

Draft Audit Report
May 2017

Ventura County Transportation Commission TDA Triennial Performance Audit City of Simi Valley



MA and ASSOCIATES
Certified Public Accountants

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Chapter 1

Executive Summary

In 2017, the Ventura County Transportation Commission 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 represents the first cycle in which the City of Simi Valley is required to be audited, as the City began receiving Article 4 funding in FY 2014/2015.

The Triennial Performance Audit (TPA) of the City of Simi Valley'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 Simi Valley 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 Simi Valley's public transit program for the period:

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

The City of Simi Valley, located in southeastern Ventura County, provides public transit service consisting of fixed-route and ADA/senior Dial-A-Ride services within Simi Valley as well as to the Chatsworth Metrolink Station. Fixed routes A, B, and C provide bus service Monday through Saturday, while Route D operates Monday through Friday (excluding designated holidays). Hours of operation are from approximately 5:15 a.m. to 8:00 p.m.

The City's Dial-A-Ride is a shared-ride, curb-to-curb service for ADA-certified individuals as well as seniors age 65 and older. Riders must complete a Dial-A-Ride application to be eligible for the service.

In addition, during the audit period the City began participating in the East County Transit Alliance, which provides a new program, CONNECT InterCity, enabling seniors and ADA-certified individuals to travel throughout eastern Ventura County.

This is the first triennium during which Simi Valley is required to be audited. Following California Senate Bills 716 and 203, in FY 2014/15 Simi Valley began using its TDA Article 4 funds. In order to maintain full

eligibility for future TDA funds, Simi Valley needs to comply with TDA farebox recovery ratios. To help achieve farebox recovery goals, in January 2016 the City implemented a fare increase and introduced daily and monthly transit passes. It also raised the qualifying age for its senior service from 60 to 65.

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.

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 Simi Valley complies with the Transportation Development Act (TDA) regulations. Material findings specific to the compliance element are:

1. Use of the TDA definition of full-time equivalent (FTE) for reporting to the State Controller could not be verified.

Status of Prior Recommendations

Given this is the first audit of the City of Simi Valley, 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 Simi Valley.

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

1. The farebox recovery ratio in the City's FY 2015/16 TDA Article 4 audit was miscalculated, resulting the City being determined to be in compliance when it actually fell short of the 20 percent threshold.
2. Due to the error in the audit, the City fell short of the 20 percent farebox recovery ratio stipulated by the TDA for transit operators in urbanized areas during FY 2016.

In completing this Triennial Performance Audit, we submit the following recommendations for the City of Simi Valley's public transit program. They have been divided into two categories: TDA Program

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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.

Exhibit 1.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Demonstrate use of the TDA definition of full-time equivalent (FTE) and use that methodology when reporting Employees on the State Controller Report.	High	FY 2017/18
Functional Recommendations		Importance	Timeline
1	The TDA auditor should verify during the audit process that it is using the base operating cost (absent any exclusions) before subtracting exclusions in the calculation of farebox recovery ratio.	High	FY 2017/18
2	Identify and implement strategies for increasing the fixed-route farebox recovery ratio to 20 percent.	High	FY 2016/17

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Chapter 2

Review Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Simi Valley'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 Simi Valley 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. We believe 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 Simi Valley 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 Simi Valley 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;
- Customer complaint logs;
- Short Range Transit Plan; and
- Organizational chart.

The methodology for this review included a site visit to the City of Simi Valley Transit Maintenance Facility, 490 West Los Angeles Avenue, on March 17, 2017. The audit team met with Sommer Barwick (Director of Community Services), Jennifer Mellon (Deputy Community Services Director), Mara Malch

(Deputy Community Services Director), and Cynthia Orozco (Account Clerk II); reviewed materials germane to the triennial review; and toured the maintenance facility.

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 Simi Valley'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, TDA claim forms, State Controller annual filings, California Highway Patrol terminal inspections, year-end performance reports, and other compliance-related documentation.

The same tests of compliance will be applied to FY 2013/14 as for the years for which the City did receive Article 4 funding, though that year will not be considered when determining funding eligibility due to farebox compliance.

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

1. Use of the TDA definition of full-time equivalent (FTE) for reporting to the State Controller could not be verified.

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.

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 taxes 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	In compliance	FY 2014: October 17, 2014 FY 2015: October 19, 2015 FY 2016: October 18, 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 22, 2014 FY 2015: December 28, 2015 FY 2016: February 23, 2017 (extension granted)
Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	March 21, 2014 April 14, 2015 September 6, 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: -5.02% FY 2015: 21.15% FY 2016: 5.84% Budget increase for FY 2015 was due in part to a significant increase in personnel salaries and other costs.
The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	Finding	Unable to verify use of TDA definition of FTE.
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: 9.5% FY 2015: 12.7% (grace year) FY 2016: 22.6% Per State Controller Report (FY 2014) and TDA Article 4 annual audits (FY 2015 and FY 2016)
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	

* The City is considered to be in compliance a) because it can claim a one-time grace year (FY 2014/15) and b) because it and VCTC acted on the findings of the TDA fiscal audit for FY 2015/16 in good faith, despite an error in the fiscal audit which was not identified until during the administration of this performance audit. This issue is discussed in more detail in Chapter 6.

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Compliance Element	Reference	Compliance	Comments
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	In compliance	FY 2014: 4.0% FY 2015: 3.8% (grace year) FY 2016: 11.2% <i>Per State Controller Report (FY 2014) and TDA Article 4 annual audits (FY 2015 and FY 2016)</i>
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 staff is 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 Simi Valley, 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. Operating Cost from the reports was compared against that reported to the NTD as well as in the City's audited financial reports and was

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.

determined to be consistent with TDA guidelines and accurately reflects the costs for the City's transit services. 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. 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 audit. 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) data were obtained from State Controller Reports for each fiscal year covered by this review. Use of the TDA definition regarding FTE calculation could not be verified.

System Performance Trends

Performance trends for the City of Simi Valley'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 farebox recovery shown in this section does not include additional exclusions that may be claimed as part of the State Controller Report for the determination of compliance. Operating cost does exclude depreciation.

The FY 2015/16 increase in farebox revenue corresponds with the introduction of a fare increase on January 1, 2016. The greatest increase in fare revenue stemmed from the demand-response service, likely due to services provided as part of ECTA as well as the fare increase. VSH decreased in FY 2014/15 but rebounded slightly in FY 2015/16. VSM decreased across the audit period. Passengers decreased overall, with a slight rebound in FY 2014/15.

Operating cost/VSH, operating cost/VSM, and operating cost/passenger increased across the audit period, reflecting a decrease in efficiency. Passengers/VSM and passengers/VSH peaked in FY 2014/15, then dropped off in FY 2015/16, though FY 2015/16 productivity remained higher than FY 2013/14. Fare/passenger saw the greatest increase, which is not unexpected given the significant increase in fare revenue and the decrease in ridership.

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Exhibit 6.1 System Performance Indicators

Performance Measure	System-Wide			
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Operating Cost (Actual \$)	\$3,610,664	\$5,577,955	\$5,795,759	\$6,327,326
<i>Annual Change</i>	-5.2%	54.5%	3.9%	9.2%
Fare Revenue (Actual \$)	\$427,115	\$415,476	\$459,713	\$704,217
<i>Annual Change</i>	7.6%	-2.7%	10.6%	53.2%
Vehicle Service Hours (VSH)	43,849	46,535	41,093	42,701
<i>Annual Change</i>	-17.5%	6.1%	-11.7%	3.9%
Vehicle Service Miles (VSM)	584,499	609,464	598,501	563,461
<i>Annual Change</i>	-23.5%	4.3%	-1.8%	-5.9%
Passengers	480,802	398,237	423,816	377,104
<i>Annual Change</i>	81.9%	-17.2%	6.4%	-11.0%
Employees	30	39	41	41
<i>Annual Change</i>	114.3%	30.0%	5.1%	0.0%
Performance Indicators				
Operating Cost/VSH (Actual \$)	\$82.34	\$119.87	\$141.04	\$148.18
<i>Annual Change</i>	14.9%	45.6%	17.7%	5.1%
Operating Cost/Passenger (Actual \$)	\$7.51	\$14.01	\$13.68	\$16.78
<i>Annual Change</i>	-47.9%	86.5%	-2.4%	22.7%
Passengers/VSH	10.96	8.56	10.31	8.83
<i>Annual Change</i>	120.5%	-22.0%	20.5%	-14.4%
Passengers/VSM	0.82	0.65	0.71	0.67
<i>Annual Change</i>	137.9%	-20.6%	8.4%	-5.5%
Farebox Recovery	11.8%	7.4%	7.9%	11.1%
<i>Annual Change</i>	13.5%	-37.0%	6.5%	40.3%
Hours/Employee	1,461.6	1,193.2	1,002.3	1,041.5
<i>Annual Change</i>	-61.5%	-18.4%	-16.0%	3.9%
TDA Non-Required Indicators				
Operating Cost/VSM	\$6.18	\$9.15	\$9.68	\$11.23
<i>Annual Change</i>	23.9%	48.2%	5.8%	16.0%
VSM/VSH	13.33	13.10	14.56	13.20
<i>Annual Change</i>	-7.3%	-1.7%	11.2%	-9.4%
Fare/Passenger	\$0.89	\$1.04	\$1.08	\$1.87
<i>Annual Change</i>	-40.9%	17.4%	4.0%	72.2%

Source: State Controller Reports.

