

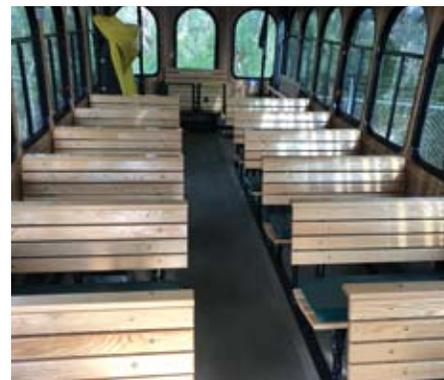


FINAL REPORT  
APRIL 2020

# City of Ojai

## Ventura County Transportation Commission

Triennial Performance Audit for FY 2017 - FY 2019





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## Chapter 1

# Executive Summary

In 2019, the Ventura County Transportation Commission (VCTC) selected Moore & Associates, Inc. to prepare Triennial Performance Audits of itself as the RTPA as well as the nine public transit programs to which it allocates TDA funding. As one of the six statutorily designated County Transportation Commissions in the SCAG region, VCTC also functions as the respective county RTPA.

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

The Triennial Performance Audit (TPA) of the City of Ojai's public transit program covers the three-year period ending June 30, 2019. The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Ojai as a public transit operator, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years. In addition to assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to whom it allocates funds.

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

- Fiscal Year 2016/17,
- Fiscal Year 2017/18, and
- Fiscal Year 2018/19.

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

Service is operated every day except for designated holidays. The two routes, Route A and Route B, primarily operate along the same alignment, although Route A serves Whispering Oaks and East End, while Route B serves the Ojai Valley Inn.

On weekdays, service is offered from approximately 6:30 a.m. to 8:00 p.m., with both routes operating most of the day on 30-minute headways, although from approximately 5:30 p.m. to 8:00 p.m. just one trolley (Route B) is in service. On weekends, both routes operate yet offer hourly service to most stops from approximately 7:00 a.m. to 8:00 p.m.. All trolleys feature wheelchair lifts and are frequently used by seniors.

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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.

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 five elements:

- Compliance requirements,
- Follow-up of prior report recommendations (where applicable),
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

#### Test of Compliance

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

1. The City did not meet the 20 percent farebox recovery ratio requirement in FY 2016/17 or FY 2018/19.

#### Status of Prior Recommendations

The prior audit – completed in 2017 by Moore & Associates, Inc./Ma and Associates for the three fiscal years ending June 30, 2016 – prescribed five recommendations for the City of Ojai:

1. [Work with City staff responsible for preparing State Controller Reports to ensure that deadlines are met.](#)  
**Status:** Implemented.
2. [The City, VCTC, and the TDA auditor must ensure compliance with VCTC's policy for TDA fund use.](#)  
**Status:** Implemented.
3. [Identify and implement strategies for increasing the farebox recovery ratio to 20 percent.](#)  
**Status:** Partially implemented.
4. [Develop and utilize a process to ensure data is compiled and reported consistently.](#)  
**Status:** Not implemented.
5. [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.](#)

**Status:** No longer relevant (due to changes in the reporting form).

**Findings and Recommendations**

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

1. The City did not meet the 20 percent farebox recovery ratio requirement in FY 2016/17 or FY 2018/19.

The audit team has also identified one functional findings. While this findings is not a compliance finding, we feel it is significant enough to be addressed within this audit:

1. The City’s performance data was reported inconsistently and, in some cases, inaccurately both internally and to outside entities.

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

**Exhibit 1.1 Summary of Audit Recommendations**

<b>TDA Compliance Recommendations</b>		<b>Importance</b>	<b>Timeline</b>
1	Expand marketing efforts to attract new riders and reverse the significant ridership loss.	Medium	FY 2020/21
2	Continue to utilize local supplementation to ensure compliance with the farebox recovery ratio while implementing service changes in an effort to reduce operating cost and increase ridership/fare revenue for the City’s fixed-route service.	Medium	Ongoing
<b>Functional Recommendations</b>		<b>Importance</b>	<b>Timeline</b>
1	Develop and utilize a process to ensure data is compiled and reported consistently.	High	ASAP
2	Transit staff should thoroughly review any reports prepared by Finance prior to submittal.	High	ASAP

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## Chapter 2

# Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Ojai’s public transit program covers the three-year period ending June 30, 2019. 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 2019, the Ventura County Transportation Commission selected Moore & Associates, Inc. to prepare Triennial Performance Audits of itself as the RTPA, the five transit operators to which it allocates TDA Article 4 funding, and four additional transit operators that do not receive TDA Article 4 funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

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

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

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

### Objectives

A Triennial Performance Audit has four primary objectives:

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

#### Scope

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

1. A review of compliance with TDA requirements and regulations.
2. An assessment of the implementation of recommendations contained in prior performance audits.
3. 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.
4. 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.
5. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the audit of the transit operator's major functions.

#### Methodology

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

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

The methodology for this review included a site visit to the City of Ojai Public Works Yard (408 S. Signal Street, Ojai) on January 27, 2020. The audit team met with Ellen Debord (Transit Operations Supervisor), reviewed materials germane to the triennial audit, and toured the City's Corporation Yard.

This report is comprised of seven 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,
  - Progress in implementing prior recommendations,
  - Performance measures and trends,
  - Functional audit, and
  - Findings and recommendations.

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## Chapter 3

# Program Compliance

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

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

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

1. The City did not meet the 20 percent farebox recovery ratio requirement in FY 2016/17 or FY 2018/19.

### Recent Changes Regarding Compliance

Several changes specific to the TDA and TDA funding went into effect beginning July 1, 2016, and were in full effect throughout the audit period. The first was a policy approved by VCTC which mandated funding originally received through the TDA would be classified as TDA funding even after being passed through to another entity. This disallowed the use of TDA funds passed from one claimant to another agency to be used as local support in the calculation of the farebox recovery ratio. This was particularly significant for the City of Ojai, which had used TDA contributions from the County to supplement its farebox revenue as “local support.”

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.*

Reporting forms for the State Controller for FY 2016/17 were not updated to reflect these exclusions. Reporting forms were updated and in place for FY 2017/18 and FY 2018/19. However, 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.*

This expanded definition opened 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.

### The Future of the Transportation Development Act<sup>1</sup>

In the nearly 50 years since the introduction of the Transportation Development Act, there have been many changes to public transportation in California. Many operators face significant challenges in meeting the farebox recovery ratio requirement, and it calls into question whether that remains the best measure for TDA compliance. In 2018, the chairs of California's state legislative transportation committees requested the California Transit Association spearhead a policy task force to examine the TDA.

Numerous meetings were conducted with the TDA task force across a full year. Other efforts included input from state-level stakeholders as well as transit agencies. It also reviewed the results of two research projects requested by legislative leaders and conducted by the UCLA Institute of Transportation Studies. Two particularly important conclusions were:

- The state's goals for transit have changed and broadened considerably since 1971 when the TDA became law and 1978 when the farebox recovery requirement was added; and
- A survey of California transit and regional agency professionals reveals the current TDA requirements appear to influence agency management decisions in ways that do not align with the state's current goals for transit.

