REPORT TO SHASTA COUNTY RTPA

SUBJECT		MEETING DATE	ITEM NUMBER
Accept Triennial Performance Audits		7/27/2010	4-3

RECOMMENDATION
It is recommended that the Board accept the RTPA and Redding Area Bus Authority's (RABA) triennial performance audits for fiscal years ending June 30, 2007/08/09.

SUMMARY
Caltrans and the State Controller require audits of RTPA and RABA operations every three years. Audits are due by the end of the following fiscal year.

DISCUSSION
The firm of Hathaway and Ksenzulak performed the audits. There were no audit findings.

RTPA Audit Recommendations
The audit firm recommends continued evaluation of RABA's efficiency and methods to improve productivity, and continuously search for grant opportunities to aid transit operations.

RABA Audit Recommendations
Performance indicators are used to quantify and review transit operator efficiency and trends. The audit expressed concern about RABA's ability to meet farebox ratio requirements in the next performance audit.

RTPA and RABA staff will continue to work together to achieve audit recommendations.

OTHER AGENCY INVOLVEMENT
RABA concurs with the recommendation. The audits were sent to Caltrans and the State Controller. The Technical Advisory Committee (TAC) has reviewed this item and recommends approval.

FINANCING
This action will have no financial impact.

Daniel S. Little, AICP, Executive Director

DSL/SLC/jac

Attachment: RABA Performance Audit
RTPA Performance Audit

REDDING AREA BUS AUTHORITY

PERFORMANCE AUDIT
FOR THE FISCAL YEARS ENDING
JUNE 30, 2007, 2008, AND 2009

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Hathaway & Ksenzulak, LLP

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

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, 2007, 2008, and 2009.

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. Evaluation performance relative to those goals and objectives.

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

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, 2007, 2008, and 2009.

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.

The 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 recommendation. The fifth part presents tables of the calculated performance indicators for the fixed route, demand response, and express service systems.

GENERAL INFORMATION

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 members 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 services 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 2001-02, one in 2002-03, and three in 2003-04.

RABA currently provides fixed route service using sixteen 35-foot Gillig Phantom Buses, and one new 40-foot Gillig Phantom bus. RABA also uses twenty 23-foot vans to provide demand response service in compliance with the American with Disabilities Act (ADA).

The JPA 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 three years, RABA experienced an increase in ridership for the fixed route by 1.02%. During the same period, RABA experienced a cumulative growth in ridership for the demand response by 4.26%. The increase in ridership for the fixed route and demand response can be partially attributed to the recessed economy over the last several years, and a new marketing plan that was put in place during the years under consideration.

CURRENT YEAR FINDING AND RECOMMENDATION

In planning and performing our performance audit of RABA for the years ended June 30, 2007, 2008, and 2009, 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
- Maintenance

We also examined evidence supporting RABA's compliance with the Transportation Development Act (TDA) 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 are as follows:

There were no findings of noncompliance in the years covered under this audit. We have reviewed fare box trends during this audit and find that if actual fare box ratios continue to decrease and the required fare box ratios continue to increase, RABA will be out of compliance upon the next performance audit. We also feel that close attention should be paid to efficiency of operations as they relate to actual vehicle service hours. Continued vigilance regarding fare box ratios and maintaining efficiencies in contracts and routes will help ensure compliance with state regulations and Shasta County Regional Transportation Planning Agency (SCRTPA) goals.

PRIOR YEAR FINDING AND RECOMMENDATION

In planning and performing our performance audit of 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
- Maintenance

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

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

Fare Box Ratios

Finding – Public Utilities Code, Sections 99268.2, 99268.3, and 99268.12 require that RABA maintain a ratio of fare revenues to operating costs (fare box ratio) at least equal three-twentieths (15%), for a county with a population of less than 500,000. The SCRTPA elected the following minimum fare box 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 SCRTPA's required minimum fare revenues ratio during 2004, 2005, and 2006.

Effect – Failure to meet the required fare box ratio places RABA in noncompliance under regulations spelled out in the TDA. The first year of failure, 2003/04, is considered a grace year and does not result in a penalty or loss of eligibility for funds. The second year of failure, 2004/05, is considered the noncompliance year. The third year of failure, 2005/06, is considered the determination year, and the fourth year, 2006/07, is the penalty year, where TDA money is actually withheld.