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Exhibit 6.2 System Ridership

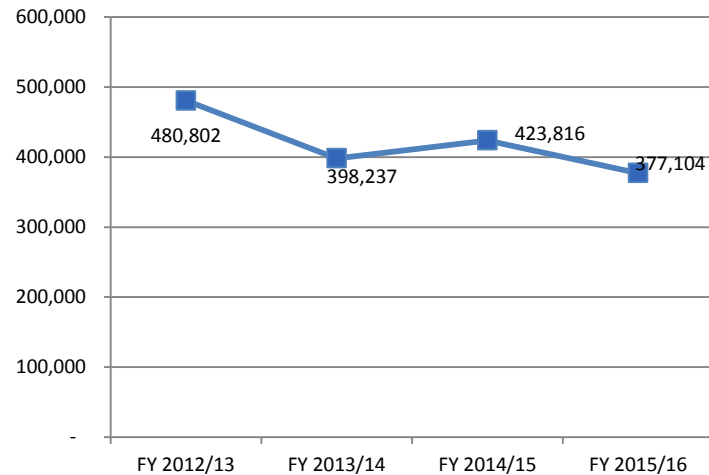


Exhibit 6.3 System Operating Cost/VSH

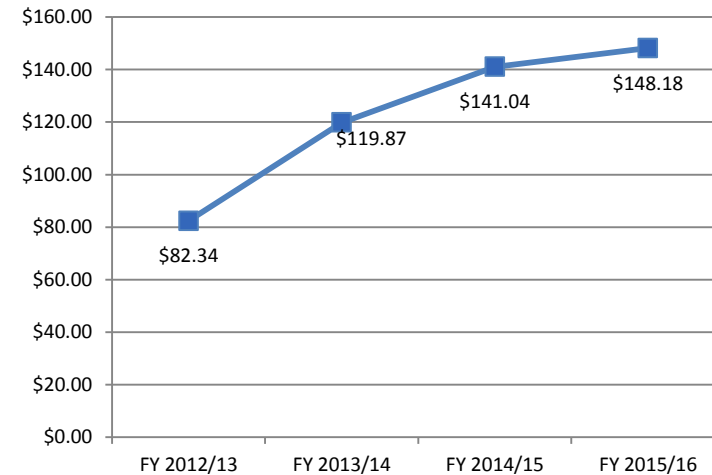


Exhibit 6.4 System Operating Cost/VSM

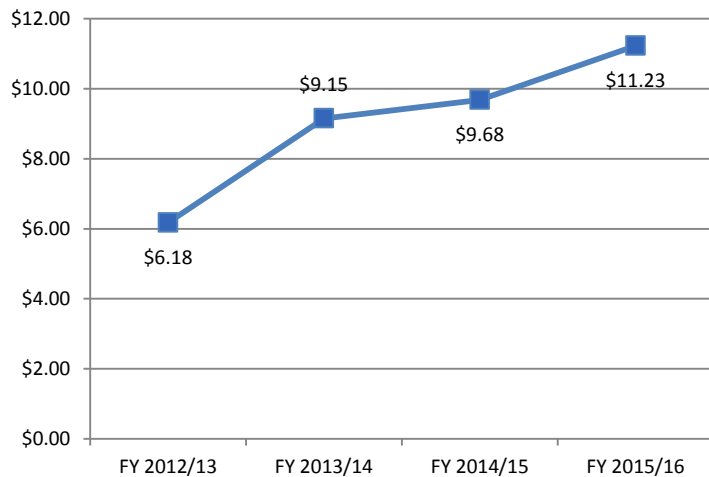
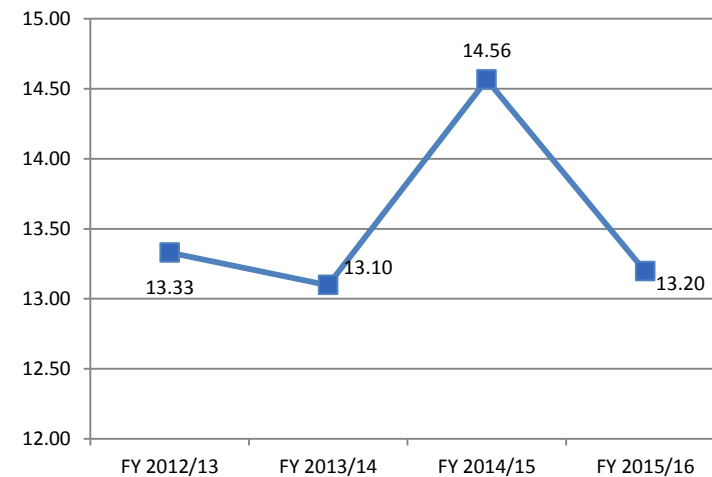


Exhibit 6.5 System VSM/VSH



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Exhibit 6.6 System Operating Cost/Passenger

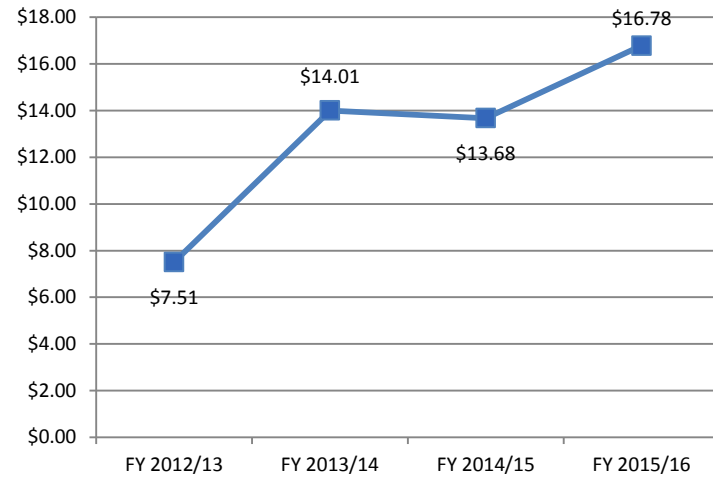


Exhibit 6.7 System Passengers/VSH

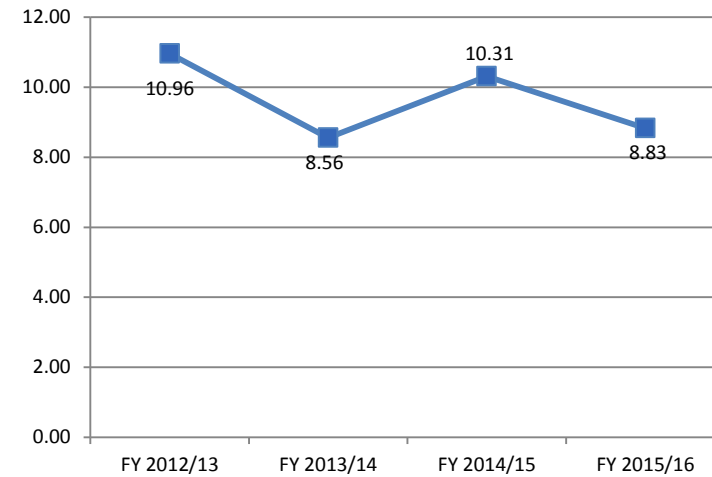


Exhibit 6.8 System Passengers/VSM

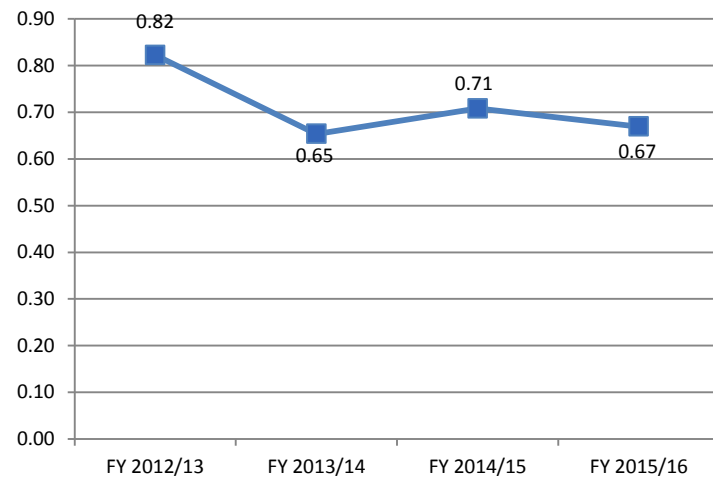
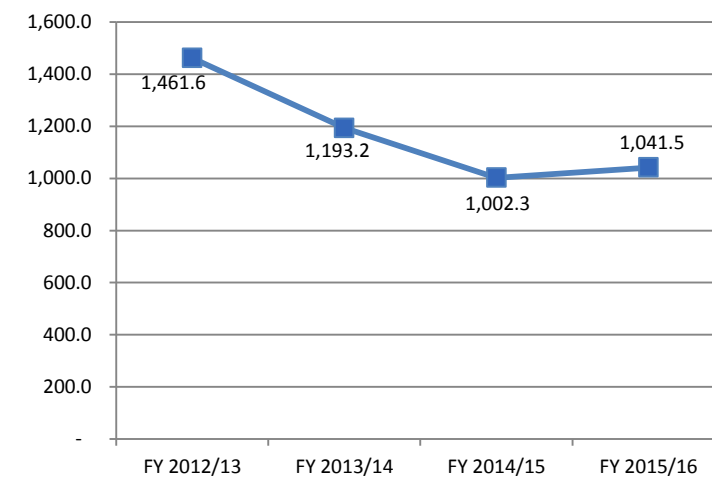


Exhibit 6.9 System VSH/FTE



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Exhibit 6.10 System Farebox Recovery