The task force then set forth a draft framework for TDA reform that maintained the farebox recovery requirement but significantly changed how it would be applied. The draft framework:

1. Retains TDA's current farebox recovery requirements as an important data set for policymakers at all levels. The ratios would be targets that all transit agencies should try to hit.
2. Removes financial penalties associated with missing farebox recovery requirements for all agencies.
3. Requires agencies that miss their required farebox recovery for three years in a row be given the option in year four to either 1) develop and submit an action plan to the RTPA that details the steps it will take to meet its farebox recovery requirement; or 2) develop new targets, in collaboration with the RTPA, that monitor the transit agency's contribution to local, community, regional, or statewide goals.
4. Adjusts some aspects of the farebox recovery ratio definitions for the numerator and denominator, and lower the basic targets, to better reflect current goals and objectives for public transit, and to more realistically accommodate today's most pressing transit challenges and unfunded mandates.

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<sup>1</sup> Letter from Rick Ramacier, State Legislative Committee Chair, California Transit Association, and Joshua W. Shaw, Executive Director, California Transit Association to California Transit Association members, RTPAs, and other public transit systems. Subject: Transportation Development Act Reform – A Draft Framework (inclusive of Attachment 1, Draft Framework). Dated January 8, 2020.

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While these proposed changes to the TDA legislation have yet to be finalized and enacted, it is very likely the TDA will undergo significant revisions during the next audit period. As a result, the test of compliance may look quite different in subsequent triennial performance audits.

Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted on time.	PUC 99243	Finding	FY 2016/17: February 15, 2018 FY 2017/18: January 30, 2019 FY 2018/19: January 31, 2020
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 2016/17: December 31, 2017 FY 2017/18: February 26, 2019 FY 2018/19: January 31, 2020
Operator’s terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	January 25, 2016 January 18, 2017 January 25, 2018 January 9, 2019
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	Not applicable	
An operator receiving allocations under Article 8(c) may be subject to regional, countywide, or subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the RTPA.	PUC 99405	Not applicable	
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 2016/17: +2.09% FY 2017/18: +12.85% FY 2018/19: -9.56%
The operator’s definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	In compliance	
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent).	PUC 99268.2, 99268.4, 99268.1	Finding	FY 2016/17: 11.82% FY 2017/18: 20.36% FY 2018/19: 15.61%  FY 2017/18 – used GCTD energy credit revenue for local support.  <i>Source: TDA Fiscal Audits, FY 2017 – FY 2019.</i>

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Compliance Element	Reference	Compliance	Comments
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	Not applicable	
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	Not applicable	Complementary ADA Paratransit provided by Gold Coast Transit District's ACCESS Paratransit Service
The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years.	PUC 99271	In compliance	City employees are eligible for retirement benefits through 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)	Not applicable	
In order to use State Transit Assistance funds for operating assistance, the operator's total operating cost per revenue hour does not exceed the sum of the preceding year's total plus an amount equal to the product of the percentage change in the CPI for the same period multiplied by the preceding year's total operating cost per revenue hour. An operator may qualify based on the preceding year's operating cost per revenue hour or the average of the three prior years. If an operator does not meet these qualifying tests, the operator may only use STA funds for operating purposes on a sliding scale.	PUC 99314.6	Not applicable	
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	

## Chapter 4

# Prior Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the City of Ojai has made quantifiable progress toward improving both the efficiency and effectiveness of its public transit program.

The prior audit – completed in 2017 by Moore & Associates, Inc./Ma and Associates for the three fiscal years ending June 30, 2016 – prescribed five recommendations for the City of Ojai:

1. [Work with City staff responsible for preparing State Controller Reports to ensure that deadlines are met.](#)

**Discussion:** Public Utilities Code Section 99243 requires transit operators in receipt of TDA Article 4 funds to submit annual reports to the State Controller within 90 days following the end of the fiscal year (110 days if filing electronically). The submittal date for FY 2015/16 was November 7, 2016, when the deadline for submittal was October 18, 2016. Several challenges can result in reports being submitted late, including difficulties with the State’s FTP system, the unavailability of final data, and lack of awareness regarding submittal deadlines. The prior auditor recommended all City staff responsible for preparing the State Controller Report for transit be made aware of the submittal deadline to ensure continued on-time submittals.

**Progress:** In FY 2016/17, the State Controller Report was submitted on February 15, 2018, roughly two weeks after the January 31 deadline. However, in FY 2017/18 and FY 2018/19, the report was submitted on time.

**Status:** Implemented.

2. [The City, VCTC, and the TDA auditor must ensure compliance with VCTC’s policy for TDA fund use.](#)

**Discussion:** In May 2016, VCTC approved a policy clarifying that money allocated as TDA funds must retain that “color” even as it is passed through to other entities. The policy went into effect on July 1, 2016. In prior years, the City utilized TDA funds received by the County of Ventura and passed through by Gold Coast Transit District to Ojai as local support to supplement farebox revenue. This enabled the City to meet the TDA’s 20 percent farebox recovery ratio requirement. The prior auditor noted the City, VCTC, and the TDA auditor must ensure that TDA funds received by other entities and passed through to the City retain their status as TDA funds and are not used as a local supplement to fare revenue.

**Progress:** Beginning in FY 2016/17, the City began using non-TDA funds as local supplementation to ensure it met the farebox recovery requirement.

**Status:** Implemented.

### 3. Identify and implement strategies for increasing the farebox recovery ratio to 20 percent.

**Discussion:** PUC Section 99268 establishes a 20 percent farebox recovery minimum for urbanized transit systems in order to remain compliant with TDA. Based on data reported to the State Controller, system-wide farebox recovery ratios stood at 10.5 percent, 14.2 percent, and 10.6 percent each year of the audit period. Because TDA funds passed through by the County had been used as local support, the City has believed it was operating at a reasonable level of productivity to meet TDA goals.

The prior auditor recommended the City identify strategies that could be used to increase its farebox recovery ratio to 20 percent. Strategies could include service planning to increase efficiencies, more robust marketing, a fare increase, or contracting with local partners to provide route guarantees. The auditor recommended any low-cost strategies that could be implemented quickly be put in place during FY 2017/18, with other strategies requiring planning or budgeting being implemented the following year. The audit also noted the City should consider what additional local funds might be eligible to supplement its farebox recovery ratio (per the changes to PUC Section 99268.19).

**Progress:** In FY 2016/17, the year during which the prior audit was being prepared, the City's farebox recovery ratio was 11.82 percent. In FY 2017/18, the City utilized Gold Coast Transit District (GCTD) energy credit revenue as local support, resulting in a 20.36 percent farebox recovery ratio. In FY 2018/19, the City only used its route guarantee and advertising program for local supplementation, and these revenues were not sufficient to meet the 20 percent goal (the City only achieved a 15.61 percent farebox recovery ratio).

**Status:** Partially implemented.

### 4. Develop and utilize a process to ensure data is compiled and reported consistently.

**Discussion:** Operators report performance data using multiple formats (State Controller and NTD reports, as well as internal reports and audits). While data may be prepared at different times and using slightly different definitions, it should be able to be tracked consistently across multiple formats. During the preparation of the prior audit, it was difficult to determine, based on the documents provided, accurate cost and revenue figures for the City's transit program. While the underlying definition appeared sound, the manner of reporting the data on the documents provided was inconsistent. Inconsistent reporting can have many causes, including use of data that has not been finalized, variations in how data is processed, changes in staff, and the requirements of specific reports.

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

**Progress:** When data as reported to the NTD, State Controller’s Office, and monthly reports is compared, there are some significant variances. In some cases, it is unclear as to whether one of the figures was entered wrong (e.g., FY 2017/18 vehicle service hours was entered in two reports as 7,874 and in one report as 7,274) or if prior year data was used as an estimate (e.g., FY 2018/19 vehicle service miles appeared as 99,620 on the NTD report, the same as the prior year, and 101,929 in the monthly performance reports).

