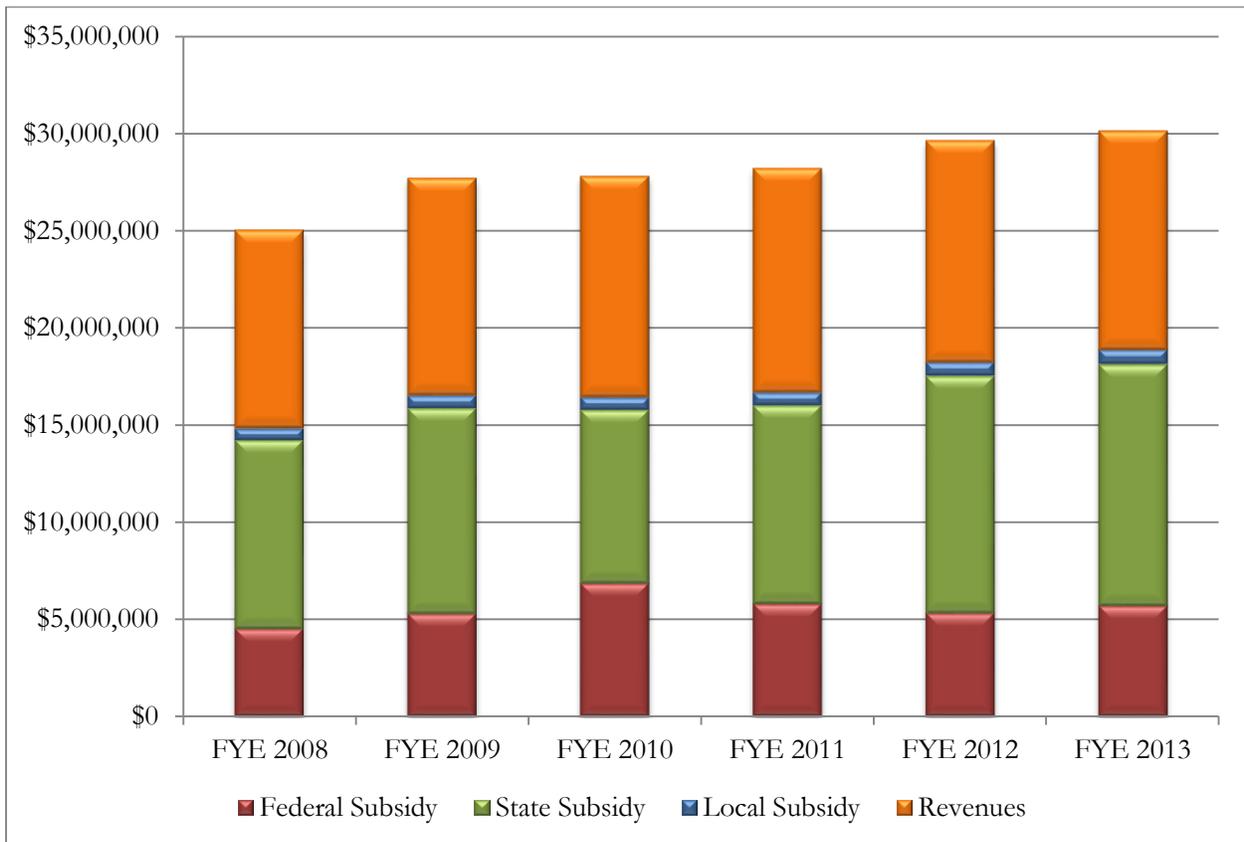


Exhibit 19: Public Transportation Operational Funding by Source (FYE 2008 – FYE 2013)

Share of Funding	2008	2009	2010	2011	2012	2013
Federal Subsidy	18.1%	19.2%	24.7%	20.6%	18.0%	19.0%
State Subsidy	38.7%	38.1%	32.1%	36.1%	41.1%	41.1%
Local Subsidy	2.4%	2.4%	2.3%	2.4%	2.4%	2.5%
Revenues (Non-Subsidy)	40.7%	40.3%	40.9%	40.9%	38.5%	37.4%
Local Subsidy / State Subsidy	6.3%	6.3%	7.3%	6.7%	5.9%	6.1%

Exhibit 20: Public Transportation (Fixed-Route + ADA Paratransit) Operational Funding



FIXED-ROUTE FUNDING

LANTA's historic and proposed fixed-route funding is derived from general revenues and government subsidies. Direct Passenger fares have covered between 20.3% and 22.8% of total operating revenues (**Exhibit 21**).

