

Summary of Triennial Performance Audit Findings and Recommendations, FY 2017 – FY 2019

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 Moore & Associates, Inc. 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 second 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 RTPA was provided with a draft audit report and the opportunity to ask questions, provide additional information regarding findings and recommendations, and offer a management response to findings. This input was incorporated into the final audit reports.

Trends Regarding Findings

Of the ten entities (RTPA and nine operators), four had “no findings” reported. Three operators had only functional findings (and were deemed to be fully in compliance with TDA). The remaining three

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operators had both compliance and functional findings. Two operators that receive TDA Article 4 funds were deemed to be in out of compliance with respect to farebox recovery.

The most common compliance findings pertained to on-time submission of annual State Controller Reports (two of nine operators) and farebox recovery ratio (two of nine operators). Functional findings were specific to individual operators and the RTPA and covered topics such as verification of full-time equivalent (FTE), sustainability, inconsistent data reporting, failure to exclude leased vehicle costs, and tracking progress regarding audit findings. All 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 and were in effect during the entire 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.

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. 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 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.

The Future of the Transportation Development Act¹

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

¹ 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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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:

1. 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
2. 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:

- 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 meet.
- Removes financial penalties associated with missing farebox recovery requirements for all agencies.
- 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.
- 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.

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.

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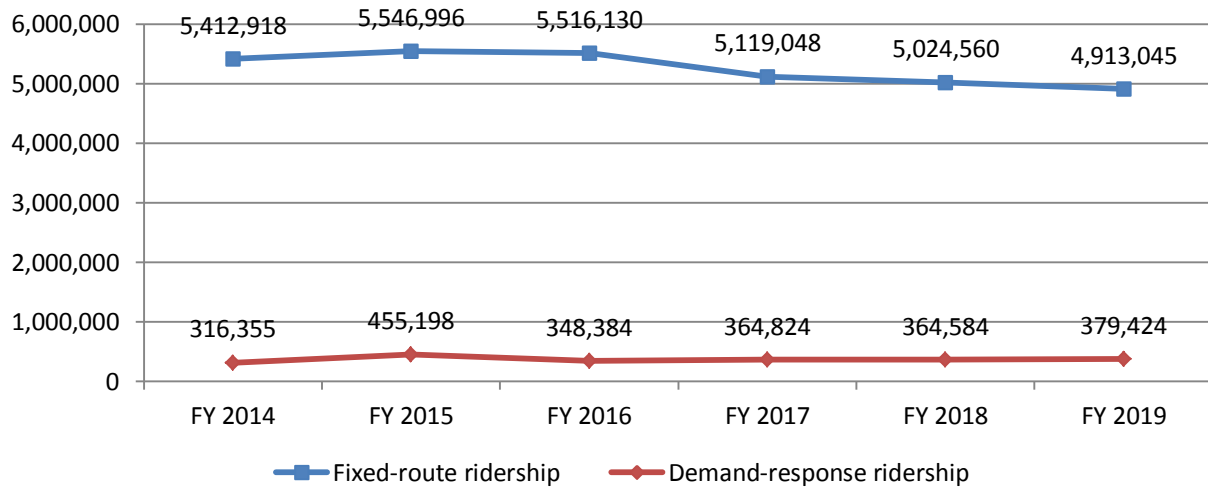
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Industry and Regional Trends

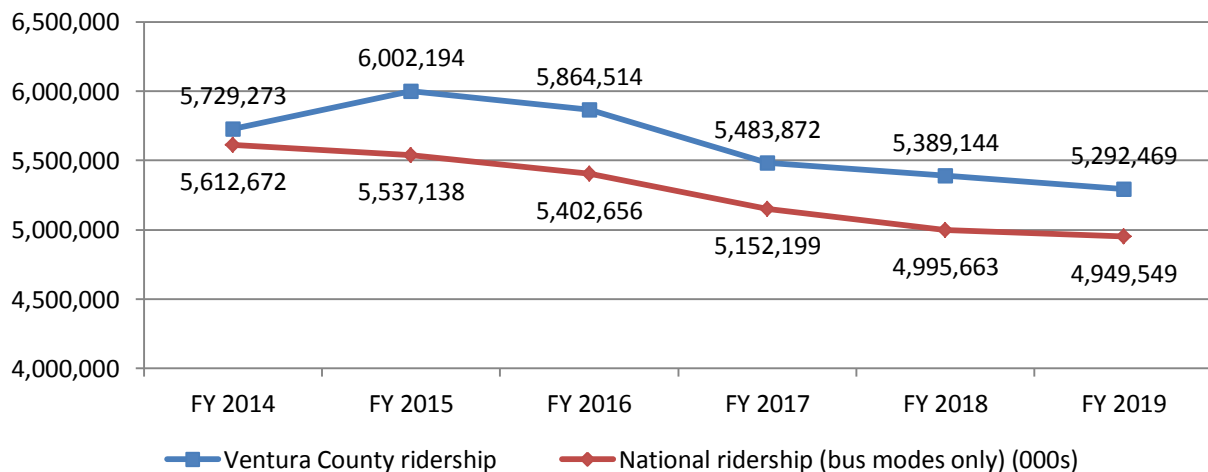
During the audit process, we looked at six-year trends for key performance measures for all operators. While the analysis for each operator is provided within that operator's audit report, we wanted to look at the county as a whole with respect to specific metrics.

