

Draft Audit Report
May 2017

Ventura County Transportation Commission TDA Triennial Performance Audit City of Ojai



MA and ASSOCIATES
Certified Public Accountants

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Chapter 1

Executive Summary

In 2017, the Ventura County Transportation Commission (VCTC) selected the consulting team of Moore & Associates, Inc./Ma and Associates to prepare Triennial Performance Audits of itself as the RTPA, and the nine transit operators to which it allocates funding. As one of the six statutorily designated County Transportation Commissions in the SCAG region, VCTC also functions as the respective county RTPA.

The California Public Utilities Code requires all recipients of Transit Development Act (TDA) Article 4 funding to complete an independent audit on a three-year cycle in order to maintain funding eligibility. This is the first Triennial Performance Audit of the City of Ojai.

The Triennial Performance Audit (TPA) of the City of Ojai's public transit program covers the three-year period ending June 30, 2016. The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Ojai as a public transit operator, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years. In addition to assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to whom it allocates funds.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of the City of Ojai's public transit program for the period:

- Fiscal Year 2013/14,
- Fiscal Year 2014/15, and
- Fiscal Year 2015/16.

The City of Ojai operates the Ojai Trolley, a fixed-route service linking key trip generators along Maricopa Highway and Ojai Avenue within Ojai as well as the unincorporated areas of Meiner's Oaks and Mira Monte. The County of Ventura provides TDA funding to the City to serve areas outside city limits. The City is a member of the Gold Coast Transit District. ADA Paratransit service in Ojai is provided by Gold Coast ACCESS.

Service is operated every day except for designated holidays. On weekdays, service is offered from 5:30 a.m. to 9:30 p.m., with two trolleys operating most of the day on 30-minute headways, although from approximately 5:30 p.m. to 9:30 p.m. just one trolley is in service. On weekends, just one trolley operates, offering hourly service to most stops. Saturday hours are 6:06 a.m. to 9:27 p.m., while Sunday hours are 7:06 a.m. to 8:27 p.m. All trolleys feature wheelchair lifts and are frequently used by seniors.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

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This audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The Triennial Performance Audit includes four elements:

- Compliance requirements,
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

Test of Compliance

With one exception, we conclude the City of Ojai complies with the Transportation Development Act (TDA) regulations in an efficient and effective manner. Material findings specific to the compliance element are:

1. The City's FY 2015/16 State Controller Report was submitted late.

Status of Prior Recommendations

Given this is the first audit of the City of Ojai, there are no prior recommendations.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and a review of program compliance and function, the audit team submits the aforementioned compliance finding for the City of Ojai.

The audit team has also identified two preliminary functional findings. While these findings are not compliance findings, we feel they are significant enough to be addressed within this audit.

1. The City must ensure it considers funds originally allocated as TDA funds in compliance with VCTC's "Once TDA, always TDA" guidance.
2. Excluding the disallowed pass-through TDA funds, the City did not achieve the 20 percent farebox recovery ratio stipulated by the TDA for transit operators in urbanized areas at any point during the audit period.
3. The City does not report data consistently among internal documents, State Controller Reports, and NTD reports.
4. The City does not properly report its route guarantees to the State Controller.

In completing this Triennial Performance Audit, we submit the following recommendations for the City of Ojai's public transit program. They have been divided into two categories: TDA Program compliance recommendations and functional recommendations. TDA program compliance recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the TPA that are not specific to TDA compliance.

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Exhibit 1.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Work with City staff responsible for preparing State Controller Reports to ensure that deadlines are met.	High	FY 2017/18
Functional Recommendations		Importance	Timeline
1	The City, VCTC, and the TDA auditor must ensure that compliance with VCTC's policy for TDA fund use.	High	FY 2017/18
2	Identify and implement strategies for increasing the farebox recovery ratio to 20 percent.	High	Beginning FY 2017/18
3	Develop and utilize a process to ensure data is compiled and reported consistently.	Medium	FY 2017/18
4	Ensure that route guarantees (such as from Ojai Valley Inn) are reported to the State Controller as Special Transit Fares, not Passenger Fares for Transit Service.	Low	FY 2017/18

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Chapter 2

Review Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Ojai's public transit program covers the three-year period ending June 30, 2016. The California Public Utilities Code requires all recipients of Transit Development Act (TDA) funding to complete an independent review on a three-year cycle in order to maintain funding eligibility.

In 2017, the Ventura County Transportation Commission selected the consultant team of Moore & Associates, Inc./Ma and Associates to prepare Triennial Performance Audits of itself as the RTPA and the nine transit operators to which it allocates funding. Moore & Associates is a consulting firm specializing in public transportation, while Ma and Associates is a Certified Public Accounting firm. Selection of the consultant followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Ojai as a public transit operator. Direct benefits of a Triennial Performance Audit include providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to whom it allocates funds.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. Moore & Associates believes the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Audit Standards* published by the U.S. Comptroller General.

Objectives

A Triennial Performance Audit has four primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Evaluate the efficiency and effectiveness of the transit operator; and
4. Provide sound, constructive recommendations for improving the efficiency and functionality of the transit operator.

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Scope

The TPA is a systematic review of performance evaluating the efficiency, economy, and effectiveness of the transit operator. The audit of the City of Ojai included four tasks:

1. A review of compliance with TDA requirements and regulations.
2. A verification of the methodology for calculating performance indicators including the following activities:
 - Assessment of internal controls,
 - Test of data collection methods,
 - Calculation of performance indicators, and
 - Evaluation of performance.
3. Examination of the following functions:
 - General management and organization;
 - Service planning;
 - Scheduling, dispatching, and operations;
 - Personnel management and training;
 - Administration;
 - Marketing and public information; and
 - Fleet maintenance.
4. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the audit of the transit operator's major functions.

Methodology

The methodology for the Triennial Performance Audit of the City of Ojai included thorough review of documents relevant to the scope of the audit, as well as information contained on the City's website. The documents reviewed included the following (spanning the full three-year period):

- Monthly performance reports;
- State Controller Reports;
- Annual budgets;
- TDA fiscal audits;
- Transit marketing collateral;
- Fleet inventory;
- Preventive maintenance schedules and forms;
- California Highway Patrol Terminal Inspection reports;
- National Transit Database reports;
- Accident/road call logs; and
- Organizational chart.

The methodology for this review included a site visit to the City of Ojai Public Works Yard located at 408 S. Signal Street in Ojai on March 9, 2017. The audit team met with Austin Novstrup (Transit Supervisor), reviewed materials germane to the triennial audit, and toured the City's Corporate Yard.

