



HPT System Performance Review

March 14, 2016

# HPT Transit Performance Review

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## AGENCY PUBLIC TRANSPORTATION PROFILE

Agency	City of Hazleton -- Hazleton Public Transit (d.b.a. HPT)	
Year Founded	1982	
Reporting Fiscal Year End (FYE)	FYE 2014	
Service Area (square miles)	144	
Service Area Population	58,043	
Annual Operating Statistics*	Fixed-Route Bus	Paratransit (ADA)
Vehicles in Maximum Service (VOMS)	8	4
Operating Cost	\$2,196,453	\$351,974
Operating Revenues	\$221,468	\$34,152
Total (Actual) Vehicle Miles	375,767	77,959
Revenue Miles of Service (RVM)	375,767	54,337**
Total Vehicle Hours	28,865	8,682**
Revenue Vehicle Hours (RVH)	28,865	6,052**
Total Passenger Trips	217,520	11,862
Senior Passenger (Lottery) Trips	64,187	0
Act 44 Performance Statistics		
Passengers / RVH	7.54	1.96
Operating Cost / RVH	\$76.09	\$58.16
Operating Revenue / RVH	\$7.67	\$5.64
Operating Cost / Passenger	\$10.10	\$29.67
Other Performance Statistics		
Operating Revenue / Operating Cost	10.08%	9.70%
Operating Cost / Total Vehicle Hours	\$76.09	\$40.54
Operating Cost / Total Vehicle Miles	\$5.85	\$4.51
Total Passengers / Total Vehicle Hours	7.54	1.37
Operating Cost / RVM	\$5.85	\$6.48
RVM / Total Vehicle Miles	100.00%	69.70%
RVH / Total Vehicle Hours	100.00%	69.71%

\* source: PennDOT dotGrants 2014 reporting.

\*\*Values reported in dotGrants are incorrect. Paratransit RVM reported did not exclude deadhead and RVH reported is Live Miles. Estimated values are used in this summary.

## 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 Hazleton Public Transit (d.b.a. HPT) was conducted in September 2-3<sup>rd</sup>, 2015. 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 service. Also addressed are, HPT trends and comparisons with HPT peers, targets for future performance, and opportunities for improvement that should assist HPT in meeting the future targets. This report also addresses the management, general efficiency and effectiveness of services.

On the basis of this performance report, HPT will develop an action plan which identifies the steps HPT will take to meet the agreed upon Act 44 performance criteria targets by FY 2019-20. 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 HPT'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 HPT to agree on a plan which, when approved by the HPT Board, will be submitted as the final action plan. HPT 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. HPT's success will be measured in part on meeting performance targets established through this review.

### ACT 44 PERFORMANCE DETERMINATION

Act 44 performance factors were analyzed to quantify HPT's fixed-route bus performance in comparison to its peer agencies in Fiscal Year End (FYE) 2013 and over a five-year trend period from FYE 2008 to FYE 2013 (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 HPT.

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 HPT is “In Compliance” for three criteria and “At Risk” for five.** The peer comparison process as applied to Act 44 criteria (below, in bold typeface) revealed the following:

### ***In Compliance***

1. **FYE 2013 operating cost / revenue vehicle hour** ranks 12<sup>th</sup> out of the 14 transit agencies and is worse than the peer group average.
2. **FYE 2013 operating revenue / revenue vehicle hour** ranks 10<sup>th</sup> out of the 14 transit agencies and is worse than the peer group average.
3. The **five-year trend for operating revenue/ revenue vehicle hour** is better than the peer group average. This is due, in part, to rents collected starting in 2010.

### ***At Risk***

1. **FYE 2013 passengers / revenue vehicle hour** ranks 13<sup>th</sup> 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. The **five-year trend for increase in operating cost / revenue vehicle hour** is worse than the peer group average.
4. **FYE 2013 operating cost / passenger** ranks 14<sup>th</sup> out of the 14 transit agencies and is worse than the peer group average.
5. The **five-year trend for operating cost / passenger** is worse than the peer group average.

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	2013	<b>At Risk</b>	13	Worse	7.53	12.25
	Trend	<b>At Risk</b>	13	Worse	-3.10%	1.52%
Operating Cost / Revenue Hour	2013	In Compliance	12	Worse	\$76.39	\$63.55
	Trend	<b>At Risk</b>	13	Worse	5.47%	2.49%
Operating Revenue / Revenue Hour	2013	In Compliance	10	Worse	\$7.23	\$10.80
	Trend	In Compliance	3	Better	7.80%	1.74%
Operating Cost / Passenger	2013	<b>At Risk</b>	14	Worse	\$10.15	\$5.55
	Trend	<b>At Risk</b>	14	Worse	8.85%	1.08%

## **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 HPT 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. Use of a secure third party site for farebox reconciliation, assists in oversight of farebox revenue verification
2. Use of fleet cards to track and monitor fuel consumption
3. Coordination of major maintenance repairs with LCTA and STS
4. Coordinates pooled procurement purchases with RRTA and STS

### **OPPORTUNITIES FOR IMPROVEMENT TO ADDRESS IN PART 1 OF THE ACTION PLAN (SEE P. 31)**

1. Develop a TDP to address decline in ridership
2. Complete PennTRAIN Board Training
3. Develop a routine status report covering ridership, farebox recovery, changes in operational costs and customer service
4. Calibrate fleet APCs to verify manual rider counts
5. Require contractors to maintain a well-organized system for PM recordkeeping
6. Develop an OTP goal for PM, and monitor and track progress
7. Develop a strategic marketing plan
8. Develop a strategic IT plan
9. Coordinate with Lackawanna/Luzerne MPO for mapping tools and non-rider data

## **FINANCIAL REVIEW**

Luzerne County is the sole contributor for local money for HPT’s public transportation funding requirements. HPT has no outstanding debt or line of credit, and currently has a balanced operating budget. HPT projections of service levels and budget indicate that HPT plans to maintain a balanced budget over the next five years. HPT had \$2,487,092 in 1513 carryover funds available, and \$552,031 in local carryover funds at the end of FYE 2013. By the end of FYE 2014, HPT had \$2,770,954 available state carryover subsidies and local carryover subsidies had decreased slightly to \$551,879. In FYE 2015, HPT was not approved for local match by Luzerne County, and had to rely on local subsidy reserves to meet 1513 match requirements. HPT was approved for local match by Luzerne County for FYE 2016, but was only approved for operating match without additional funds for capital projects. HPT will continue to request local match from Luzerne County, but believes that only operating subsidies will be approved in future requests until local subsidy reserves are depleted. HPT will need to take appropriate actions to control costs, achieve farebox recovery goals, and maintain adequate cash reserves to sustain HPT’s 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 and detailed on page 14. These performance targets are required to comply with Act 44 performance criteria and represent the minimum performance levels that HPT 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 2014). Standards were extrapolated to FYE 2020 and are designed to be aggressive, yet achievable. They are summarized as follows:

Performance Criteria	Fiscal Year End (FYE)				Target Annual Increase
	2012 Actual	2013 Actual	2014 Actual	2020 Target	
Passengers / Revenue Hour	8.05	7.53	7.54	9.00	3.00%
Operating Cost / Revenue Hour	\$69.97	\$76.39	\$76.09	\$90.86	3.00%
Operating Revenue / Revenue Hour	\$7.23	\$7.23	\$7.67	\$9.16	3.00%
Operating Cost / Passenger	\$8.69	\$10.15	\$10.10	\$10.10	0.00%

## NEXT STEPS

Upon final transmission of the performance review report, Act 44 regulations stipulate that HPT “...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 HPT 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 HPT.

The template for the Action Plan has been provided as an appendix to this report. This template is where HPT 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. HPT must select, prioritize and schedule its intended actions using the template.

HPT 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 HPT’s management and the Department. The finalized Action Plan then must be approved by the Mayor of Hazleton and formally submitted to PennDOT. At the very least, HPT’s management must report on a quarterly basis to the Mayor of Hazleton 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 Hazleton Public Transit (d.b.a. HPT).

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 September 2015, an Act 44-mandated performance review was initiated for HPT. 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 HPT 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 September 2<sup>nd</sup> through September 3<sup>rd</sup>, 2015.
  - An interview guide customized for HPT’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 Hazleton Public Transit (d.b.a. HPT) was established following the adoption of Ordinance 95-1, which assumed and transferred all transportation system projects from the Hazleton Transit Authority to the City of Hazleton in February of 1995. HPT provides transit service in the Greater Hazleton Area in Southern Luzerne County and to portions of Carbon and Schuylkill counties, a service area of approximately 51,000 residents. As a department of city government, HPT has no Board for governance, and HPT reports directly to the Mayor of the City of Hazleton. The City Council has a minor role and is only responsible for passing resolutions related to HPT projects and procurement.