Ridership

County-wide, fixed-route ridership has decreased by 9.2 percent between FY 2013/14 and FY 2018/19. Demand-response ridership, however, has increased by 19.9 percent.



Overall ridership (both modes combined) experienced a net 7.6 percent decrease over the six-year period. However, when we look at the nationwide trend for ridership² on all bus modes, it has decreased 11.8 percent. Therefore, Ventura County overall is performing better than the nation as a whole with respect to ridership change.



² Source: National Ridership: APTA Ridership Report Archive, www.apta.com.

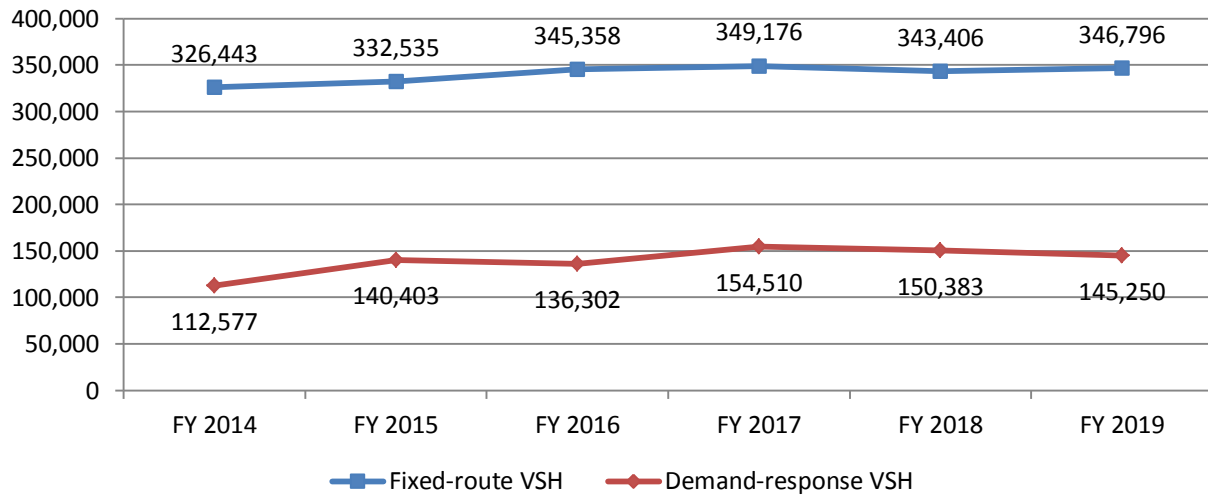
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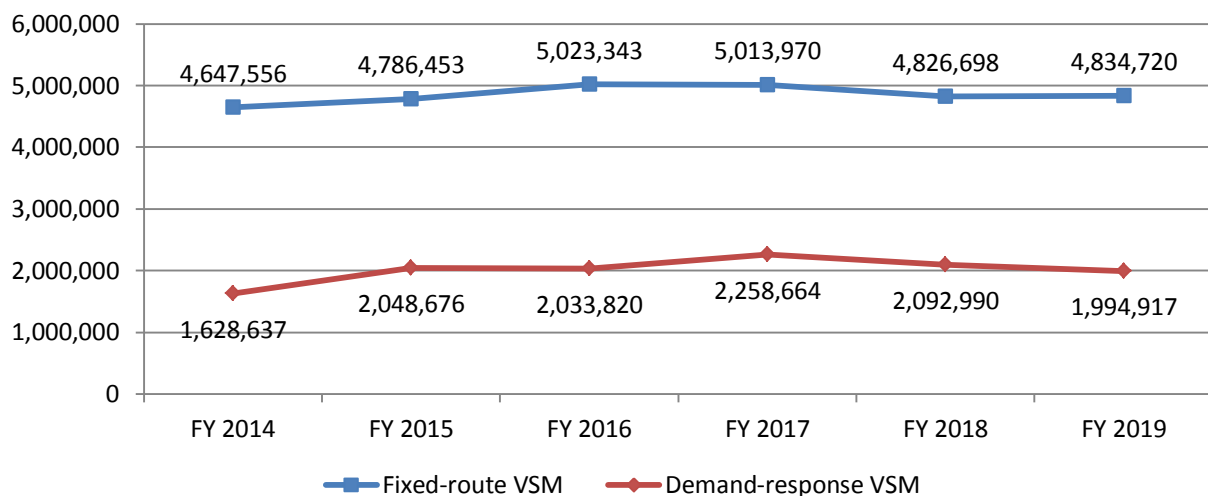
Vehicle Service Hours