This report is comprised of six chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the review and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
 - Compliance with statutory and regulatory requirements,
 - Performance measures and trends,
 - Functional audit, and
 - Findings and recommendations.

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Chapter 3

Program Compliance

This section examines the City of Ojai's compliance with the Transportation Development Act as well as relevant sections of the California Code of Regulations. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. The Ventura County Transportation Commission considers full use of funds under California Code of Regulations (CCR) 6754(a) as referring to operating funds but not capital funds. The TPA findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with City staff as well as a physical inspection of relevant documents including the fiscal audits for each year of the triennium, State Controller annual filings, California Highway Patrol terminal inspections, year-end performance reports, and other compliance-related documentation.

With one exception, the City of Ojai met the test of compliance with respect to Transportation Development Act (TDA) regulations:

1. The City's FY 2015/16 State Controller Report was submitted late.

Recent Changes Regarding Compliance

Three changes specific to the TDA and TDA funding went into effect beginning July 1, 2016. The first was a policy approved by VCTC which mandated funding originally received through the TDA would be classified as TDA funding even after being passed through to another entity. This disallowed the use of TDA funds passed from one claimant to another agency to be used as local support in the calculation of the farebox recovery ratio.

This is particularly significant for the City of Ojai, which had used TDA contributions from the County to supplement its farebox revenue as "local support." Absent this funding source, the City's farebox recovery ratio does not meet the minimum 20 percent threshold. This change is discussed in more detail in the Findings and Recommendations chapter of this report.

The second change was an amendment to the Public Utilities Code specific to the definition of operating cost and what costs can be excluded. It should be noted that many of the exclusions pertain only to *changes* in certain costs, either over the prior year or beyond the change in the Consumer Price Index. They do not apply to *all* costs related to specified exclusion categories.

Senate Bill 508, dated October 9, 2015, amended Section 99268.17 to read as follows:

99268.17 (a) Notwithstanding subdivision (a) of Section 99247, the following costs shall be excluded from the definition of "operating cost" for the purposes of calculating any required ratios of fare revenues to operating cost specified in this article:

- (1) The additional operating costs required to provide comparable complementary paratransit service as required by Section 37.121 of Title 49 of the Code of Federal Regulations, pursuant to the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 120101 et seq.), as identified in the operator's paratransit plan pursuant to Section 37.139 of Title 49 of the Code of Federal Regulations that exceed the operator's costs required to provide comparable paratransit service in the prior year as adjusted by the Consumer Price Index.*
 - (2) Cost increases beyond the change in the Consumer Price Index for all of the following:*
 - (A) Fuel.*
 - (B) Alternative fuel programs.*
 - (C) Power, including electricity.*
 - (D) Insurance premiums and payments in settlement of claims arising out of the operator's liability.*
 - (E) State and federal mandates.*
 - (3) Startup costs for new services for a period of not more than two years.*
- (b) The exclusion of costs from the definition of operating costs in subdivision (a) applies solely for the purpose of this article and does not authorize an operator to report an operating cost other than as defined in subdivision (a) of Section 99247 or a ratio of fare revenue to operating cost other than as that ratio is described elsewhere in this article, to any of the following entities:*
- (1) The Controller pursuant to Section 99243.*
 - (2) The entity conducting the fiscal audit pursuant to Section 99245.*
 - (3) The entity conducting the performance audit pursuant to Section 99246.*

Operators should be aware that the reporting forms for the State Controller may not be updated to reflect these exclusions for FY 2016/17. Until revised forms are made available, it is important for agencies to ensure any exclusions from operating cost are clearly itemized within TDA audits or other farebox revenue ratio calculations so that compliance can be clearly assessed.

The third change, also contained within Senate Bill 508, related to the type of funds that can be used to supplement farebox revenue. Prior to this bill, "local funds" was defined as "revenues derived from taxed imposed by the operator or by a county transportation commission." S.B. 508 amended Section 99268.19 to read:

99268.19 *If fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost required by this article, an operator may satisfy that requirement by supplementing its fare revenues with local funds. As used in this section, "local funds" means any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.*

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This expanded definition opens up new revenue sources that can be used to offset farebox shortfalls. Applicable revenues include funds received through advertising, interest income, sale of surplus vehicles, and other such sources. While these funds are no longer limited to those generated by local taxes, they cannot be state or federal funds.

Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted on time.	PUC 99243	Finding	FY 2014: October 16, 2014 FY 2015: October 18, 2015 FY 2016: November 7, 2016
Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).	PUC 99245	In compliance	FY 2014: December 10, 2014 FY 2015: December 31, 2015 FY 2016: December 15, 2016
Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	January 9, 2013 January 14, 2014 January 28, 2015 January 25, 2016
Operator's claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA.	PUC 99261	In compliance	
If operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	PUC 99270.1	N/A	
The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).	PUC 99266	In compliance	FY 2014: 7.17% FY 2015: 8.87% FY 2016: 4.24%
The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	In compliance	
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent).	PUC 99268.2, 99268.4, 99268.1	In compliance	FY 2014: 34.6% FY 2015: 34.1% FY 2016: 46.7% <i>Per TDA Article 8(c) annual audits</i> <i>Beginning July 1, 2016, TDA funds from the County can no longer be used as a local contribution.</i>
If the operator serves a rural area, it has maintained a ratio of fare revenues to operating cost at least equal to one-tenth (10 percent).	PUC 99268.2, 99268.4, 99268.5	N/A	
For a claimant that provides only services to elderly and handicapped persons, the ratio of fare revenues to operating cost shall be at least 10 percent.	PUC 99268.5, CCR 6633.5	N/A	

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Compliance Element	Reference	Compliance	Comments
The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years.	PUC 99271	In compliance	City employees are eligible for CalPERS.
If the operator receives State Transit Assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	CCR 6754 (a) (3)	N/A	The City does not receive STA funds.
A transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs less the actual amount of fares received, the amount of local support required to meet the fare ratio, the amount of federal operating assistance, and the amount received during the year from a city or county to which the operator has provided services beyond its boundaries.	CCR 6634	In compliance	

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Chapter 4

Performance Analysis

Performance indicators are typically employed to quantify and assess the efficiency of a transit operator's activities. Such indicators provide insight into current operations as well as trend analysis of operator performance. Through a review of indicators, relative performance as well as possible inter-relationships between major functions is revealed.

The Transportation Development Act (TDA) requires recipients of TDA funding to track and report five performance indicators:

- Operating Cost/Passenger,
- Operating Cost/Vehicle Service Hour,
- Passengers/Vehicle Service Hour,
- Passengers/Vehicle Service Mile, and
- Vehicle Service Hours/Employee.