Based on the FYE 2009 to FYE 2013 dotGrants reporting, LANTA operated using current year funding with excess state funding being "carried over." Approximately \$3.8 million in state carryover funds were available at the end of FYE 2013, down from \$4.8 million at the end of FYE 2011.

Exhibit 21: Fixed-Route Funding

Funding Category	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Revenues					
Passenger Fares	\$3,704,956	\$3,616,661	\$4,284,244	\$4,234,018	\$4,331,543
Advertising	\$110,714	\$61,054	\$290,226	\$222,814	\$163,636
Charter	\$0	\$0	\$0	\$0	\$0
Route Guarantee	\$0	\$165,718	\$73,165	\$45,013	\$14,089
Other	\$138,113	\$110,000	\$110,000	\$108,000	\$108,000
Other (Misc)	\$0	\$154,118	\$116,543	\$53,899	\$177,819
Other (Rental)	\$0	\$7,192	\$3,402	\$19,371	\$7,511
Other (Interest)	\$0	\$0	\$24	\$0	\$0
Subtotal	\$3,953,783	\$3,961,225	\$4,761,061	\$4,629,216	\$4,624,779
Subsidies					
Federal Operating Grant	\$0	\$0	\$0	\$3,141,380	\$4,531,204
Act44 (1513) State Prior	\$0	\$0	\$0	\$0	\$367,377
Act44 (1513) State Current	\$8,614,762	\$7,295,831	\$8,462,145	\$10,149,856	\$9,791,844
Municipal Prior	\$0	\$0	\$0	\$0	\$0
Municipal Current	\$526,318	\$363,071	\$375,070	\$359,957	\$750,186
Act 44 (1513) Advertising	\$0	\$0	\$0	\$0	\$0
Act 44 (1513) Private	\$0	\$0	\$0	\$0	\$0
Act3 BSG Grant (State)	\$0	\$0	\$0	\$0	\$0
Act3 BSG Grant (Local)	\$0	\$0	\$0	\$0	\$0
Act 3 BSG Grant (State)	\$0	\$0	\$0	\$0	\$0
Act 3 BSG Grant (Local)	\$0	\$0	\$0	\$0	\$0
Special-(Federal)	\$4,666,543	\$6,230,125	\$5,174,725	\$1,600,000	\$480,000
Special-(State)	\$217,204	\$0	\$0	\$0	\$0
Special (Local)	\$49,988	\$0	\$0	\$0	\$0
Subtotal	\$14,074,815	\$13,889,027	\$14,011,940	\$15,251,193	\$15,920,611
Total Funding	\$18,028,598	\$17,850,252	\$18,773,001	\$19,880,409	\$20,545,390
Passenger Fares/ Total Funding	20.6%	20.3%	22.8%	21.3%	21.1%

Source: PennDOT dotGrants Reporting System

PARATRANSIT FUNDING

Paratransit funding is about 32.4% of LANTA's public transportation operation and consists of ADA complementary and shared-ride services. Local, state and federal subsidies as well as passenger fares are used to finance paratransit operating costs (**Exhibit 22**). The paratransit program has decreased slightly from \$9,679,466 in FYE 2009 to \$9,587,778 in FYE 2013. The paratransit budget is roughly half the size of LANTA's fixed-route budget.

Exhibit 22: Paratransit Funding by Source

Category	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Revenues					
1 Passenger Fares	\$532,891	\$736,973	\$657,351	\$847,791	\$829,162
2 Advertising	\$0	\$0	\$0	\$0	\$0
3 Lottery	\$2,935,148	\$2,952,972	\$2,582,805	\$2,583,966	\$2,467,086
4 PwD Reimbursement	\$37,458	\$63,694	\$121,805	\$129,983	\$168,336
9 AAA	\$311,837	\$303,131	\$257,130	\$256,810	\$217,245
10 MH/MR	\$638,370	\$541,167	\$389,599	\$429,686	\$384,795
11 W2W	\$0	\$0	\$0	\$0	\$0
12 MATP	\$2,518,199	\$2,558,878	\$2,514,458	\$2,310,587	\$2,318,856
18 Other- Interest	\$0	\$0	\$0	\$0	\$0
Subtotal	\$7,222,237	\$7,404,524	\$6,764,765	\$6,781,924	\$6,654,470
Subsidies					
1 Federal Operating Grant	\$0	\$0	\$0	\$600,000	\$717,600
2 Act 44 (1513) State Prior	\$0	\$0	\$0	\$0	\$0
3 Act 44 (1513) State Current	\$1,726,367	\$1,614,818	\$1,730,433	\$2,017,940	\$2,215,708
5 Municipal Current	\$90,862	\$284,968	\$305,371	\$356,107	\$0
Subtotal	\$2,457,229	\$2,539,786	\$2,675,804	\$2,974,047	\$2,933,308
Total Funding	\$9,679,466	\$9,944,310	\$9,440,569	\$9,755,971	\$9,587,778