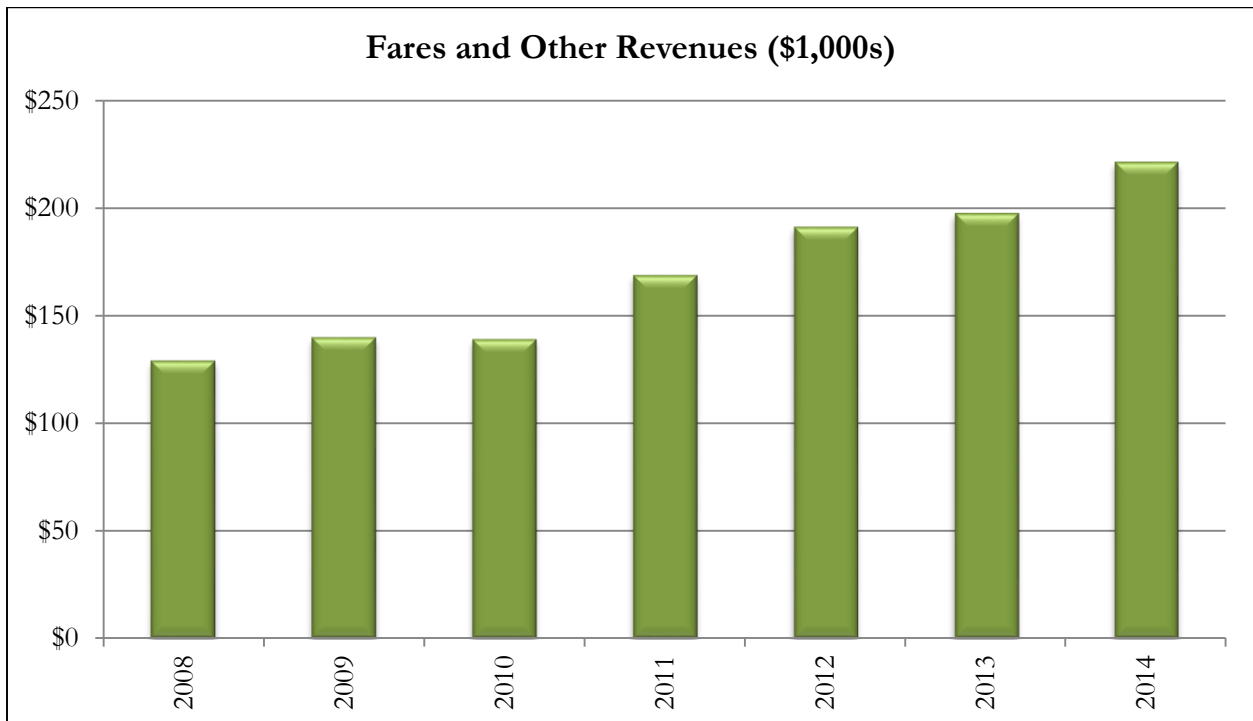
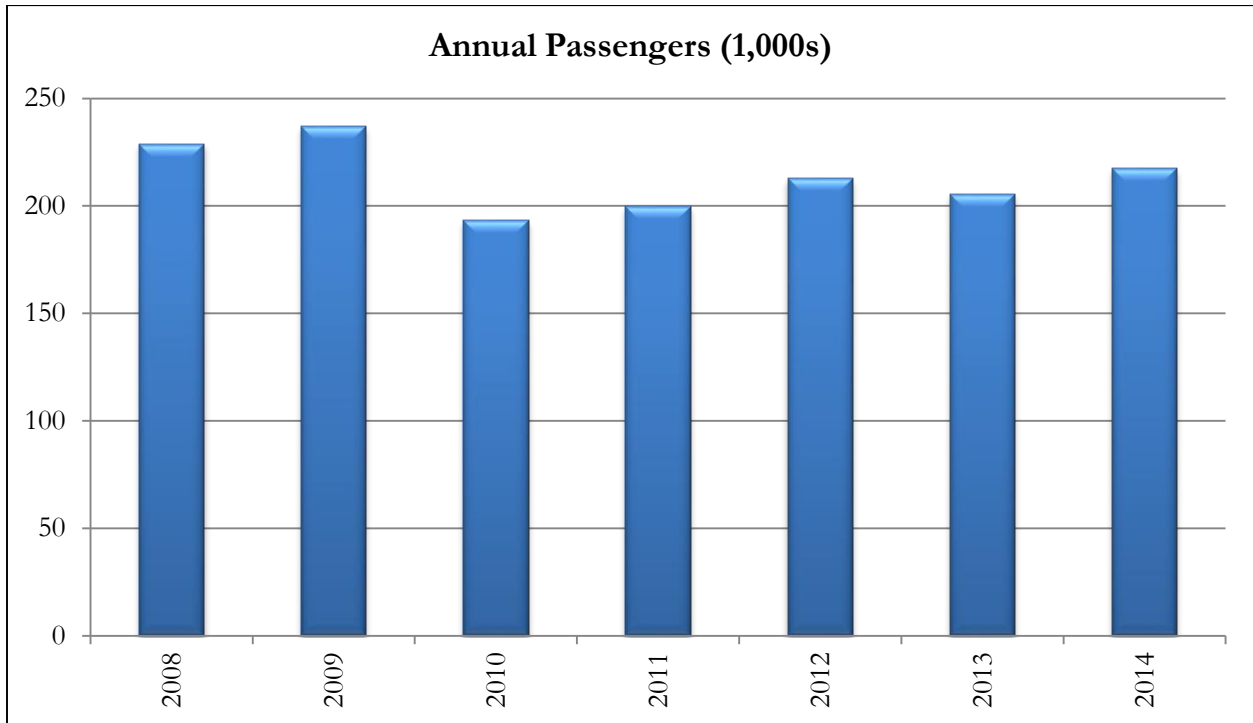
Currently, HPT operates 9 regular fixed-routes, typically between 5:30 a.m. and 9:45 p.m. Monday through Friday. HPT offers 9 fixed routes for Saturday service and one Sunday route. Additionally, HPT offers weekday fixed-route service to Penn State Hazleton Campus and a seasonal summer fixed-route. HPT contracts operations of fixed-route service to Quinn's Transit Lines and Motor Transportation Co., Inc., both based out of Hazleton. HPT's intermodal facility, the Church Street Station leases space to Susquehanna Trailways, Fullington Bus and Greyhound Lines, Inc., in addition to lease space for a local restaurant. Paratransit service is operated by the Easton Coach Company, Monday through Saturday between 5:30 a.m. and 9:45 p.m.

**Exhibit 1** and **Exhibit 2** present fixed-route bus statistics for HPT derived from PennDOT dotGrants.

Important observations evident from the trends in demand, revenues, and operating characteristics for the Legacy reporting period of Fiscal Year End (FYE) 2008 through 2014 for HPT's fixed-route service are as follows:

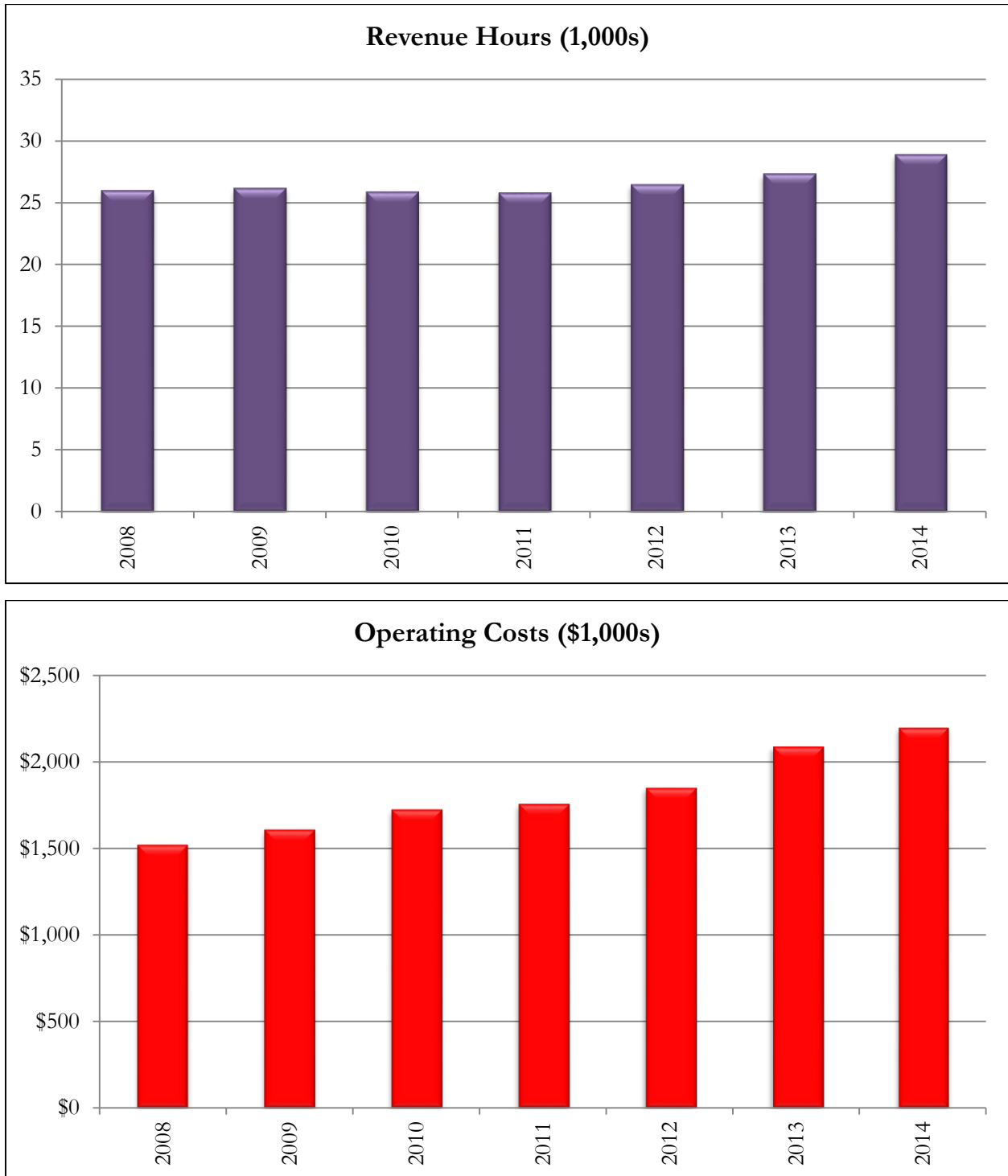
1. HPT's annual fixed-route ridership has increased an average of 0.8% since 2008 and was about 217,500 passengers in FYE 2014.
2. HPT's 2014 total operating revenue (including passenger fares, advertising, rents and other local revenues) is \$0.90 per passenger trip in FYE 2014. HPT's regular base fare is \$1.50 and transfers are \$0.50. Farebox revenue alone is \$0.72 per passenger. This equates to a farebox recovery of 7.1% of total operating expenses and a total revenue (from all sources) recovery of 10.1% of operating expenses.
3. Revenue hours of service increased by a net of 11.1% between 2008 and 2014. HPT provided 25,900 revenue hours of service in FYE 2008 as compared to 28,800 revenue hours in FYE 2014.
4. Total operating costs increased in total by about 44.5% between 2008 and 2014, an average 6.3% annual increase, going from about \$1,520,400 to \$2,196,400 annually. Operating costs have increased as a result of contractor rates for purchased transportation.

**Exhibit 1: Fixed-Route Passengers and Revenues FYE 2008-2014**



Source: NTD and PennDOT Legacy Reporting System (dotGrants)

**Exhibit 2: Fixed-Route Revenue Hours and Operating Costs FYE 2008-2014**



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...”<sup>1</sup>*

The law sets forth the following performance criteria to be used to satisfy its objectives<sup>2</sup>:

- 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: <sup>3</sup>

- 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 HPT’s management for review and comment. After discussions were complete, the following 13 peer systems, in addition to HPT, were included in subsequent analyses for peer comparison purposes:

1. Cities Area Transit (CAT) Grand Forks, ND
2. City of Anderson Transportation System (CATS) Anderson, IN
3. City of Casper (CATC) Casper, WY
4. Washington County Transit (County Commuter) Hagerstown, MD
5. The City of Cheyenne Transit Program (CTP) Cheyenne, WY
6. Golden Crescent Regional Planning Commission (Victoria Transit) Victoria, TX
7. Richland County Transit (RCT) Mansfield, OH
8. Macatawa Area Express Transportation Authority (MAX) Holland, MI
9. City of Dubuque (The Jule) Dubuque, IA
10. Rapid Transit System (RTS) Rapid City, SD

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<sup>1</sup> Title 74 Pa. C.S.A. §1513 (e)

<sup>2</sup> Title 74 Pa. C.S.A. §1513 (f)

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

11. Borough of Pottstown – Pottstown Area Rapid Transit (PART) Pottstown, PA
12. Nashua Transit System (NTS) Nashua, NH
13. City of Beloit Transit System (BTS) Beloit, WI

## ACT 44 FIXED-ROUTE COMPARISONS AND FINDINGS

Comparison of HPT with the selected peer systems was completed using NTD-reported data and PennDOT dotGrants Legacy statistics. Due to its consistency and availability<sup>4</sup> for comparable systems, the NTD FYE 2013 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 HPT
- *Standard Deviation*: Standard deviation of all values being measured across all peer transit agencies, including HPT

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<sup>5</sup>.