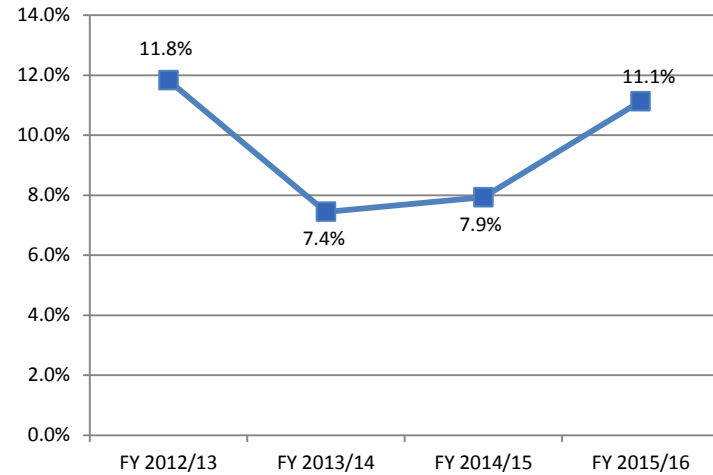
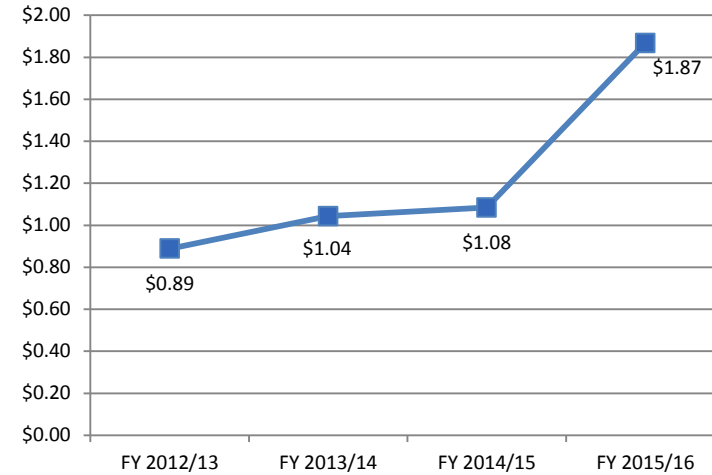


Exhibit 6.11 System Fare/Passenger



Fixed-Route Performance

It should be noted that farebox recovery does not include additional exclusions that may be claimed as part of the State Controller Report for the determination of compliance. Operating cost does exclude depreciation.

The 23 percent increase in farebox revenue in FY 2015/16 is most likely due to the fare increase introduced on January 1, 2016. VSH and VSM both decreased across the audit period. Passengers decreased overall, with a modest improvement in FY 2014/15.

Operating cost/VSH, operating cost/VSM, and operating cost/passenger all fluctuated across the audit period, reflecting an increase in efficiency between FY 2013/14 and FY 2014/15, and a modest decrease in efficiency the following year. Passengers/VSM and passengers/VSH experienced the same type of fluctuation, though FY 2015/16 productivity remained equal to or higher than FY 2013/14. Fare/passenger saw the greatest overall increase, which is not unexpected given the significant increase in fare revenue and the decrease in ridership.

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Exhibit 6.12 Fixed-Route Data Comparison

Performance Measure	Fixed-Route			
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Operating Cost (Actual \$)	\$3,610,664	\$3,510,491	\$3,089,547	\$3,075,095
<i>Annual Change</i>		-2.8%	-12.0%	-0.5%
Fare Revenue (Actual \$)	\$344,670	\$331,878	\$393,798	\$484,211
<i>Annual Change</i>		-3.7%	18.7%	23.0%
Vehicle Service Hours (VSH)	24,882	28,550	25,551	25,345
<i>Annual Change</i>		14.7%	-10.5%	-0.8%
Vehicle Service Miles (VSM)	400,425	426,057	426,057	404,857
<i>Annual Change</i>		6.4%	0.0%	-5.0%
Passengers	434,512	347,929	378,452	333,619
<i>Annual Change</i>		-19.9%	8.8%	-11.8%
Employees	17	19	19	19
<i>Annual Change</i>		11.8%	0.0%	0.0%
Performance Indicators				
Operating Cost/VSH (Actual \$)	\$145.11	\$122.96	\$120.92	\$121.33
<i>Annual Change</i>		-15.3%	-1.7%	0.3%
Operating Cost/Passenger (Actual \$)	\$8.31	\$10.09	\$8.16	\$9.22
<i>Annual Change</i>		21.4%	-19.1%	12.9%
Passengers/VSH	17.46	12.19	14.81	13.16
<i>Annual Change</i>		-30.2%	21.5%	-11.1%
Passengers/VSM	1.09	0.82	0.89	0.82
<i>Annual Change</i>		-24.7%	8.8%	-7.2%
Farebox Recovery	9.5%	9.5%	12.7%	15.7%
<i>Annual Change</i>		-1.0%	34.8%	23.5%
Hours/Employee	1463.6	1502.6	1344.8	1333.9
<i>Annual Change</i>		2.7%	-10.5%	-0.8%
TDA Non-Required Indicators				
Operating Cost/VSM	\$9.02	\$8.24	\$7.25	\$7.60
<i>Annual Change</i>		-8.6%	-12.0%	4.7%
VSM/VSH	16.09	14.92	16.67	15.97
<i>Annual Change</i>		-7.3%	11.7%	-4.2%
Fare/Passenger	\$0.79	\$0.95	\$1.04	\$1.45
<i>Annual Change</i>		20.3%	9.1%	39.5%

Source: State Controller Reports.

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Exhibit 4.13 Fixed-Route Ridership

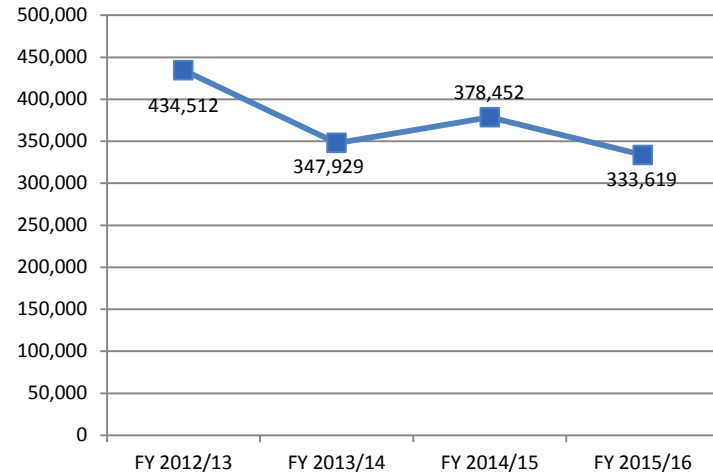


Exhibit 4.14 Fixed-Route Operating Cost/VSH

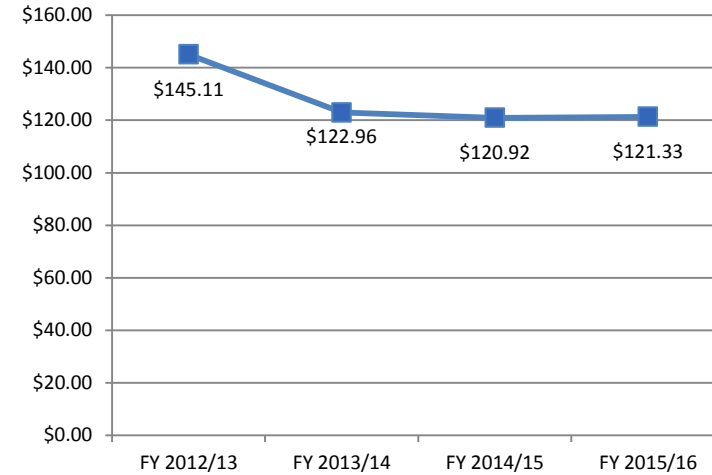


Exhibit 4.15 Fixed-Route Operating Cost/VSM

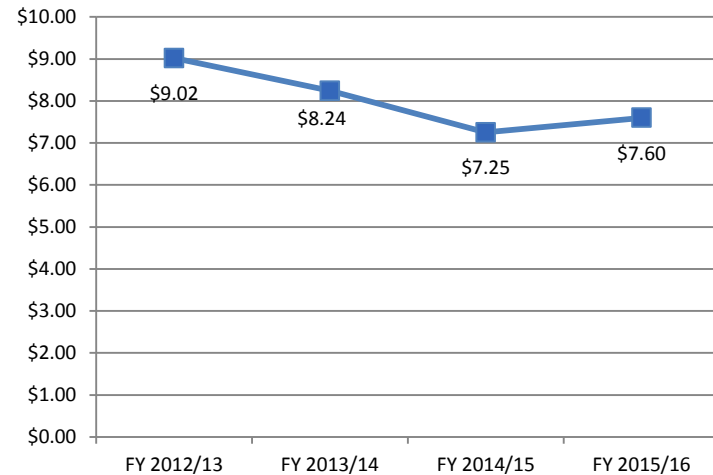
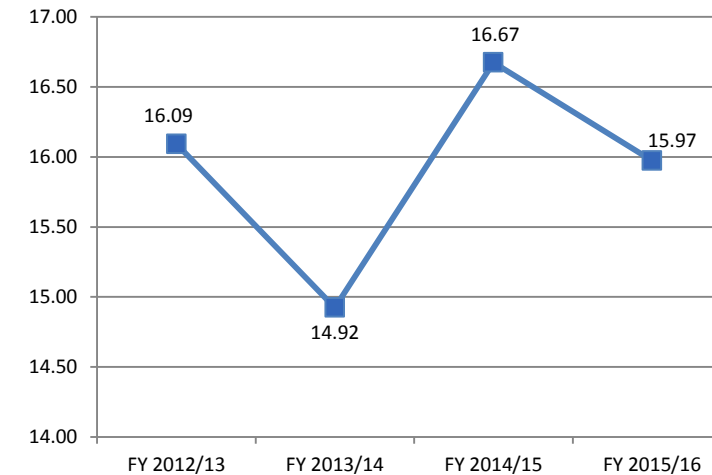