Source: PennDOT dotGrants Reporting System

BALANCE SHEET FINDINGS

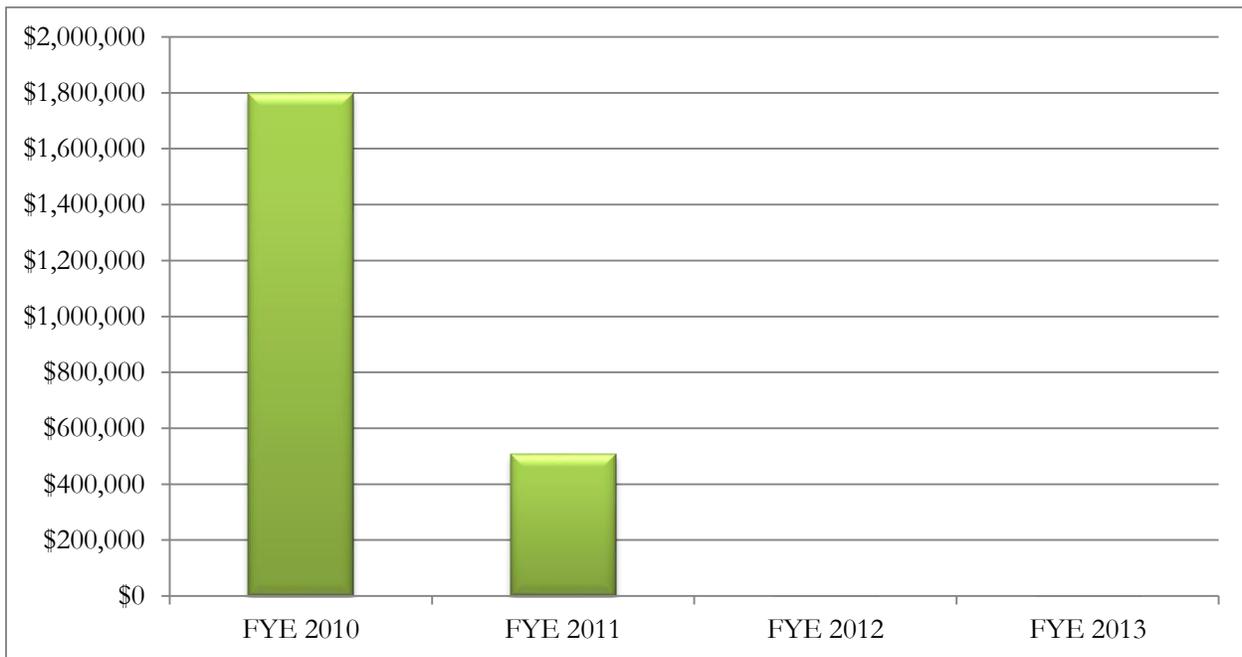
Review of balance sheets from LANTA shows that the agency maintains very low cash reserves (**Exhibit 23** and **Exhibit 24**) amounting to 0.0% of annual operational expenses in FYE 2013. The margin between current assets and liabilities is similar to that seen in many other transit agencies in the Commonwealth. Accounts payable remains at low levels proportionate to the overall budget. LANTA maintains a \$6,000,000 line of credit that can be used to cover major capital and operating expenses. The line of credit was 89% used at the end of FYE 2013 but was fully retired at the end of FYE 2014.

Exhibit 23: Balance Sheet Summary (FYE 2010 – FYE 2013)