To assess the validity and use of performance indicators, the audit team performed the following activities:

- Assessed internal controls in place for the collection of performance-related information,
- Validated collection methods of key data,
- Calculated performance indicators, and
- Evaluated performance indicators.

The procedures used to calculate TDA-required performance measures for the current triennium were verified and compared with indicators included in similar reports to external entities (i.e., State Controller and Federal Transit Administration).

Operating Cost

The Transportation Development Act requires an operator to track and report transit-related costs reflective of the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. The most common method for ensuring this occurs is through a compliance audit report prepared by an independent auditor in accordance with California Code of Regulations Section 6667¹. The annual independent financial audit should confirm the use of the Uniform System of Accounts and Records. *Operating cost* – as defined by PUC Section 99247(a) – excludes the following:

¹ CCR Section 6667 outlines the minimum tasks which must be performed by an independent auditor in conducting the annual fiscal and compliance audit of the transit operator.

- Cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC Section 99243,
- Subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission,
- Direct costs of providing charter service, and
- Vehicle lease costs.

Vehicle Service Hours and Miles

Vehicle Service Hours (VSH) and *Miles* (VSM) are defined as the time/distance during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times/miles between the time or scheduled time of the first passenger pickup and the time or scheduled time of the last passenger drop-off during a period of the vehicle's continuous availability.² For example, demand-response service hours include those hours when a vehicle has dropped off a passenger and is traveling to pick up another passenger, but not those hours when the vehicle is unavailable for service due to driver breaks or lunch. For both demand-response and fixed-route services, service hours will exclude hours of "deadhead" travel to the first scheduled pick-up, and will also exclude hours of "deadhead" travel from the last scheduled drop-off back to the terminal. For fixed-route service, a vehicle is in service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (i.e., subtracting driver lunch and breaks but including scheduled layovers).

Passenger Counts

According to the Transportation Development Act, *total passengers* is equal to the total number of unlinked trips (i.e., those trips that are made by a passenger that involve a single boarding and departure), whether revenue-producing or not.

Employees

Employee hours is defined as the total number of hours (regular or overtime) which all employees have worked, and for which they have been paid a wage or salary. The hours must include transportation system-related hours worked by persons employed in connection with the system (whether or not the person is employed directly by the operator). Full-Time Equivalent (FTE) is calculated by dividing the number of person-hours by 2,000.

Fare Revenue

Fare revenue is defined by California Code of Regulations Section 6611.2 as revenue collected from the farebox plus sales of fare media.

TDA Required Indicators

To calculate the TDA indicators for the City of Ojai, the following sources were employed:

- Operating Cost was not independently calculated as part of this audit. Operating Cost data were obtained via State Controller Reports for each fiscal year covered by this audit. Operating Cost from the reports was compared against that reported in the City's audited

² A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.

financial reports and other internal reports. While the City's definition of operating cost was determined to be consistent with TDA guideline, it is reported inconsistently. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and other allowable expenses.

- Fare Revenue was not independently calculated as part of this audit. Fare Revenue data were obtained via State Controller Reports for each fiscal year covered by this audit. Fare revenue from the reports is consistent with TDA guidelines.
- Vehicle Service Hours (VSH) data were obtained via State Controller Reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. The City calculates VSH using schedule hours reconciled with driver trip sheets. The City's calculation methodology is consistent with PUC guidelines.
- Vehicle Service Miles (VSM) data were obtained via State Controller Reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. The City calculates VSM by subtracting deadhead and out-of-service miles subtracted from total vehicle mileage (as noted on each vehicle's odometer). This methodology is consistent with PUC guidelines.
- Unlinked trip data were obtained from State Controller Reports for each fiscal year covered by this review. Data from these reports was then compared with information included within the City's monthly performance data summary reports. The City's calculation methodology is consistent with PUC guidelines.
- Full-Time Equivalent (FTE) methodology was provided by the City of Ojai and is consistent with the TDA definition.

System Performance Trends

Performance trends for the City of Ojai's public transit program were analyzed for the three years covered by this Triennial Performance Audit. Indicators were calculated using the methodologies described in the previous section.

It should be noted that inaccuracies and inconsistencies in the data may result in trends that are not entirely reflective of actual performance.

The operating cost reported on the FY 2014/15 State Controller Report represents a 27.7 percent decrease over the prior year. We believe that figure may have been reported in error, as the operating cost reported in other places was significantly higher and much more in line with the preceding and following year. The TDA 8(c) audit for that year put the City's operating cost at \$730,955, which would be a 10 percent decrease from FY 2013/14 and would be followed by an 8.1 percent increase in FY 2015/16.

Fare revenue (which included a route guarantee from the Ojai Valley Inn) remained consistent across the audit period. VSH and VSM also remained stable, though ridership rose in FY 2015/16 after two consecutive years of decreases.

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Most performance indicators remained fairly stable, the primary exception being those associated with operating cost. The significant fluctuation in the operating cost in FY 2014/15 resulted in all related performance indicators looking more productive than the system likely was.

Exhibit 4.1 System Performance Indicators

Performance Measure	System-Wide			
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Operating Cost (Actual \$)	\$798,822	\$811,988	\$587,011	\$790,158
<i>Annual Change</i>		1.6%	-27.7%	34.6%
Fare Revenue (Actual \$)	\$83,108	\$85,101	\$83,089	\$83,729
<i>Annual Change</i>		2.4%	-2.4%	0.8%
Vehicle Service Hours (VSH)	8,047	8,376	8,358	8,351
<i>Annual Change</i>		4.1%	-0.2%	-0.1%
Vehicle Service Miles (VSM)	105,705	106,686	108,484	108,646
<i>Annual Change</i>		0.9%	1.7%	0.1%
Passengers	108,216	105,143	103,673	110,546
<i>Annual Change</i>		-2.8%	-1.4%	6.6%
Employees	8	8	8	8
<i>Annual Change</i>		0.0%	0.0%	0.0%
Performance Indicators				
Operating Cost/VSH (Actual \$)	\$99.27	\$96.94	\$70.23	\$94.62
<i>Annual Change</i>		-2.3%	-27.6%	34.7%
Operating Cost/Passenger (Actual \$)	\$7.38	\$7.72	\$5.66	\$7.15
<i>Annual Change</i>		4.6%	-26.7%	26.2%
Passengers/VSH	13.45	12.55	12.40	13.24
<i>Annual Change</i>		-6.7%	-1.2%	6.7%
Passengers/VSM	1.02	0.99	0.96	1.02
<i>Annual Change</i>		-3.7%	-3.0%	6.5%
Farebox Recovery	10.4%	10.5%	14.2%	10.6%
<i>Annual Change</i>		0.7%	35.1%	-25.1%
Hours/Employee	1,005.9	1,047.0	1,044.8	1,043.9
<i>Annual Change</i>		4.1%	-0.2%	-0.1%
TDA Non-Required Indicators				
Operating Cost/VSM	\$7.56	\$7.61	\$5.41	\$7.27
<i>Annual Change</i>		0.7%	-28.9%	34.4%
VSM/VSH	13.14	12.74	12.98	13.01
<i>Annual Change</i>		-3.0%	1.9%	0.2%
Fare/Passenger	\$0.77	\$0.81	\$0.80	\$0.76
<i>Annual Change</i>		5.4%	-1.0%	-5.5%

Source: State Controller Reports for all metrics except Employees.
Employee data provided by the City.

