Triennial Performance Audit for FY 2013/14 – FY 2015/16
Summary of Findings and Recommendations
Ventura County Transportation Commission/Transcom
June 8, 2017

This document provides a summary of the findings and recommendations arising from the Triennial Performance Audit of the RTPA and the transit operators covered by the project scope.

Background

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 undergo an independent performance audit on a three-year cycle in order to maintain funding eligibility. Operators that do not receive TDA funding under Article 4 are not statutorily required to undergo a Triennial Performance Audit, nor have they traditionally been held to the requirements of TDA Article 4. However, VCTC requested all Ventura County operators be audited to enable a comprehensive and objective review to provide beneficial insights into program performance and to establish a baseline for future audits. This represents the first Triennial Performance Audit of all entities except for VCTC as the RTPA and Gold Coast Transit District.

The Triennial Performance Audit is designed to be an independent and objective evaluation of public transit operators, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three fiscal 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.

In completing this Triennial Performance Audit, the audit team identified findings and recommendations based on compliance and functional elements of the review. Findings and recommendations were divided into two categories: TDA Program compliance findings and recommendations and functional findings and recommendations. TDA program compliance findings and recommendations identify compliance issues and are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA. Functional findings and recommendations are intended to address issues identified during the TPA that are not specific to TDA compliance.

Each operator and the RPTA has been provided with the draft audit report. Audited entities may submit a response to any of the draft findings and/or recommendation, which will then be included within the final reports.

Trends Regarding Findings

Of the ten entities (RTPA and nine operators), one had “no findings” reported. One additional operator had only compliance findings, while two had only functional findings (and were deemed to be fully in compliance with TDA). The remaining six operators had both compliance and functional findings. All operators that receive TDA Article 4 funds were deemed to be in compliance with respect to farebox recovery.

The most common compliance finding pertained to on-time submission of annual State Controller Reports (four of the nine operators). Functional findings focused on strategies for improving the farebox recovery ratio (four operators), more accurate reporting to the State Controller (four operators), and ensuring VCTC's "once TDA, always TDA" policy is adhered to. (While this policy went into effect after the current audit period, it has the potential to affect future compliance.) Findings regarding farebox recovery ratios were classified as functional rather than compliance findings for several reasons, including exemptions for new services, one-time grace year, not using TDA funds for transit, and operators being certified as compliant by the TDA fiscal auditor. Specific findings and recommendations are discussed in detail within each audit report.

Changes Regarding TDA Funding

It should be noted that 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, which is discussed in its entirety within each of the operator audit reports, 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. 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 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." 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.

Local Conditions

Notable events affecting transit in Ventura County during the audit period (FY 2013/2014 through FY 2015/2016) included:

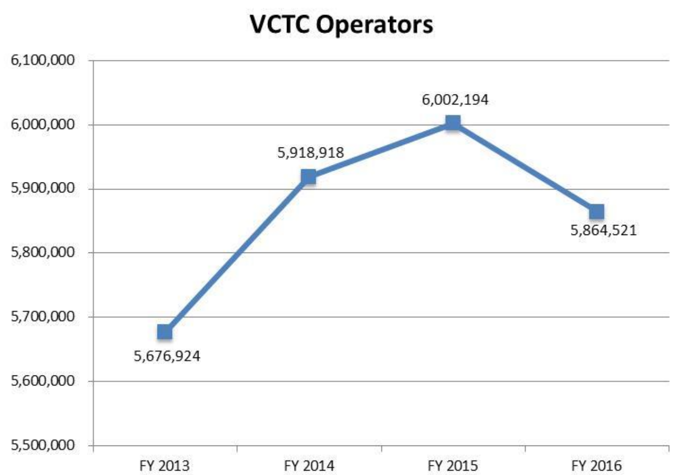
- VCTC finalized its Comprehensive Transportation Plan;
- SB 203 went into effect, allowing cities in Ventura County under 100,000 in population to use TDA funds for local streets and roads provided transit needs were addressed;
- SB 508 went into effect, redefining certain exemptions and local funds that could be applied to the farebox recovery ratio;
- VCTC rebranded its transit services from VISTA service to VCTC Intercity Bus;
- Gold Coast Transit completed its transition from a Joint Powers Authority to a transit district;
- Gold Coast Transit District unveiled new branding;