**Status:** Not implemented.

5. [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.](#)

**Discussion:** The State Controller’s Uniform System of Accounts for Public Transit Operators considers revenue received as a route guarantee as separated from passenger fare revenue. Passenger Fares for Transit Service (Account 401.000) includes revenue earned through passenger fares and park and ride parking lot revenues. Special Transit Fares (Account 402.000) includes “revenues earned for rides given in regular transit service, but paid for by some organization rather than by the rider, and for rides given along special routes for which revenues may be guaranteed by a beneficiary of the service.” The prior auditor noted revenue data reported via the transit State Controller Report should break revenues out into the appropriate categories, and found the City did not segregate its passenger fare revenue from its route guarantee in reporting to the State Controller.

The prior audit recommended the City ensure route guarantees (such as from Ojai Valley Inn) are reported to the State Controller as Special Transit Fares, not Passenger Fares for Transit Service. It should track route guarantee funds separate from passenger revenues to ensure the data can be accurately reported to the State Controller. These fares would still be included in the calculation of farebox recovery ratio.

**Progress:** With the revision of the State Controller’s reporting form in FY 2017/18, there is no longer a place to report “Special Transit Fares.” As a result, route guarantees from the Ojai Valley Inn were reported under Park-and-Ride Parking Revenues in FY 2018/19 (per report notes). They were not identified separately in FY 2017/18. While these revenues still need to be reported in the proper place, this specific recommendation is no longer relevant.

**Status:** No longer relevant.

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## Chapter 5

# 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 6667<sup>2</sup>. 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:

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<sup>2</sup> 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.<sup>3</sup> For example, demand-response service hours include those hours when a vehicle has dropped off a passenger and is traveling to pick up another passenger, but not those hours when the vehicle is unavailable for service due to driver breaks or lunch. For both demand-response and fixed-route services, service hours will exclude hours of "deadhead" travel to the first scheduled pick-up, and will also exclude hours of "deadhead" travel from the last scheduled drop-off back to the terminal. For fixed-route service, a vehicle is in service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (i.e., subtracting driver lunch and breaks but including scheduled layovers).

#### Passenger Counts

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

#### Employees

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

#### Fare Revenue

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

#### TDA Required Indicators

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

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

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<sup>3</sup> A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.

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

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

### System Performance Trends

Operating cost saw a net decrease of 12.6 percent across the six-year period, with a significant decrease in FY 2014/15. However, operating cost during the audit period was more consistent, with a net increase of less than one percent. Unsupplemented fare revenue (i.e., that received directly from customers) decreased a net 12.1 percent between FY 2013/14 and FY 2018/19, but just a net 1.4 percent during the current audit period. (This does not take into account additional revenues that may be counted toward the farebox recovery ratio.)

Vehicle service hours (VSH) and vehicle service miles (VSM) saw a net decrease of 11.4 percent and 9.9 percent, respectively, during the six-year period. VSH maintained a similar 11.4 percent decrease during the current audit period, while VSM experienced a net 10.8 percent decrease during the same period. There was a 31.1 percent decrease in ridership during the current audit period, resulting in an overall 29.2 percent net decrease between FY 2013/14 and FY 2018/19.

Cost-related performance indicators increased during the audit period. Operating cost per VSH spiked in FY 2017/18 due to an increase in operating cost and a significant decrease in vehicle service hours. Passenger-related performance indicators declined significantly during the current audit period, as the decrease in ridership was significantly greater than the net decrease in VSH and VSM. This results in a decrease in productivity, with the greatest decline occurring in FY 2018/19.

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#### Exhibit 5.1 System Performance Indicators

Performance Measure	System-wide					
	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
<b>Operating Cost (Actual \$)</b>	\$811,988	\$587,011	\$790,158	\$703,946	\$766,969	\$709,780
<i>Annual Change</i>		-27.7%	34.6%	-10.9%	9.0%	-7.5%
<b>Fare Revenue (Actual \$)</b>	\$85,101	\$83,089	\$83,729	\$75,860	\$73,576	\$74,835
<i>Annual Change</i>		-2.4%	0.8%	-9.4%	-3.0%	1.7%
<b>Vehicle Service Hours (VSH)</b>	8,376	8,358	8,351	8,373	7,274	7,423
<i>Annual Change</i>		-0.2%	-0.1%	0.3%	-13.1%	2.0%
<b>Vehicle Service Miles (VSM)</b>	106,686	108,484	108,646	107,697	107,874	96,082
<i>Annual Change</i>		1.7%	0.1%	-0.9%	0.2%	-10.9%
<b>Passengers</b>	105,143	103,673	110,546	108,078	88,236	74,467
<i>Annual Change</i>		-1.4%	6.6%	-2.2%	-18.4%	-15.6%
<b>Employees</b>	8	8	8	7	6	6
<i>Annual Change</i>		0.0%	0.0%	-12.5%	-14.3%	0.0%
<b>Performance Indicators</b>						
<b>Operating Cost/VSH (Actual \$)</b>	\$96.94	\$70.23	\$94.62	\$84.07	\$105.44	\$95.62
<i>Annual Change</i>		-27.6%	34.7%	-11.1%	25.4%	-9.3%
<b>Operating Cost/Passenger (Actual \$)</b>	\$7.72	\$5.66	\$7.15	\$6.51	\$8.69	\$9.53
<i>Annual Change</i>		-26.7%	26.2%	-8.9%	33.5%	9.7%
<b>Passengers/VSH</b>	12.55	12.40	13.24	12.91	12.13	10.03
<i>Annual Change</i>		-1.2%	6.7%	-2.5%	-6.0%	-17.3%
<b>Passengers/VSM</b>	0.99	0.96	1.02	1.00	0.82	0.78
<i>Annual Change</i>		-3.0%	6.5%	-1.4%	-18.5%	-5.2%
<b>Farebox Recovery</b>	10.5%	14.2%	10.6%	10.8%	9.6%	10.5%
<i>Annual Change</i>		35.1%	-25.1%	1.7%	-11.0%	9.9%
<b>Hours/Employee</b>	1047.0	1044.8	1043.9	1196.1	1212.3	1237.1
<i>Annual Change</i>		-0.2%	-0.1%	14.6%	1.4%	2.0%
<b>TDA Non-Required Indicators</b>						
<b>Operating Cost/VSM</b>	\$7.61	\$5.41	\$7.27	\$6.54	\$7.11	\$7.39
<i>Annual Change</i>		-28.9%	34.4%	-10.1%	8.8%	3.9%
<b>VSM/VSH</b>	12.74	12.98	13.01	12.86	14.83	12.94
<i>Annual Change</i>		1.9%	0.2%	-1.1%	15.3%	-12.7%
<b>Fare/Passenger</b>	\$0.81	\$0.80	\$0.76	\$0.70	\$0.83	\$1.00
<i>Annual Change</i>		-1.0%	-5.5%	-7.3%	18.8%	20.5%

Source: FY 2013/14 – FY 2015/16 from prior audit report.  
 Most FY 2016/17 – FY 2018/19 data from State Controller Report.  
 FY 2018/19 operating cost data from TDA fiscal audit.  
 FY 2018/19 VSH, VSM, and ridership from monthly performance reports.  
 Employee data for FY 2016/17 and FY 2017/18 provided by the City.