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Exhibit 4.2 System Ridership

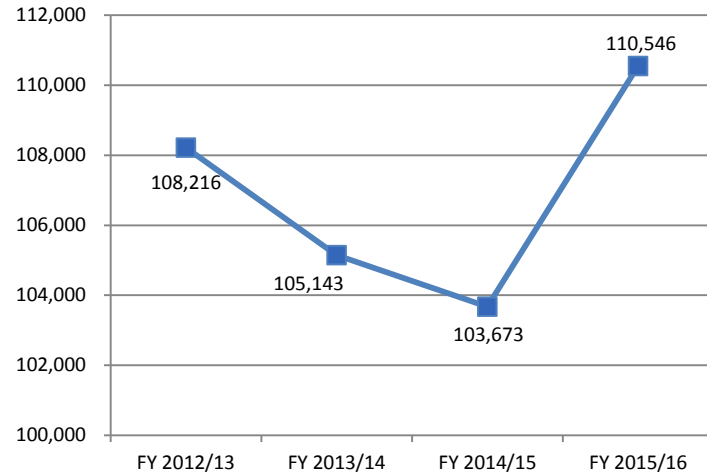


Exhibit 4.3 System Operating Cost/VSH

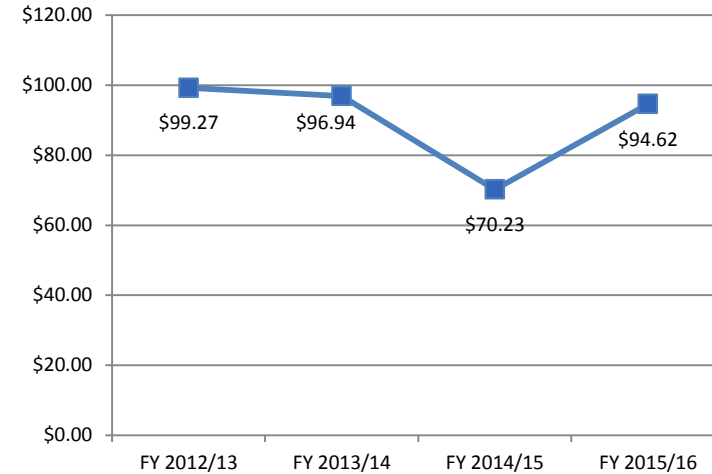


Exhibit 4.4 System Operating Cost/VSM

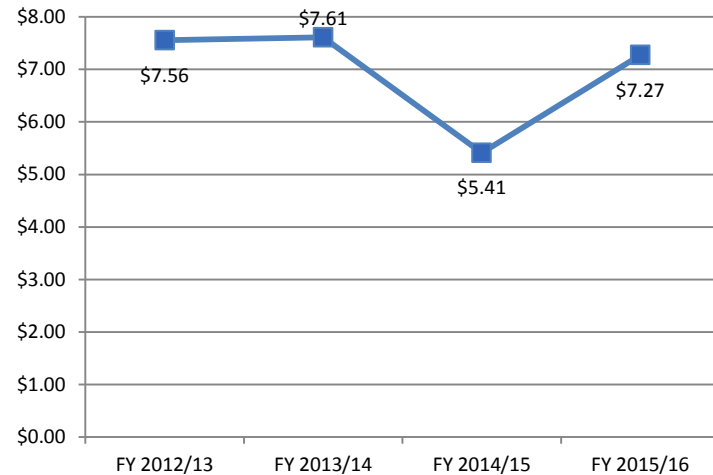
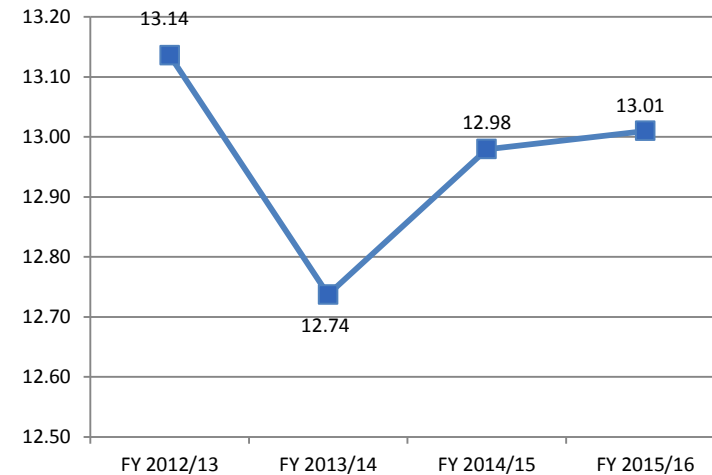


Exhibit 4.5 System VSM/VSH



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Exhibit 4.6 System Operating Cost/Passenger