Exhibit 4.16 Fixed-Route VSM/VSH



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Exhibit 4.17 Fixed-Route Operating Cost/Passenger

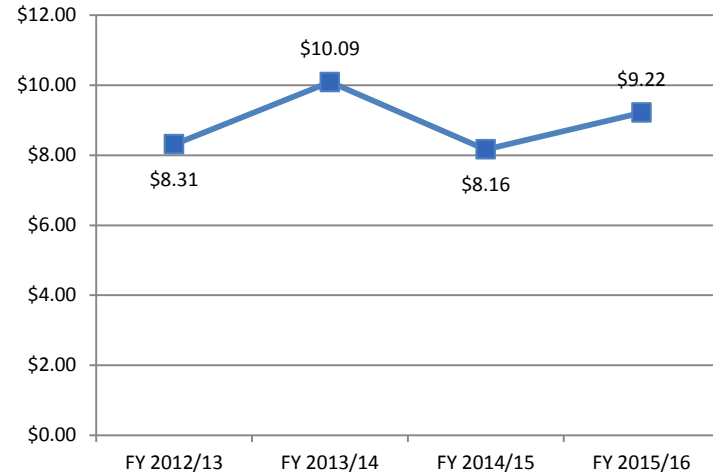


Exhibit 4.18 Fixed-Route Passengers/VSH

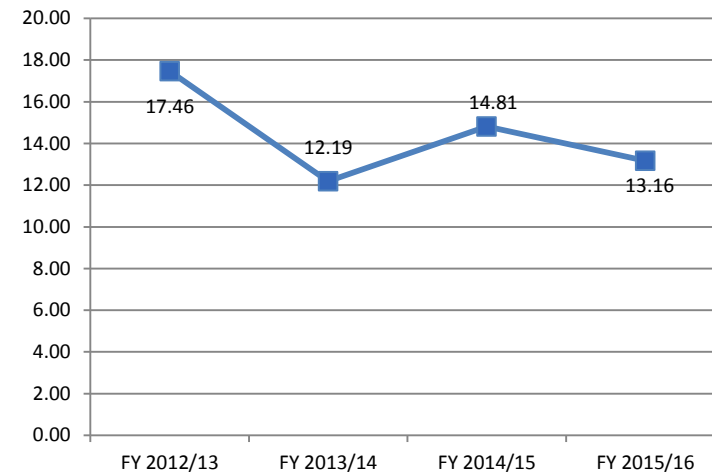


Exhibit 4.19 Fixed-Route Passengers/VSM

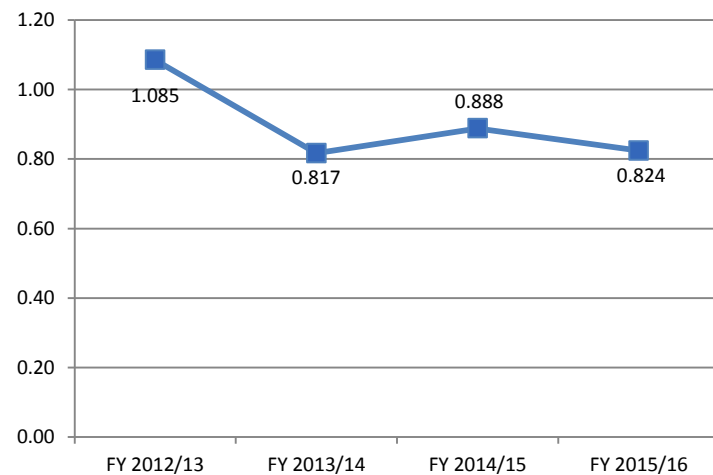
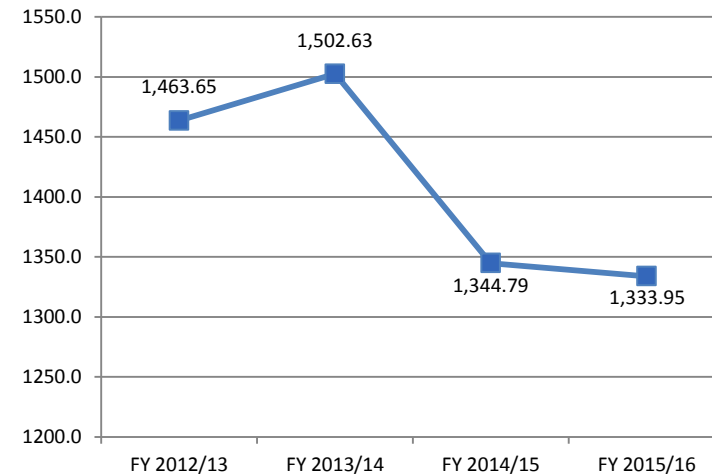


Exhibit 4.20 Fixed-Route VSH/FTE



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Exhibit 4.21 Fixed-Route Farebox Recovery

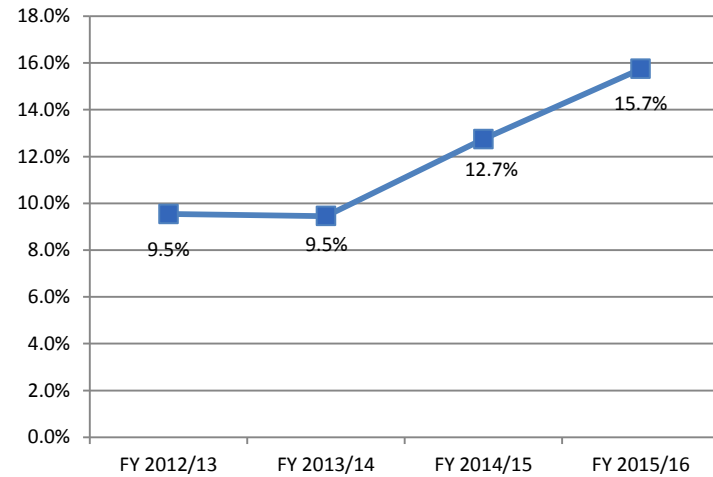
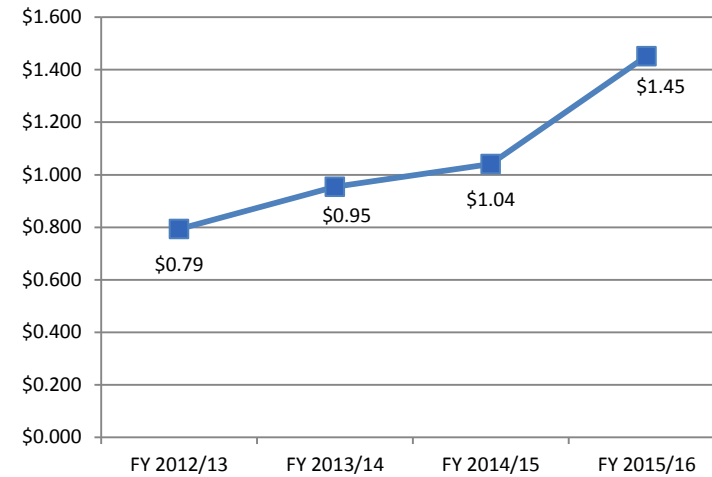


Exhibit 4.22 Fixed-Route Fare/Passenger



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Demand-Response Performance

Demand-response data includes all demand-response services reported by the City on its State Controller Report. It should be noted that farebox recovery does not include additional exclusions that may be claimed as part of the State Controller Report for the determination of compliance. Operating cost does exclude depreciation.

The significant increase in farebox revenue in FY 2014/15 and FY 2015/16 is most likely due to the City's participation in ECTA, with the fare increase contributing to increased revenue in FY 2015/16. VSH³ ended the audit period down just x percent over FY 2013/14, while VSM and ridership saw a steady decrease.

Operating cost/VSH, operating cost/VSM, and operating cost/passenger all increased significantly across the audit period, reflecting a decrease in efficiency. Passengers/VSH decreased, reflective of decrease productivity, though passengers/VSM remained stable. Fare/passenger saw the greatest overall increase in productivity.

³ The VSH for demand-response cited in the City's CAFR for FY 2014/15 (17,009) was not consistent with what was reported in the State Controller Report and to the NTD. If the figure reported in the CAFR is correct, then VSH saw very little fluctuation over the audit period.