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Exhibit 5.2 System Ridership

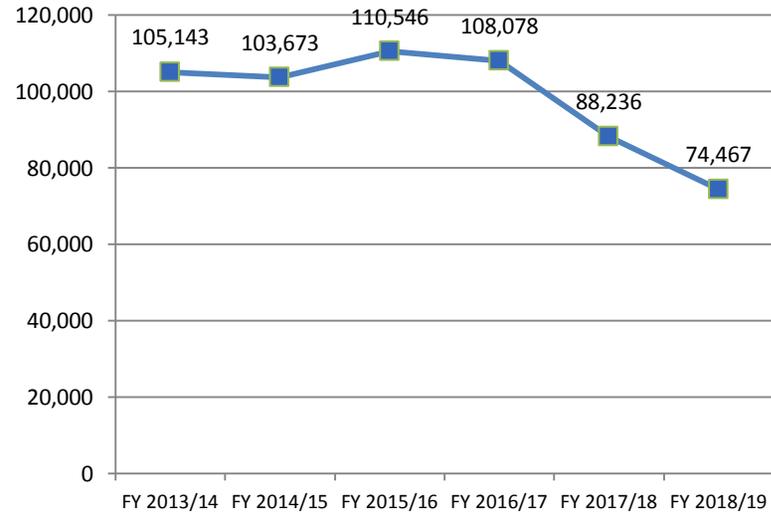


Exhibit 5.3 System Operating Cost/VSH

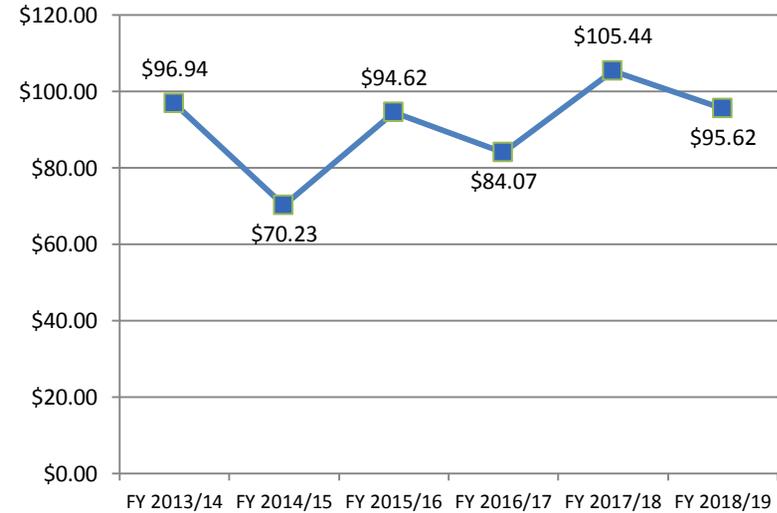


Exhibit 5.4 System Operating Cost/VSM

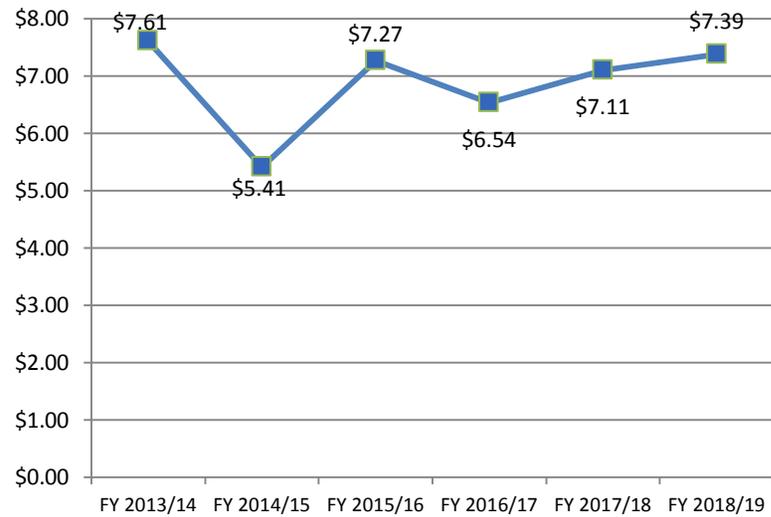
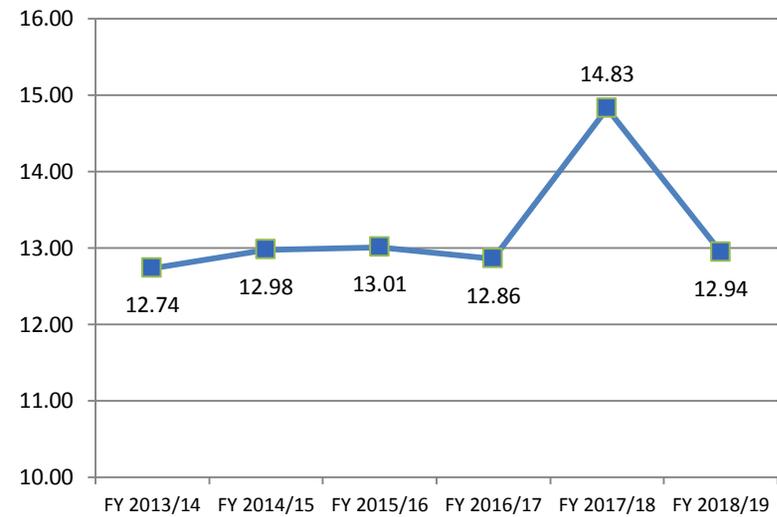