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<sup>4</sup> 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) 2013.

<sup>5</sup> 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.

Detailed results of the HPT 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

Variable	Act 44 Determination	
	Single Year	Trend
Passengers / RVH	<b>At Risk</b>	<b>At Risk</b>
Operating Cost / RVH	In Compliance	<b>At Risk</b>
Operating Revenue / RVH	In Compliance	In Compliance
Operating Cost / Passenger	<b>At Risk</b>	<b>At Risk</b>

## FIXED-ROUTE BUS PERFORMANCE COMPARISONS

For the 13 peer systems plus HPT, 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 “1<sup>st</sup>” consistently indicates that the agency scores best amongst its peers and a ranking of “14<sup>th</sup>” indicates that it performs the poorest on any given metric.

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

1. HPT’s FYE 2013 passengers / revenue hour ranks 13<sup>nd</sup> out of the 14 transit agencies in the peer group and is below the peer group average. The Passengers / revenue hour have been decreasing at about 3.10% per year. HPT has received an “At Risk” finding for the FYE 2013 single year reporting and the five-year trend.
2. HPT’s FYE 2013 operating cost / revenue vehicle hour ranks 12<sup>th</sup> and is the third most costly of all the 14 transit agencies in the peer group. Operating cost / revenue hour was increasing at about 5.47% per year between FYE 2008 and FYE 2014. HPT has received an “At Risk” finding for the five-year trend.
3. HPT’s 2013 operating revenue / revenue vehicle hour ranks as the 10<sup>th</sup> of the peers. The trend between FYE 2008 and FYE 2013 indicates that operating revenue / revenue vehicle hour is increasing at an average rate of 7.8% per year while the peer average increased at 1.74% per year.
4. HPT’s operating cost / passenger ranks 14<sup>th</sup> out of 14 transit agencies in the peer group. The trend of annual cost / passenger increased at a rate of 8.85% a year which is a higher (worse) rate of cost increase than the peer group average. HPT received an “At Risk” finding for the FYE 2013 single year and five-year trend reporting periods.

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.



**Exhibit 4: Fixed-Route Passengers / Revenue Vehicle Hour**

Passengers / Revenue Hour (MB)					
System	FYE 2013 Single Year		5 Year Change Since FYE 2008		
	Value	Rank of 14	2008 Value	Annual Rate	Rank of 14
Cities Area Transit	14.50	4	11.94	3.96%	2
City of Anderson Transportation System	8.40	12	7.36	2.70%	7
City of Casper	6.31	14	5.26	3.70%	3
Washington County Transit	16.63	1	14.00	3.51%	4
The City of Cheyenne Transit Program	11.46	10	9.75	3.27%	5
Golden Crescent Regional Planning Commission	12.47	7	10.96	2.62%	8
Richland County Transit	14.07	5	15.65	-2.11%	12
Macatawa Area Express Transportation Authority	11.20	11	6.84	10.38%	1
City of Dubuque	12.15	9	10.51	2.95%	6
Rapid Transit System	14.98	3	14.97	0.01%	9
Borough of Pottstown - Pottstown Area Rapid Transit	13.71	6	14.32	-0.87%	10
Nashua Transit System	15.76	2	17.24	-1.78%	11
City of Beloit Transit System	12.27	8	15.00	-3.94%	14
<b>City of Hazleton -- Hazleton Public Transit</b>	<b>7.53</b>	<b>13</b>	<b>8.81</b>	<b>-3.10%</b>	<b>13</b>
<i>Average</i>	<i>12.25</i>		<i>11.62</i>	<i>1.52%</i>	
<i>Standard Deviation</i>	<i>3.08</i>		<i>3.70</i>	<i>3.76%</i>	
<i>Average – 1 Standard Deviation</i>	<i>9.16</i>		<i>7.91</i>	<i>-2.24%</i>	
<i>Average + 1 Standard Deviation</i>	<i>15.33</i>		<i>15.32</i>	<i>5.28%</i>	
<b>Act 44 Compliance Determination</b>	<b>At Risk</b>		<b>At Risk</b>		
<b>Compared to the Peer Group Average</b>	<b>Worse</b>		<b>Worse</b>		

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

Operating Cost / Revenue Hour (MB)					
System	FYE 2013 Single Year		5 Year Change Since FYE 2008		
	Value	Rank of 14	2008 Value	Annual Rate	Rank of 14
Cities Area Transit	\$75.97	11	\$63.51	3.65%	11
City of Anderson Transportation System	\$74.91	10	\$82.98	-2.03%	1
City of Casper	\$41.70	2	\$33.09	4.74%	12
Washington County Transit	\$59.10	7	\$56.01	1.08%	4
The City of Cheyenne Transit Program	\$36.40	1	\$31.09	3.20%	10
Golden Crescent Regional Planning Commission	\$49.93	4	\$33.98	8.00%	14
Richland County Transit	\$65.37	9	\$61.27	1.30%	5
Macatawa Area Express Transportation Authority	\$57.69	6	\$50.07	2.88%	8
City of Dubuque	\$63.05	8	\$62.39	0.21%	2
Rapid Transit System	\$46.32	3	\$43.28	1.37%	6
Borough of Pottstown - Pottstown Area Rapid Transit	\$94.64	14	\$88.35	1.39%	7
Nashua Transit System	\$56.96	5	\$49.18	2.98%	9
City of Beloit Transit System	\$91.21	13	\$88.13	0.69%	3
<b>City of Hazleton -- Hazleton Public Transit</b>	<b>\$76.39</b>	<b>12</b>	<b>\$58.54</b>	<b>5.47%</b>	<b>13</b>
<i>Average</i>	\$63.55		\$57.28	2.49%	
<i>Standard Deviation</i>	\$17.49		\$19.19	2.50%	
<i>Average – 1 Standard Deviation</i>	\$46.05		\$38.08	-0.01%	
<i>Average + 1 Standard Deviation</i>	\$81.04		\$76.47	4.99%	
<b>Act 44 Compliance Determination</b>	<b>In Compliance</b>		<b>At Risk</b>		
<b>Compared to the Peer Group Average</b>	<b>Worse</b>		<b>Worse</b>		

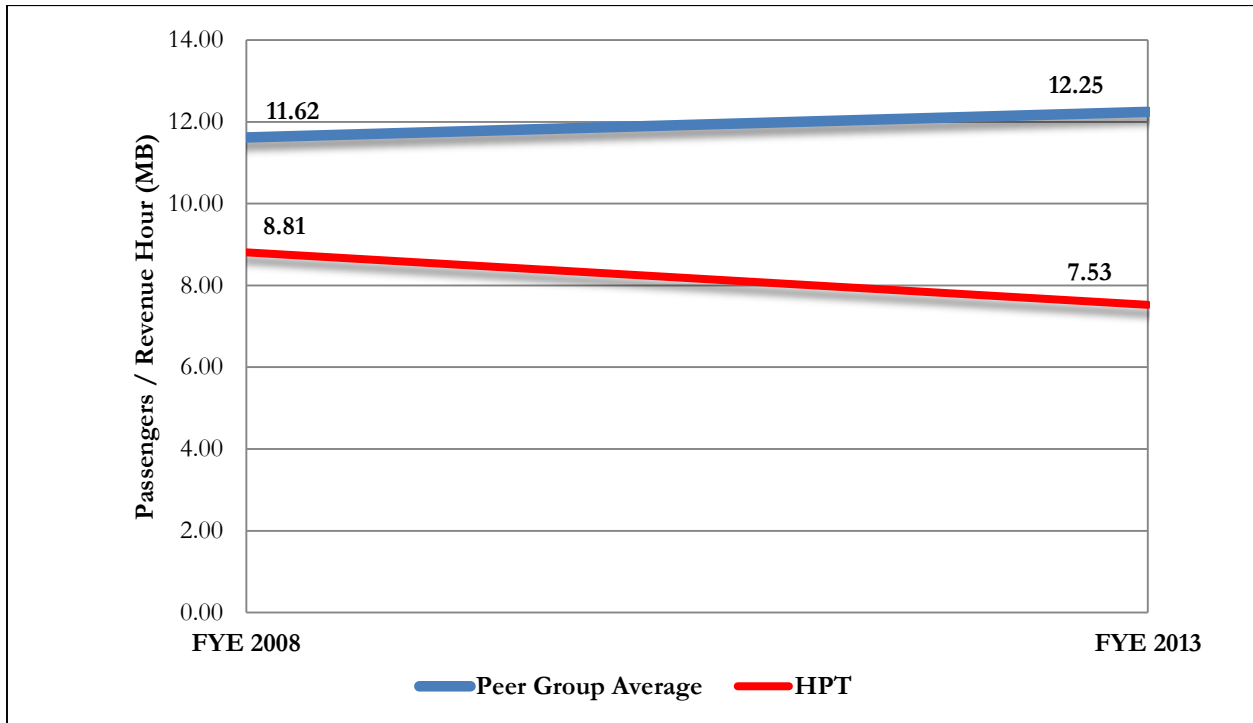
## Exhibit 6: Fixed-Route Operating Revenue / Revenue Vehicle Hour

Operating Revenue / Revenue Hour (MB)					
System	FYE 2013 Single Year		5 Year Change Since FYE 2008		
	Value	Rank of 14	2008 Value	Annual Rate	Rank of 14
Cities Area Transit	\$13.24	4	\$14.45	-1.74%	10
City of Anderson Transportation System	\$5.88	12	\$5.72	0.52%	6
City of Casper	\$11.56	7	\$2.36	37.39%	1
Washington County Transit	\$12.96	5	\$10.13	5.06%	4
The City of Cheyenne Transit Program	\$8.54	9	\$8.95	-0.95%	8
Golden Crescent Regional Planning Commission	\$4.86	14	\$12.95	-17.80%	14
Richland County Transit	\$10.96	8	\$15.13	-6.25%	12
Macatawa Area Express Transportation Authority	\$5.46	13	\$10.49	-12.24%	13
City of Dubuque	\$6.93	11	\$5.65	4.15%	5
Rapid Transit System	\$11.78	6	\$13.28	-2.37%	11
Borough of Pottstown - Pottstown Area Rapid Transit	\$14.81	3	\$15.11	-0.40%	7
Nashua Transit System	\$21.26	1	\$11.95	12.22%	2
City of Beloit Transit System	\$15.73	2	\$16.58	-1.05%	9
<b>City of Hazleton -- Hazleton Public Transit</b>	<b>\$7.23</b>	<b>10</b>	<b>\$4.97</b>	<b>7.80%</b>	<b>3</b>
<i>Average</i>	\$10.80		\$10.55	1.74%	
<i>Standard Deviation</i>	\$4.66		\$4.44	12.79%	
<i>Average – 1 Standard Deviation</i>	\$6.14		\$6.11	-11.05%	
<i>Average + 1 Standard Deviation</i>	\$15.46		\$15.00	14.53%	
<b>Act 44 Compliance Determination</b>	<b>In Compliance</b>		<b>In Compliance</b>		
<b>Compared to the Peer Group Average</b>	<b>Worse</b>		<b>Better</b>		

