REPORT TO SHASTA COUNTY RTPA

SUBJECT	MEETING DATE	ITEM NUMBER
Acceptance of Redding Area Bus Authority (RABA) Triennial Performance Audit	6/26/07	4-4

RECOMMENDATION
It is recommended that the Agency accept the triennial performance audit of the Redding Area Bus Authority (RABA) for the fiscal years ending June 30, 2004/05/06.

SUMMARY
The objective of the performance audit is to provide an independent evaluation of RABA's overall compliance with laws and regulations governing the Transportation Development Act (TDA) and state and federal planning funds. A performance audit must be completed every three years. The RTPA retained the accounting firm of Donald R. Reynolds to perform the audit. Audit findings and staff responses follow in the discussion.

DISCUSSION
State law requires a triennial performance audit of RABA to be submitted to the Department of Transportation and State Controller by July 1. The audit for fiscal years ended June 30, 2004/05/06 has been completed and reviewed by RTPA and RABA staff.

The only significant finding is the failure to meet the required farebox ratios. The recommendation is that RABA provide a plan to the RTPA showing how it will achieve the required ratio of fare revenues. The audit recommends that RABA explore the possibility and effects of an additional fare rate increase.

RABA concurs with the development of a financial plan outlying current and forecasted revenue and expenses. RABA currently is updating the short-range transit plan, which will be presented to the RTPA by the consultant at this meeting. The farebox ratio issue will be revisited by the RTPA in October.

OTHER AGENCY INVOLVEMENT
RABA concurs with the recommendation. Upon acceptance, the audit will be forwarded to the State Controller's Office and the Department of Transportation. The Technical Advisory Committee (TAC) has reviewed this item and recommends approval.

FINANCING
Acceptance of the audit will have no financial impact; however, actions resulting from the short-range plan will impact transit costs for claimants.

Daniel S. Little, AICP, Executive Officer

DSL/SLC/jac

Attachment: Performance Audit for June 30, 2004/05/06

PERFORMANCE AUDIT OF THE REDDING AREA BUS AUTHORITY FOR THE FISCAL YEARS ENDING JUNE 30, 2004, 2005 AND 2006

PERFORMANCE AUDIT OF THE REDDING AREA BUS AUTHORITY

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Donald R. Reynolds
Certified Public Accountant

To the Board of Directors
Redding Area Bus Authority
777 Cypress Avenue
Redding, California 96001

Dear Board Members

The objective of the performance audit of the Redding Area Bus Authority (RABA) is to provide an independent, high-level evaluation of RABA's overall performance. It is intended to be diagnostic, determining where performance is good and where the need for improvements in performance may be indicated.

The audit was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States and the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* issued by the California Department of Transportation, which requires a triennial performance audit. This audit is for the fiscal years ended June 30, 2004, 2005 and 2006.

The purpose of a performance audit is to determine compliance with laws and regulations that could significantly affect the acquisition, management and utilization of the resources of RABA (economy and efficiency) and to determine whether programs are being carried out in conformity with laws and regulations (program results).

The objective of the economy and efficiency portion of the audit is to consider whether, in carrying out its responsibilities, RABA is giving due consideration to conservation of its resources and minimum expenditure of effort. The objective of the program results portion is to consider whether the programs or activities are meeting established objectives, the adequacy of systems for measuring effectiveness and to identify factors inhibiting satisfactory performance.

The audit focused on the following:

1. Reviewing the process of establishing goals and objectives.

2. Determining goals and objectives and how well they are documented and communicated.

3. Evaluating performance relative to those goals and objectives.

4. Evaluating the efficiency and effectiveness of the major functional areas.

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In connection with those items, a number of functional areas were reviewed and evaluated. Performance was evaluated and documented based on interviews with management, policymakers and employees, as well as an analysis of key documents and diagnostic indicators. Data was collected, indicators were calculated and trend analysis was performed for the three fiscal years ended June 30, 2004, 2005 and 2006.

A part of the audit involved the identification, review and evaluation of internal administrative controls in effect. Administrative controls include the organization plan and procedures concerned with operational efficiency and adherence to management policies. Comments relating to material weaknesses, if any exist, are contained in the body of the report.