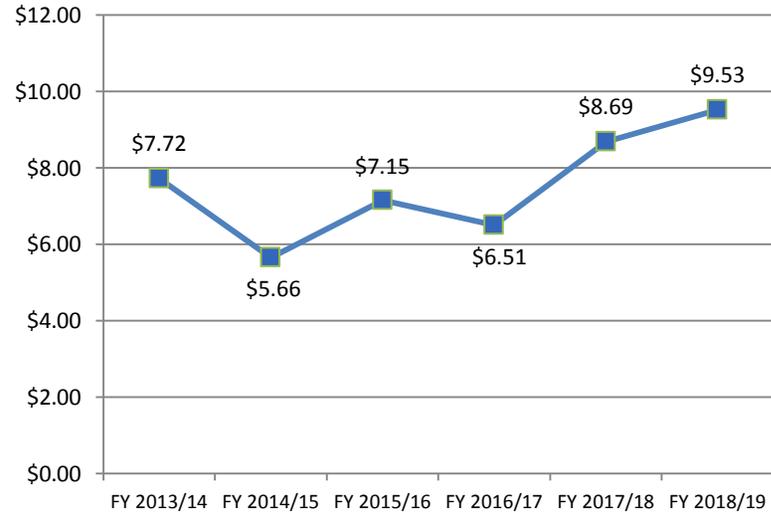
Exhibit 5.5 System VSM/VSH



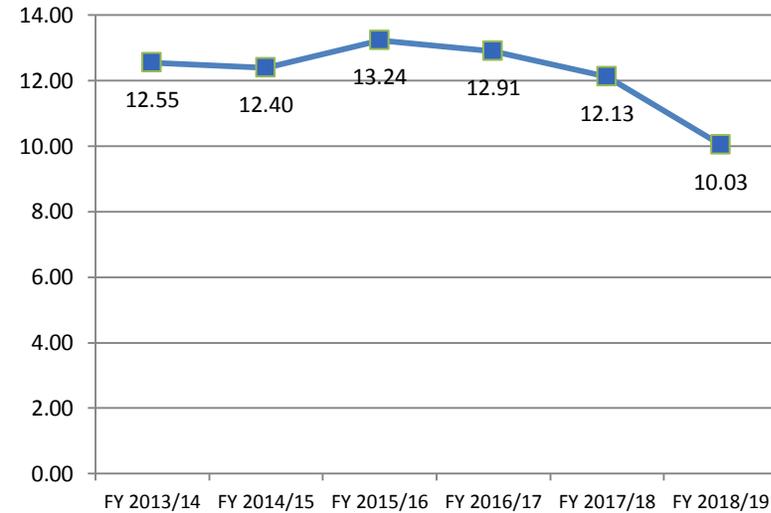
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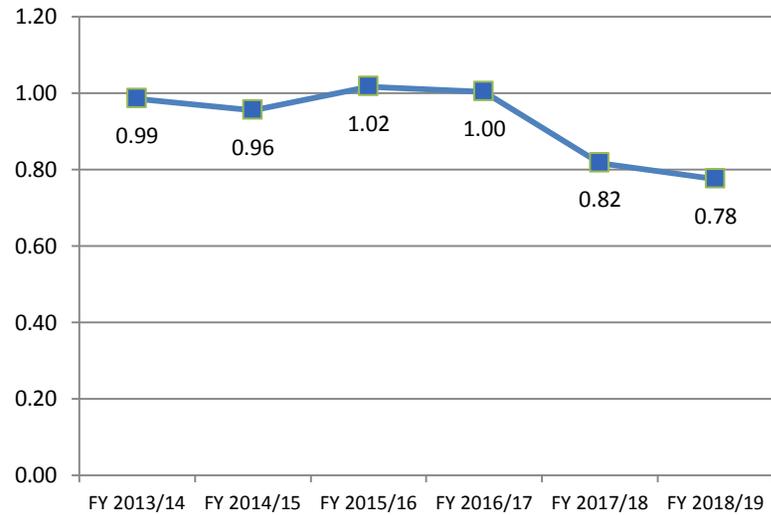
### Exhibit 5.6 System Operating Cost/Passenger



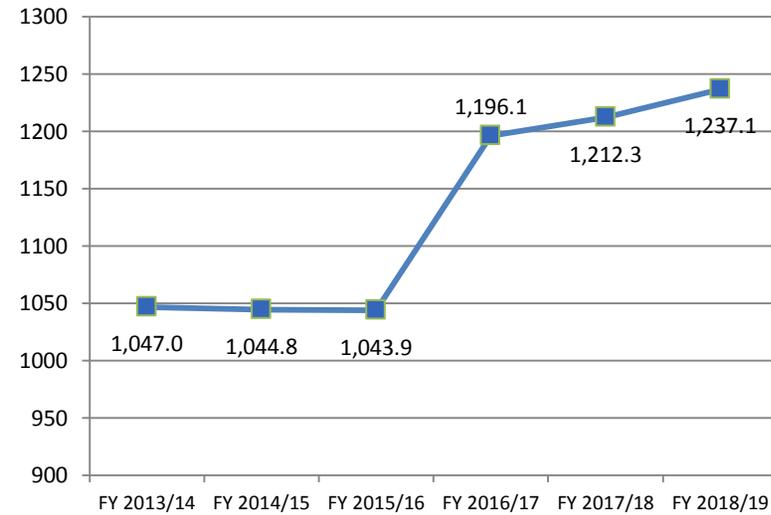
### Exhibit 5.7 System Passengers/VSH



### Exhibit 5.8 System Passengers/VSM



### Exhibit 5.9 System VSH /FTE



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Exhibit 5.10 System Farebox Recovery

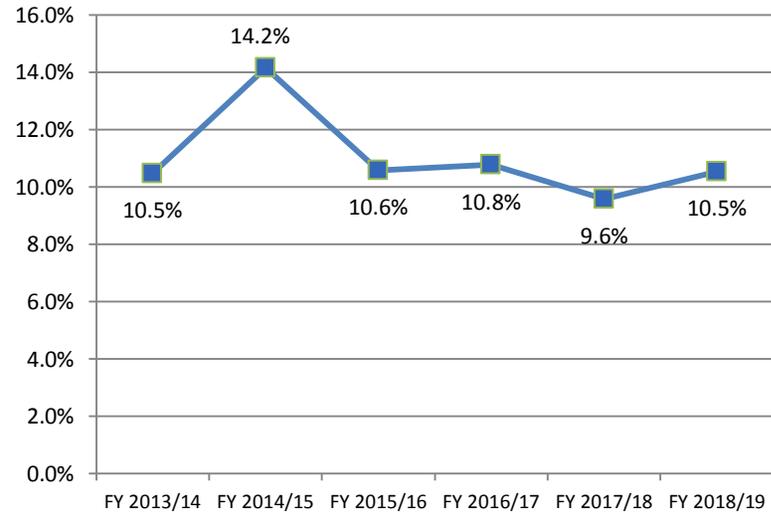
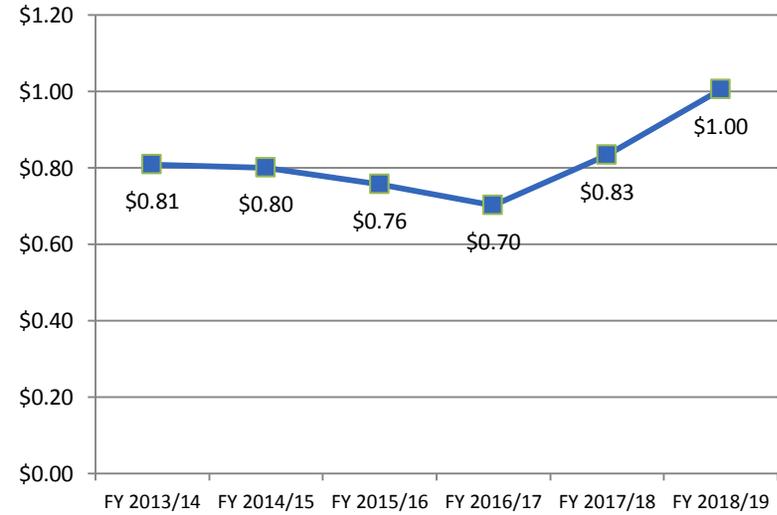


Exhibit 5.11 System Fare/Passenger



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## Chapter 6

# Functional Review

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

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

### Service Overview

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



Service is operated every day except for designated holidays. The two routes, Route A and Route B, primarily operate along the same alignment, although Route A serves Whispering Oaks and East End, while Route B serves the Ojai Valley Inn.

On weekdays, service is offered from approximately 6:30 a.m. to 8:00 p.m., with both routes operating most of the day on 30-minute headways, although from approximately 5:30 p.m. to 8:00 p.m. just one trolley (Route B) is in service. On weekends, both routes operate yet offer hourly service to most stops from approximately 7:00 a.m. to 8:00 p.m.. All trolleys feature wheelchair lifts and are frequently used by seniors.

The Ojai Trolley fare structure is show in Exhibit 6.1.

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Exhibit 6.1 Local Service Fare Structure

Fare Category	Fare
Single ride, general fare	\$1.50
Single ride, reduced fare (seniors age 65+, disabled, Medicare cardholder)	\$0.75
Day pass, general fare	\$4.00
Day pass, reduced fare (seniors age 65+, disabled, Medicare cardholder)	\$2.00
Seniors age 75+	Free
Children under 45" tall	Free
Transfers	Free
Tokens (25)	\$30.00

In January 2018, the City introduced a fare change and service reduction in an effort to gain compliance with TDA farebox recovery ratio requirements. It also introduced its transit advertising program. The new base fare put the City in line with the single-ride fare charged by Gold Coast Transit District (GCTD), which also serves Ojai.