## Exhibit 7: Fixed-Route Operating Cost / Passenger

Operating Cost / Passenger (MB)					
System	FYE 2013 Single Year		5 Year Change Since FYE 2008		
	Value	Rank of 14	2008 Value	Annual Rate	Rank of 14
Cities Area Transit	\$5.24	9	\$5.32	-0.30%	5
City of Anderson Transportation System	\$8.92	13	\$11.28	-4.60%	2
City of Casper	\$6.61	10	\$6.29	1.00%	7
Washington County Transit	\$3.55	3	\$4.00	-2.34%	4
The City of Cheyenne Transit Program	\$3.18	2	\$3.19	-0.07%	6
Golden Crescent Regional Planning Commission	\$4.00	5	\$3.10	5.24%	13
Richland County Transit	\$4.65	6	\$3.92	3.48%	10
Macatawa Area Express Transportation Authority	\$5.15	7	\$7.32	-6.80%	1
City of Dubuque	\$5.19	8	\$5.94	-2.66%	3
Rapid Transit System	\$3.09	1	\$2.89	1.35%	8
Borough of Pottstown - Pottstown Area Rapid Transit	\$6.90	11	\$6.17	2.27%	9
Nashua Transit System	\$3.61	4	\$2.85	4.85%	12
City of Beloit Transit System	\$7.43	12	\$5.87	4.82%	11
<b>City of Hazleton -- Hazleton Public Transit</b>	<b>\$10.15</b>	<b>14</b>	<b>\$6.64</b>	<b>8.85%</b>	<b>14</b>
<i>Average</i>		\$5.55	\$5.34	1.08%	
<i>Standard Deviation</i>		\$2.18	\$2.30	4.26%	
<i>Average – 1 Standard Deviation</i>		\$3.36	\$3.04	-3.18%	
<i>Average + 1 Standard Deviation</i>		\$7.73	\$7.64	5.34%	
<b>Act 44 Compliance Determination</b>		<b>At Risk</b>		<b>At Risk</b>	
<b>Compared to the Peer Group Average</b>		<b>Worse</b>		<b>Worse</b>	

**Exhibit 8: Fixed-Route Passengers / Revenue Vehicle Hour Trend FYE 2008-2013**



**Exhibit 9: Fixed-Route Operating Cost / Revenue Vehicle Hour Trend FYE 2008-2013**

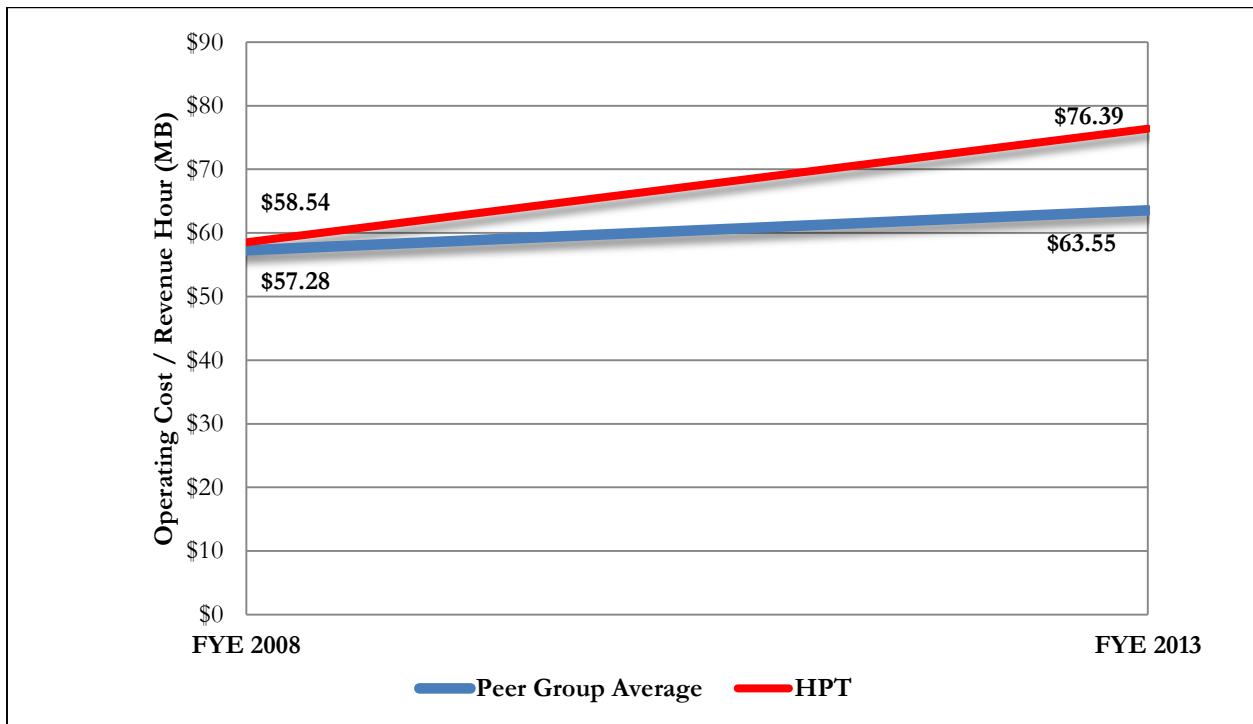


Exhibit 10: Fixed-Route Operating Revenue / Revenue Vehicle Hour Trend FYE 2008-2013

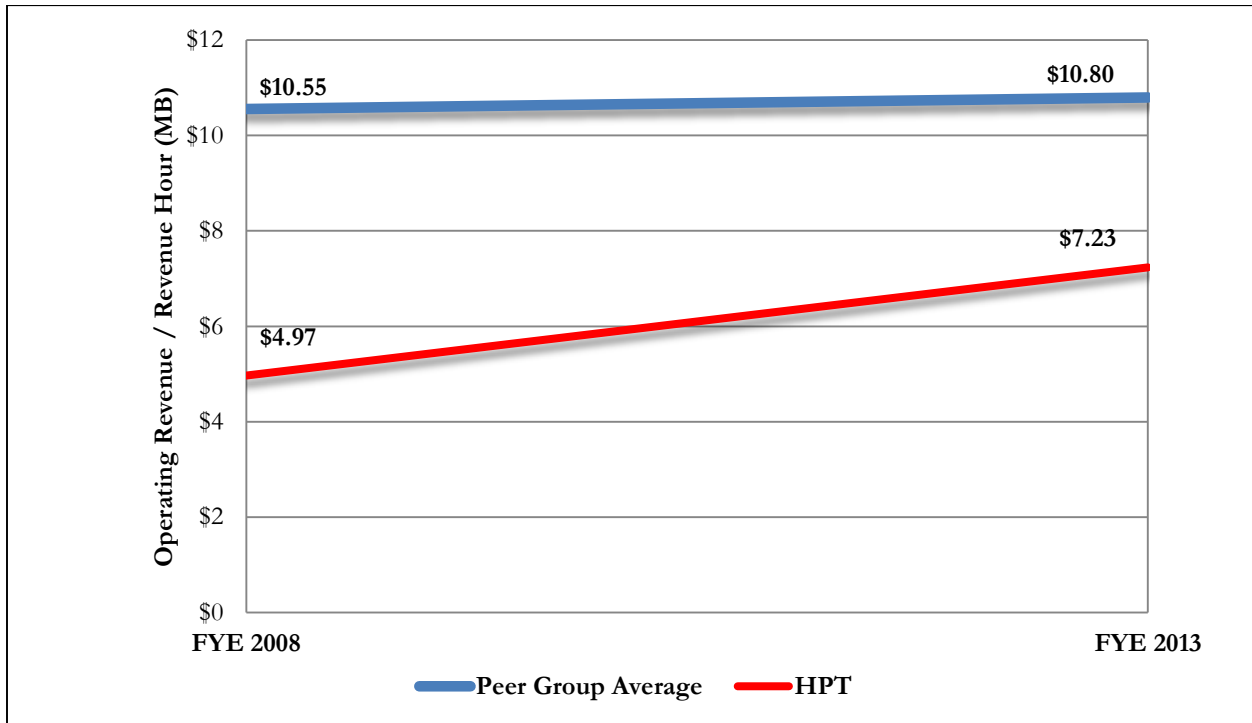
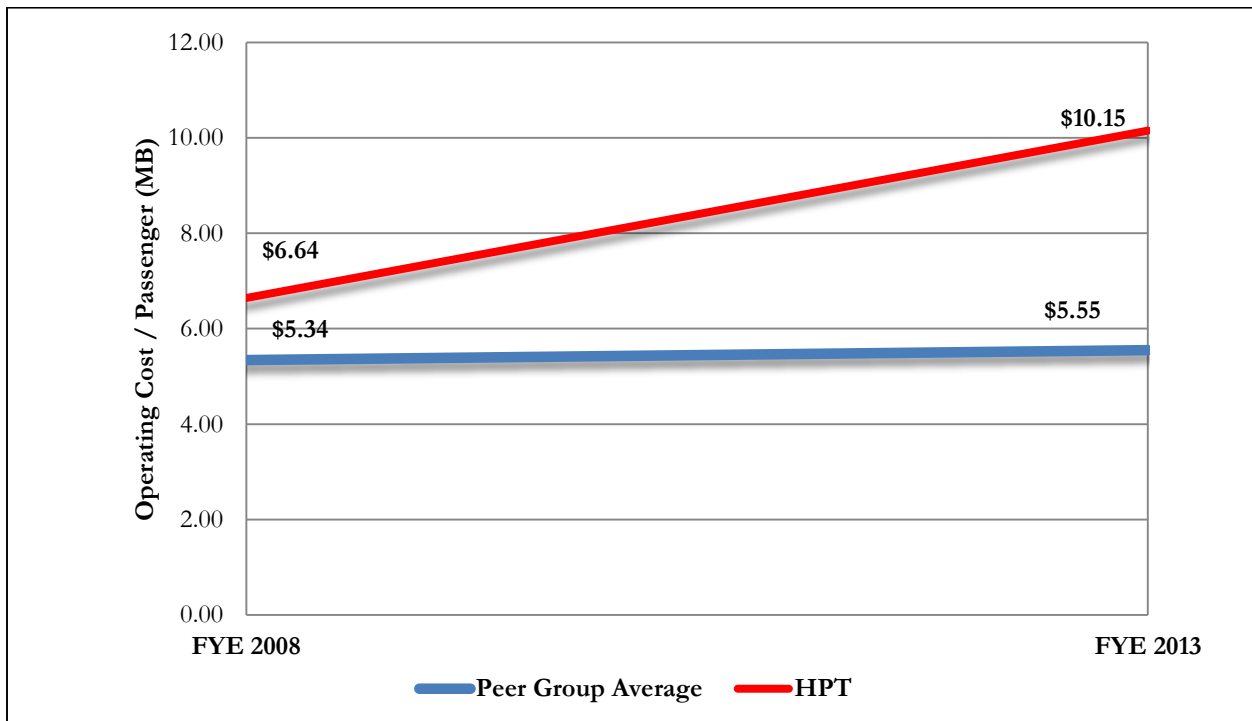


Exhibit 11: Fixed-Route Operating Cost / Passenger Trend FYE 2008-2013



## 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. HPT’s target has been set to 3% growth per year to help HPT 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. HPT’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.