Exhibit 4.23 Demand-Response Performance Indicators

Performance Measure	Demand-Response			
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Operating Cost (Actual \$)	\$1,919,759	\$2,067,464	\$2,706,212	\$3,252,231
Annual Change		7.7%	30.9%	20.2%
Fare Revenue (Actual \$)	\$82,445	\$83,598	\$65,915	\$220,006
Annual Change		1.4%	-21.2%	233.8%
Vehicle Service Hours (VSH)	18,967	17,985	15,542	17,356
Annual Change		-5.2%	-13.6%	11.7%
Vehicle Service Miles (VSM)	184,074	183,407	172,444	158,604
Annual Change		-0.4%	-6.0%	-8.0%
Passengers	46,290	50,308	45,364	43,485
Annual Change		8.7%	-9.8%	-4.1%
Employees	13	20	22	22
Annual Change		53.8%	10.0%	0.0%
Performance Indicators				
Operating Cost/VSH (Actual \$)	\$101.22	\$114.95	\$174.12	\$187.38
Annual Change		13.6%	51.5%	7.6%
Operating Cost/Passenger (Actual \$)	\$41.47	\$41.10	\$59.66	\$74.79
Annual Change		-0.9%	45.2%	25.4%
Passengers/VSH	2.44	2.80	2.92	2.51
Annual Change		14.6%	4.3%	-14.2%
Passengers/VSM	0.25	0.27	0.26	0.27
Annual Change		9.1%	-4.1%	4.2%
Farebox Recovery	4.3%	4.0%	2.4%	6.8%
Annual Change		-5.8%	-39.8%	177.7%
Hours/Employee	1,459.0	899.3	706.5	788.9
Annual Change		-38.4%	-21.4%	11.7%
TDA Non-Required Indicators				
Operating Cost/VSM	\$10.43	\$11.27	\$15.69	\$20.51
Annual Change		8.1%	39.2%	30.7%
VSM/VSH	9.70	10.20	11.10	9.14
Annual Change		5.1%	8.8%	-17.6%
Fare/Passenger	\$1.78	\$1.66	\$1.45	\$5.06
Annual Change		-6.7%	-12.6%	248.2%

Source: State Controller Reports

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Exhibit 4.24 Demand-Response Ridership

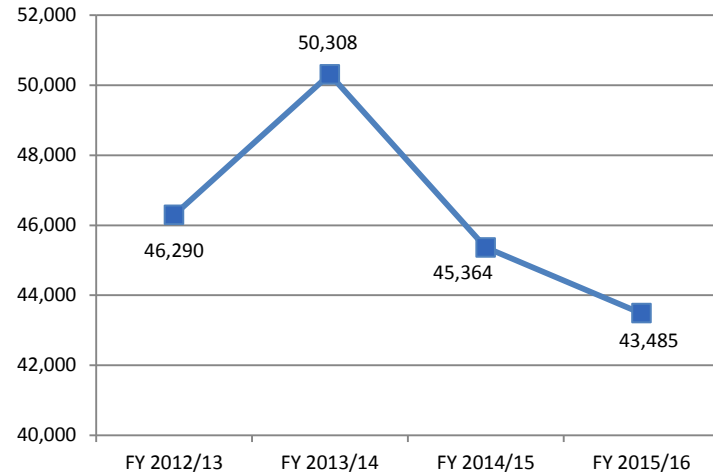


Exhibit 4.25 Demand-Response Operating Cost/VSH

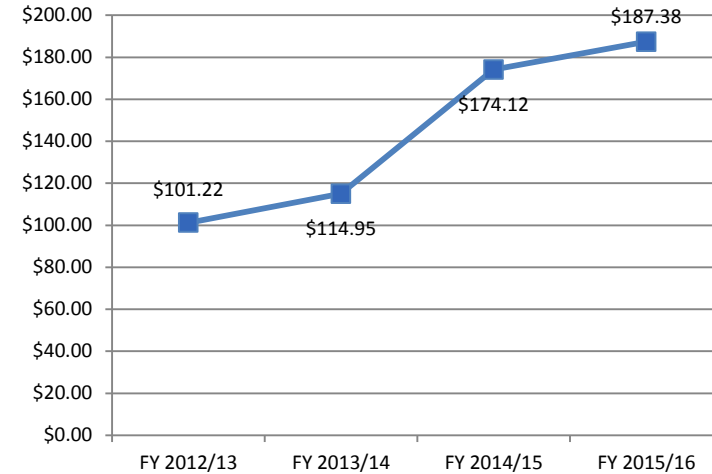


Exhibit 4.26 Demand-Response Operating Cost/VSM

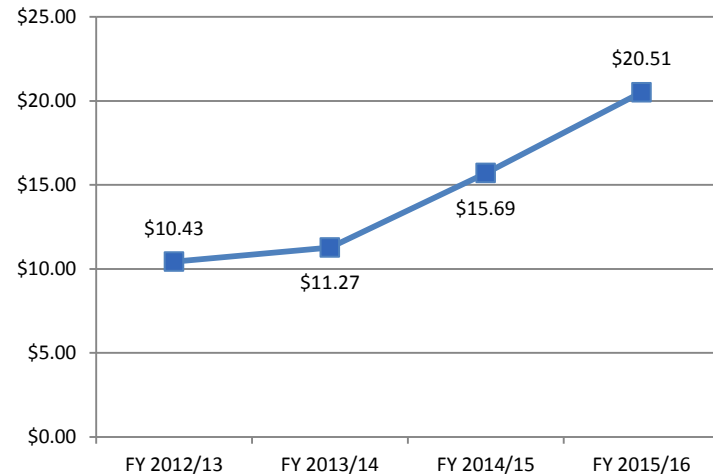
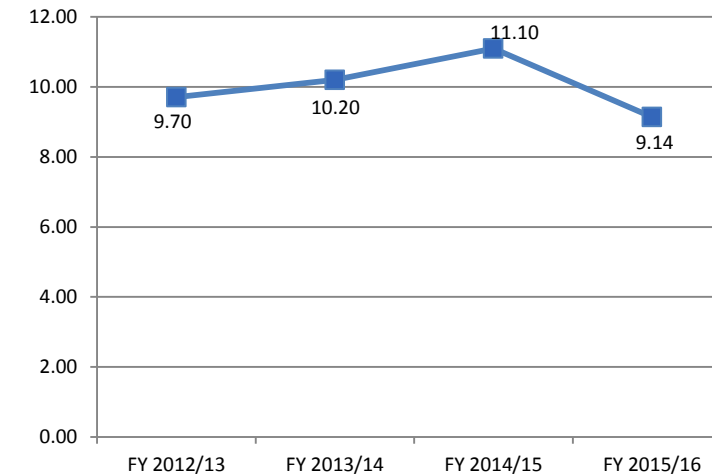


Exhibit 4.27 Demand-Response VSM/VSH



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Exhibit 4.28 Demand-Response Operating Cost/Passenger

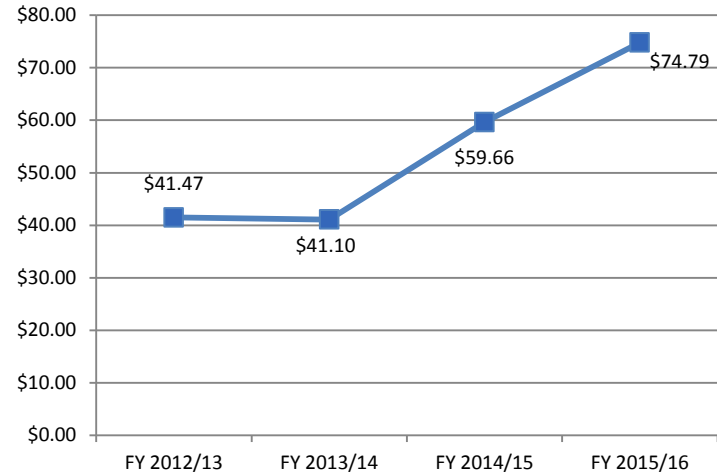


Exhibit 4.29 Demand-Response Passengers/VSH

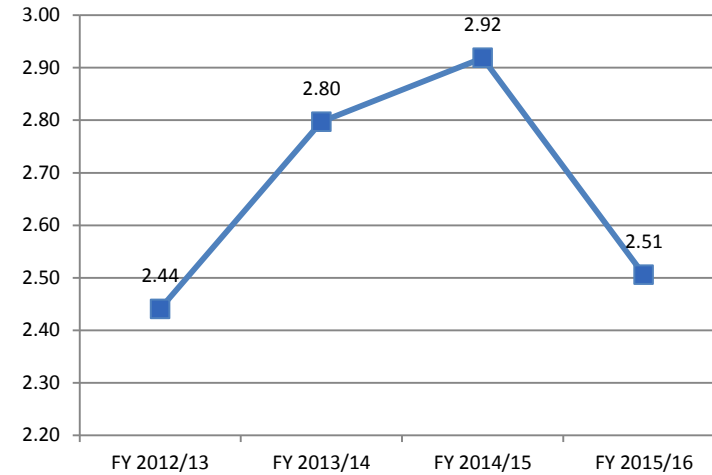


Exhibit 4.30 Demand-Response Passengers/VSM

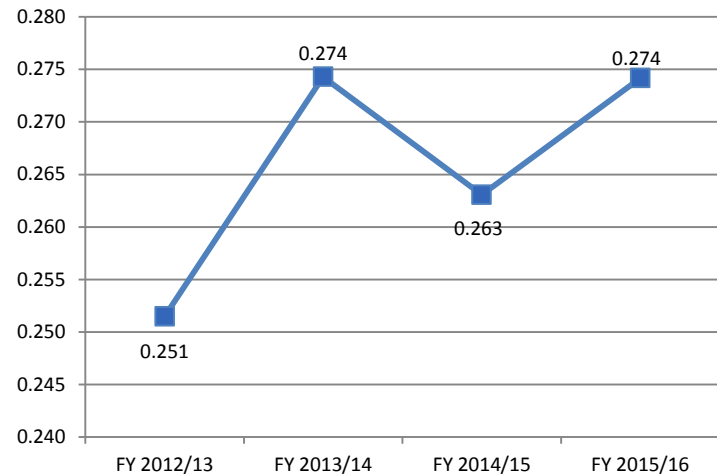
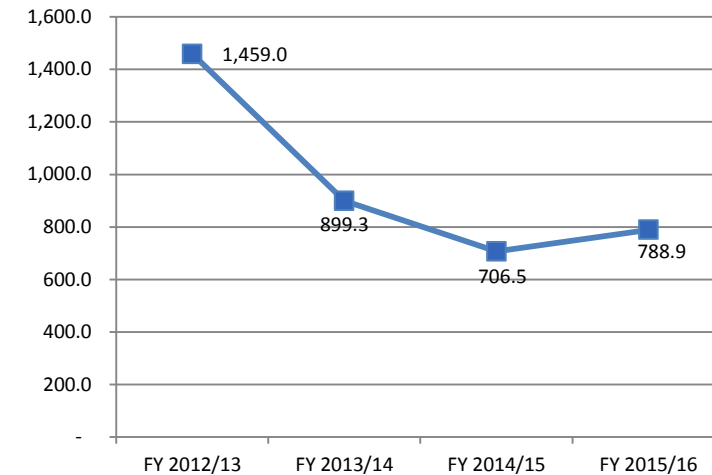