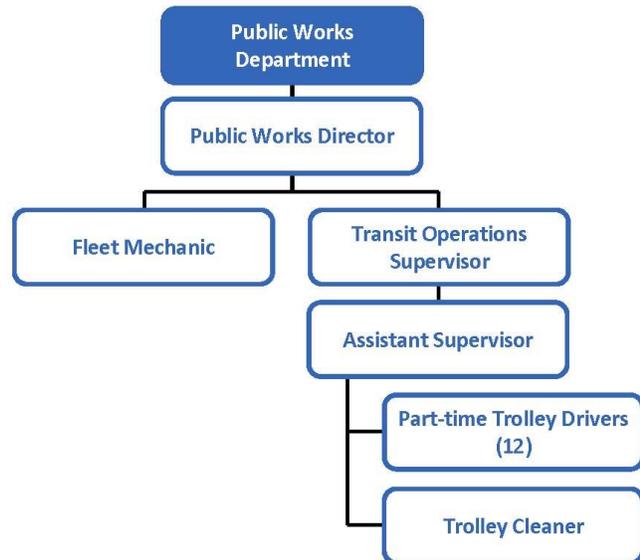
### General Management and Organization

The City of Ojai's public transit program is administered within the Transportation Division of the City's Public Works department. The Ojai city council is the governing body of the Transportation Division. The Transit Supervisor oversees the service. In addition to one full-time Transit Operations Supervisor, the program utilizes 12 part-time drivers and one full-time mechanic. The City's staffing is appropriate for a program of this size, and the chain of command works well. Transit is supported by other City departments as needed. The City hired a new Finance Director at the end of 2019, and Transit has not experienced issues with Finance.

Transportation Division personnel monitor program performance (ridership, budget, fare revenue, etc.) via monthly ridership reports and on-time performance (using Nextbus data). The City Council is concerned regarding sufficient program funding, and is very supportive of the transit advertising program. Both the Council and citizens are supportive of the transit program as a whole.

The City is a subrecipient of, and coordinates closely with, the Gold Coast Transit District. City staff also reports a good working relationship with VCTC and the County of Ventura. The Transit Operations Supervisor, who was new to the position during the audit period, has received excellent support from VCTC.

Exhibit 6.2 Organizational Chart



Source: City of Ojai.

### Service Planning

Given the limited nature of the program, not much service planning is conducted. The City was included within VCTC’s Ventura County Short Range Transit Plan, which was completed in 2015. Service standards are presented in the City’s Title VI Plan. On-time performance is monitored closely, however. Service changes are largely reactive. Most recently, the City looked at changing its routes to serve a business park on the City’s east end. This is the first year the City has received a request for school transportation. The route does pass the middle school and high school, but the school district does offer bus service.

A service change in January 2018 reduced annual vehicle service hours by 13 percent. The change eliminated the first hour of service on weekday mornings, the last 90 minutes of service on weekday evenings, the first hour of service on Saturday mornings, and the last half-hour of service on weekend evenings. The change affected trips with an average of four or fewer passengers per trip. Prior to this, the last major service change was in FY 2012. In planning for the 2018 service change, the City conducted a survey, posted notices onboard the transit vehicles, and made a presentation to the City Council regarding comments it had received.

The last transit rider survey was conducted in 2017, prior to the service and fare change. Staff believes it is probably time to conduct another survey.

The City considers special needs passengers for all decisions. All the vehicles in the City’s fleet have wheelchair lifts. Demand-response service is offered via Gold Coast Transit District’s ACCESS program. Local transportation services for seniors and persons with disabilities are also provided through HELP of Ojai, a local non-profit.

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#### Scheduling, Dispatch, and Operations

Driver schedules are created every six weeks. Each of the part-time drivers lists availability and desired shifts. Some drivers work other jobs, and others are retirees. A couple of the drivers are weekend-only, and this level of availability is common for those who also work as school bus drivers. The biggest challenge is drivers who can work part-time, Monday through Friday, with open availability. The Transit Operations Supervisor is fully licensed and can drive if needed.

The driver turnover rate formerly was about one or two per year. Most recently, five drivers have left in less than one year. Driver retirements have contributed to this turnover. The City conducted a significant amount of hiring and training in the weeks prior to the audit site visit.

As part-time employees, drivers receive paid sick time, unpaid vacation time, and no health insurance. Other absences are generally planned and built into the six-week schedules. The City provides as much flexibility as it can to accommodate personal schedule needs while meeting the service schedule. The Transit Operations Supervisor and Mechanic are full-time positions and are both eligible for full City benefits.

The mechanic reviews maintenance sheets in the afternoon and determines which vehicles will be in service the next day based on maintenance needs. Newer vehicles get used more.

All vehicles have manual drop-style vault fareboxes, though the City would like to transition to GFI fareboxes. Drivers pull the vaults (which are self-locking) and deposit them in lockers. The City employs a two-person count (Transit Operations Supervisor and either someone from Finance or a senior driver). The money is then taken to Finance, where it is deposited.

Staff does not believe the Syncromatics system is working well yet.

#### Personnel Management and Training

Driver recruitment is a continuous process via the City's website and Craigslist, with resumes kept on file. Experience varies among recruits, though most recent recruits have been experienced. The Transit Operations Supervisor is DOT-certified and handles most training. A back-up supervisor is also DOT-certified, but has not done much training up to this point. All initial and ongoing training meets state requirements. Safety meetings are conducted every other month, with memos and other information distributed in between.

The City relies on a "family atmosphere" to motivate employees, as many employees do not view their position as a job, but as a service to their community. Some drivers have other jobs, while others do it to earn extra money. A more informal atmosphere works for them. Turnover is generally low and attributable to personal reasons or retirement.

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

#### Administration

Budgeting is based on anticipated revenues (FTA, TDA) and expected expenses and looks for gaps in funding. The City compares year-to-date revenue and expenses to budgeted levels. The Transit budget

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goes to the Public Works Director, then to Finance, and finally the City Manager. An informal budget review is conducted quarterly. Occasionally, the City will conduct a more formal mid-year budget adjustment, but typically annual assumptions are fairly close.

The Transit Operations Supervisor is responsible for grant application and compliance. She feels Caltrans has been responsive with filings through BlackCat.

The City is self-insured via the California Joint Powers Insurance Authority (JPIA). The City also utilizes JPIA forms for incident reports. The City investigates all accident and injury claims. VCTC (in cooperation with the Santa Barbara County Association of Governments and Caltrans) is in the process of preparing a Transportation Emergency Preparedness Plan to more effectively prepare the Ventura County region for future natural disasters.

The City's transit program utilizes a limited number of contracts, with a repair vendor and for advertising. Repair work that is sent out is assigned via purchase order as needed. The advertising vendor draws a 25 percent commission. Both contracts are managed through the Transit Operations Supervisor and Public Works. Procurement procedures are outlined by the City. Large projects or purchases are put out to bid, and the City has used the CalACT joint procurement platform for vehicle purchases.

Payroll is based on employee timesheets. Most employees utilize direct deposit. The City does not have an internal audit function for its transportation program.