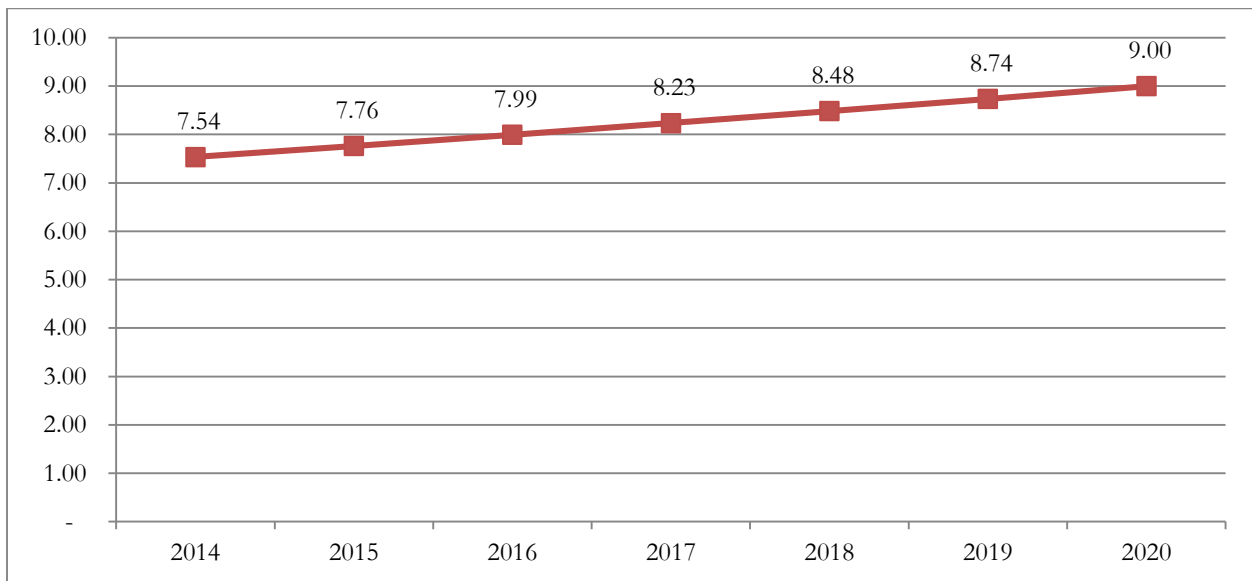
***Operating Revenue / Revenue Hour***, like operating cost / revenue hour, tries to ensure an agency remains financially solvent in the long run. Operating revenue is composed of fares and other non-subsidy revenues. The target is set to be the same as passenger / revenue hour (3%) to make sure that 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 (3.0%), or 0.0%.

These performance targets represent the minimum performance level that HPT 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 2020 and are designed to be aggressive, yet achievable. Performance targets were agreed to between PennDOT and HPT before they were finalized so that expected anomalies are reflected in the standards. The performance targets for HPT’s Act 44 metrics are presented in **Exhibit 12**, **Exhibit 13**, **Exhibit 14**, and **Exhibit 15**.

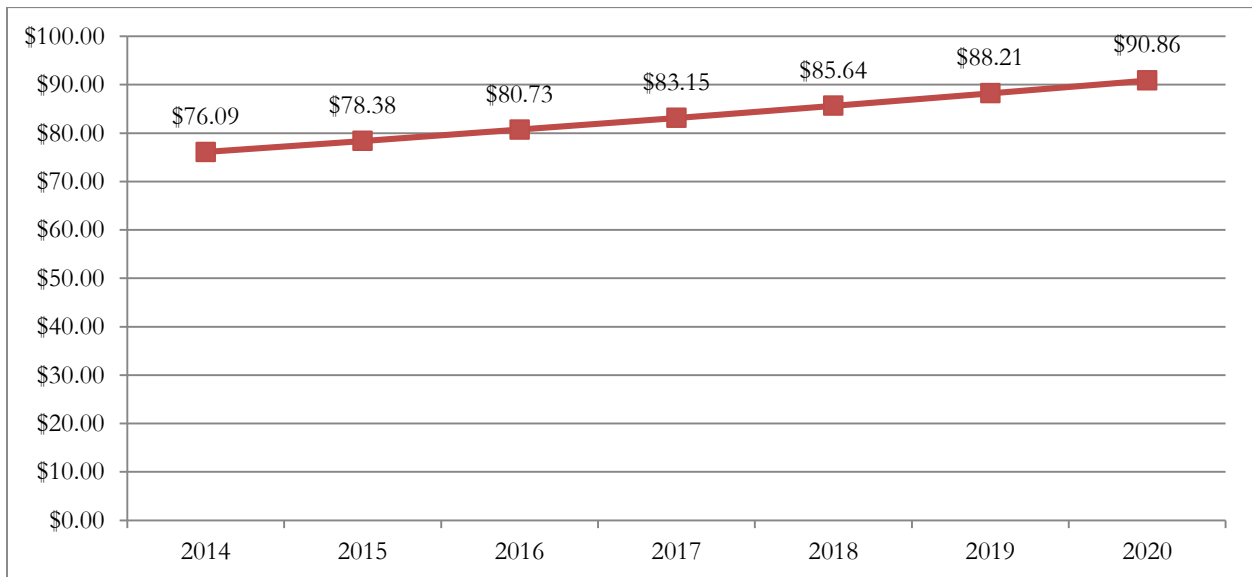
**Exhibit 12: Fixed-Route Passengers / Revenue Hour Performance Targets**

FYE 2020 Target..... **9.00**  
 Interim Year Targets ..... **Annual increase of at least 3.0%**



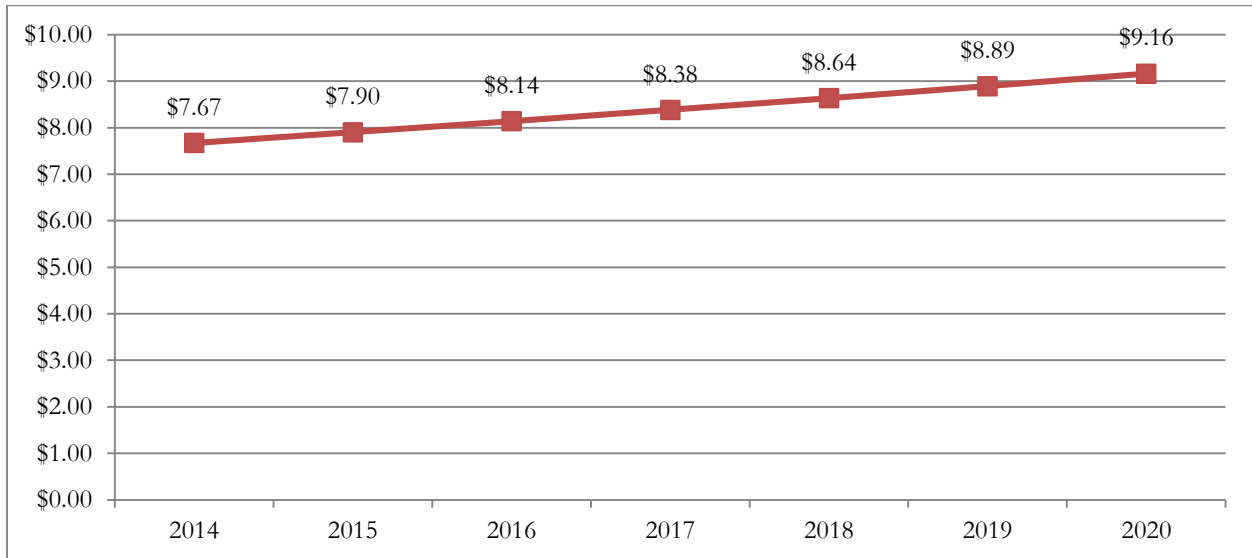
**Exhibit 13: Fixed-Route Operating Cost / Revenue Vehicle Hour Performance Targets**

FYE 2020 Target..... **\$90.86**  
 Interim Year Targets ..... **Annual increase of no more than 3.0%**

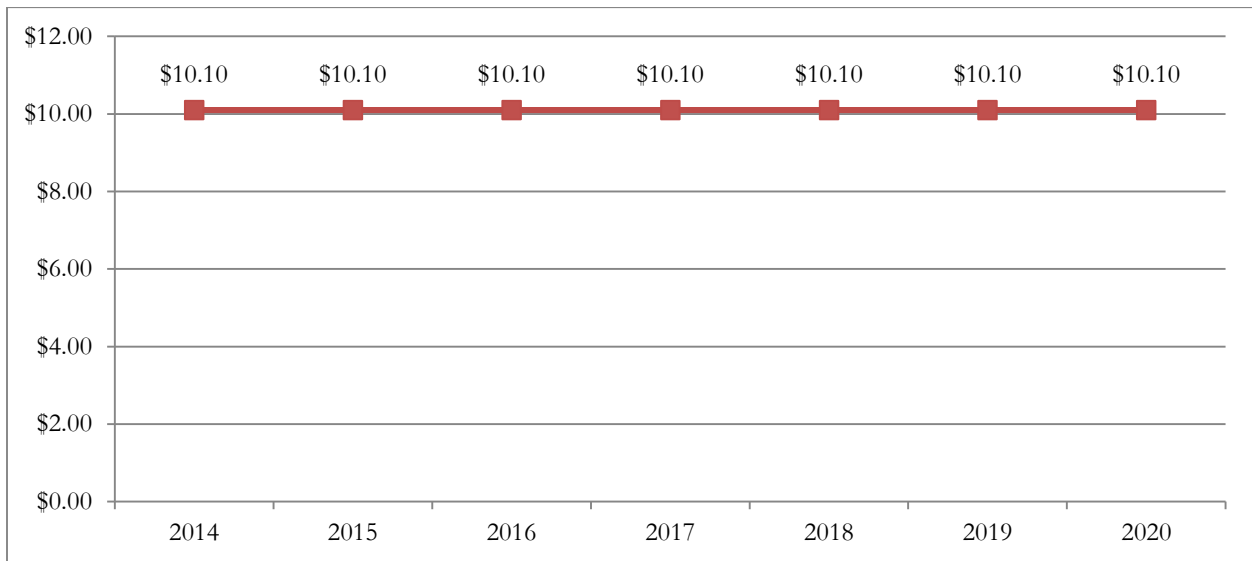




**Exhibit 14: Fixed-Route Operating Revenue / Revenue Vehicle Hour Performance Targets**  
 FYE 2020 Target.....\$9.16  
 Interim Year Targets ..... Annual increase of at least 3.0%



**Exhibit 15: Fixed-Route Operating Cost / Passenger Performance Targets**  
 FYE 2020 Target.....\$10.10  
 Interim Year Targets ..... No Increase



## 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 13 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. **Contracted Service** – Includes operations, on-street supervision and control, dispatching, general route management, vehicle and facilities maintenance management, procedures, and performance.
7. **Scheduling** – Includes route and driver scheduling and decision-making, pay premium considerations, general management, procedures, and performance.
8. **Safety and Security** – Includes vehicle and passenger safety, facility security, and emergency preparedness.
9. **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.
10. **Information Technology** – Includes automated mechanisms for in-house and customer service communication including future plans for new technology.
11. **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).
12. **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.
13. **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 13 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 the ways which service can be delivered 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 will enhance the system's future performance overall for one or more of the Act 44 fixed-route performance factors. For the convenience of HPT, 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 of time. 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. None.