The shortfall in the second year, 2005/06, between actual fare box ratio and the required fare box 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 JPA.

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

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 SCRPTA Boards consideration. The transit plan will include, but not be limited to, analysis of operating costs, available revenues, and forecasted fare ratios.

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 their operations.

Hathaway & Ksenzulak, LLP

Hathaway and Ksenzulak, LLP
June 25, 2010

REDDING AREA BUS AUTHORITY
TABLE I
FIXED ROUTES

	Fiscal Years Ending June 30,		
	2007	2008	2009
Operating Costs	$2,843,182	$3,029,398	$3,239,072
Fare Revenue	$ 544,905	$ 585,133	$ 572,248
Passenger Counts	652,523	655,413	664,115
Vehicle Service Hours	45,825	44,700	41,746
Vehicle Service Miles	730,069	752,307	629,879
Number of Operators	31	32	32
Number of Employees	43	47	47
Operating Cost/Passenger	4.36	4.62	4.88
Operating Cost/Vehicle Service Hour	62.04	67.77	77.59
Passengers/Vehicle Service Hour	14.24	14.66	15.91
Passengers/Vehicle Service Mile	.89	.87	1.05
Vehicle Service Hours/Operators	1,478	1,397	1,305
Vehicle Service Hours/Total Employees	1,066	951	888
Fare Box Recovery	19.17%	19.32%	17.67%

REDDING AREA BUS AUTHORITY
TABLE II
DEMAND RESPONSE

	Fiscal Years Ending June 30,		
	2007	2008	2009
Operating Costs	$ 1,449,345	$ 1,593,443	$ 1,671,284
Fare Revenue	$ 233,201	$ 237,682	$ 239,661
Passenger Counts	76,091	80,265	79,340
Vehicle Service Hours	27,135	28,619	29,086
Vehicle Service Miles	400,495	420,396	409,610
Number of Operators	15	15.5	15.5
Number of Employees	26	28	28
Operating Cost/Passenger	19.05	19.85	21.06
Operating Cost/Vehicle Service Hour	53.41	55.68	57.46
Passengers/Vehicle Service Hour	2.80	2.80	2.73
Passengers/Vehicle Service Mile	.19	.19	.19
Vehicle Service Hours/Operators	1,809	1,846	1,877
Vehicle Service Hours/Total Employees	1,044	1,022	1,039
Fare Box Recovery	16.09%	14.92%	14.34%

REDDING AREA BUS AUTHORITY
TABLE III
EXPRESS AND PILOT SERVICES

	Fiscal Years Ending June 30,		
	2007	2008	2009
Operating Costs	$ 106,163	$ 122,363	$ 130,550
Fare Revenue	$ 15,637	$ 22,518	$ 22,147
Fare Box Recovery	14.73%	18.40%	16.96%

REDDING AREA BUS AUTHORITY
TABLE IV
FIXED ROUTES AND DEMAND RESPONSES

	Fiscal Years Ending June 30,		
	2007	2008	2009
Operating Costs			
Fixed Route	$2,843,182	$3,029,398	$3,239,072
Demand Response	1,449,345	1,593,443	1,671,284
Total	$4,292,527	$4,622,841	$4,910,356
Fare Revenue			
Fixed Route	$ 544,905	$ 585,133	$ 572,248
Demand Response	233,201	237,682	239,661
Total	$ 778,106	$ 822,815	$ 811,909
Actual Fare Box Recovery Ratio	18.13%	17.80%	16.53%
Required Fare Box Recovery Ratio per SCRTPA	16%	15.5%	16.25%

SHASTA COUNTY REGIONAL TRANSPORTATION PLANNING AGENCY

PERFORMANCE AUDIT
FISCAL YEARS ENDING JUNE 30, 2007, 2008, AND 2009

Hathaway & Ksenzulak, LLP

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Board of Directors
Shasta County Regional
Transportation Planning Agency
Redding, CA 96001

Members of the Board:

The objective of the performance audit of the Shasta County Regional Transportation Planning Agency (Agency) is to provide an independent, high-level evaluation of the Agency'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 Sates 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, 2007, 2008, and 2009.

