

# Summary of Triennial Performance Audit Findings and Recommendations, FY 2020 – FY 2022

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 2022, the Ventura County Transportation Commission (VCTC) selected Moore & Associates, Inc. to prepare Triennial Performance Audits of itself as the RTPA and the ten 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.

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

Two operators received findings regarding use of the TDA definition of full-time equivalent (FTE) employee in their reporting to the State Controller. Two operators were found to have errors on some of their reports to external entities, so an improved review process was recommended. Three operators

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were affected by the City of Thousand Oaks' driver shortage, which led to a recommendation to get all open positions filled so that Dial-A-Ride service can be fully operated. Finally, VCTC as the RTPA had a finding that carried over from the prior audit, included a recommendation that it implement an annual process to assess the implementation status of the operators' audit recommendations.

#### Developments Occurring During the Audit Period

The FY 2019/20 – FY 2021/22 audit period was significantly different than prior audit periods. The impacts of the COVID-19 pandemic resulted in significant declines in ridership and revenue, while changes to the TDA provided compliance waivers and amended existing legislation. In many instances, transit operators strove to retain operations staff despite adopting a reduced schedule, resulting in significant changes to many cost-related performance metrics. While infusions of funding through the CARES Act mitigated some of the lost revenues for federally funded programs, many transit operators have yet to return to pre-pandemic ridership and fare levels. As a result, this Triennial Performance Audit will provide an assessment not only of how COVID-19 impacted the organization, but how it responded to the crisis.

In the 50 years since introduction of the Transportation Development Act, there have been many changes to public transportation in California. Many operators have faced significant challenges in meeting the farebox recovery ratio requirement, calling into question whether it 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, which resulted in a draft framework for TDA reform released in early 2020. The draft framework maintains the farebox recovery ratio requirement, but eliminates financial penalties and allows more flexibility with respect to individual operator targets. These changes have yet to be implemented due to the COVID-19 pandemic.

Assembly Bill 90, signed into law on June 29, 2020, provided temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio thresholds in FY 2019/20 and FY 2020/21. Assembly Bill 149, signed into law on July 16, 2021, provided additional regulatory relief by extending the provisions of AB 90 through FY 2022/23 and adjusting definitions of eligible revenues and operating costs. While the ability to maintain state mandates and performance measures is important, these measures enabled transit operators to adjust to the impacts of COVID while continuing to receive their full allocations of funding under the TDA.

Together, these two pieces of legislation included the following provisions specific to transit operator TDA funding under Article 4 and Article 8:

1. Prohibited the imposition of the TDA revenue penalty on an operator that did not maintain the required ratio of fare revenues to operating cost from FY 2019/20 through FY 2022/23.
2. Waived the annual productivity improvement requirement of Section 99244 through FY 2022/23.
3. Added a temporary provision exempting operators from farebox recovery ratio requirements through FY 2024/25 provided they expend at least the same amount of local funds as in FY 2018/19.

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4. Expanded the definition of “local funds” to enable the use of federal funding, such as the CARES Act or CRRSAA, to supplement fare revenues and allows operators to calculate free and reduced fares at their actual value.
5. Adjusted the definition of operating cost to exclude the cost of ADA paratransit services, demand-response and microtransit services designed to extend access to service, ticketing/payment systems, security, some pension costs, and some planning costs.
6. Required the Controller to calculate and publish the allocation of transit operator revenue-based funds made pursuant to the State Transit Assistance (STA) Program for FY 2020/21 and FY 2021/22.
7. Allowed operators to use STA funds as needed to keep transit service levels from being reduced or eliminated through FY 2022/23.

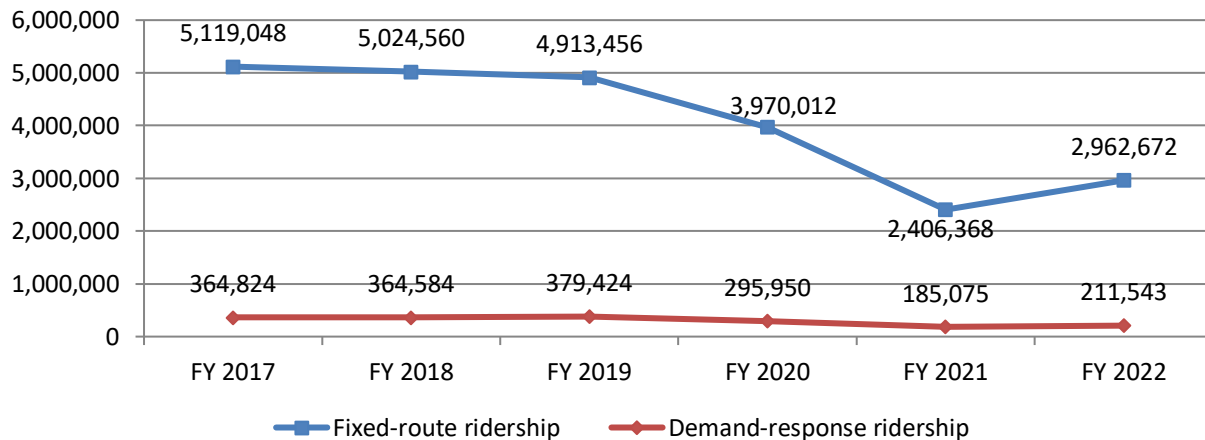
AB 149 also called for an examination of the triennial performance audit process, to ensure the practice continues to be effective and beneficial.