#### Marketing and Public Information

The City's transit marketing efforts include a service brochure, website, and advertisements in local publications (such as *Ojai Valley News* and *Ojai Quarterly*). The service brochure was updated in January 2018 to reflect the service and fare changes implemented at that time. Vehicles were previously tracked via NextBus and are now tracked by Syncromatics. The City participates in as many events as it can, including Ojai Day (featuring either a booth or a trolley) and youth events. Travel training is not currently provided but the City sees a benefit in offering such a service. The City provides brochures to local agencies and VCTC (for regional/county-wide events) upon request.

The City incorporates performance data into marketing decisions. It would like to see ridership increase and has been looking at how it can use marketing to entice choice riders.

The City accepts feedback via phone, mail, and a website form, and Transit maintains a comment/complaint log. In general, the public's perception of the service is very positive. Most phone calls are from people who have not ridden before or who are from out of town.

#### Maintenance

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

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The City’s maintenance facility includes one available bay and an outside permanent lift. Parts inventory includes basics utilized for routine repairs. Valuable parts are secured with limited access.

The City’s fleet consists of five vehicles, three of which are model year 2011 and two are 2018. The older vehicles are bi-fueled (gas and propane). They run on gas for two hours, then switch to propane. The older vehicles have approximately 190,000 miles on average, while the average for the newer vehicles is 39,000 miles. The City’s fleet is detailed in Exhibit 6.3.



Exhibit 6.3 Ojai Trolley Fleet

Vehicle #	Make/Model	Year	Passengers	FY 2019 Mileage
9	Hometown Villager/Ford	2011	30/2 WC	195,345
10	Hometown Villager/Ford	2011	30/2 WC	173,637
11	Hometown Villager/Ford	2011	30/2 WC	183,821
12	Hometown Villager/Ford	2018	30/2 WC	23,113
13	Hometown Villager/Ford	2018	30/2 WC	25,254

## Chapter 7

# Findings and Recommendations

### Conclusions

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

### Findings and Recommendations

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

1. The City did not meet the 20 percent farebox recovery ratio requirement in FY 2016/17 or FY 2018/19.

The audit team has also identified one functional finding. While this finding is not a compliance finding, the auditors believe it is significant enough to be addressed within this audit:

1. The City's performance data was reported inconsistently and, in some cases, inaccurately both internally and to outside entities.

### Program Recommendations

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

### Compliance Finding 1: The City did not meet the 20 percent farebox recovery ratio requirement in FY 2016/17 or FY 2018/19.

**Criteria:** PUC 99268.2 requires operators in urbanized areas to maintain a farebox recovery ratio of 20 percent. Fare revenues can be supplemented by locally generated funds if fare revenues are not sufficient to meet the 20 percent requirement.

**Condition:** In FY 2016/17, the City's fixed-route farebox recovery ratio stood at 11.82 percent. In FY 2017/18, GCTD "swapped" some of the TDA funds that would be allocated to the City of Ojai for Air District funds that could be counted as local supplementation, which enabled the City to meet its 20 percent goal. In FY 2018/19, however, these funds were not available. In addition, the City's fiscal auditor did not include any local funds to supplement fare revenue (Ojai Valley Inn route guarantee and advertising program). As a result, the farebox recovery ratio was 15.61 percent. It is possible some of these local funds were included in the fare revenue cited in the audit, as the fare revenue reported in

the audit was considerably higher than that reported to outside entities or accounted for in the monthly performance reports.

Exhibit 7.1 Farebox Recovery Ratio Comparison

Description	FY 2019 TDA Fiscal Audit	FY 2019 Recalculation
<b>Operating revenues:</b>		
Passenger fares for transit services	\$110,827	\$74,835
Route guarantee (Ojai Valley Inn)		\$12,000
Advertising revenues		\$35,842
<b>Total operating revenues</b>	<b>\$110,827</b>	<b>\$122,677</b>
<b>Operating expenses:</b>	<b>\$931,914</b>	<b>\$931,914</b>
Less:		
Insurance: reimbursement for trolley damage	\$11,993	\$11,993
Transfers	\$7,713	\$7,713
Depreciation expense	\$202,428	\$202,428
<b>Net operating expenses</b>	<b>\$709,780</b>	<b>\$709,780</b>
Total fare ratio	15.61%	17.28%
Total fare ratio requirement per PUC 99268.5c	20.00%	20.00%

While inclusion of these additional funds would not have resulted in compliance with the TDA requirement, they should still have been included. Regardless, they should be included in the fiscal audit’s compliance review as individual line items to promote transparency. Failing to include valid revenues can also impact how much of a penalty the City must bear.

**Cause:** The likely cause of this shortfall is ridership and fare revenue that is out of balance with operating cost, and a failure to supplement fare revenue with sufficient local funds.

**Effect:** A farebox recovery ratio below 20 percent puts the City out of compliance with the TDA.

**Recommendation 1:** Expand marketing efforts to attract new riders and reverse the significant ridership loss.

**Recommended Action(s):** The City should expand its marketing budget to accommodate more marketing campaigns, community outreach, and public engagement. A good rule of thumb for transit operators marketing is to spend three percent of the operating budget on marketing. In order to increase ridership, the City must position its transit program as a viable option for choice riders; a reliable mobility option; and a good community partner. The more people can interact with and learn about transit, the more likely they are to consider riding. The City should start with a transit marketing plan rather than adding activities on the fly, so as to optimize the value of every marketing dollar. Marketing can be handled internally or through a third-party contract.

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**Timeline:** Beginning in FY 2020/21.

**Anticipated Cost:** Up to three percent of the annual operating cost.

**Recommendation 2:** Continue to utilize local supplementation to ensure compliance with the farebox recovery ratio while implementing service changes in an effort to reduce operating cost and increase ridership/fare revenue for the City's fixed-route service.

**Recommended Action(s):** The City should continue to identify local funding to supplement its farebox recovery ratio, including the Ojai Valley Inn route guarantee and transit advertising. It must work with the TDA fiscal auditor to ensure these revenues are reflected in the farebox recovery ratio calculation in the TDA fiscal audit. However, given these revenue streams were not sufficient to enable the City to meet its farebox recovery ratio threshold in FY 2018/19, the City should be prepared to contribute revenues from the City's General Fund in order to meet the 20 percent minimum.

**Timeline:** Ongoing.

**Anticipated Cost:** Varies depending on each year's fare revenue shortfall.

**Functional Finding 1: The City's performance data was reported inconsistently and, in some cases inaccurately, both internally and to outside entities.**

**Criteria:** PUC 99247 sets forth specific definitions of various performance indicators used in TDA reporting. In most cases, these are standard industry definitions, and performance data such as ridership, vehicle service hours, and vehicle service miles should be the same, whether reported to the State Controller or National Transit Database.

**Condition:** When data reported to the State Controller, National Transit Database, within monthly performance reports, and on the TDA fiscal audits is compared side to side, there are some clear discrepancies. Some data appears to be reported in the wrong place, while other data seems to repeat data from the prior year. During the preparation of this audit, the Transit Operations Supervisor determined some of the FY 2018/19 reporting included errors, as it drew on data recorded in spreadsheets and workbooks with mistakes and bad formulas. The final version of this report reflects revised data from the monthly performance reports as well as a revised NTD submittal. The spreadsheets and workbooks have been updated so that the errors will not carry forward to the FY 2019/20 data.

Despite the revisions to FY 2018/19 data, several issues still remain. A data comparison is provided in Exhibit 7.2. Each performance measure is addressed individually below.