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The objective of the economy and efficiency portion of the audit is to consider whether, in carrying out its responsibilities, the Agency 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.

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.

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 four parts. The first part contains general information about the Agency. The second part comprises findings and recommendations expressed as part of our review of the Agency. The third part contains findings and recommendations expressed in the prior performance audit report. The fourth part provides our conclusions and major recommendations.

GENERAL INFORMATION

Until October 1981, the Shasta County Local Transportation Commission coordinated transportation planning in Shasta County using state funds for planning purposes. The 1980 federal census identified Shasta County as a metropolitan area of over 50,000 people, and thus eligible for designation as a Metropolitan Planning Organization (MPO) and as an eligible recipient of Federal Metropolitan Planning Funds (FMPF) and Federal Transit Administration (FTA) Section 5303 funds. The Governor designated the Agency as the MPO for Shasta County in November 1981.

The Agency, along with the Cities of Anderson, Redding, and Shasta Lake, the Redding Area Bus Authority (RABA), and California Department of Transportation (Caltrans) approved a Memorandum of Understanding outlining legal foundations of the MPO, the planning, process, the obligations and responsibilities, the organizational makeup, and the funding process. The planning process is in compliance with the laws and guidelines developed by Caltrans and the Federal Department of Transportation. This responsibility includes development and adoption of these planning policies and documents:

- Transportation Policy Direction
- Review and Coordination of Transportation Planning
- Preparation and Endorsement of an Overall Work Program
- A Regional Transportation Plan
- A Regional Transportation Improvement Plan
- A Federal Transportation Improvement Plant

These planning activities enable the local jurisdictions within the County of Shasta to qualify for a variety of state and federal funding for transportation projects and facilities.

A brief description of the Agency's planning activities is as follows:

Overall Work Program – The Overall Work Program (OWP) is a program of planning projects, which must be prepared and adopted annually. The OWP is a budgetary document intended to clarify the planning process and to meet federal and state funding requirements.

Regional Transportation Plan – The Regional Transportation Plan (RTP) is prepared in compliance with state (California Government Code Sections 65080 et seq.) and federal (U.S. Code Title 23, Sections 134 and 135 et seq.) regulation governing regional and metropolitan planning and programming and has a 20-year plan horizon. Updated every 5 years, the plan contains discussions on regional transportation issues, problems and solutions, and includes goals and objectives for each transportation mode and area of concern.

Regional Transportation Improvement Program – The Regional Transportation Improvement Program is a biennial, 7-year prioritization and summarization of all transportation capital improvement projects for the region.

Federal Transportation Improvement Plan – The Agency is responsible for the Federal Transportation Improvement Program (FTIP). Every two years the Agency is required to prepare and approve a 3-year program for planned transportation projects involving federal funding.

Transportation Development Act Fund – The Agency is required to administer Transportation Development Act (TDA) funds. This involves the review, evaluation, and approval of TDA claims submitted by claimants. They are also responsible for the drafting of allocation instructions to disburse funds to eligible claimants in their region.

Coordinated Human Transportation Plan – The Federal Transit Administration (FTA) requires that all public transit projects involving federal funds must be included in a locally developed human transportation plan. The Agency is the lead agency for the development of Shasta County's Coordinated Human Transportation Plan. The plan is updated every 5 years.

Congestion and Air Quality Plans – Shasta County is currently classified as an attainment area with respect to all National Ambient Air Quality Standards. Should Shasta County reach non-attainment, federally-funded projects must demonstrate conformity with a state plan to meet federal air quality standards. Under Senate Bill 375 (SB375) the Agency must prepare a Sustainable Communities Strategy to meet federal air quality standards to reduce greenhouse gas emissions from cars and light trucks.

CURRENT YEAR FINDING AND RECOMMENDATION

In planning and performing our performance audit of the Agency for the years ended June 30, 2007, 2008, and 2009, we considered the characteristics and functions of the Agency's management. Those functions included, but were not limited to:

- Agency administration and management
- Transportation planning and regional coordination
- Claimant relationships and oversight
- Marketing and transportation alternatives
- Grant application and management

We also examined evidence supporting the Agency's compliance with the TDA as directly related to performance audits.