### 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 decreased by 42.1 percent between FY 2016/17 and FY 2021/22, with the most significant decreases due to the COVID-19 pandemic. Demand-response ridership decreased by the same amount (42.0 percent).

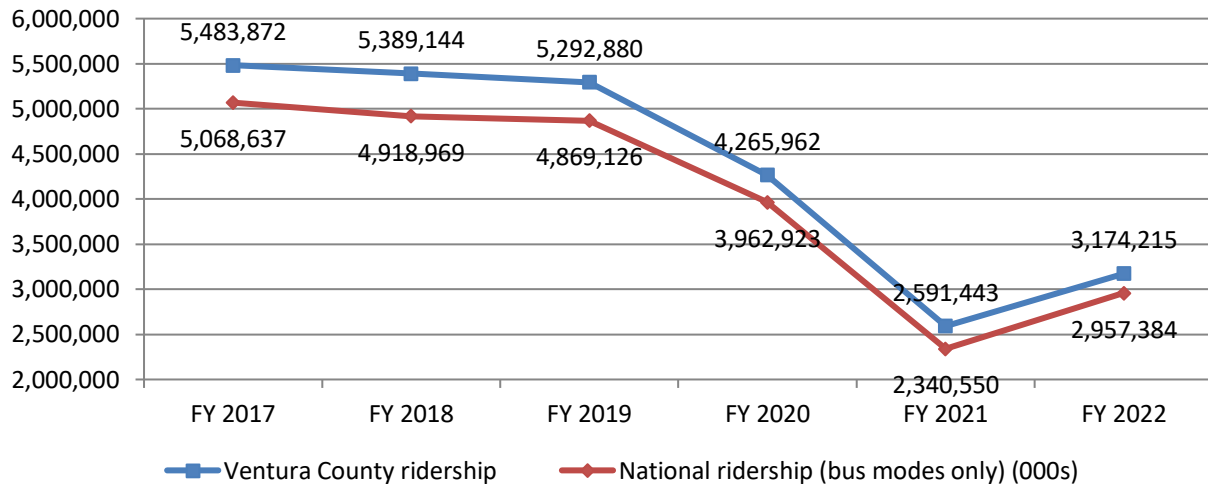


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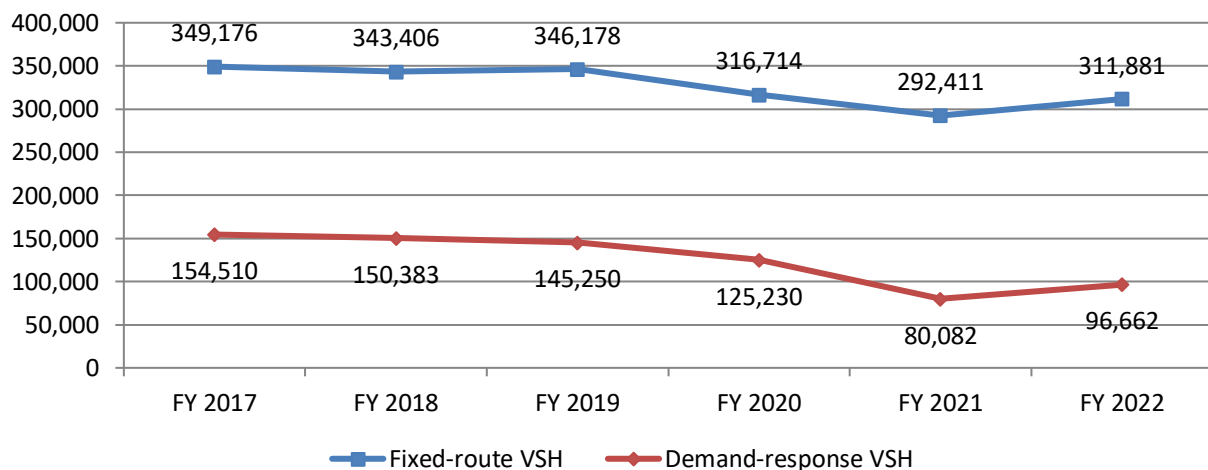
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Overall ridership (both modes combined) experienced a net 42.1 percent decrease over the six-year period. When we look at the nationwide trend for ridership on all bus modes, it decreased 41.7 percent. Therefore, the ridership loss experienced within Ventura County overall as a result of the COVID-19 pandemic is comparable to that experienced nationwide.