- Gold Coast Transit was named "Small Operator of the Year" for FY 2013/14 by California Transit Association;
- Valley Express service launched in March 2015;
- The East County Transit Alliance launched in 2015;
- Camarillo Area Transit launched a free trolley service to retail and dining destinations;
- Thousand Oaks Transit completed its Transit Master Plan, which includes significant adjustments to its transit services;
- The Kanan Shuttle Service implemented Saturday service in April 2015 and discontinued the Oak Park Dial-A-Ride service;
- Moorpark City Transit adjusted its schedules; and
- Simi Valley Transit and Thousand Oaks Transit began using TDA Article 4 funds for the first time.

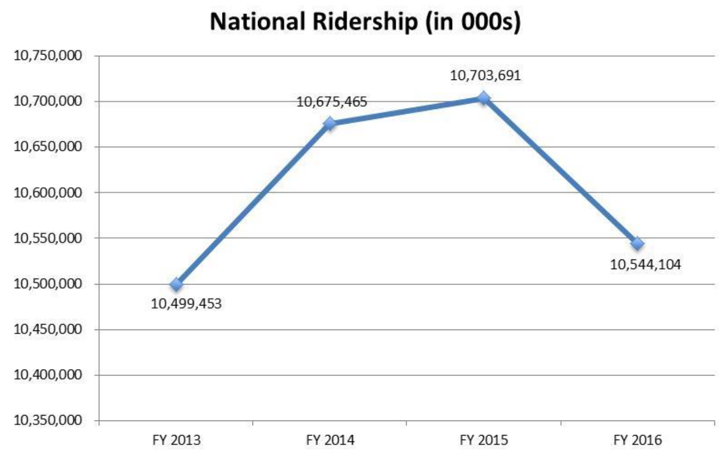
While a dedicated transit tax measure was placed on the ballot in November 2016, it was defeated by county voters. This would have provided a dedicated source of transit funding within Ventura County.

Industry and Regional Trends

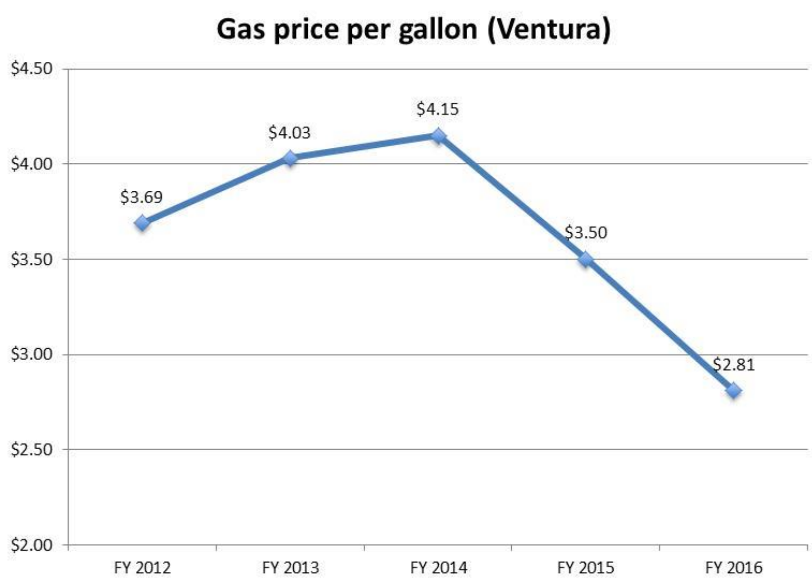
During the audit period, Ventura County transit operators saw an increase in ridership during FY 2013/14 and FY 2014/15, followed by a 2.3 percent drop in FY 2015/16. This is consistent with national trends, which saw the same pattern of increased and decreased ridership.[1]



[1] Sources: National Ridership – APTA Ridership Report Archive, www.apta.com.; VCTC Operators – individual operator State Controller Reports (as provided by the operators).