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

There were no audit findings of non-compliance for the current year. We recommend that the Agency continue evaluating productivity or recommending methods to improve productivity to RABA. In addition, we suggest that the Agency continue to look for opportunities for grants to help with operations.

PRIOR YEAR FINDING AND RECOMMENDATION

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

- Agency administration and management
- Transportation planning and regional coordination
- Claimant relationships and oversight
- Marketing and transportation alternatives
- Grant application and management

We also examined evidence supporting the Agency's compliance with the TDA as directly related to performance audits.

Based on our audit, the prior auditor's finding and recommendation are as follows:

Productivity Committee Functions – Public Utilities Code (PUC) Section 99244 requires the Agency annually identify, analyze, and recommend potential productivity improvements, which could lower the operating costs of those operators who operate at least 50 percent of their vehicle service miles, within the area under its jurisdiction. The Agency may form a productivity committee to oversee those functions or it may be absorbed by one of its existing committees.

The Agency is tasked with ensuring that the operator has made reasonable effort to identify areas of improvement and implement improvements in those areas as recommended by the Agency.

There has been a continuing recommendation to the Agency that a productivity committee must be formed. While the committee is not specifically required by the PUC, the PUC does require that the Agency monitor the productivity of the operators and progress toward improvements. The Agency has not formed a productivity committee nor has it tasked any of its standing committees with the specific task of evaluating productivity or recommending methods to improve productivity. We recommend that the Agency perform its functions pursuant to PUC Section 99244.

Agency's Response –The Agency's Social Services Transportation Advisory Council (SSTAC) is a citizens committee established under TDA statues. The SSTAC duties include review of public transit activities, including productivity recommendations. This committee meets the purpose of a productivity committee, as outlined in PUC Section 99244.

Fare Box Ratio – PUC Section 99268 allows the Agency to set the required ratio of fare revenues to operating costs (fare box ratio) at not less than 15% for an operator in a county with a population of 500,000 or less. The Agency adopted fare box ratios of 18.5%, 19%, and 15% for each of the operating years 2003/2004, 2004/2005, and 2005/2006, respectively. RABA's (the operator) actual fare box ratios were 15.53%, 13.54%, and 14.51%, respectively. The Agency is responsible for calculating the fare box ratio annually and is required to withhold TDA monies from an operator for noncompliance with the required fare box ratios established by the Agency.

The first fiscal year for which an operator does not maintain the required ratio of fare revenues to operating cost is deemed a grace year, and it does not result in any penalty or loss of eligibility for funds.

If an operator was allocated funds during a fiscal year in which it did not maintain the required ratio of fare revenues to operating cost, the operator's eligibility to receive monies from the local transportation fund and allocations pursuant to PUC Sections 99313.3 and 99314.3 shall be reduced during a subsequent penalty year by the amount of the difference between the required fare revenues and the actual fare revenues for the fiscal year that the required ratio was not maintained. The penalty year shall be the fiscal year that begins one year after the end of the fiscal year during which the required ratio was not maintained.

Finding – The Agency had failed to recognize fiscal year 2003/2004 as a noncompliance year due to an unintentional oversight and miscalculation of fare box ratio. Consequently, fiscal year 2004/2005 is considered the penalty year, and fiscal year 2005/2006 would be the year in which TDA monies should have been withheld. Due to the Agency oversight and miscalculation, TDA monies were not withheld from the operator.

Recommendation – We recommend that the Agency review it's internal controls to ensure that such an oversight and miscalculation does not happen again.

Agency's Response – The Agency accepts the audit recommendation and will make every effort to avoid this oversight in the future.

CONCLUSION

Overall, our conclusion is that the Agency is functioning in an efficient and effective manner. Agency staff appears to be proactive and aware of relevant laws, rules, and regulations and continually attempts to improve the Agency's operations. The most significant of our recommendations is the review of the Agency's internal controls to ensure fare box ratios are calculated correctly and to withhold TDA funds when an operator fails to meet the required fare box ratio.

Hathaway + Ksenzulak, LLP

Hathaway and Ksenzulak, LLP
June 25, 2010