### Vehicle Service Hours

Fixed-route vehicle service hours experienced a net decrease of 10.7 percent across the six-year period. Demand-response vehicle service hours saw a net decrease of 37.4 percent during the same period. This is not surprising, as demand-response service hours are more directly tied to ridership than fixed-route service hours.



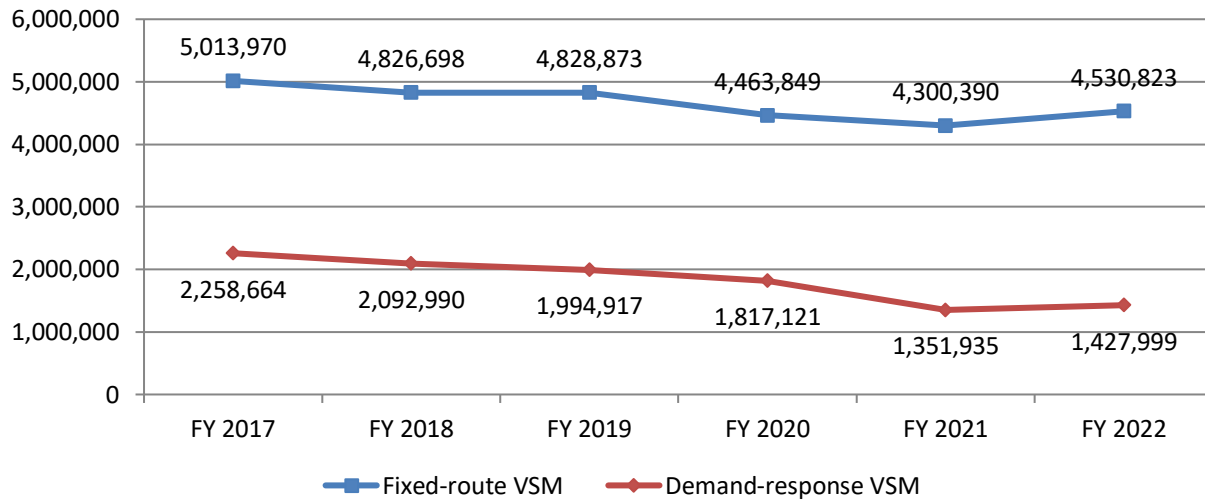
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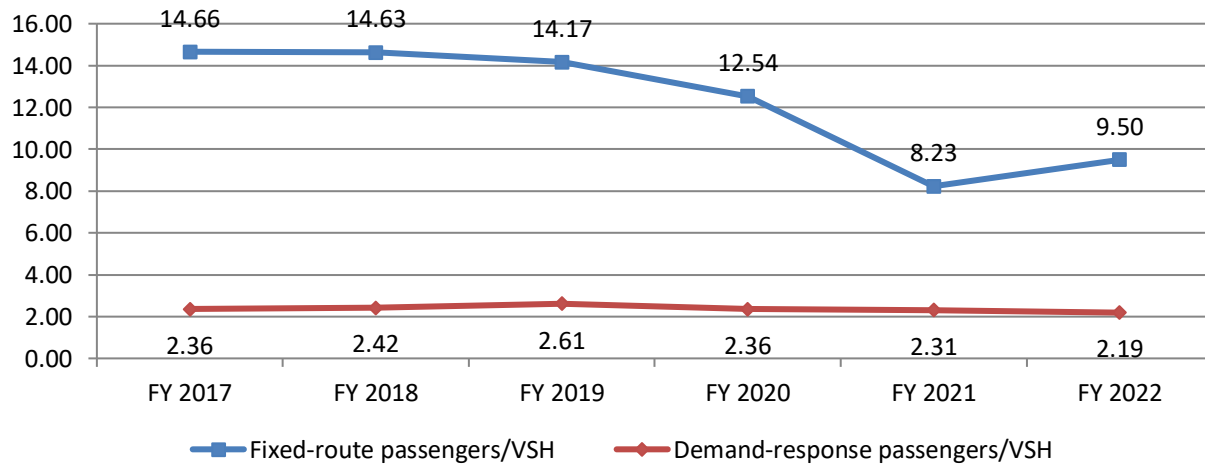
### Vehicle Service Miles

Vehicle service miles exhibited the same basic trends as vehicle service hours. Fixed-route vehicle service miles experienced a net decrease of 9.6 percent across the six-year period. Demand-response vehicle service miles saw a net decrease of 36.8 percent during the same period. Again, this is not surprising, as demand-response service miles are also more directly tied to ridership than fixed-route service miles.



