

FY 2011-2013 TRIENNIAL PERFORMANCE AUDIT OF ARCATA & MAD RIVER TRANSIT SYSTEM (A&MTS)



SUBMITTED TO
HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS



June 2014

SUBMITTED BY



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Section I

Introduction

California's Transportation Development Act (TDA) requires that a triennial performance audit be conducted of public transit entities that receive TDA revenues. The performance audit serves to ensure accountability in the use of public transportation revenue.

The Humboldt County Association of Governments (HCAOG) engaged PMC to conduct the Transportation Development Act (TDA) triennial performance audit of the public transit operators under its jurisdiction in Humboldt County. This performance audit is conducted for the Arcata & Mad River Transit System (A&MRTS) covering the most recent triennial period, fiscal years 2010-11 through 2012-13.

The purpose of the performance audit is to evaluate the A&MRTS' effectiveness and efficiency in its use of TDA funds to provide public transportation in its service area. This evaluation is required as a condition for continued receipt of these funds for public transportation purposes. In addition, the audit evaluates the A&MRTS' compliance with the conditions specified in the California Public Utilities Code (PUC). This task involves ascertaining whether the A&MRTS is meeting the PUC's reporting requirements. Moreover, the audit includes calculations of transit service performance indicators and a detailed review of the transit administrative functions. From the analysis that has been undertaken, a set of recommendations has been made which is intended to improve the performance of transit operations.

In summary, this TDA audit affords the opportunity for an independent, constructive and objective evaluation of the organization and its operations that otherwise might not be available. The methodology for the audit included in-person interviews with management, collection and review of agency documents, data analysis, and on-site observations. The *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* published by the California Department of Transportation (Caltrans) was used to guide in the development and conduct of the audit.

Overview of the Transit System

The A&MRTS was established by the City of Arcata in 1975 as a means of providing alternative transportation to serve HSU students, seniors, the disabled and other residents lacking access to an automobile. To accomplish these objectives, a variety of services are provided as follows:

- Fixed-route bus service provided by the A&MRTS;
- Demand-responsive Dial-a-Lift service for disabled passengers operated under contract with the Humboldt Transit Authority (HTA);
- Demand-responsive Dial-a-Ride service provided through a contract with HTA, who in turn contracts for actual services with a local transportation provider; and

- Contribution of funds for the operation of the Redwood Transit System (RTS), a regional commuter service operated by HTA for general public use.

The primary focus of this performance audit will be the A&MRTS fixed-route service.

Based on the 2010 U.S. Census, Arcata's population is 17,231 which grew 3.3 percent since the 2000 U.S. Census. The senior citizen population, comprised of residents aged 65 and over, is 8.17 percent. The 2014 population for Arcata is estimated to be 17,734 as reported by the State Department of Finance. The city covers a 9.1 square mile area.

The main highway serving Arcata is U.S. Highway (US)-101. US-101 is the main north-south highway connecting Arcata with Eureka to the south and McKinleyville to the north. State Route (SR) 299 runs eastward from its junction with US-101 to Blue Lake, Willow Creek and into Trinity and Shasta Counties. SR-255 connects Arcata with the communities of Manila and Samoa toward the west. Major arterial streets traversing Arcata include 11th Street, Alliance Road, G Street, H Street, James Road, Samoa Boulevard, Spear Avenue and Union Street.

System Characteristics

The Arcata Transit Center, located at 925 E Street, serves as the principal hub for the A&MRTS as well as for other local and inter-city bus services. The system is comprised of three routes that originate from and terminate at the Arcata Transit Center on hourly headways. The Gold and Red Routes operate on weekdays between the hours of 7:00 a.m. and 10:00 p.m. The Orange Route operates Saturdays between the hours of 7:00 a.m. and 7:00 p.m. The Gold Route serves areas in the northern half of Arcata from downtown including HSU, Pacific Manor, Sunset, Valley West and Westwood. The Red Route serves areas in the southern half of town, including downtown, HSU, Grandview and Sunny Brae. The Orange Route combines the major timepoints of the two weekday routes.

The A&MRTS does not operate on Sunday and the following major holidays: such as New Years Day, 4th of July, Labor Day, Thanksgiving Day and Christmas Day. A&MRTS operates the Saturday schedule on Martin Luther King Jr. Day, Memorial Day, Labor Day, the Day after Thanksgiving and the Day after Christmas.

During the fall and spring semesters at HSU, the last outbound bus leaves the Transit Center at 9:05 p.m. weekdays and 6:05 p.m. Saturdays. The first outbound bus leaves the Transit Center at 7:05 a.m. weekdays and 7:05 a.m. on Saturdays. During the summer and winter semesters, the last outbound bus leaves the Transit Center at 6:05 p.m. weekdays, whereas the first outbound bus leaves at 7:05 a.m. weekdays and Saturdays. A&MRTS route system during the audit period is summarized in Table I-1.