Exhibit 4.31 Demand-Response VSH/FTE



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Exhibit 4.32 Demand-Response Farebox Recovery

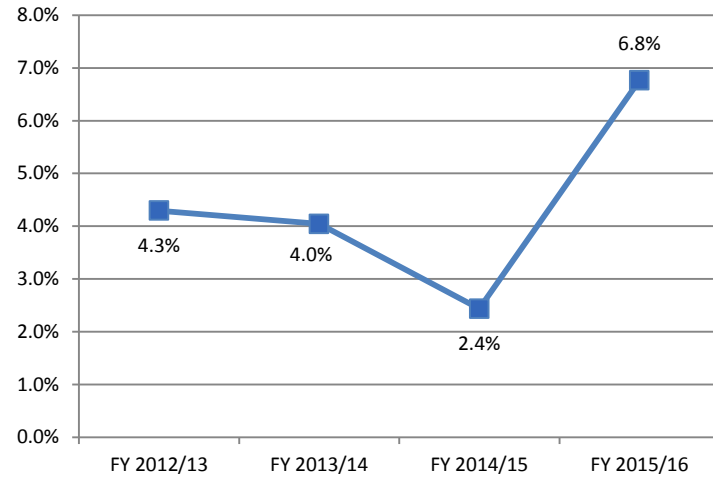
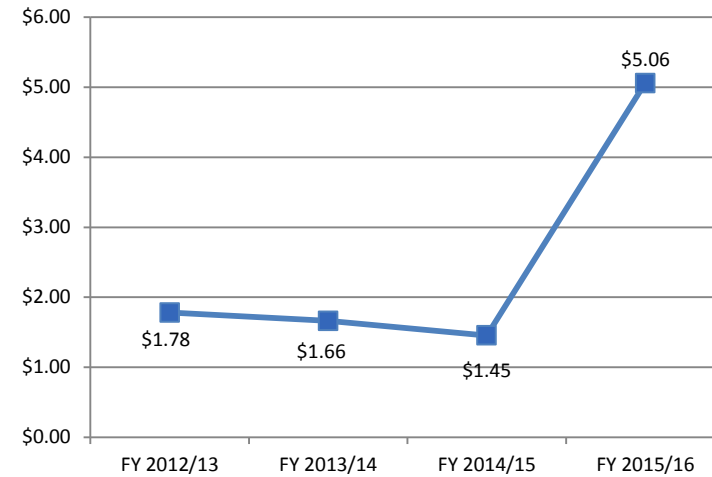


Exhibit 4.33 Demand-Response Fare/Passenger



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Chapter 5

Functional Review

A functional review of the City of Simi Valley'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 Simi Valley 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 Simi Valley, located in southeastern Ventura County, provides public transit service consisting of fixed-route and ADA/senior Dial-A-Ride services within Simi Valley as well as the Chatsworth Metrolink Station. Fixed routes A, B, and C provide bus service Monday through Saturday, while Route D operates Monday through Friday (excluding designated holidays). Hours of operation are from approximately 5:15 a.m. to 8:00 p.m.

The City's Dial-A-Ride is a shared-ride, curb-to-curb service for ADA-certified individuals as well as seniors age 65 and older. Riders must complete a Dial-A-Ride application to be eligible for the service.

In addition, Simi Valley is one of five entities participating in the East County Transit Alliance, which provides a new program, CONNECT InterCity, enabling seniors and ADA-certified individuals to travel throughout eastern Ventura County.

This is the first triennium during which Simi Valley is required to be audited. Following California Senate Bills 716 and 203, in FY 2014/15 Simi Valley began using TDA Article 4 funds. In order to maintain full eligibility for future TDA funds, Simi Valley needs to comply with TDA farebox recovery ratios. The City's farebox recovery ratio requirements are 20 percent for fixed-route service and 10 percent for ADA/DAR. In 2014/15, the City's actual farebox recovery ratios were approximately 12.1 percent for fixed-route and 2.7 percent for ADA/DAR. This gap necessitated changes to the fare structure. In January 2016, the City implemented a fare increase and introduced daily and monthly transit passes. It also raised the qualifying age for its senior service from 60 to 65.



The current fare structure for fixed-route service is shown in Exhibit 5.1, while Exhibit 5.2 details the DAR fare structure. Upon request, the City also provides transfers for connections to Ventura County Transportation Commission Intercity Bus and Los Angeles Metro.

Exhibit 7.1 Fixed-Route Fare Structure

Fare Category	Fare
General fare	\$1.50
Reduced fare (seniors and ADA-certified individuals)	\$0.75
Day pass (general fare)	\$5.00
Day pass (reduced fare)	\$2.50
Unlimited monthly pass (general fare)	\$50.00
Unlimited monthly pass (reduced fare)	\$25.00

Exhibit 7.2 Dial-A-Ride Fare Structure

Fare Category	Fare
Seniors 65 and over / ADA-certified individuals	\$2.00
Approved Personal Care Attendant	No charge
Non-ADA-certified Personal Care Attendant	\$2.00
Book of 10 tickets	\$20.00

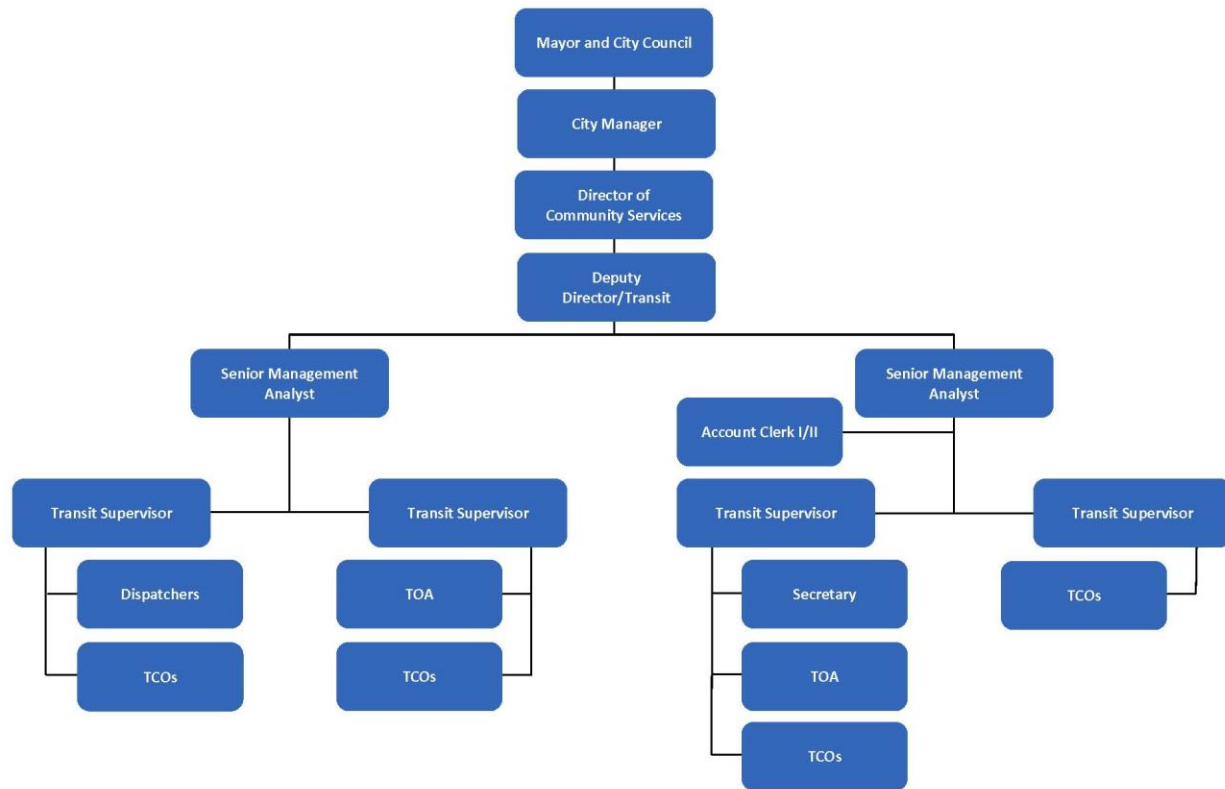
General Management and Organization

The Simi Valley city council is the governing body for the City's transit program. The City Council meets on Monday evenings at City Hall, located at 2929 Tapo Canyon Road, typically twice or more per month.

The City's Transit system is a division of the City of Simi Valley's Community Services Department. The Transit Division occupies the Transit Maintenance Facility, located at 490 West Los Angeles Avenue. The Director of Community Services reports to the City Manager. She is assisted by the Deputy Director/Transit, two Senior Management Analysts, four Transit Supervisors (one supervisor position is currently vacant), and numerous support staff including four dispatchers (two dispatcher positions are currently vacant).

The City's organizational chart is included in Exhibit 5.3.

Exhibit 5.3 Organizational Chart



Source: City of Simi Valley.

The City has worked to restructure its program in recent years, restructuring the Transit Supervisors and adding layers of management support. Functions of the transit program have also been integrated with other City departments. The City is also currently developing a Short Range Transit Plan that will provide additional performance metrics.