### 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 35.2 percent decrease as compared to the 7.3 percent decrease for demand-response). This is due largely to demand-response vehicle service hours being reduced proportionately with ridership.



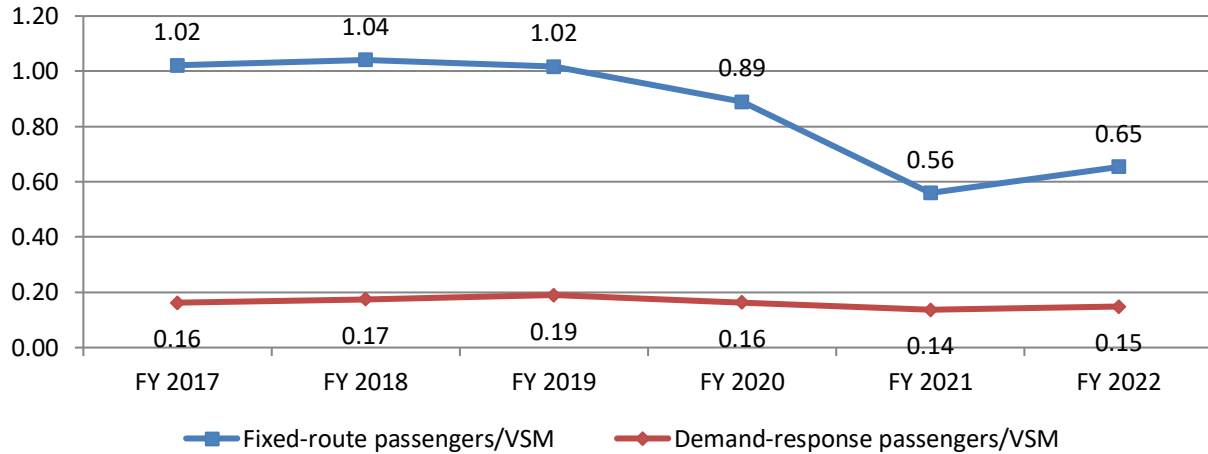
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#### Passengers per Vehicle Service Mile

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 36.0 percent decrease as compared to the 8.3 percent decrease for demand-response). As noted above, this is due largely to demand-response vehicle service miles being reduced proportionately with ridership.



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#### Triennial Performance Audit Findings and Recommendations

A summary of compliance and functional findings and recommendations for the RTPA and the ten transit operators is presented below.

Operator	Finding	Recommendation	Finding Type
City of Camarillo	The City does not use the TDA definition of full-time equivalent (FTE) employee in preparing its State Controller Report.	Ensure the TDA definition of full-time equivalent (FTE) employee is used for reporting to the State Controller.	Functional
City of Moorpark	The contractor's staffing shortage is impacting the City's ability to operate its transit programs.	The City of Thousand Oaks should continue to work with MV Transportation to fill the open operations positions and ensure sufficient Dial-A-Ride coverage for the City of Moorpark.	Functional
City of Ojai	The City's performance data continues to be reported inconsistently and, in some cases inaccurately, both internally and to outside entities.	Transit and Finance staff should thoroughly review any reports prepared by other departments or outside auditors prior to their submittal.	Functional
City of Simi Valley	[No findings]		
City of Thousand Oaks	The contractor's staffing shortage is impacting the City's ability to operate its transit programs.	Continue to work with MV Transportation to fill the open operations positions and ensure sufficient Dial-A-Ride coverage.	Functional
County of Ventura	[No findings]		
East County Transit Alliance	The contractor's staffing shortage is impacting the City's ability to operate its transit programs.	Continue to work with MV Transportation to fill the open operations positions and ensure sufficient Dial-A-Ride coverage.	Functional
Gold Coast Transit District	There are reporting errors in the State Controller Transit Operator Financial Transaction Reports for each year of the audit period.	Ensure VSH and VSM data are correctly reported on the State Controller Financial Transaction Reports.	Functional
Valley Express	[No findings]		
VCTC Intercity Bus	VCTC does not include staff time in the full-time equivalent calculation, only reporting FTE provided by the operations contractor.	Ensure the TDA definition of full-time equivalent (FTE) employee is used for reporting to the State Controller.	Compliance

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Operator	Finding	Recommendation	Finding Type
VCTC (RTPA)	The RTPA does not have an effective process to assess productivity improvements for the transit operators within its jurisdiction.	Implement a process for operators to assess the implementation status of performance audit recommendations to VCTC's Transit Operations and Planning department on an annual basis.	Compliance