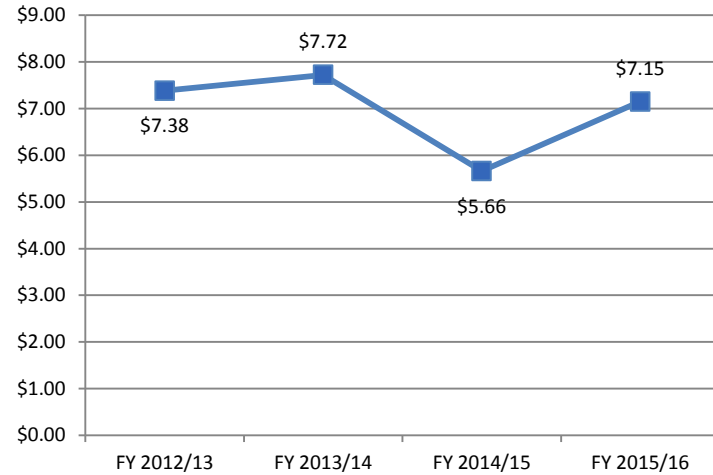


Exhibit 4.7 System Passengers/VSH

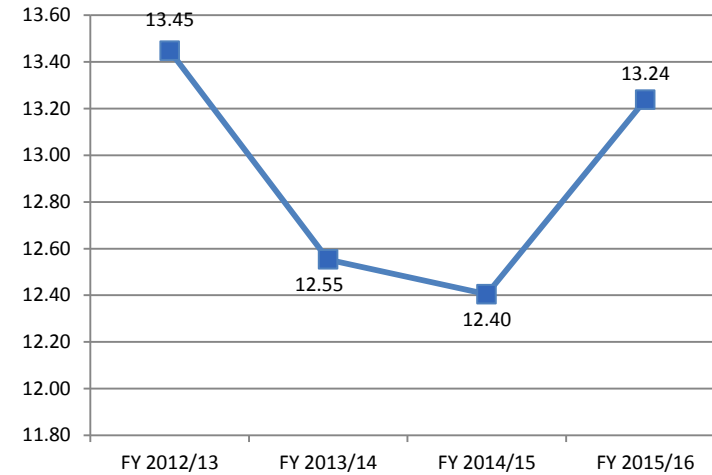


Exhibit 4.8 System Passengers/VSM

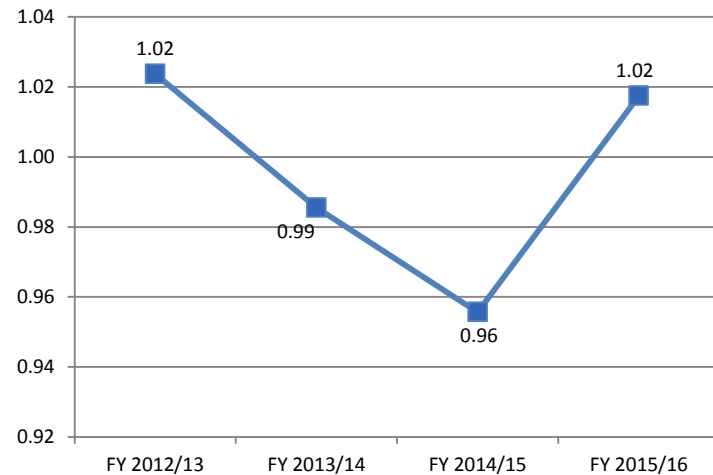
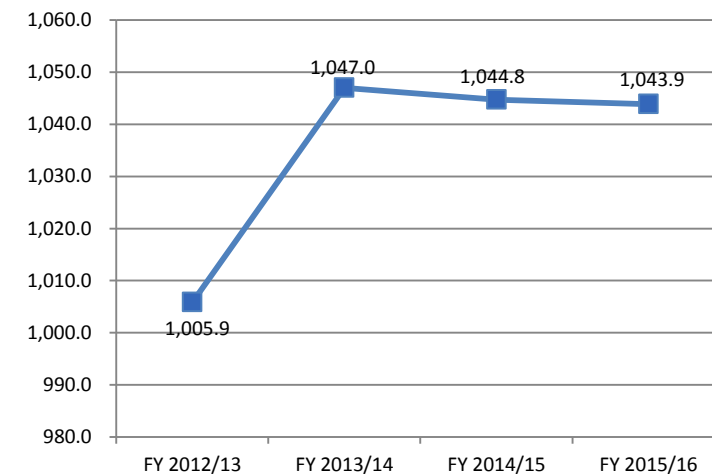


Exhibit 4.9 System VSH /FTE



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Exhibit 4.10 System Farebox Recovery

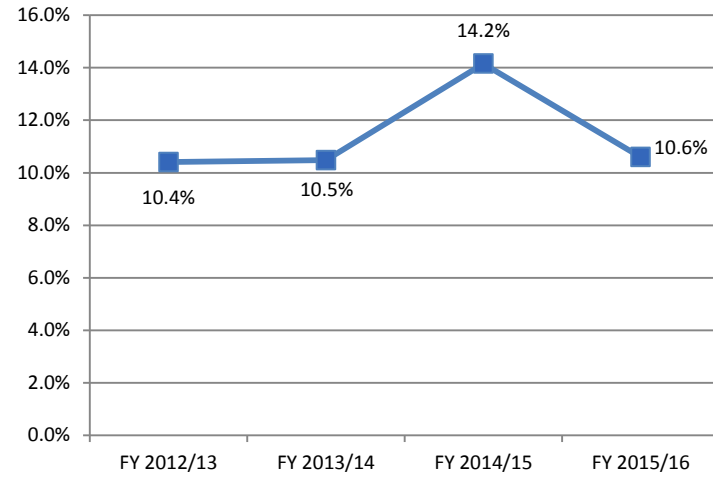
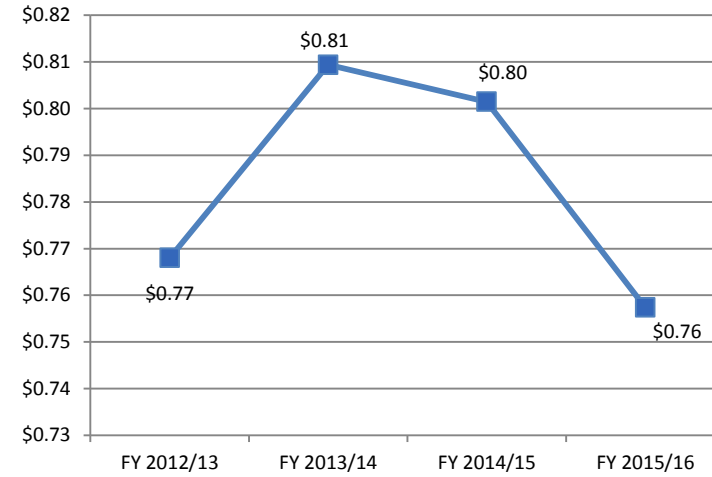


Exhibit 4.11 System Fare/Passenger



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Chapter 5

Functional Review

A functional review of the City of Ojai's public transit program is intended to assess the effectiveness and efficiency of the operator. Following a general summary of the City's transit services, this chapter addresses seven functional areas. The list, taken from Section III of the *Performance Audit Guidebook* published by Caltrans, reflects those transit services provided by the City of Ojai through its transit program:

- General management and organization;
- Service planning;
- Scheduling, dispatch, and operations;
- Personnel management and training;
- Administration;
- Marketing and public information; and
- Fleet maintenance.