The City's Transit Supervisors monitor performance measures on a daily basis. Fixed-route metrics include ridership, farebox, and on-time performance. DAR metrics include denials, productivity, missed trips/no shows, and additional resources needed to meet demand. In-service evaluations of drivers are conducted at least once per year, with plans to increase mystery rider evaluations to semi-annually or quarterly.

The City has not made any drastic changes to its transit program in recent years, although there were some fixed-route modifications and changes to the Dial-A-Ride program (including scheduling practices and eligibility age). A primary goal of the ongoing SRTP is to improve system efficiency to ensure sustainability. The Simi Valley city council has taken renewed interest in transit program health, including re-education regarding funding.

The City has worked closely with the RTPA, which was very helpful during the administrative re-organization. The City participates in VCTC's Transcom for transit operators, which fosters regional collaboration.

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The City has worked closely with the FTA on improving its performance. The results have been a significant reduction in FTA findings, from 33 in 2014 to three in 2017. The City has also hosted FTA training events.

Service Planning

The City has clear goals and objectives but is developing more as part of its SRTP. Goals are currently focused more on daily performance, whereas new goals will likely focus on quarterly targets. Goals will also focus on employee performance, rather than just management performance.

Short-range planning has been an ongoing process, with constant assessment of funding and budgeted projects, and re-prioritization as necessary. The City is also in the process of re-organizing the support structure for drivers. The City's transit personnel stay involved with all new developments to ensure sufficient service to high-traffic areas.

The City's GFI fareboxes provided route-by-route performance data daily. In fall 2016, the City conducted a route-by-route analysis to understand peak demand. The City does not currently have a "rule of thumb" policy for minimum ridership levels, but it is implementing new performance measures for drivers and recently met with Gold Coast Transit District regarding GFI methodology and procedures.



The City's special transportation needs have evolved. Demand for its fare-free senior services was so strong that the City could not keep up and had to deny trips. The City assessed capacity and shifted from a pick-up-based model to an arrival-based, shared-ride model. In FY 2015/16 the City implemented senior fares. The effort included robust outreach to ensure the community understood the necessity for fares and the longer ride times.

The Community Services department regularly engages the community, including neighborhood councils, Area Agency on Aging, and the general public. All public meetings are Brown Act compliant. Service information has also been distributed at community events, including streets and the annual Living Green Expo. The City works well with the local senior center and Mobility Management Partners for travel training to assist with mode-shifting from Dial-A-Ride to fixed-route services. In addition to a Paratransit/ADA advisory committee that meets quarterly, the City receives feedback from more than 200 volunteer advisory board members. The City's SRTP will include rider and community surveys.

Scheduling, Dispatch, and Operations

Drivers bid on schedules up to two times per year, with assignments awarded based on seniority. Dial-A-Ride routes are adjusted seasonally; the City recognizes the value in rotating assignments.

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The City employs 12 full-time drivers and 16 part-time drivers. Both full-time and part-time drivers receive the same training, including Verification of Transit Training (VTT). Full-time drivers work fixed-routes Monday through Friday, while part-time drivers work fixed-route and DAR Monday through Saturday.

Although drivers are collectively represented, these agreements do not affect route scheduling. The City has a memorandum of understanding with the labor union regarding covering advance vacation requests, and also tries to accommodate late requests. Twice per year, employees are allowed to cash out up to 100 hours of unused leave.

The City utilizes Trapeze scheduling software to assign passengers to routes. The software makes approximately 85 percent of schedules, while City personnel handle the remainder. The software is sufficient but does not handle group requests very well; the City would like to upgrade. Less than half of trips are recurring subscriptions. DAR drivers wait four minutes within a thirty-minute window.

Fixed-route vehicles are rotated through routes per Title VI requirements. Mechanics can pull vehicles from service if they do not meet operability requirements.

Personnel Management and Training

Drivers are recruited via a variety of channels, including newspapers, website, job sites, bulletin boards, and industry sites. Recruits are generally experienced, yet all recruits undergo classroom and behind-the-wheel training even if fully certified. The City is receiving interest from qualified individuals who do not have their VTT. The City is trying to reduce the standards for incoming candidates. Full-time positions must be filled with part-time drivers when they become available, per the negotiated labor agreement.

Drivers are rewarded with Driver Appreciation Day events, holiday events, and an annual barbecue. The City also tries to engage in meaningful dialogue with drivers. Formal communications are provided during performance evaluations, which have been the subject of positive comments from drivers. These motivation efforts, as well as competitive salaries, lead to low turnover rates.

Ongoing training includes classroom and behind-the-wheel lessons. The City also conducts monthly safety meetings. Ongoing training exceeds state requirements.

The City's progress disciplinary policy includes significant staff counseling.

Full-time drivers receive a full benefits package, including health insurance, life insurance, retirement, health accounts, annual leave, and holidays. Part-time drivers receive prorated benefits. Drivers who work 90 percent of full-time are compensated for benefit gaps.

Administration

The City recently implemented a new financial enterprise management platform. The transit budget is separated into a separate government fund. Three times per year, actual revenue and expenses versus budgeted forecasts are reported to the Simi Valley city council; staff reviews more frequently. The transit program is currently 100-percent self-supported and under budget; no General Fund contributions have been requested.

The City's risk manager receives reports of all incidents that could adversely impact the City. The City participates in Drug and Alcohol Monitoring and Information System (DAMIS), which provides information about emerging trends in drug misuse, to enable quick action regarding employees who misuse drugs. The City is self-insured and utilizes self-funded workers' compensation insurance. Vehicles have onboard cameras for added security. Transit's role in the City's emergency plan is well-defined.

The Community Services Deputy Director is responsible for contract management, which includes CNG maintenance, the ECTA agreement, advertising, various software, and vehicle parts. Contract performance is evaluated by additional internal personnel.

Transit supervisors pull secured fareboxes and DAR vaults from vehicles and place them in the cash room. The vault has been re-keyed, with a key log. Two people currently count fare revenue, but the City would like to automate counting as Gold Coast Transit District has done. The City would like to "borrow" GCTD's revenue-handling policies and minimize cash handling.

DAR fares are reconciled against trip manifests. Bank deposits are monitored against unclassified fares.

Employee timesheets are created based on updated daily schedules, which are confirmed weekly and input into the City's accounting system. The Secretary performs initial entry, which the Account Clerk audits. Variation slips are signed by the driver and Supervisor. Reports are run on the second week of each pay period to show each employee's allocation; the report is sent to the City's Fiscal Services department. The City hopes to implement automated payroll software by the end of the year.

Each purchase order must go through the City's approval process.

The transit program does not have an internal auditor. However, the transit program is routinely audited under IRS, Prop 1B, and FTA audits.

Marketing and Public Information

The City utilizes multiple channels for marketing and public information, including press releases, websites, onboard notices, Rider Guides, and outreach to transit-dependent groups including ARC and adult daycare. The City would like to utilize more marketing campaigns. A recent successful outreach effort was conducted regarding changes to the fare structure.

Customer concerns/complaints are tracked and escalated as necessary.

Maintenance

The City's maintenance facility Transit Maintenance Facility, located at 490 West Los Angeles Avenue, is a certified LEED-Gold building that resulted in a 25 percent energy savings following renovations in 2011. The facility's bus washing system filters and recycles wash water to reduce water use by 42 percent. The City's renovations included a CNG fueling facility that enables the City to sell fuel to other fleet managers, including the City of Moorpark, the Simi Valley Unified School District, and a local waste-management company.

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The City's preventive maintenance program includes monthly inspections, pre- and post-trip driver inspections, and servicing every 6,000 miles. This schedule complies with manufacturers' recommended schedules. Other issues are addressed based on need. Maintenance staff can reschedule preventive maintenance to maximize vehicle availability. .

Compliance with the preventive maintenance scheduled is tracked via City spreadsheets. The City has secured funding to purchase a transit management system with fleet module.

The Maintenance Facility and Garage are sufficient for the City's fleet, including three bays, two lifts, and a pit. Specialized repairs such as engine or body work are contracted out.

Maintenance schedules are repeatedly communicated to dispatch. In unsafe vehicles are identified, they are tagged out and marked on a board, and dispatch is notified. If there is any doubt to a vehicle's soundness, it is kept out of service.

The City's fleet is summarized in Exhibit 5.4.



Exhibit 5.4 City of Simi Valley Transit Fleet

Year	Make	Model	Fuel type	Mode	Quantity
2004	NABI	C40LF	CNG	Fixed-Route	2
2010	New Flyer	C40LF	CNG	Fixed-Route	3
2014	New Flyer	BU/X0140	CNG	Fixed-Route	6
2009	El Dorado National	Aerotech	CNG	ADA/DAR	1
2015	Chevrolet	BU	CNG	ADA/DAR	11
2003	Dodge	Caravan	Gas	Supervisory	1
2004	Ford	Crown Vic	CNG	ADA/DAR	1
1997	Ford	Crown Vic	Gas	Supervisory	1
2000	Ford	Crown Vic	Gas	Supervisory	1
1999	Chevrolet	Astro	Gas	Relief	3

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Chapter 6

Findings and Recommendations

Conclusions

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

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 use of the TDA definition of full-time equivalent (FTE) for reporting to the State Controller could not be verified.

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

1. The farebox recovery ratio in the City's FY 2015/16 TDA Article 4 audit was miscalculated, resulting the City being determined to be in compliance when it actually fell short of the 20 percent threshold.
2. Due to the error in the audit, the City fell short of the 20 percent farebox recovery ratio stipulated by the TDA for transit operators in urbanized areas during FY 2016.