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

1. **General Service Development.** The HPT service area has experienced an increase in population growth following the 2010 U.S. Census, a reversal in the trending population decline from the last several decades. Although population is rising in the HPT service area and is the fastest growing municipality in Luzerne County, ridership has declined an average of 3% per year since 2010. **HPT should explore the following service development opportunities to address the decline in ridership:**

- a. **Transit Development Plan (TDP).** HPT has no active TDP to guide the agency in planning and service development efforts. Many agencies use a TDP to guide transit investments over a short (five years) to long term (ten years) period by identifying the needs of the service area in conjunction with capital planning, route analysis and a schedule. **HPT should develop a TDP** to provide a framework for service development that meets needs of existing riders, considers demographic change and attracts non-riders.

In developing a TDP, HPT should include an estimate of the service area's demand for service. The TDP must be consistent with local comprehensive plans and the Lackawanna/Luzerne MPO's long-range transportation plan. Public involvement should be consistent with the MPO's plan and HPT should advise the public when the TDP is discussed. Prior to implementation, HPT should allow PennDOT an opportunity to comment on the goals, objectives, policies, alternatives and the 10-year

implementation program. The TDP should be updated every five years to reflect changes in the service area.

- b. **Resource Sharing.** HPT has successful coordination with other agencies in pooling for procurement purchases and major maintenance repairs. However, there are transit planning skillsets that HPT could benefit from by coordinating with the Lackawanna/Luzerne MPO. **HPT should coordinate with the Lackawanna/Luzerne MPO for mapping tools like GIS and the collection of non-rider data to support service development.**
2. Each HPT vehicle is outfitted with an automated passenger counter (APC). However, HPT prefers to use manual ridership counts. The use of an APC alongside manual ridership counts would prove to be a greater form of quality control over the data verification of ridership figures than spot-checking manually. **HPT should calibrate the fleet APCs and use APC data as a low-cost way to verify farebox-reported ridership.**

## 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. HPT utilizes a secure third party source to assist in farebox reconciliation. HPT contractors deposit farebox revenue at National Penn, a local bank that reconciles fares and separates them by route. HPT reviews the bank slips from National Penn before reconciling them with trip sheets provided by the contractors. The use of a secure third party site in farebox reconciliation should be considered a best practice in revenue verification oversight for agencies that contract service.

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

1. HPT has a generally informal approach to marketing its service. However, with a 3% average annual decrease in ridership since 2010, HPT needs a strategy towards marketing in the greater Hazleton area. **HPT should develop a strategic marketing plan** that lays out a formal marketing budget, an approach to meeting the needs of the community and guidelines for how to market in the greater Hazleton area. In addition to the existing ridership base, the marketing plan should reach out to the growing Hispanic community in the service area, specifically working with local organizations on how to target the transportation needs of this growing community.

## 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. HPT utilizes two contractors for fixed-route service, but is responsible for covering fuel costs. As an effective oversight practice, drivers are issued fleet cards that directly bill HPT for fuel costs. The use of fleet cards ties individual drivers by card to fuel consumption, allowing HPT to monitor fuel costs on an individual level or by contractor.
2. HPT leases its fixed-route fleet to two private contractors, Quinn’s Transit Lines and Motor Transportation Co., Inc. Although each contractor is responsible for preventative maintenance (PM), both are limited in their capacity and only perform only minor maintenance. As a cost savings measure, HPT contracts major maintenance repairs and overhauls to Luzerne County Transportation Authority (LCTA) and Schuylkill Transportation System (STS).

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

1. **Contract Management.** HPT contracts operations to two private transportation providers, Quinn’s Transit Lines and Motor Transportation Co. HPT is responsible for 75% of the fair market cost of repairs required, but not associated with normal wear and tear. Since each contractor is responsible to perform preventative and minor maintenance, and because on-time preventative maintenance is important to minimizing the number of the repairs required above “normal wear and tear,” **HPT should exercise strict contract management** in the following areas to control future maintenance costs:
  - a. **Preventative Maintenance (PM) Record Keeping.** HPT monitors PM by pulling contractor records. However, the organization of records varies significantly by contractor. HPT provides each contractor with a PM worksheet that is used to facilitate PM record keeping. A review of contractor maintenance logs reveals a disparity between Quinn’s Transit Lines, which maintains an organized system, and Motor Transportation Co., which keeps a disorganized log of repairs. **HPT should require contractors to follow a consistent, organized system for recordkeeping that is easily accessible to HPT management** to promote simplified oversight.
  - b. **Adherence to PM Schedules.** HPT recently started documenting onsite maintenance visits to contractor facilities. Although the Executive Director visits these facilities regularly, the contractors have no goals for meeting preventative maintenance schedules. **HPT should work with their contractors to develop PM goals and track progress** to ensure PM is being performed in a timely manner.

**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 efficiencies.

**BEST PRACTICES**

1. HPT actively coordinates procurement purchases with Red Rose Transit Authority (RRTA) and Schuylkill Transportation System (STS). HPT recently purchased two buses through the

RRTA contract. By pooling procurements with larger agencies, smaller agencies like HPT are able to benefit from lower prices than they would otherwise get procuring items on their own.

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

1. **Education Program.** HPT is governed by the Mayor of Hazleton, however there is little in place for the education on the roles and responsibilities of the Mayor for the governance of HPT. In addition, HPT should improve how information is distributed to the Mayor to assist decision-making. An education program identifies areas where HPT can assist the Mayor in understanding the role of governance over HPT:
  - a. **Governance Training.** The education program will assist HPT in goal setting and play an important role in oversight for agency operations and management. **HPT should ensure the Mayor completes PennTRAIN Board Training.** HPT could run modules provided by PennTRAIN Board Training as part of agency meetings as a time-effective measure.
  - b. **Information Sharing.** Improved information sharing between HPT and the Mayor will assist the Mayor in governance over the agency. By providing a framework for information to be distributed on a routine basis, HPT will keep the Mayor informed on agency performance. **Management should develop a routine HPT status report that provides the Mayor with updates on ridership, farebox recovery, changes in operational costs and customer service.**
2. HPT has made recent investments in AVAIL technology, plans to fully implement all AVAIL features such as AVL, and, integrate them with existing online services to show real time vehicle location for customers. However, HPT has no strategic guidance or IT plan to maximize the use of its technology investments. **HPT should develop a strategic IT plan that includes a schedule, desired outcomes and operating costs associated with maximizing the use of its current technology investments.**

## 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 report, 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**, HPT is in line with industry goals and targets for all high-level financial indicators. Available reserves, mostly attributable to state funds, have been well above 25% of annual operating cost in most years and remain at acceptable levels. Section 1513 funds have built a significant reserve of carryover funds, \$2,770,754 for HPT in case of unexpected cost increases or service changes. HPT has \$551,879 in carryover local funds separately identified in PennDOT dotGrants. HPT will need to control future costs to maintain adequate reserves.

Accounts payable and receivable amounts are negligible. HPT has no available line of credit.

Luzerne County subsidizes 5.0% of HPT’s operating costs (FYE 2014). These local matching funds, \$127,949, represent a 9.4% match of local to state funds. In coming years, in accordance with Act 44 requirements, local contribution amounts will increase by 5% each fiscal year. Luzerne County also provides local matching funds to LCTA in addition to HPT. At the time of this review, HPT reports that Luzerne County expressed interest in the details of how local matching funds are utilized for both agencies. As a result, HPT was not approved for local match by Luzerne County in FYE 2015, and had to rely on local match reserves that were intended for future capital local match requirements. HPT did receive local matching funds from Luzerne County for FYE 2016. However, funds were only provided to meet minimum operating requirements with no additional funds provided for future capital projects. HPT expects local matching funds from the County to be awarded for annual operating subsidy requirements only, until all HPT local match reserves are depleted.

**Exhibit 16: High-level Financial Indicators**

<b>Indicator</b>	<b>HPT Value</b>	<b>Assessment Criteria / Rationale</b>	<b>Source</b>
State Carryover 1513 Subsidies / Annual Operating Cost	108.7%	The combined target should be 25%+. This provides flexibility to account for unexpected cost increases or service changes.	FYE 2014 Audit and PennDOT dotGrants
Local Carryover Subsidies / Annual Operating Cost	21.7%		
Credit available/ Annual Payroll	0.0%		
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 2014
Accounts Payable (AP) 90+ days	0.0%	Target should be 0% over 90 days. Larger values indicate cash flow concerns.	HPT reported value
Accounts Receivable (AR) 90+ days	0.0%	Target should be 0% over 90 days. Larger values can cause cash flow problems.	HPT reported value
Debt / Annual Operating Cost	0.0%	Target should be 0%. Low debt amounts reduce borrowing costs.	FYE 2014 Audit

\* FYE 2014



## TOTAL PUBLIC TRANSPORTATION OPERATIONAL EXPENDITURES AND FUNDING

As shown in **Exhibit 17**, HPT public transportation has grown from a 2.0 million per year operation in FYE 2010 to a 2.5 million per year operation in FYE 2014, a 25.4% increase. Approximately 86.2% of HPT’s operational expenses are for fixed-route service. The remaining operational expenses are for ADA complementary paratransit service (13.8%), as shown in **Exhibit 18**.