Another interesting trend pertains to Ventura-area gas prices as they compare with transit ridership. Gas prices peaked in FY 2014, then decreased by more than 30 percent across the next two years.[2] Transit ridership followed about a year behind, peaking in FY 2015 and decreasing in FY 2016, though not nearly as significantly as gas prices. This is not uncommon, as it often takes time for a declining trend in gas prices to impact transit rider behavior.



[2] www.californiagasprices.com, 2017.

Triennial Performance Audit Findings and Recommendations

A summary of compliance and functional findings and recommendations for the RTPA and all nine transit operators is presented below. Several farebox recovery ratio-related issues were included as functional findings so that recommendations for remedying the underperforming farebox recovery could be included in the audits. Some operators received functional findings specific to farebox recovery ratio due to being exempt due to the exemption for new service (Valley Express, Kanan Shuttle) or a one-time grace year (Simi Valley); while these operators were technically in compliance, farebox recovery was an item of concern.

All operators were given the opportunity to demonstrate use of the TDA definition of full-time equivalent (FTE) employee as part of this audit. Those that did so were found to be in compliance with this requirement. During the next audit it will be important to ensure that this definition has been consistently used in reporting performance data to the State Controller.

Entity	Compliance Findings & Recommendations	Functional Findings & Recommendations
City of Camarillo	**The City could not demonstrate that its FY 2013/14 State Controller Report was submitted within the 110-day timeframe, and its FY 2015/16 report was submitted several days late.** Work with City staff responsible for preparing State Controller Reports to ensure that deadlines are met and that reports and signature pages are filed where they can be easily accessed for the next Triennial Performance Audit.	**The use of the TDA definition of full-time equivalent (FTE) for reporting to the State Controller could not be verified.** Demonstrate use of the TDA definition of full-time equivalent (FTE) and use that methodology when reporting Employees on the State Controller Report.
		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. The City should consider and explore strategies for increasing the Farebox Recovery Ratio to 20 percent (as this is an industry standard and accepted metric).
		The City does not report data consistently among internal documents, State Controller Reports, and NTD reports. 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.
		The City does not properly report its route guarantees to the State Controller. Ensure that route guarantees (such as those from Leisure Village and CSUCI) are reported to the State Controller as Special Transit Fares, not Passenger Fares for Transit Service.
City of Moorpark	**The City's FY 2015/16 State Controller Report was submitted several days late.** 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).	**The City should be reporting its demand-response service to the State Controller using the separate Specialized Services form.** Unless instructed otherwise by the State Controller's Office, the City should file a separate Specialized Services Report for its Dial-A-Ride program, thereby segregating all operating costs as well as performance data and calculating farebox recovery ratio for that mode separately.

Entity	Compliance Findings & Recommendations	Functional Findings & Recommendations
City of Ojai	**The City's FY 2015/16 State Controller Report was submitted several days late.** Work with City staff responsible for preparing State Controller Reports to ensure that deadlines are met.	**The City must ensure it considers funds originally allocated as TDA funds in compliance with VCTC's "Once TDA, always TDA" guidance.** The City, VCTC, GCTD, and the TDA auditor must ensure compliance with VCTC's policy for TDA fund use.
		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. The City should identify strategies that can be used to increase its farebox recovery ratio to 20 percent.
		The City does not report data consistently among internal documents, State Controller Reports, and NTD reports. 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.
		The City does not properly report its route guarantees to the State Controller. 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.
City of Simi Valley	**The use of the TDA definition of full-time equivalent (FTE) for reporting to the State Controller could not be verified.** Demonstrate use of the TDA definition of full-time equivalent (FTE) and use that methodology when reporting Employees on the State Controller Report.	**VCTC's TDA Fiscal Auditor miscalculated the farebox recovery ratio in its FY 2015/16 TDA Article 4 audit, resulting the City being determined to be in compliance when it actually fell short of the 20 percent threshold.** 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.
		Due to the auditor error, the City did not achieve the 20 percent farebox recovery ratio stipulated by the TDA for transit operators in urbanized areas during FY 2016. The City should identify strategies that can be used to increase the farebox recovery ratio for its fixed-route service to 20 percent.
City of Thousand Oaks	**The City's FY 2015/16 State Controller Report was submitted several days late.** Work with City staff responsible for preparing State Controller Reports to ensure submittal deadlines are met.	**VCTC's TDA Fiscal Auditor does not clearly indicate what operating costs were included in its "unallowed costs" when calculating the farebox recovery ratio, nor can the revenues used in the calculation be reconciled with those reported elsewhere in the audit.** The TDA auditor should a) clearly identify what operating costs are being excluded or unallowed in developing the operating costs used in calculating farebox recovery ratios and b) ensure that farebox revenue used in the calculation is consistent with that reported elsewhere.