Program Recommendations

In completing this Triennial Performance Audit, we submit the following recommendations for the City of Simi Valley'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 use of the TDA definition of full-time equivalent (FTE) for reporting to the State Controller could not be verified.

Criteria: Public Utilities Code Section 99247(j) defines the vehicle service hours per employee metric as "the number of vehicle service hours divided by the number of employees employed in connection with the public transit system" based on person-hours of work. The item goes on to state, "The count of employees shall also include those individuals employed by the operator, which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency."

Condition: As part of this review, the City did not provide any documentation outlining the methodology it uses in calculating FTE. Employees as reported to the State Controller varied widely from year to year. In FY 2013/14 and FY 2014/15, the number of employees was the same for both

fixed-route and demand-response, which was interpreted as the City reporting the total number of employees system-wide as the number of employees for each mode. In FY 2015/16, the number of employees reported appeared to be much more appropriate for each mode. However, it appears the City has been using the FTE hours provided in its budget.

Cause: There is a lack of understanding of the TDA definition of full-time equivalent, which would result in use of either a person-count or FTE calculated using the federal definition of full-time (which is 2,080 hours).

Effect: When FTE reported to the State Controller cannot be verified by internal calculation methodology, or when that calculation methodology is incorrect, it is a TDA compliance issue.

Recommendation: Demonstrate use of the TDA definition of full-time equivalent (FTE) and use that methodology when reporting Employees on the State Controller Report.

Recommended Action(s): City staff responsible for preparing the State Controller Report and transit management staff should be made aware of the TDA definition for full-time equivalent (FTE) as well as how it should be reported on the State Controller Report. In completing the State Controller Report, all staff and contractor hours worked for the full fiscal year should be added together, then divided by 2,000 to get the total FTE. Rather than accepting FTE figures from the contractor, we recommend the City request actual hours worked from the contractor, add City staff hours, then calculate FTE for the State Controller Report.

In situations where City staff do not document time but are instead allocated by a percentage of their position, an estimate can be used as long as it is based on the 2,000 definition. Since most employers use the 2,080 definition of FTE internally, this requires additional calculation. For example:

- Staff A is dedicated three-quarters-time (75%) to transit → .75 FTE
- Calculate the number of hours based on 2,080 hours per year → 1,560 hours
- Either add this to the total hours OR determine what 1,560 hours equals based on 2,000 hours per year → .78 FTE

For small programs, this change in methodology may not change what is reported to the State Controller appreciably. However, it can have a much more significant impact for larger systems. The methodology and process for this calculation should be well documented and easily accessible for each fiscal year at the time of the next Triennial Performance Audit.

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

Anticipated Cost: Negligible.

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Functional Finding 1: The farebox recovery ratio in the City's FY 2015/16 TDA Article 4 audit was miscalculated, resulting the City being determined to be in compliance when it actually fell short of the 20 percent threshold.

Criteria: PUC Section 99268 establishes a 20 percent farebox recovery minimum for urbanized transit systems and a 10 percent farebox recovery ratio threshold for specialized services provided only for seniors and persons with disabilities. Depreciation is an allowable exclusion.

Condition: The City correctly claimed depreciation as an allowable exclusion from operating cost on its State Controller Report for FY 2015/16. However, the farebox recovery ratio calculations in the TDA Article 4 audit used the fixed-route operating cost less depreciation (\$3,075,095) and subsequently excluded depreciation from it again, resulting in a much lower operating cost and an artificially inflated farebox recovery ratio. The same miscalculation was noted for the specialized services as well. As a result, the City's fixed-route service actually fell below the 20 percent threshold during FY 2015/16, though the Dial-A-Ride service did meet the 10 percent threshold.

Comparison of the TDA Auditor's farebox recovery ratio calculations from the FY 2015/16 TDA Article 4 fiscal audit and those corrected using operating data from the State Controller Reports are provided below.

	Fixed route - TDA 4 Audit	Fixed route - Corrected	Specialized Services - TDA 4 Audit	Specialized Services - Corrected
Fares and subsidy	\$484,211.00	\$484,211.00	\$220,006.00	\$220,006.00
Operating expenses	\$3,075,095.00	\$3,874,064.00	\$3,252,231.00	\$3,475,609.00
Less exclusion of complementary paratransit			\$918,435.00	\$918,435.00
Less exclusion of insurance/liability	\$134,447.00	\$134,447.00	\$142,554.00	\$142,554.00
Less depreciation	\$798,969.00	\$798,969.00	\$223,378.00	\$223,378.00
Net operating expenses	\$2,141,679.00	\$2,940,648.00	\$1,967,864.00	\$2,191,242.00
Fare ratio	22.61%	16.47%	11.18%	10.04%
Required ratio	20.00%	20.00%	10.00%	10.00%

Cause: The TDA auditor did not verify the operating expenses data provided by the City when calculating the farebox recovery ratio.

Effect: Depreciation was excluded twice, resulting in an artificially inflated farebox recovery ratio that was used to certify the City's compliance with the TDA.

Operators who do not meet the 20 percent farebox recovery requirement are entitled to a one-time grace year. For the City, this would be FY 2014/15. There is no reduced eligibility for TDA funding until the third year of noncompliance. The first year is the noncompliance year, the second year is the determination year, and the third year is the penalty year.⁴

⁴ California Code of Regulations, Title 21, Division 3, Article 4, Section 6633.9.

The audit team has elected to acknowledge the error and recommend steps to remedy it, but to find the City to be in compliance for FY 2015/16, given the City and VCTC acted in good faith by using the TDA fiscal audit as the basis for determining compliance, and given this is the City's first Triennial Performance Audit.

Recommendation: The TDA auditor should verify during the audit process that it is using the base operating cost (absent any exclusions) before subtracting exclusions in the calculation of farebox recovery ratio.

Recommended Action(s): The City (or VCTC, if appropriate) should work with the TDA auditor to ensure that the operating cost used in the calculation of farebox recovery ratios has not already had exclusions subtracted from it. We also recommend the TDA auditor clearly identify all exemptions and exclusions in calculating the farebox recovery ratio so that any errors or discrepancies can be more readily identified.

Timeline: Beginning with FY 2016/17 TDA audit in FY 2017/18.

Anticipated Cost: Negligible.

Management Response: After reviewing the FY 2014/15 and FY 2015/16 farebox recovery ratio calculations and the submitted State Controller's Reports, the City noted that in FY 2014/15 Operating Expense was used as the base for the farebox recovery ratio calculations and in FY 2015/16 Operating Cost was used (which turns out to be Operating Expense less depreciation). It appears that the FY 2015/16 farebox recovery ratio inadvertently deducted depreciation twice from the total operating expense. Despite the City's efforts to ensure the farebox recovery ratio was calculated correctly by having Conrad [the TDA fiscal auditor] review the calculations along with the back-up, the expense and cost along with the TDA language made it easy to miss.

The audit team also spoke with VCTC's Finance Director to identify potential strategies that could be taken with the TDA auditor to ensure the opportunity for such errors can be mitigated in future years.

Functional Finding 2: Due to the error in the audit, the City fell short of the 20 percent farebox recovery ratio stipulated by the TDA for transit operators in urbanized areas during FY 2016.

Criteria: PUC Section 99268 establishes a 20 percent farebox recovery minimum for urbanized transit systems in order to remain compliant with TDA. While other locally generated funds may be used to subsidize farebox recovery, the standard is also used as a measure of efficiency and productivity.

Condition: Officially, the City's farebox recovery ratio ranged between 9.5 percent and 22.6 percent during the audit period. Determination of compliance with TDA farebox recovery ratio requirements was based on single-year TDA fiscal audits for FY 2014/15 and FY 2015/16, and on State Controller Reports for FY 2013/14. A miscalculation by the TDA auditor in FY 2015/16 resulted in the City being determined to be in compliance when it actually was not.⁵ Since VCTC acted in good faith in accepting

⁵ See Functional Finding 1 regarding issues with the farebox recovery ratio reported by the TDA auditor in FY 2015/16.

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the auditor's assessment, we have elected to accept the compliance finding for FY 2015/16. However, the City must be vigilant moving forward to ensure its farebox recovery ratio for fixed-route service meets the 20 percent minimum.

Cause: When the TDA minimum farebox recovery ratio is not required because an operator does not receive TDA Article 4 funds, there is no penalty for not meeting that goal, nor is there significant incentive for doing so. Meeting the TDA requirement the first year of funding, especially when it has not been a target performance measure in prior years, can be challenging. In FY 2015/16, the TDA auditor certified the City as being in compliance with the 20 percent threshold due to a miscalculation.

Effect: A farebox recovery ratio under 20 percent is out of compliance with the TDA. It can result in reduced eligibility for TDA funding if the operator fails to meet the required farebox recovery ratio within one year of the noncompliance year.

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

Recommended Action(s): The City should identify strategies that can be used to increase the farebox recovery ratio for its fixed-route service to 20 percent. The City is currently preparing a Short Range Transit Plan, and achieving the required 20 percent farebox recovery ratio for the fixed-route service should be a key goal of that plan. Strategies may include additional marketing to increase ridership and identifying efficiencies in transit operations. 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).

Timeline: Beginning with FY 2016/17.

Anticipated Cost: Negligible.

Exhibit 6.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Demonstrate use of the TDA definition of full-time equivalent (FTE) and use that methodology when reporting Employees on the State Controller Report.	High	FY 2017/18
Functional Recommendations		Importance	Timeline
1	The TDA auditor should verify during the audit process that it is using the base operating cost (absent any exclusions) before subtracting exclusions in the calculation of farebox recovery ratio.	High	FY 2017/18
2	Identify and implement strategies for increasing the fixed-route farebox recovery ratio to 20 percent.	High	FY 2016/17

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