Service Overview

The City of Ojai operates the Ojai Trolley, a fixed-route service linking key trip generators along Maricopa Highway and Ojai Avenue within Ojai as well as the unincorporated areas of Meiner's Oaks and Mira Monte. The County of Ventura provides TDA funding to the City to serve areas outside city limits. The City is a member of the Gold Coast Transit District. ADA Paratransit service in Ojai is provided by Gold Coast ACCESS.

Service is operated every day except for designated holidays. On weekdays, service is offered from 5:30 a.m. to 9:30 p.m., with two trolleys operating most of the day on 30-minute headways, although from approximately 5:30 p.m. to 9:30 p.m. just one trolley is in service. On weekends, just one trolley operates, offering hourly service to most stops. Saturday hours are 6:06 a.m. to 9:27 p.m., while Sunday hours are 7:06 a.m. to 8:27 p.m. All trolleys feature wheelchair lifts and are frequently used by seniors.

The Ojai Trolley fare structure is shown in Exhibit 5.1. The City also offers Day Passes for twice the fares shown.



Exhibit 5.1 Local Service Fare Structure

Fare Category	Fare
Adults age 6-64 (general)	\$1.00
Children 5 and under	No charge
Seniors, 65 and older	\$0.50
ADA and Medicare card holders	\$0.25

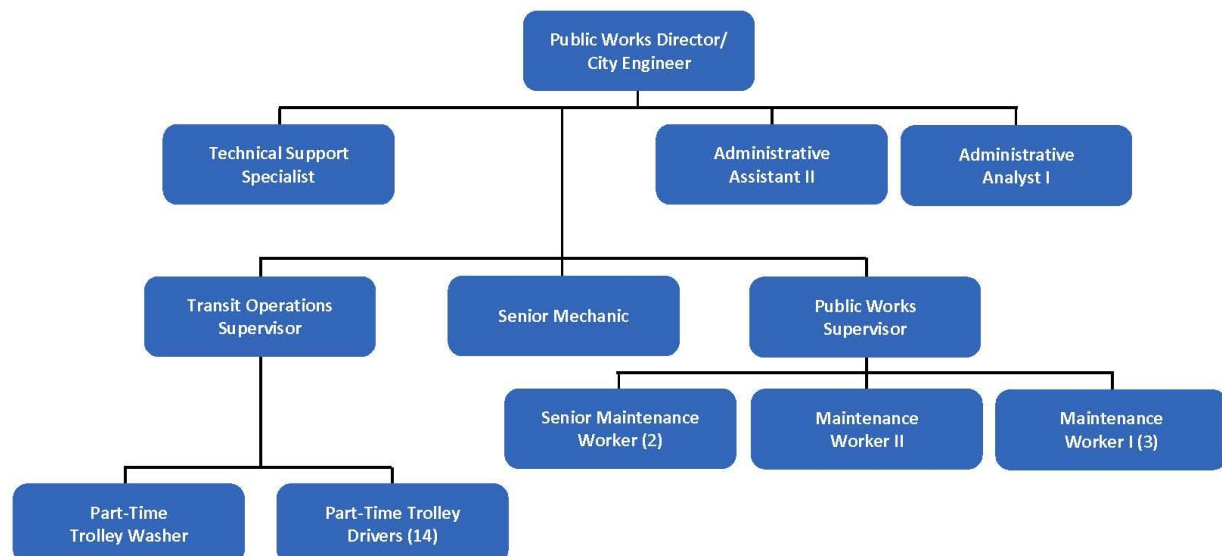
General Management and Organization

The City of Ojai's public transit program is administered within the Transportation Division of the City's Public Works department. The Ojai city council is the government body of the Transportation Division. The Transit Supervisor oversees the service. In addition to one full-time Transit Operations Supervisor, the program utilizes 14 part-time drivers and one full-time mechanic whose workload is 90 percent dedicated to transit vehicles. The City's staffing is appropriate for a program of this size, but the small finance department sometimes impacts invoicing.

Transportation Division personnel monitor program performance via monthly ridership reports and on-time performance (using Nextbus data). There is no routine reporting to the city council. As schedule changes are under consideration, it is anticipated that the council will be more involved.

The City coordinates closely with Gold Coast Transit District, which offers service within the city. The City is a member agency in the District. The City also reports a good working relationship with VCTC and the County of Ventura.

Exhibit 5.2 Organizational Chart



Source: City of Ojai.

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Service Planning

Given the limited nature of the program, not much service planning is conducted. Service standards are provided in the City's Title VI Plan. On-time performance is monitored closely, however. Service changes are largely reactive and closely linked to the budgeting process. The City attempted a pilot project offering free summer Saturday service to Lake Casitas from FY 2013 through FY 2015. Public feedback for service changes is solicited via outreach meetings at City Hall, advertisements on trolleys, and the City's website. The City has also conducted transit rider surveys and online surveys.

The last major service change was in FY 2012, with an adjustment to schedules, routes, a fare increase, and a partnership to serve Ojai Valley Inn. The Inn pays \$5,500 per year in route guarantee to ensure service.

The City of Ojai is included within the Oxnard/Ventura Urbanized Area. As a result, the City's mandated farebox recovery goal is 20 percent. Given the rural nature of the community, however, this is a challenge. Through FY 2015/16, the City had counted contributions from the County as local support, which allowed it to achieve the 20 percent farebox recovery ratio goal. In May 2016, VCTC approved a policy that requires all TDA funds be considered TDA funds even as they are passed from the original recipient to other entities. Without these funds to count toward the farebox recovery ratio, the City faces a significant farebox revenue gap. While VCTC is exploring options for Ojai's program under TDA Article 4.5 or through a blended urbanized/rural ratio (where VCTC could establish an appropriate farebox recovery ratio), no decision has been reached.

The City considers special needs passengers for all decisions. All the vehicles in the City's fleet have wheelchair lifts. Demand-response service is offered via Gold Coast Transit District's ACCESS program.

Scheduling, Dispatch, and Operations

Driver schedules are created every six weeks. Each of the part-time drivers lists availability and desired shifts. All drivers have some training and certifications. Some work other jobs, while others are retirees. They are considered very reliable by the City.

Drivers receive paid sick time. Other absences are generally planned and built into the six-week schedules.

The mechanic reviews maintenance sheets in the afternoon and determines which vehicles will be in service the next day. Three vehicles are scheduled each day; two will be in service, one serves as a standby.