**Table I-1
A&MRTS Route System**

Gold Route (Weekdays)	Time after the hour	Red Route (Weekdays)	Time after the hour	Orange Route (Saturdays)	Time after the hour
Transit Center	:05	Transit Center	:05	Transit Center	:05
G at 10 th	:06	G & 10 th	:06	Union & 7 th	:06
G at 12 th	:07	Pythian Castle (Westbound)	:07	Parkway Apts.	:07
G at 14 th	:08	11 th & K (Westbound)	:08	Sunny Brae Centre (Eastbound)	:09
G at 16 th	:09	11 th & Q (Westbound)	:09	Beverly Drive/Buttermilk Lane	:11
G at 18 th	:10	Greenview Market	:10	Chester Avenue & Beverly Drive	:11
HSU Library Circle	:11	Zehndner & S	:11	Crescent Way	:12
L.K. Wood & California	:12	Zehndner & Q	:12	Greenview Market	:18
L.K. Wood & Ridge Road	:13	11 th & Q (Eastbound)	:13	Zehndner & S	:19
L.K. Wood & Diamond	:14	11 th & K (Eastbound)	:14	Zehndner & Q	:20
L.K. Wood & Redwood	:15	H & 11 th	:15	11 th & Q (Eastbound)	:21
Camp Curtis Apts.	:16	H & 9 th (Plaza)	:16	11 th & K (Eastbound)	:22
Sunset Avenue & Baldwin	:17	H & 6 th	:17	H & 11 th	:23
Sunset Run	:17	Uniontown Shopping Center	:18	H & 9 th (Plaza)	:24
Westwood	:22	City Hall (7 th & F)	:19	H & 6 th	:25
Alliance & Hilfiker Drive	:23	Transit Center	:20	Uniontown Shopping Center	:26
Alliance & Spear Avenue	:24	G & 10 th	:21	City Hall (7 th & F)	:27
Mad River Hospital	:26	G & 12 th	:22	Transit Center	:28
Lazy J. Trailer Ranch	:27	HSU Library Circle	:24	G & 10 th	:29
McDonalds (Valleywest)	:31	L.K. Wood & California	:27	G & 12 th	:30
Valleywest Blvd. (South corner)	:31	L.K. Wood & Ridge Road	:28	G & 14 th	:31
Valleyeast	:32	L.K. Wood & Diamond	:29	G & 16 th	:32
Courtyard Apts.	:35	L.K. Wood & Redwood	:30	G & 18 th	:33
Renner Station	:37	Camp Curtis Apts.	:31	HSU Library Circle	:34

Gold Route (Weekdays)	Time after the hour	Red Route (Weekdays)	Time after the hour	Orange Route (Saturdays)	Time after the hour
West End & Spear Avenue	:38	HSU Library Circle	:34	Courtyard Apts.	:37
Spear Avenue & Alliance Road	:39	14 th & B	:36	McDonalds (Valleywest)	:38
Alliance & 27 th	:41	14 th & Union (Eastbound)	:37	Valleywest Blvd. (South corner)	:39
Alliance & Stromberg (Westwood Market)	:42	Union & 11 th	:38	Valleyeast	:40
Alliance & Foster Avenue (Eastbound)	:43	Union & 7 th	:39	Lazy J. Trailer Ranch	:41
Sunset Avenue & Baldwin	:44	Parkway Apartments	:42	Mad River Hospital	:42
HSU Library Circle	:47	Sunnybrae Professional Building	:44	Spear Avenue & Alliance Road	:44
H & 18 th	:49	Sunny Brae Centre (Eastbound)	:45	Alliance & Hilfiker Drive	:45
H & 16 th	:50	Beverly Drive/Buttermilk Lane	:46	Westwood Market (Alliance & Stromberg)	:46
H & 14 th	:51	Chester Avenue/Beverly Drive	:47	Alliance & Foster Avenue	:47
H & 11 th	:52	Crescent Way	:48	Sunset Avenue & Baldwin	:48
H & 9 th (Plaza)	:53	Union Street Charter School	:49	HSU Library Circle	:54
H & 6 th	:54	14 th & Union (Westbound)	:50	14 th & B	:56
Uniontown Shopping Center	:55	14 th & B (Westbound)	:50	Transit Center	:58
City Hall (7 th & F)	:56	HSU Library Circle	:53		
Transit Center	:57	14 th & B (Westbound) Transit Center	:55 :57		

Source: A&MRTS

Dial-a-Ride

Dial-a-Ride services are administered under contract by the Humboldt Transit Authority (HTA) and operated by a local transportation provider (City Ambulance of Eureka). A description of this transit mode is discussed in the HTA performance audit report.

Fares

A&MRTS' fares are structured accordingly to fare type and media. Free transfers are provided between A&MRTS buses to complete a single trip. A fare increase became effective July 1, 2012. HSU students ride the A&MRTS fare-free as part of the JackPass program by swiping their current student identification card. The JackPass is paid for through a mandatory fee each semester with every HSU student's registration. Staff and faculty can buy into the JackPass program for \$60 per semester.