Balance Sheet Report	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Cash Equivalent Balance	\$1,797,897	\$505,678	\$1,525	\$1,525
Grants Receivable (including capital)	\$9,667,355	\$10,346,403	\$11,955,734	\$10,253,764
Other Accounts Receivable	\$1,909,692	\$2,053,497	\$1,587,045	\$1,725,473
Inventory Value	\$259,212	\$393,489	\$535,099	\$521,900
Prepaid Expenses	\$442,413	\$756,760	\$727,093	\$523,680
Accounts Payable (including capital)	\$4,863,208	\$3,477,820	\$4,929,366	\$4,216,330
Accrued Expenses	\$1,183,979	\$1,158,298	\$741,904	\$710,701
Line of Credit	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Total Operating Expense	\$27,139,506	\$28,031,541	\$29,644,576	\$30,390,702
Cash Eqv. Bal / Total Operating Exp.	6.6%	1.8%	0.0%	0.0%
Line of Credit / Annual Payroll	48.7%	44.4%	44.0%	42.5%
Current Assets	\$14,208,541	\$14,187,799	\$15,052,641	\$15,579,619
Current Liabilities	\$9,361,229	\$8,151,309	\$13,781,647	\$14,477,196
Net Current Assets	\$4,847,312	\$6,036,490	\$1,270,994	\$1,102,423

Source: Annual Audit Reports and dotGrants

Exhibit 24: End-of-Year Cash Equivalent Balance (FYE 2010 – FYE 2013)



FINANCIAL PROJECTIONS

LANTA has a well-documented and conservative approach to budgeting and financial projections. In particular:

1. Capital Projections:

- Fixed-route vehicle replacement is planned for a vehicle life of 17 years. This is achieved by completing two major overhauls occurring on or about year seven and year 13.
- No fixed-route fleet expansions are funded in the next five years. There is language in the TIP for the addition of 3 hybrid vehicles for BRT use. However, this remains unfunded.
- Federal capital budgets are assumed to be flat over the life of the TIP.
- LANTA has assumed hybrid vehicles as the preferred choice to reduce capital costs and the need for a major facility rehabilitation/upgrade.

2. Operating Projections:

- Subsidy projections are built using statewide estimates of available funding.
- State operating reserves increased modestly in FYE 2014.
- The last 5 years have seen an average of 3.8% increase in the annual fixed-route operating budget with total fixed-route revenues increasing by 4.8% annually.

CONCLUSIONS

Lehigh and Northampton county governments contribute monies to help cover LANTA's operational funding requirements. Per PennDOT dotGrants, LANTA has used most of those amounts to balance its budget and comply with state requirements. The total of fixed-route farebox, route guarantee and contract revenues as a percentage of operating cost is similar to that in similar-sized transit systems in the Commonwealth hovering between 20% and 23%. Fixed-route full fares are \$2.00 and transfers are \$0.25. The effective fare is around \$1.00 per trip. Management actively monitors and adjusts multi-ride pass pricing to maintain farebox recovery.

LANTA has low cash reserves but can use a line of credit for its day-to-day cash flow needs. However, the practice of using a line of credit leads to increases in operating cost. LANTA management should continue to take appropriate actions to control costs, rebuild cash reserves and avoid using its line of credit for day-to-day cash flow needs.

APPENDIX A: ACTION PLAN IMPROVEMENT STRATEGIES

PART 1- ACT 44 PERFORMANCE METRIC FINDINGS TEMPLATES

A. ACTIONS TO INCREASE PASSENGERS / REVENUE HOUR TEMPLATE

Recommendation (page)	LANTA Action	Estimated Initiation Date	Estimated Completion Date
Establish a process to conduct routine passenger surveys at least once every 2 years (p. 20)			
Work with PennDOT staff to see if there is a way to consistently account for Flex Service in dotGrants and NTD reporting (p. 20)			
Establish a citizens' advisory committee (CAC) for fixed-route service (p. 21)			

B. ACTIONS TO INCREASE OPERATING REVENUE / REVENUE HOUR TEMPLATE

Recommendation (page)	LANTA Action	Estimated Initiation Date	Estimated Completion Date
None.	None.	N/A	N/A

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

Recommendation (page)	LANTA Action	Estimated Initiation Date	Estimated Completion Date
Develop a long-term strategy to increase cash reserves and move away from credit-based financing (p. 21)			
Explore opportunities to centrally manage its facilities maintenance records electronically (p. 22)			
Review the payment terms of future service delivery contracts to better align costs and payment terms with how it receives payments from customers (p. 22)			
Integrate conversion to CNG fueled vehicles into five-year capital and operating plans (p. 22)			

PART 2- OTHER ACTIONS TO IMPROVE OVERALL PERFORMANCE TEMPLATE

Recommendation (page)	LANTA Action	Estimated Initiation Date	Estimated Completion Date
Work with the Lehigh and Northampton counties to ensure that the LANTA Board makeup is reflective of the community at large (p. 23)			
Evaluate the implications of proposed BRT service on LANTA’s operating cost structure (p. 23)			
Reassess LANTA’s organizational structure to see if there are cost-effective ways to better distribute administrative responsibilities (p. 23)			