Personnel Management and Training

Driver recruitment is a continuous process via the City's website and Craigslist, with resumes kept on file. Experience varies among recruits, with most recent recruits needing to obtain licensing. Class B training is conducted at the Ventura County DMV. All initial and ongoing training meets state requirements.

The City relies on a positive atmosphere to motivate employees, as well as pay increases. Turnover is generally low and due to personal reasons or retirement.

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Code of conduct and disciplinary procedures are spelled out in the employee handbook. The City also utilizes third-party testing and reporting for drugs/alcohol.

Full-time employees (the transit operations supervisor and mechanic) receive City benefits.

Administration

Budgeting is based on anticipated revenues (FTA, TDA) and expected expenses. The City compares year-to-date revenue and expenses to budgeted levels. Occasionally, the City will conduct mid-year budget adjustments, but usually annual assumptions are fairly close.

The transit operations supervisor is responsible for grant application and compliance, assuming the duties once handled by the Public Works Director.

The City is self-insured via the California Joint Powers Insurance Authority (JPIA). The City also utilizes JPIA forms for incident reports. The City investigates all accident and injury claims.

The City's transit program utilizes only one contract, with a repair vendor. Work is assigned via purchase order as needed.

Revenue collection procedures are appropriate for the amount of fares collected. Drivers remove locked drop-down cash box and secure it in a locker inside the crew building. Drivers do not have access to the fares at any point. Cash is counted by two people approximately four times per week, then is sent to the City's finance department safe at City Hall.

The City is interested in upgrading to electronic fareboxes to facilitate connectivity with neighboring transit providers. Currently, the City accepts 31-day passes from Gold Coast Transit for transfers.

Employees are encouraged to utilize direct payroll deposit, but it is not required.

Procurement procedures are outlined by the City. Large projects or purchases are put out to bid. The transit supervisor can approve purchases less than \$500.

The City does not have an internal audit function for its transportation program.

Marketing and Public Information

The City's marketing efforts include a website, advertisements in local publications, and a Yellow Pages advertisement. Vehicles can be tracked via NextBus. The service is promoted via the Ojai Valley Inn but otherwise no campaigns have been created. The City also coordinates with local schools regarding schedules and passes.

The City incorporates performance data into marketing decisions. For example, significantly increased ridership could negatively impact on-time performance. As such, the City has not conducted any stand-alone marketing campaigns.

The City accepts feedback via phone, mail, and a website form.

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Maintenance

The City's preventive maintenance schedule is tracked via FleetMax software and documented via paper records. Larger repairs, such as wheelchair lifts and valves, are sent to outside mechanics. Outside repairs are handled by local mechanics or mechanics in nearby cities.

The City's maintenance facility includes one available bay and an outside permanent lift. Parts inventory includes basics utilized for routine repairs. Valuable parts are locked and four individuals hold a key.

The City's fleet consists of five vehicles, two of which are model year 2007 and three of which are 2011. The older vehicles are propane-fueled, while the newer ones are bi-fueled (gas and propane). The vehicles run on gas for two hours, then switch to propane. The City is working on acquiring two newer vehicles to replace the 2007s.



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Chapter 6

Findings and Recommendations

Conclusions

With one exception, we find the City of Ojai to be in compliance with the requirements of the Transportation Development Act. Recommendations intended to improve the effectiveness of the operator are detailed below.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents one compliance finding.

1. The City's FY 2015/16 State Controller Report was submitted late.

The audit team has also identified four functional findings. While these findings are not compliance findings, we feel they are significant enough to be addressed within this audit.

1. The City must ensure it considers funds originally allocated as TDA funds in compliance with VCTC's "Once TDA, always TDA" guidance.
2. Excluding the disallowed pass-through TDA funds, the City did not achieve the 20 percent farebox recovery ratio stipulated by the TDA for transit operators in urbanized areas at any point during the audit period.
3. The City does not report data consistently among internal documents, State Controller Reports, and NTD reports.
4. The City does not properly report its route guarantees to the State Controller.

Program Recommendations

In completing this Triennial Performance Audit, we submit the following recommendations for the City of Ojai's public transit program. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Compliance Finding 1: The City's FY 2015/16 State Controller Report was submitted late.

Criteria: Public Utilities Code Section 99243 requires transit operators in receipt of TDA Article 4 funds to submit annual reports to the State Controller within 90 days following the end of the fiscal year (110 days if filing electronically).

Condition: The submittal date for FY 2015/16 was November 7, 2016, when the deadline for submittal was October 18, 2016.

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Cause: Several challenges can result in reports being submitted late, including difficulties with the State's FTP system, the unavailability of final data, and lack of awareness regarding submittal deadlines.

Effect: This can result in the City being out of compliance with the TDA.

Recommendation: Work with City staff responsible for preparing State Controller Reports to ensure that deadlines are met.

Recommended Action(s): All City staff responsible for preparing the State Controller Report for transit should be made aware of the specific deadline for each year (typically included in the annual letter from the State Controller).

Timeline: Beginning with FY 2016/17 reporting in early FY 2017/18.

Anticipated Cost: Negligible.

Functional Finding 1: The City must ensure it considers funds originally allocated as TDA funds in compliance with VCTC's "Once TDA, always TDA" guidance.

Criteria: In May 2016, VCTC approved a policy clarifying that money allocated as TDA funds must retain that "color" even as it is passed through to other entities. The policy went into effect on July 1, 2016.

Condition: In prior years, the City utilized TDA funds received by the County of Ventura and passed through by Gold Coast Transit District to Ojai as local support to supplement farebox revenue. This enabled the City to meet the TDA's 20 percent farebox recovery ratio requirement.

Cause: The City and its TDA fiscal auditor must both be aware of the new guidance beginning with FY 2016/17.

Effect: Failure to comply with the new guidance can result in the City being out of compliance with VCTC's policies as well as the TDA.

Recommendation: The City, VCTC, and the TDA auditor must ensure compliance with VCTC's policy for TDA fund use.

Recommended Action(s): The City, VCTC, and the TDA auditor must ensure that TDA funds received by other entities and passed through to the City retain their status as TDA funds and are not used as a local supplement to fare revenue.

Timeline: Beginning with FY 2016/17 reporting in early FY 2017/18.

Anticipated Cost: Negligible.

Functional Finding 2: Excluding the disallowed pass-through TDA funds, the City did not achieve the 20 percent farebox recovery ratio stipulated by the TDA for transit operators in urbanized areas at any point during the audit period.

Criteria: PUC Section 99268 establishes a 20 percent farebox recovery minimum for urbanized transit systems in order to remain compliant with TDA.