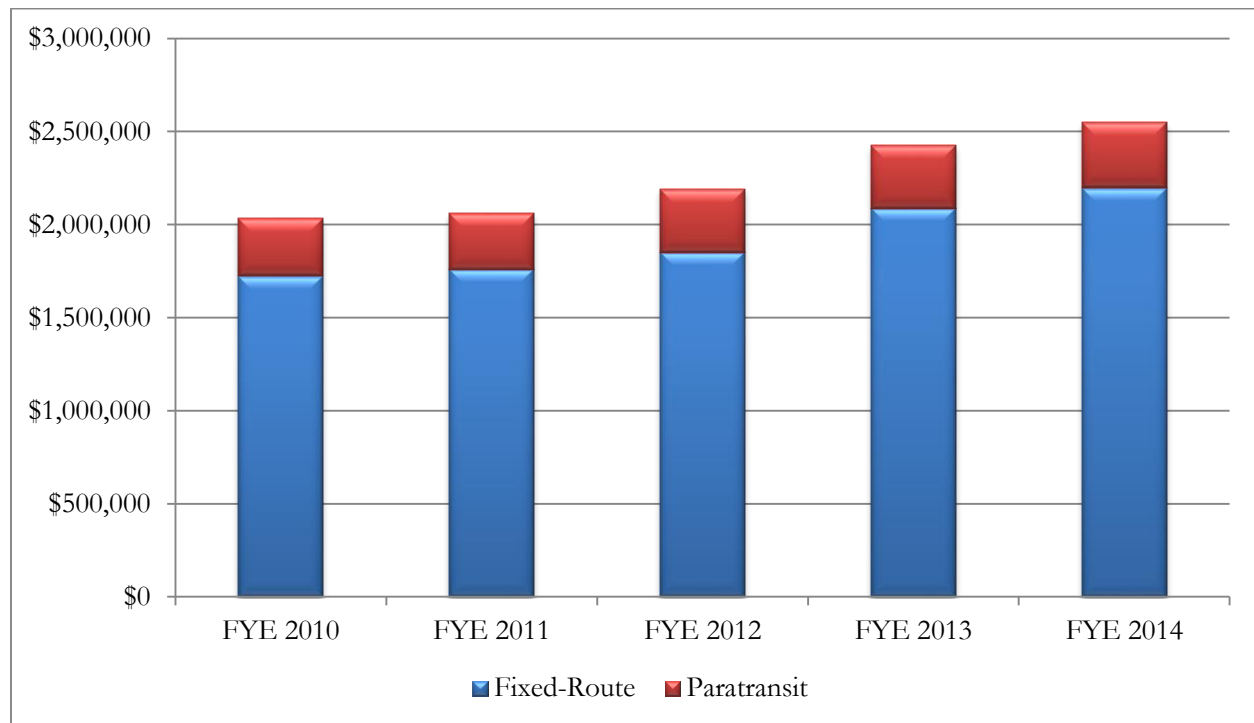
HPT’s operational funding comes from a variety of sources including state funds, federal funds, local funds and passenger fares. HPT has used state, federal and local funds to finance both its fixed-route and ADA paratransit operations (**Exhibit 19**). Combined state and federal operating subsidies are the largest funding source, representing approximately 84.9% of total operating income. Passenger fares and other local funds also are an important share of income for HPT accounting for 15.1% of total operating income (**Exhibit 20**). Local funding is in line with Act 44 requirements.

**Exhibit 17: Public Transportation Operating Expense by Service Type**

Expense by Service Type	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014
Fixed Route	\$1.7	\$1.8	\$1.9	\$2.1	\$2.2
ADA Paratransit	\$0.3	\$0.3	\$0.3	\$0.3	\$0.4
<b>Total (\$ millions)*</b>	<b>\$2.0</b>	<b>\$2.1</b>	<b>\$2.2</b>	<b>\$2.4</b>	<b>\$2.5</b>

\* May not add due to rounding

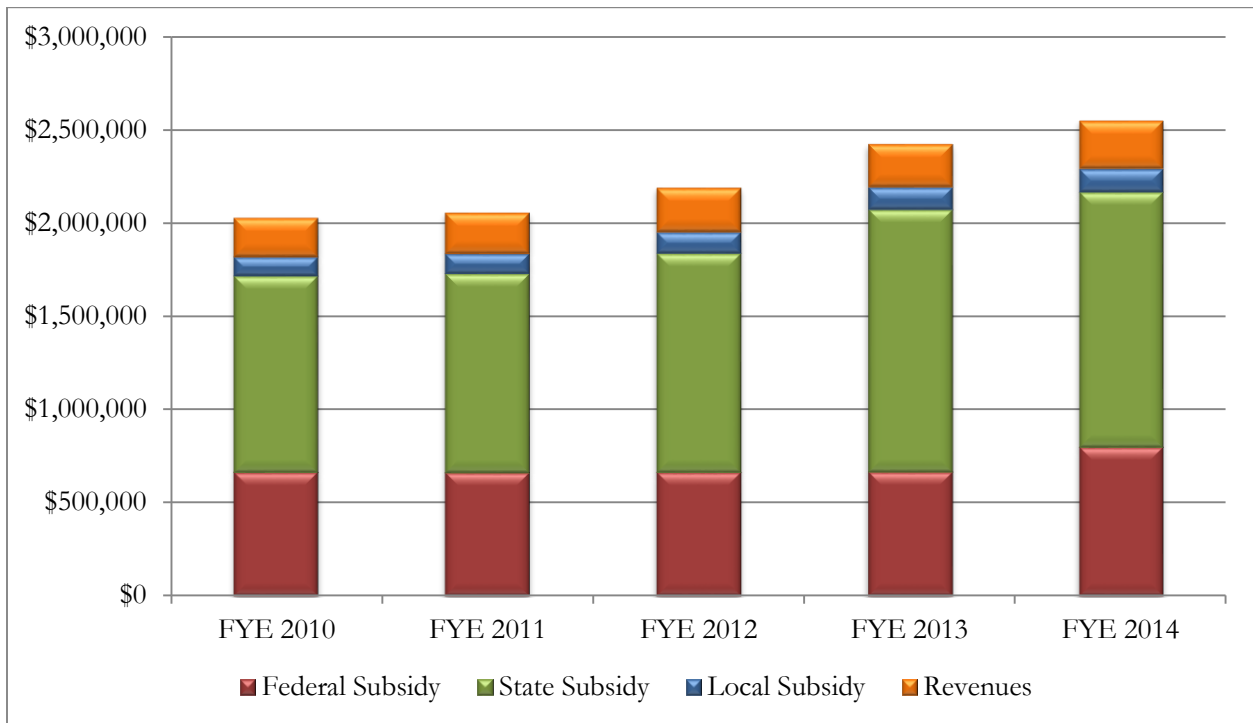
**Exhibit 18: Share of Public Transportation Operating Expenses by Service Type**



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

Share of Funding	2010	2011	2012	2013	2014
Federal Subsidy	32.7%	32.1%	30.3%	27.5%	31.3%
State Subsidy	51.9%	51.8%	53.6%	58.0%	53.7%
Local Subsidy	5.2%	5.4%	5.3%	5.0%	5.0%
Revenues	10.3%	10.7%	10.8%	9.5%	10.0%
Local Subsidy / State Subsidy	10.0%	10.4%	9.9%	8.7%	9.4%

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



## FIXED-ROUTE FUNDING

HPT's fixed-route funding is derived from general revenues and government subsidies. Direct Passenger fares have covered between 6.1% and 7.1% of total operating revenues (**Exhibit 21**).

Based on the FYE 2010 to FYE 2014 dotGrants reporting, HPT operated current year funding with \$2,770,954 excess state funds being "carried over" and the end of 2014. HPT had \$551,879 in carryover local funds available at the end of 2014.

### Exhibit 21: Fixed-Route Funding

Funding Category	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014
<b>Revenues</b>					
Passenger Fares	\$105,530	\$111,869	\$131,914	\$143,700	\$155,727
Advertising	\$17,433	\$19,972	\$13,715	\$8,070	\$21,233
Charter	\$0	\$0	\$0	\$0	\$0
Route Guarantee	\$12,000	\$14,000	\$14,000	\$14,000	\$14,384
Other (Vending)	\$444	\$1,786	\$1,287	\$3,406	\$2,171
Other (Rental Income)	\$3,561	\$21,125	\$28,097	\$28,474	\$26,138
Other (Disposition of Assets)	\$0	\$0	\$2,189	\$0	\$1,815
<b>Subtotal</b>	<b>\$138,968</b>	<b>\$168,752</b>	<b>\$191,202</b>	<b>\$197,650</b>	<b>\$221,468</b>
<b>Subsidies</b>					
Federal Operating Grant	\$663,629	\$662,281	\$664,192	\$666,300	\$797,407
Act44 (1513) State Prior	\$0	\$0	\$270,603	\$608,426	\$0
Act44 (1513) State Current	\$816,902	\$816,499	\$608,426	\$493,325	\$1,053,696
Municipal Prior	\$0	\$0	\$0	\$0	\$0
Municipal Current	\$105,264	\$110,527	\$116,053	\$121,856	\$118,517
Act 44 (1513) Advertising	\$0	\$0	\$0	\$0	\$0
Act 44 (1513) Private	\$0	\$0	\$0	\$0	\$0
Act3 ASG Grant (State)	\$0	\$0	\$0	\$0	\$608
Act3 ASG Grant (Local)	\$0	\$0	\$0	\$0	\$24
Act 3 PTAF Grant (State)	\$0	\$0	\$0	\$0	\$4,572
Act 3 PTAF Grant (Local)	\$0	\$0	\$0	\$0	\$161
<b>Subtotal</b>	<b>\$1,585,795</b>	<b>\$1,589,307</b>	<b>\$1,659,274</b>	<b>\$1,889,907</b>	<b>\$1,974,985</b>
<b>Total Funding</b>	<b>\$1,724,763</b>	<b>\$1,758,059</b>	<b>\$1,850,476</b>	<b>\$2,087,557</b>	<b>\$2,196,453</b>
<b>Passenger Fares/ Total Funding</b>	6.1%	6.4%	7.1%	6.9%	7.1%

Source: PennDOT dotGrants Reporting System

## PARATRANSIT FUNDING

Paratransit funding is about 13.8% of HPT's public transportation operation and consists of ADA complementary 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 from \$307,133 in FYE 2010 to \$351,974 in FYE 2014. The ADA complementary paratransit budget is small in proportion to HPT's fixed-route budget.