This report is organized into five parts. The first part contains general information about RABA. The second part comprises findings and recommendations expressed as part of our review of RABA. The third part contains findings and recommendations expressed in the prior performance audit report. The fourth part provides our conclusions and major recommendations. The fifth part presents tables of the calculated performance indicators for the fixed route, demand response, and express service systems.

GENERAL INFORMATION

The Redding Area Bus Authority (RABA) is a component unit in the City of Redding's comprehensive annual financial report. The City provides accounting and administrative staff to RABA. Five member of the Redding City Council, one member of the Shasta County Board of Supervisors, one member of the Anderson City Council, and one member of the City of Shasta Lake Council serve on RABA's Board of Directors.

RABA was formed in 1976 by a joint powers agreement (JPA) between the City of Redding and the County of Shasta to provide public transportation services within the Greater Redding area. Between 1976 and 1981, RABA conducted in-depth studies to determine the type of system that would provide the most cost effective service for the community. RABA began fixed route and demand response public transportation service in November 1981.

In 1983, service was expanded to include a route to Shasta College, which now also serves Simpson College. A route was added in 1985 to provide service to the Central Valley, Project City, Summit City and Pine Grove areas north of Redding. (This area, incorporated in 1993, is now the City of Shasta Lake and is a member of the JPA). In 1987, RABA purchased ten 1987 (32-passenger) Gillig coaches to replace an aging fleet. The new vehicles brought to RABA a new image, which in turn has increased ridership and improved public acceptance of the service. In October 1994, expanded fixed route service was implemented, necessitating the acquisition of four transit coaches. In 1998-99 and 1999-00, eleven 35-foot coaches were purchased with Proposition 116 and Federal Transit Administration funds, replacing vehicles in RABA's aging fleet. RABA replaced 17 transit vehicles through its bus replacement schedule in 2001-2002, one in 2002-2003, and three in 2003-2004.

RABA currently provides fixed route service using twenty 35-foot Gillig Phantom Buses. RABA also uses fifteen 23-foot vans to provide demand response service in compliance with the American with Disabilities (ADA).

The Joint Powers Agreement between the City of Redding and the County of Shasta was amended effective January 1, 1998, to include the City of Anderson and City of Shasta Lake.

Over the past four years, RABA experienced a decline in ridership for the fixed route by 21.12 percent. On the other hand, during the same period, RABA experienced a cumulative growth in ridership for the demand response by 17.65 percent. The decline in ridership for the fixed route can be partially attributed to the significant fare increase over the last several years.

CURRENT YEAR FINDING AND RECOMMENDATION

In planning and performing our performance audit of the Redding Area Bus Authority (RABA) for the years ended June 30, 2004, 2005 and 2006, we considered the characteristics and functions of RABA's management. Those functions included, but were not limited to:

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

We also examined evidence supporting RABA's compliance with the Transportation Development Act as directly related to performance audits and evaluated certain performance indicators as required by the Transportation Development Act.

Based on our audit, our finding and recommendation is as follows:

FAREBOX RATIOS

Finding

Public Utilities Code, Sections 99268.2, 99268.3 & 99268.12 require that the Redding Area Bus Authority maintain a ratio of fare revenues to operating costs (Farebox Ratio) at least equal three twentieths (15 percent), for a county with a population of less than 500,000. The Shasta County Regional Transportation Planning Agency (RTPA) elected the following minimum farebox ratios, 18.5%, 19% and 15% for the operating years ended June 30, 2004, 2005, and 2006 respectively. RABA had actual ratios of fare revenues to operating costs of 15.53%, 13.54%, and 14.51% for each of the years 2004, 2005, and 2006 respectively, falling short of the projected ratios. RABA failed to meet the RTPA's required minimum fare revenues ratio during 2004, 2005 and 2006.

Effect

Failure to meet the required farebox ratio places RABA in non-compliance under regulations spelled out in the Transportation Development Act. The First year of failure 2003/2004 is considered a grace year and does not result in a penalty nor loss of eligibility for funds, the second year of failure 2004/2005 is considered the non-compliance year. The third year of failure 2005/2006 is considered the determination year and the fourth year 2006/2007 is the penalty year, were TDA money is actually withheld.