Entity	Compliance Findings & Recommendations	Functional Findings & Recommendations
County of Ventura	*None*	**The State Controller Report submitted by the County does not include any operating data, nor is it segregated by program or mode.** Consider reporting the Kanan Shuttle completely separately from the City of Thousand Oaks.
Gold Coast Transit District	*None*	*None*
Valley Express	*None*	**Valley Express did not achieve the 10 percent farebox recovery ratio stipulated by the TDA for transit operators in rural areas at any point during the audit period.** Valley Express should identify strategies that can be used to increase its farebox recovery ratio to 10 percent.
VCTC Intercity	**VCTC Intercity's TDA fiscal audit was submitted late in FY 2014/15.** Work with TDA fiscal auditors and finance staff to ensure audits are prepared and submitted within the designated timeframe.	*None*
VCTC RTPA	**VCTC Intercity's TDA fiscal audit was submitted late in FY 2014/15.** Work with TDA fiscal auditors and finance staff to ensure audits are prepared and submitted within the designated timeframe.	**VCTC has two recommendations from the prior TDA audit that remain relevant but have yet to be implemented.** VCTC should update rules and regulations for the evaluation of claims for TDA Article 4.5 funds as well as update the county's Congestion Management Program and upload to the GoVentura website.
		ECTA is currently reported only as part of the operating entities, and aggregate data is not available to conduct a performance audit of the service as a whole. We recommend VCTC work with ECTA partners to compile operating data on an annual basis so that a separate Triennial Performance Audit of ECTA can be completed during the next audit cycle. We do not recommend reporting ECTA as a separate service to the State Controller, or excluding services provided as ECTA from individual operator reporting.
		The City of Ojai continues to struggle regarding the 20 percent farebox requirement given its urbanized designation and rural nature. VCTC should consider developing a policy for transit operators serving rural and urbanized areas (such as Ojai) that could be used to establish a "blended" farebox recovery ratio goal for such areas throughout the county, or continue to consider alternative options such as Article 4.5 funding.

Preparing for the Next Triennial Performance Audit

In addition to addressing any findings and recommendations presented in the current Triennial Performance Audit, it is important for each audited entity to look ahead to the next audit, which will take place in FY 2018/19. Addressing some of these items now can make the next audit go more smoothly.

1. Keep deadlines for State Controller Reports and fiscal audits in mind and make every effort to meet them. Generally, State Controller Reports filed electronically are due by October 18. This date may fluctuate slightly if October 18 falls on a weekend (pushing it to October 19 or 20), but the letter you receive from the State Controller will include the specific date for a given year.
2. Ensure that the signature pages for your State Controller Reports are saved somewhere they can be easily located and provided to the auditor.
3. When you calculate FTE for the State Controller Report, save your methodology and calculations somewhere so that a) compliance with the TDA definition can be easily verified and b) it can be calculated the same way each year.
4. Document the implementation status of any recommendations. These will be reviewed as part of the next Triennial Performance Audit. Any recommendations that have not been implemented but remain relevant will likely be carried forward into the next audit.
5. Be very clear about what operating costs you are excluding from the farebox recovery ratio calculation. This will also come up as part of the TDA fiscal audit later this year.
6. It is always a good strategy to prepare and file documents as if someone else will need to be able to locate them. Use clear file names and logical file storage so that if for some reason you are not the one to prepare for the next audit, any required documents can be located.