### Exhibit 22: Paratransit Funding by Source

Category	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014
<b>Revenues</b>					
1 Passenger Fares	\$36,453	\$33,402	\$34,589	\$33,501	\$34,152
2 Advertising	\$0	\$0	\$0	\$0	\$0
3 Lottery	\$0	\$0	\$0	\$0	\$0
4 PwD Reimbursement	\$0	\$0	\$0	\$0	\$0
5 AAA	\$0	\$0	\$0	\$0	\$0
6 MH/MR	\$0	\$0	\$0	\$0	\$0
7 W2W	\$0	\$0	\$0	\$0	\$0
8 MATP	\$0	\$0	\$0	\$0	\$0
9 Other- County Shared Ride Reimb.	\$33,727	\$17,420	\$11,570	\$0	\$0
<b>Subtotal</b>	<b>\$70,180</b>	<b>\$50,822</b>	<b>\$46,159</b>	<b>\$33,501</b>	<b>\$34,152</b>
<b>Subsidies</b>					
1 Federal Operating Grant	\$0	\$0	\$0	\$0	\$0
2 Act 44 (1513) State Prior	\$0	\$0	\$0	\$0	\$0
3 Act 44 (1513) State Current	\$236,953	\$251,381	\$295,404	\$303,575	\$308,390
4 Municipal Prior	\$0	\$0	\$0	\$0	\$0
5 Municipal Current	\$0	\$0	\$0	\$0	\$0
6 Special- (Federal)	\$0	\$0	\$0	\$0	\$0
7 Special- (State)	\$0	\$0	\$0	\$0	\$0
8 Special- (Local)	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$236,953</b>	<b>\$251,381</b>	<b>\$295,404</b>	<b>\$303,575</b>	<b>\$317,822</b>
<b>Total Funding</b>	<b>\$307,133</b>	<b>\$302,203</b>	<b>\$341,563</b>	<b>\$337,076</b>	<b>\$351,974</b>

Source: PennDOT dotGrants Reporting System

## BALANCE SHEET FINDINGS

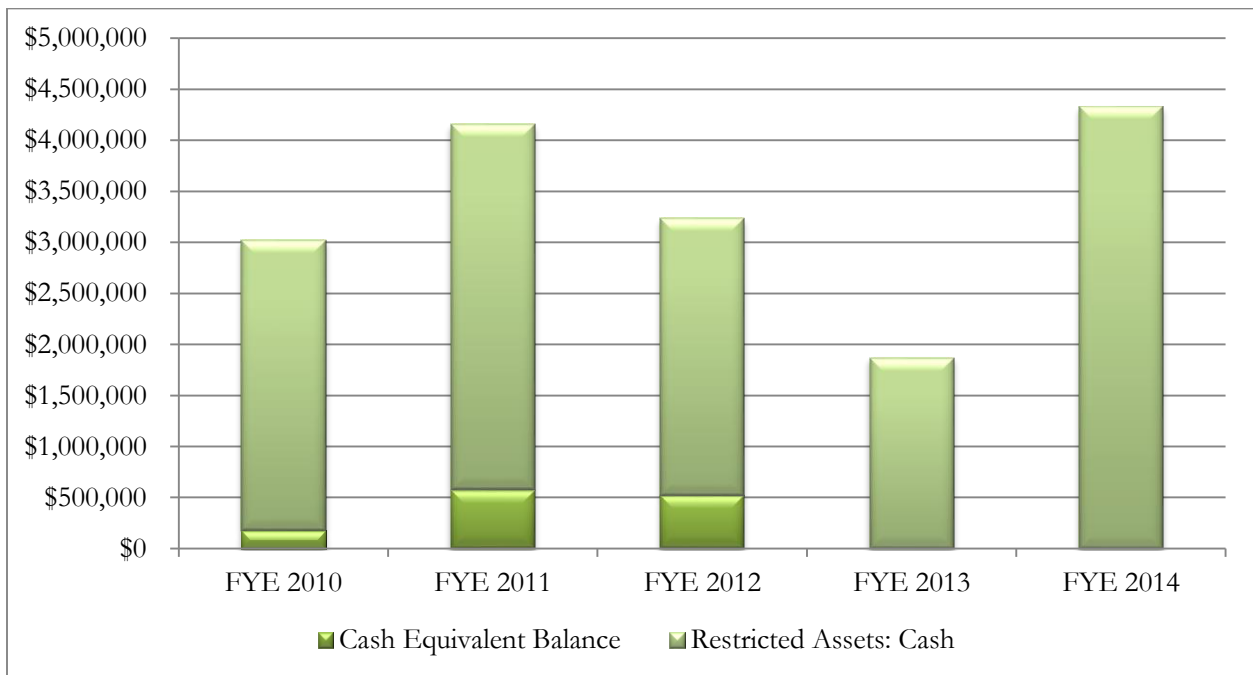
Review of balance sheets from HPT shows that since FYE 2013, the agency no longer reports a cash equivalent balance on hand (**Exhibit 23** and **Exhibit 24**). Rather, HPT reports all cash as restricted, amounting to \$4.3 million in FYE 2014. The margin between current assets and liabilities is similar to that seen in many other transit agencies in the Commonwealth. Accounts payable remains at low levels. HPT does not maintain a line of credit.

**Exhibit 23: Balance Sheet Summary (FYE 2011 – FYE 2014)**

Balance Sheet Report	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014
<b>Current Assets</b>					
Cash Equivalent Balance	\$173,785	\$575,839	\$518,519	\$0	\$0
Grant Receivable (incl. capital)	\$817,724	\$96,856	\$800,476	\$2,403,918	\$141,826
Other Accounts Receivable	\$0	\$1,269	\$3,554	\$1,799	\$5,129
Restricted Assets: Cash	\$2,845,470	\$3,582,656	\$2,714,363	\$1,866,794	\$4,327,555
Inventory Value	\$0	\$0	\$0	\$0	\$0
Pre-paid Expenses	\$9,355	\$7,676	\$3,422	\$6,110	\$6,193
<b>Current Liabilities</b>					
Accounts Payable	\$337,901	\$273,947	\$203,438	\$288,342	\$218,154
Accrued Expenses	\$10,409	\$9,979	\$10,048	\$14,137	\$16,647
Deferred Revenue	\$0	\$0	\$3,399,269	\$3,549,210	\$3,830,514
Line of Credit	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Expense</b>	<b>\$2,031,896</b>	<b>\$2,060,247</b>	<b>\$2,192,039</b>	<b>\$2,424,633</b>	<b>\$2,548,427</b>
Cash Available / Annual Operating Expense	148.59%	201.84%	147.48%	76.99%	169.81%
Line of Credit / Annual Payroll	751.78%	0.00%	0.00%	0.00%	0.00%
Current Assets	\$3,846,334	\$4,264,296	\$4,040,334	\$4,278,621	\$4,480,703
Current Liabilities	\$348,310	\$283,926	\$3,612,755	\$3,851,689	\$4,065,315
<b>Net Current Assets</b>	<b>\$3,498,024</b>	<b>\$3,980,370</b>	<b>\$427,579</b>	<b>\$426,932</b>	<b>\$415,388</b>

Source: Annual Audit Reports and dotGrants

**Exhibit 24: End-of-Year Cash Balance (FYE 2011 – FYE 2014)**



## FINANCIAL PROJECTIONS

All transit agencies in the Commonwealth that receive 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 HPT based on their own assumptions of future service levels as well as available operating and capital funding.

As shown in **Exhibit 25**, HPT's projected operating budget assumes an average increase of 3.0% from FYE 2015 to FYE 2019, as compared to 6.2% from FYE 2010 to FYE 2014. Based on current use of 1513 funds, HPT projects 384,601 carryover reserves available. As an urbanized area within the Lackawanna/Luzerne Metropolitan Planning Organization (MPO) planning area, HPT receives FTA 5307 funds for transit capital and operating assistance.

### Exhibit 25: HPT Projected Operating Budget Summary (FYE 2015-2019)

Operating Budget	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Total Operating Expenses	\$2,636,368	\$2,716,403	\$2,797,828	\$2,881,698	\$2,968,149
Total Operating Revenue	\$266,692	\$315,806	\$322,919	\$330,995	\$340,924
Total Operating Deficit	\$2,369,676	\$2,400,597	\$2,474,909	\$2,550,703	\$2,627,225
Federal Subsidy	\$805,172	\$821,275	\$841,807	\$862,852	\$844,423
State Subsidy	\$1,745,084	\$1,797,436	\$1,851,359	\$1,906,899	\$1,964,105
Local Subsidy	\$134,346	\$141,063	\$148,116	\$155,522	\$163,298
Total Funding	\$2,648,602	\$2,759,774	\$2,841,282	\$2,925,273	\$3,011,826
1513 Reserves	\$314,926	\$359,257	\$366,373	\$374,570	\$384,601
5307 Annual Allocation	\$805,172	\$821,275	\$841,807	\$862,852	\$884,423
5307 Available for Capital	\$0	\$0	\$0	\$0	\$0
<b>Operating Costs Change from Previous Year</b>	<b>20.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>

In the short-term, HPT plans to purchase one 19 passenger bus and five 29 passenger buses. Other capital projects include expanding the functionality of the AVL system, computer replacement and upgraded security cameras. HPT has no active plans to convert to CNG within the next five years. Due to contracted service, HPT does not have a maintenance facility, equipment or maintenance staff. HPT evaluates equipment prior to placing on vehicle replacement plan and does overhaul if possible. HPT is seeking to place a vehicle overhaul program as a contract requirement in upcoming service bids. Future HPT service changes include coordination with LCTA to reestablish a transfer connection in Mountain Top, PA within Luzerne County.

## CONCLUSIONS

Luzerne County is the sole contributor for local money for HPT's public transportation funding requirements. HPT has no outstanding debt or line of credit, and currently has a balanced operating budget. HPT projections of service levels and budget indicate that HPT plans to maintain a balanced budget over the next five years. HPT had \$2,487,092 in 1513 carryover funds available, and \$552,031

in local carryover funds at the end of FYE 2013. By the end of FYE 2014, HPT had \$2,770,954 available state carryover subsidies and local carryover subsidies had decreased slightly to \$551,879. In FYE 2015, HPT was not approved for local match by Luzerne County, and had to rely on local subsidy reserves to meet 1513 match requirements. HPT was approved for local match by Luzerne County for FYE 2016, but was only approved for operating match without additional funds for capital projects. HPT will continue to request local match from Luzerne County, but believes that only operating subsidies will be approved in future requests until local subsidy reserves are depleted. HPT will need to take appropriate actions to control costs, achieve farebox recovery goals, and maintain adequate cash reserves to sustain HPT's 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 (page)	HPT Action	Estimated Initiation Date	Estimated Completion Date
Develop a TDP to address decline in ridership (p. 18)			
Calibrate fleet APCs to verify manual rider counts (p. 18)			
Coordinate with Lackawanna/Luzerne MPO for mapping tools and non-rider data (p. 18)			

#### B. ACTIONS TO INCREASE OPERATING REVENUE / REVENUE HOUR TEMPLATE

Recommendation (page)	HPT Action	Estimated Initiation Date	Estimated Completion Date
Develop a strategic marketing plan (p. 19)			



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

Recommendation (page)	HPT Action	Estimated Initiation Date	Estimated Completion Date
Require contractors to maintain a well-organized system for PM recordkeeping (p. 20)			
Develop an OTP goal for PM, and monitor and track progress (p. 20)			

**PART 2- OTHER ACTIONS TO IMPROVE OVERALL PERFORMANCE TEMPLATE**

<b>Recommendation (page)</b>	<b>HPT Action</b>	<b>Estimated Initiation Date</b>	<b>Estimated Completion Date</b>
Complete PennTRAIN Board Training (p. 21)			
Develop routine status report covering ridership, farebox recovery, changes in operational costs and customer service (p. 21)			
Develop a strategic IT plan (p. 21)			

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