Fixed-route vehicle service hours experienced a net increase of 6.2 percent across the six-year period. Demand-response vehicle service hours saw a net increase of 29 percent during the same period. This is consistent with the net increase in demand-response ridership shown above.



Vehicle Service Miles

Vehicle service miles exhibited the same basic trends as vehicle service hours. Fixed-route vehicle service miles experienced a net increase of 4.0 percent across the six-year period. Demand-response vehicle service hours saw a net increase of 22.5 percent during the same period. This is consistent with the net increase in demand-response ridership shown above.



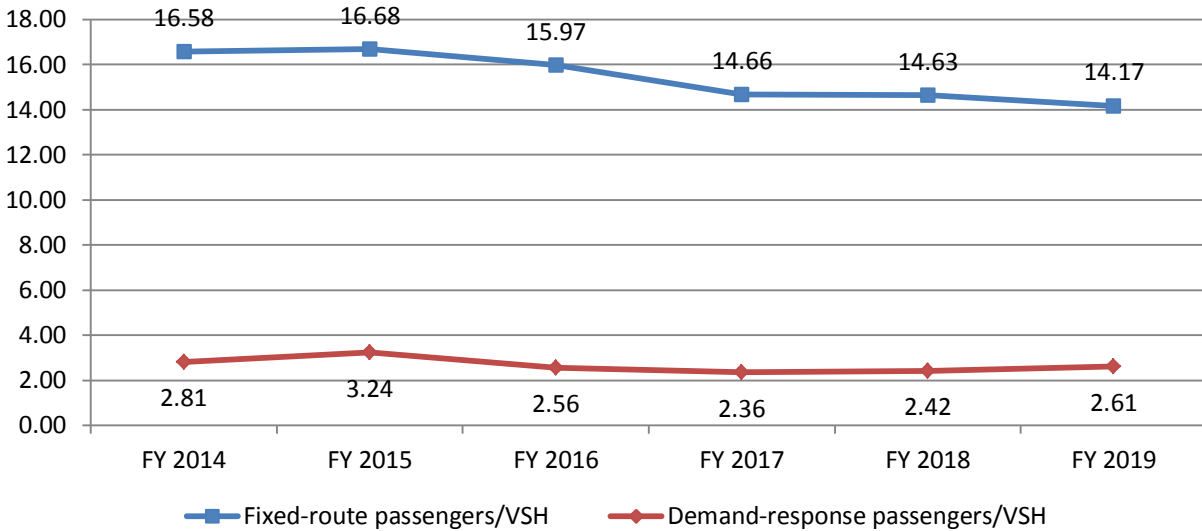
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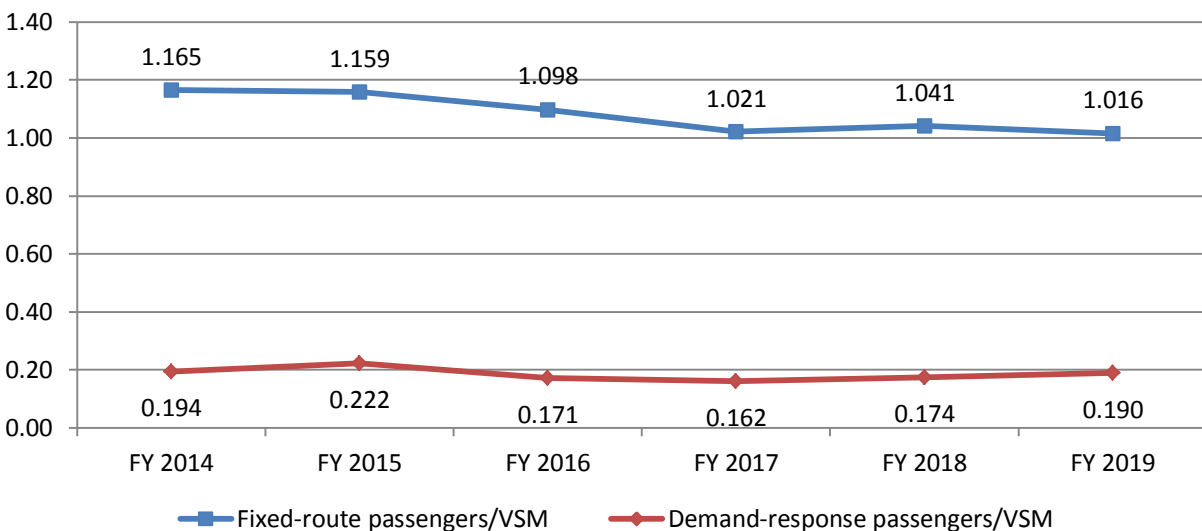
Passengers per Vehicle Service Hour