Condition: Based on data reported to the State Controller, system-wide farebox recovery ratios stood at 10.5 percent, 14.2 percent, and 10.6 percent each year of the audit period.

Cause: Because TDA funds passed through by the County had been used as local support, the City has believed it was operating at a reasonable level of productivity to meet TDA goals.

Effect: A farebox recovery ratio under 20 percent for fixed-route service is out of compliance with the TDA.

Recommendation: Identify and implement strategies for increasing the farebox recovery ratio to 20 percent.

Recommended Action(s): The City should identify strategies that can be used to increase its farebox recovery ratio to 20 percent. Strategies may include service planning to increase efficiencies, more robust marketing, a fare increase, or contracting with local partners to provide route guarantees. Any low-cost strategies that can be implemented quickly should be put in place during FY 2017/18, while other strategies that may require planning or budgeting should be implemented the following year. The City should also consider what additional local funds may now be eligible to supplement its farebox recovery ratio (per the changes to PUC Section 99268.19). The goal prior to the next Triennial Performance Audit should be increase the fixed-route farebox recovery ratio to 20 percent.

Timeline: Identify strategies during FY 2017/18, with implementation in FY 2017/18 and FY 2018/19.

Anticipated Cost: Varies depending upon strategy.

Functional Finding 3: Fiscal data is not reported consistently among internal documents, TDA 8(c) fiscal audits, State Controller Reports, and NTD reports.

Criteria: Operators report performance data using multiple formats (State Controller and NTD reports, as well as internal reports and audits). While data may be prepared at different times and using slightly different definitions, it should be able to be tracked consistently across multiple formats.

Condition: During the preparation of the audit, it was difficult to determine, based on the documents provided, accurate cost and revenue figures for the City's transit program. While the underlying definition appeared sound, the manner of reporting the data on the documents provided was inconsistent.

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For example, in FY 2014/15, the City's transit operating costs and revenues were reported as shown below by various internal and external documents. *(Note: Not all revenues are shown for each document reviewed.)*

2015	State Controller's Rpt	NTD Report	TDA 8(c) Audit	City CAFR	City Budget (Actual)
Farebox Revenue					
Passenger Fare	\$83,089.00	\$78,089.00	\$83,089.00	\$83,089.00	\$78,089.00
Special Transit Fares			\$166,194.00		\$5,000.00
Total Farebox	\$83,089.00	\$78,089.00	\$249,283.00	\$83,089.00	\$83,089.00
Other Revenue					
LTF Article 8(c)	\$108,790.00		\$67,030.00		\$154,679.00
CMAQ grant - extended hours					\$44,264.00
County contribution			\$166,194.00		\$166,194.00
FTA 5307 or 5311		\$370,862.00	\$370,862.00		\$370,862.00
Total Operating Expenses	\$702,882.00	\$852,469.00	\$848,688.00	\$963,411.00	\$819,003.00
Exclusions					
Depreciation	\$115,871.00		\$117,733.00	\$117,734.00	
Total Exclusions	\$115,871.00	\$0.00	\$117,733.00	\$117,734.00	\$0.00
Revised Operating Expenses	\$587,011.00	\$852,469.00	\$730,955.00	\$845,677.00	\$819,003.00
Farebox Recovery Ratio	14.15%	9.16%	34.10%	9.83%	10.15%

While fare revenue was fairly consistently reported, only in the City's budget did it differentiate between actual passenger fares and the contribution (route guarantee) provided by the Ojai Valley Inn.

Cause: Inconsistent reporting can have many causes, including use of data that has not been finalized, variations in how data is processed, changes in staff, and the requirements of specific reports.

Effect: Inconsistent reporting, even when the underlying data is solid, calls into question the accuracy of the data.

Recommendation: Develop and utilize a process to ensure data is compiled and reported consistently.

Recommended Action(s): Develop a process (which may involve investing in data management software) to support record-keeping regarding all performance data specific to National Transit Database, State Controller, and internal City reports. Regardless of what system or process is used, it must include the all required TDA performance measures: Operating Cost, Fare Revenue, Vehicle Service Hours, Vehicle Service Miles, and Ridership. The system should also clearly segregate route guarantees from regular fare revenue for reporting to the State Controller.

Timeline: Beginning with FY 2016/17 reporting in early FY 2017/18.

Anticipated Cost: Negligible.

Functional Finding 4: The City does not properly report its route guarantees to the State Controller.

Criteria: The State Controller's Uniform System of Accounts for Public Transit Operators considers revenue received as a route guarantee as separated from passenger fare revenue. Passenger Fares for Transit Service (Account 401.000) includes revenue earned through passenger fares and park and ride parking lot revenues. Special Transit Fares (Account 402.000) includes "revenues earned for rides given in regular transit service, but paid for by some organization rather than by the rider, and for rides given

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along special routes for which revenues may be guaranteed by a beneficiary of the service.”³ The revenue data reported via the transit State Controller Report should break revenues out into the appropriate categories.

Condition: The City did not segregate its passenger fare revenue from its route guarantee in reporting to the State Controller.

Cause: Lack of familiarity with specifics contained within the Uniform System of Accounts is the most likely cause of the improper reporting.

Effect: Combined data reported to the State Controller under Passenger Fares appears to consist entirely of passenger fare revenues and no route guarantees, which can be misleading.

Recommendation: Ensure that route guarantees (such as from Ojai Valley Inn) are reported to the State Controller as Special Transit Fares, not Passenger Fares for Transit Service.

Recommended Action(s): Track route guarantee funds separate from passenger revenues (see Functional Finding 3) to ensure the data can be accurately reported to the State Controller. These fares will still be included in the calculation of farebox recovery ratio.

Timeline: Beginning with FY 2016/17 reporting in early FY 2017/18.

Anticipated Cost: Negligible.

Exhibit 6.1 Summary of Review Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Work with City staff responsible for preparing State Controller Reports to ensure that deadlines are met.	High	FY 2017/18
Functional Recommendations		Importance	Timeline
1	The City, VCTC, and the TDA auditor must ensure that compliance with VCTC’s policy for TDA fund use.	High	FY 2017/18
2	Identify and implement strategies for increasing the farebox recovery ratio to 20 percent.	High	Beginning FY 2017/18
3	Develop and utilize a process to ensure data is compiled and reported consistently.	Medium	FY 2017/18
4	Ensure that route guarantees (such as from Ojai Valley Inn) are reported to the State Controller as Special Transit Fares, not Passenger Fares for Transit Service.	Low	FY 2017/18

³ California State Controller’s Uniform System of Accounts, 2009, page 21.

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