The shortfall in the second year 2005/2006 between actual farebox ratio and the required farebox ratio determines the penalty amount. The penalty is deducted from the Local Transportation Funds (LTF) allocations and has the effect of temporarily reducing available streets and roads funds to the claimants that make up RABA's Joint Powers Agencies.

Recommendation

We recommend that RABA provide a plan to the RTPA showing how it will achieve the required ratio of fare revenues, such as reviewing operating costs to identify any areas were additional costs can be cut, we also recommend that RABA explore the possibility and effects of an additional fare rate increases.

Response

RABA concurs with the development of a financial plan outlining current and forecasted revenue and expenses. RABA currently has retained the consulting firm of Moore & Associates to review the public transit operations, and to provide a short-range transit plan for the RABA and RTPA Boards consideration. The transit plan will include, but not be limited to, analysis of operating costs, available revenues, and forecasted fare ratios.

PRIOR YEAR FINDING AND RECOMMENDATION

The previous performance audit was performed for the fiscal years ended June 30, 2001, 2002 and 2003.

Highlights of the finding and recommendation recorded within the performance report and the current status are as follows:

Recommendation

It was recommend that if RABA cannot submit their annual fiscal and compliance audits prior to January, RABA should file for a 90 day extension. The extension is allowed by law and also referenced in Public Utilities Code, Section 99245.

Status

RABA has complied with this recommendation, they have requested the 90 day extensions and submitted their reports during the allowable period.

Recommendation

It was recommended that RABA request the Shasta County Regional Transportation Planning Agency (SCRTPA) to either hold funds available under the Transportation Development Act or obtain other funding for the installation of additional maintenance bays. The number of maintenance bays within the facility should be sufficient to ensure that preventative maintenance and major maintenance can be performed in a timely manner based on the size of the fleet. It was also recommended that the use of such funds be incorporated into, but not limited to, the following documents: Regional Transportation Plan, Regional Transportation Improvement Plan, and RABA's Capital Plan.

Status

RABA and the SCRTPA have worked together in identifying Funding sources for the construction of additional maintenance bays. Currently, the maintenance facility expansion is in progress. RABA was successful in obtaining a Federal grant for $1.2 million toward the expansion project. Construction document should be completed in the Spring of 2007 to allow for the solicitation of bids during the summer of 2007.

CONCLUSION

Overall, our conclusion is that RABA is functioning in an efficient and effective manner. RABA appears to be proactive and aware of relevant laws, rules and regulations and continually attempts to improve RABA's operations.

The single significant finding is the failure to meet the required farebox ratios. In practice RABA is made whole by Joint Powers Agencies subsidizing the difference via the allocation of excess funds. We recommend that RABA make every attempt to meet it's farebox requirements.

Respectfully submitted,

Donald R. Reynolds
Certified Public Accountant

REDDING AREA BUS AUTHORITY
TABLE I
FIXED ROUTES

	Fiscal Years Ending June 30		
	2004	2005	2006
Operating Costs	$ 2,554,091	$ 2,681,393	$ 2,875,002
Fare Revenue	454,548	428,219	448,475
Passenger Counts	718,417	705,596	685,931
Vehicle Service Hours	48,296	48,181	46,721
Vehicle Service Miles	796,926	802,101	754,525
Employee Hours	N/D	N/D	N/D
Operating Cost/Passenger	3.56	3.80	4.19
Operating Cost/Vehicle Service Hour	52.88	55.65	61.54
Passengers/Vehicle Service Hour	14.88	14.64	14.68
Passengers/Vehicle Service Mile	0.90	0.88	0.91
Vehicle Service Hours/Per Employee	N/D	N/D	N/D
Farebox Recovery Ration	17.80%	15.97%	15.60%

N/D - Contract operation. No data available for analysis.