Passengers per vehicle service hour is a standard performance indicator for assessing productivity. While this indicator declined for both fixed-route and demand-response services county-wide, the greatest decline in productivity was noted with respect to the fixed-route service (a 14.6 percent decrease as compared to the 7.0 percent decrease for demand-response).



Passengers per Vehicle Service Mile

Passengers per vehicle service mile is also a standard performance indicator for assessing productivity. As with passengers per vehicle service hour, this indicator declined for both fixed-route and demand-response services county-wide. The greatest decline in productivity was noted with respect to the fixed-route service (a 12.8 percent decrease as compared to the 2.1 percent decrease for demand-response).



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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. Two operators had compliance findings related to the farebox recovery ratio. An additional operator met the test of compliance with respect to farebox recovery ratio, but had a functional finding regarding future program sustainability.

Operator	Finding	Recommendation	Finding Type
City of Camarillo	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) for the Triennial Performance Audit and use that methodology when reporting Employees on the State Controller Report.	Functional
City of Moorpark	The City did not submit its FY 2017/18 State Controller Report prior to the January 31, 2019 deadline.	Continue to ensure State Controller Reports are submitted in a timely manner.	Compliance
	While the City has identified local revenues to bring it into compliance with the TDA's farebox recovery ratio requirement, there are still challenges with the sustainability of the City's public transit program.	The City should explore opportunities to reduce its operating cost (through service reductions, resource reallocations, and/or new service offerings) prior to exhausting its TSM funds.	Functional
City of Ojai	The City did not meet the minimum 20 percent farebox recovery ratio threshold for urbanized services in FY 2016/17 or FY 2018/19.	Expand marketing efforts to attract new riders and reverse the significant ridership loss.	Compliance
		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.	
	The City's performance data was reported inconsistently and, in some cases, inaccurately both internally and to outside entities.	Develop and utilize a process to ensure data is compiled and reported consistently.	Functional
Transit staff should thoroughly review any reports prepared by Finance prior to their submittal.			

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City of Simi Valley	In FY 2017/18, the City's State Controller Reports were submitted several days late. The General Services report was submitted on February 2, 2019, while the Specialized Services report was submitted on February 4, 2019.	Continue to ensure State Controller Reports are submitted in a timely manner.	Compliance
	In FY 2016/17 and FY 2017/18, the City did not meet the minimum 20 percent farebox recovery ratio threshold for urbanized services.	Expand marketing efforts to attract new riders and reverse the significant ridership loss.	Compliance
		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.	
	In FY 2016/17 and FY 2017/18, the City did not meet the minimum 10 percent farebox recovery ratio threshold for specialized services.	Continue to utilize local supplementation to ensure compliance with the farebox recovery ratio while determining what operational changes can be implemented to reduce demand-response operating cost.	Compliance
In 2016 and 2019, the City's terminal received an Unsatisfactory CHP rating. While subsequent reinspections resulted in a Satisfactory rating, multiple Unsatisfactory ratings in a relatively short period is concerning.	The City should ensure it continues to enroll all drivers in the DMV's Employer Pull Notice Program as soon as they are employed for the operation of an eligible vehicle, as required by the program.	Functional	
City of Thousand Oaks	None	None	
County of Ventura	The County does not exclude vehicle lease costs from operating cost as allowed by the TDA.	The County should exclude vehicle lease costs from its operating cost when calculating the farebox recovery ratio.	Functional
Gold Coast Transit District	None	None	
Valley Express	None	None	
VCTC Intercity Bus	None	None	
VCTC (RTPA)	VCTC does not formally track the progress of recommendations arising from triennial performance audits or other key documents.	Implement a process for operators to submit the implementation status of performance audit recommendations to VCTC's Transit Operations and Planning department on an annual basis.	Functional