- **Operating cost:** Operating cost is inconsistently reported in most years. FY 2017/18 saw the most consistency, with identical cost data reported to the NTD and in the TDA fiscal audit (when depreciation is added), and there is only a slight variance with what was reported to the State Controller (inclusive of depreciation). Reasons for variances should be identified.

In FY 2018/19, there were two exclusions from operating cost as cited in the TDA fiscal audit. Once those items are excluded, there is only a slight variance between the operating cost cited in the fiscal audit and that reported to the NTD. However, there is still a significant variance between the fiscal audit (the figure shown in Exhibit 7.1 excludes both the aforementioned costs and depreciation) and what was reported to the State Controller.

In FY 2018/19, \$493,777 was reported on the State Controller Report under Purchased Transportation, while \$327,918 was entered as a negative amount under Other Operating Expenses. In the notes to the report, the Purchased Transportation amount was identified as the purchase of two trolleys, while the Other Operating Expenses was identified as the use of a contra account to reduce the capital depreciation calculation. The Purchased Transportation category is to “report payment or accrual to other transit systems for providing transportation service,” and is typically used to report payments to a third-party operations contractor. Vehicle purchases are capital expenses and should not be reported under operating expenses.

- **Fare revenue:** The primary cause of differences in fare revenue is whether amounts beyond passenger fares are included in the calculation. For example, the amount of fare revenue reported to the NTD in FY 2018/19 is exactly \$12,000 higher than that reported to the State Controller. This is the amount of the Ojai Valley Inn route guarantee, which is reported elsewhere on the State Controller Report but not on the NTD report. Variances such as this are not an issue as long as the reasons for them are identified.

Prior to the arrival of the current Transit Operations Supervisor, daily fare revenue counts were conducted using a flawed spreadsheet for several months. This resulted in daily deposits being short up to two dollars. This issue has since been identified and rectified, but contributed to inconsistencies in fare revenue accounting.

In addition, the fare revenue provided by the Finance department for reporting on the FY 2018/19 NTD report was short the last five days of revenue for FY 2018/19. Instead, that amount (\$1,095) was posted in FY 2019/20. Such activities can impact the farebox recovery ratio.

- **Vehicle service hours (VSH):** Each year, two of the reports were consistent while the third was not. In FY 2016/17, the variance is less than one percent across all three figures, which is not a cause for concern. In FY 2017/18, it is possible there was a typographical error that resulted in the inconsistency (7,874 versus 7,274). In FY 2018/19, the variance is less than three percent across all three figures.
- **Vehicle service miles (VSM):** Each year, two of the reports were consistent while the third was not. In FY 2018/19, it appears the original (incorrect) VSH data was inadvertently reported as VSM. While the data was fairly consistent in FY 2016/17 (less than one percent variance), the disparity was greater in FY 2017/18 (more than eight percent). Given the similarity to the prior year, it is possible this figure was estimated using the prior year’s data. It is also possible this figure reflects total vehicle miles (revenue miles plus deadhead) rather than only vehicle service miles.

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- Passengers:** Ridership data was the most consistently reported. However, there were still some issues. In FY 2017/18, the reason for the slight difference between the monthly performance data and the data reported to the State Controller and NTD is unknown. In FY 2018/19, the variance between the State Controller Report and other reports was less than one percent.
- Full-time equivalents (FTE):** In FY 2016/17 and FY 2017/18, the City reported its FTEs using a person-count rather than the TDA definition. In FY 2018/19, the City began using the correct definition.

Exhibit 7.2 Data Comparison

Performance Measure	Fixed-Route		
	FY 2016/17	FY 2017/18	FY 2018/19
<b>Operating Cost (Actual \$)</b>			
<i>TDA Fiscal Audit</i>	\$641,870	\$767,103	\$709,780
<i>National Transit Database</i>	\$781,109	\$866,061	\$911,834
<i>State Controller Report</i>	\$703,946	\$766,969	\$652,101
<b>Fare Revenue (Actual \$)</b>			
<i>TDA Fiscal Audit</i>	\$75,860	\$95,501	\$110,827
<i>National Transit Database</i>	\$75,860	\$139,740	\$86,835
<i>State Controller Report</i>	\$75,860	\$73,576	\$74,835
<b>Vehicle Service Hours (VSH)</b>			
<i>Monthly Performance Reports</i>	8,323	7,874	7,423
<i>National Transit Database</i>	8,360	7,874	7,422
<i>State Controller Report</i>	8,373	7,274	7,228
<b>Vehicle Service Miles (VSM)</b>			
<i>Monthly Performance Reports</i>	107,697	99,621	96,082
<i>National Transit Database</i>	108,113	99,620	96,081
<i>State Controller Report</i>	107,697	107,874	8,041
<b>Passengers</b>			
<i>Monthly Performance Reports</i>	108,078	87,930	74,467
<i>National Transit Database</i>	108,078	88,236	74,467
<i>State Controller Report</i>	108,078	88,236	74,056
<b>Full-Time Equivalent (FTE) Employees</b>			
<i>City-provided data</i>	7	6	6
<i>State Controller Report</i>	18	13	6

**Cause:** Failure to document data in a single location, and to use that data to complete all reports may contribute to inconsistencies and inaccuracies in reporting. Changes in staffing in the Transit and Finance departments may also have contributed to this matter.

**Effect:** Inaccurate and inconsistent reporting can make it challenging to effectively assess program performance.

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**Recommendation 1:** Develop and utilize a process to ensure data is compiled and reported consistently.

**Recommended Action(s):** Transit and Finance staff should work together to develop a single point of record for the various types of information used in the different reports. This may involve fiscal information (operating cost and revenues) being documented in a system used by Finance and performance data being logged in a spreadsheet used by Transit. Regardless of what system is used, it needs to be used consistently for all reports, and any significant discrepancies or variances should be examined as to their cause.

**Timeline:** As soon as possible.

**Anticipated Cost:** Negligible.

**Recommendation 2:** Transit staff should thoroughly review any reports prepared by Finance prior to their submittal.

**Recommended Action(s):** Any City staff who work on preparing the State Controller and NTD reports should have a clear understanding of what data should be entered where. Even if Finance is responsible for preparing the reports, it is vital that Transit staff also understand how the reports are put together so that they can provide a “second set of eyes” prior to each report’s submittal. All staff involved with the State Controller’s Report should review the instruction guide for the Transit Operators Financial Transaction Report (available on the State Controller’s website) prior to and as needed during the completion of the report. This should address questions of what revenues or expenses should be entered on which lines. We recommend Transit staff review the reports against the single point of record (cited above) prior to each report being submitted. In addition, if any changes were made to the data between the submittal of the NTD report and submittal of the State Controller Report, a notation should be provided wherever the data is being recorded. Transit staff should also have the opportunity to review the annual TDA fiscal audit prior to its finalization.

**Timeline:** As soon as possible.

**Anticipated Cost:** Negligible.

Exhibit 7.2 Summary of Review Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Expand marketing efforts to attract new riders and reverse the significant ridership loss.	Medium	FY 2020/21
2	Continue to utilize local supplementation to ensure compliance with the farebox recovery ratio while implementing service changes in an effort to reduce operating cost and increase ridership/fare revenue for the City's fixed-route service.	Medium	Ongoing
Functional Recommendations		Importance	Timeline
1	Develop and utilize a process to ensure data is compiled and reported consistently.	High	ASAP
2	Transit staff should thoroughly review any reports prepared by Finance prior to submittal.	High	ASAP

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