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TABLE II
DEMAND RESPONSE

	Fiscal Years Ending June 30		
	2004	2005	2006
Operating Costs	$ 1,077,999	$ 1,207,691	$ 1,315,062
Fare Revenue	109,695	98,221	159,585
Passenger Counts	65,225	66,645	71,273
Vehicle Service Hours	25,099	25,550	25,279
Vehicle Service Miles	381,374	389,350	381,714
Employee Hours	N/D	N/D	N/D
Operating Cost/Passenger	16.53	18.12	18.45
Operating Cost/Vehicle Service Hour	42.95	47.27	52.02
Passengers/Vehicle Service Hour	2.60	2.61	2.82
Passengers/Vehicle Service Mile	0.17	0.17	0.19
Vehicle Service Hours/Per Employee	N/D	N/D	N/D
Farebox Recovery Ration	10.18%	8.13%	12.14%

N/D - Contract operation. No data available for analysis.

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TABLE III
EXPRESS AND PILOT SERVICES

	Fiscal Years Ending June 30		
	2003	2004	2005
Operating Costs	$ 140,783	$ 88,232	$ 97,405
Fare Revenue	13,193	14,380	12,869
Farebox Recovery Ration	9.37%	16.30%	13.21%

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TABLE IIII
Fixed Routes and Demand Response

	Fiscal Years Ending June 30		
	2004	2005	2006
Operating Costs			
Fixed Route	$ 2,554,091	$ 2,681,393	$ 2,875,002
Demand Response	1,077,999	1,207,691	1,315,062
	3,632,090	3,889,084	4,190,064
Fare Revenue			
Fixed Route	454,548	428,219	448,475
Demand Response	109,695	98,221	159,585
	564,243	526,440	608,060
Actual Farebox Recovery Ratio	15.53%	13.54%	14.51%
Required Farebox Recovery Ratio	18.50%	19.00%	15.00%

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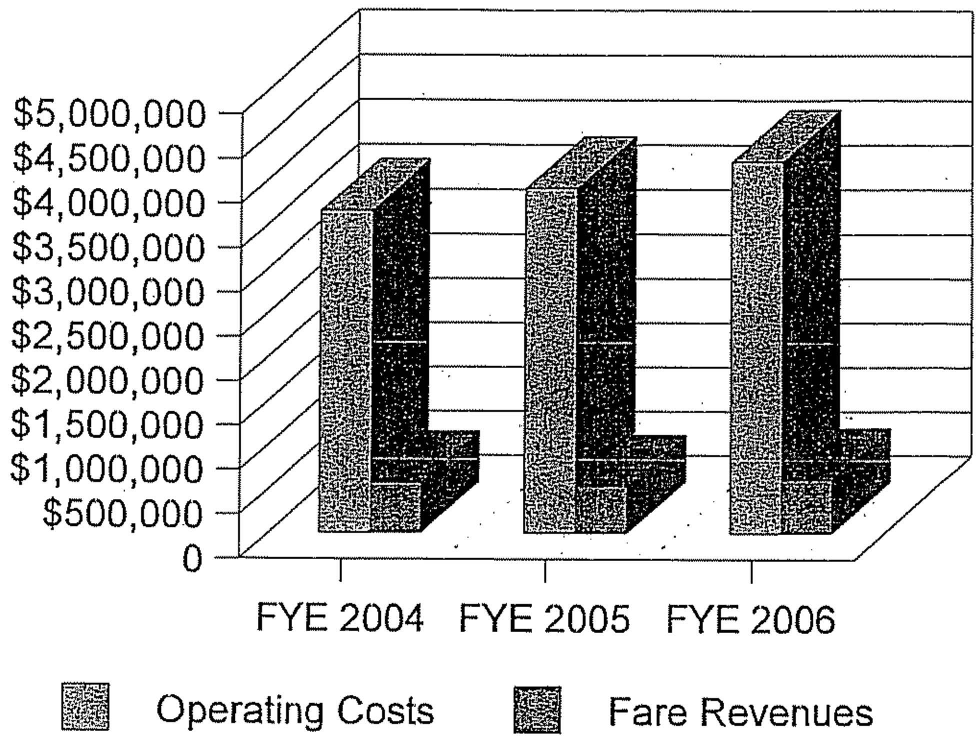
CHARTS
Fixed Routes and Demand Response

Operating Costs Vs. Fare Revenue



Required Ratio Vs. Actual Ratio