New transit pass products are available as a result of new electronic fareboxes installed on the major fixed routes of the local transit operators. Pass products include stored value cards good for RTS, ETS, Willow Creek, Southern Humboldt (Garberville) and A&MRTS buses, and monthly magnetic swipe passes. Regional transit passes are available in denominations of \$10 and \$20 and allow passengers to ride the four regional transit systems at the new discounted rate. The fare structure is shown in Table I-2:

**Table I-2
A&MRTS Fare Schedule**

Categories	Fares (Effective 7/1/2010)				Fares (Effective 7/1/2012)			
	One Ride	Multi-Ride/ Regional Pass	Day Pass	Monthly Pass	One Ride	Multi-Ride/ Regional Pass	Day Pass	Monthly Pass
Adult (Ages 18 to 61)	\$1.40	\$1.00	\$2.00	\$30.00	\$1.50	\$1.20	\$2.50	\$30.00
Youth (Ages 3 to 17)	\$1.00	\$0.75	\$1.50	\$25.00	\$1.25	\$0.80	\$1.50	\$25.00
Seniors (Ages 62 and up)	\$1.00	\$0.75	\$1.50	\$25.00	\$1.25	\$0.80	\$1.50	\$25.00
Disabled (with valid Transit ID)	\$1.00	\$0.75	\$1.50	\$25.00	\$1.25	\$0.80	\$1.50	\$25.00

Source: A&MRTS

Fleet

There are six fixed route vehicles in the A&MRTS fleet. All vehicles are diesel-powered. Table I-3 summaries the vehicle fleet. All A&MRTS vehicles are equipped with wheelchair lifts and tie downs, which conform to the requirements of the Americans with Disabilities Act (ADA) of 1990 requirements in regards to accessibility.

**Table I-3
A&MRTS Fleet**

Year	Make & Model	Quantity	Fuel type	Seating
2002	Gillig Phantom	2	Diesel	32
2009	Gillig Low Floor	2	Diesel	32
2010	Ford Glaval	2	Diesel	20
Total		6		

Source: A&MRTS

Section II

Operator Compliance Requirements

This section of the audit report contains the analysis of A&MRTS' ability to comply with state requirements for continued receipt of TDA funds. The evaluation uses the guidebook, *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Agencies, September 2008 (third edition)*, which was developed by the Department of Transportation (Caltrans) to assess transit operators. The guidebook contains a checklist of eleven measures taken from relevant sections of the Public Utilities Code and the California Code of Regulations. Each of these requirements is discussed in the table below, including a description of the system's efforts to comply with the requirements. In addition, the findings from the compliance review are described in the text following the table.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
The transit operator submitted annual reports to the RTPA and to the State Controller based upon the Uniform System of Accounts and Records established by the State Controller. Report is due 90 days after end of fiscal year (Sept. 28/29), or 110 days (Oct. 19/20) if filed electronically (Internet).	Public Utilities Code, Section 99243	Completion/submittal dates: FY 2011: September 28, 2011 FY 2012: September 11, 2012 FY 2013: September 11, 2013 The annual reports have been submitted to the State Controller, but not to HCAOG. Conclusion: Partial Compliance.
The operator has submitted annual fiscal and compliance audits to the RTPA and to the State Controller within 180 days following the end of the fiscal year (Dec. 27), or has received the appropriate 90-day extension by the RTPA allowed by law.	Public Utilities Code, Section 99245	Completion/submittal dates: FY 2011: November 14, 2011 FY 2012: December 12, 2012 FY 2013: October 30, 2013 Conclusion: Complied.
The CHP has, within the 13 months prior to each TDA	Public Utilities Code, Section 99251 B	A&MRTS, through its contract operator HTA, participates in

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1 following a CHP inspection of the operator's terminal.		<p>the CHP Transit Operator Compliance Program in which the CHP has conducted inspections within the 13 months prior to each TDA claim.</p> <p>Inspections were conducted at HTA's maintenance facility in Eureka:</p> <p>Transit Operator Compliance Certificates and inspection dates applicable to the audit period were October 12, 2010; October 18, 2011; and October 18, 2012.</p> <p>Inspections were found to be satisfactory.</p> <p>Conclusion: Complied.</p>
The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	Public Utilities Code, Section 99261	<p>As a condition of approval, the City of Arcata's annual claims for Local Transportation Funds and State Transit Assistance are submitted in compliance with the rules and regulations adopted by HCAOG. HCAOG staff provides assistance to the City as needed in completing the claim.</p> <p>Conclusion: Complied.</p>
If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to	Public Utilities Code, Section 99270.1	A&MRTS is subject to farebox requirements as an older operator, but is not subject to this specific requirement.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.		Conclusion: 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).	Public Utilities Code, Section 99266	<p>Percentage increase in the A&MRTS operating budget:</p> <p>Fixed Route FY 2011: +6.5% FY 2012: -0.7% FY 2013: +2.9%</p> <p>Dial-A-Ride FY 2011: +4.1% FY 2012: +23.8% FY 2013: +1.5%</p> <p>The DAR budget increase in FY 2012 was due to increases in the JPA agreement and equipment maintenance.</p> <p>Source: City of Arcata Transit Budget for FYs 2010-2013</p> <p>Conclusion: Complied.</p>
The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit	Public Utilities Code, Section 99247	<p>A review of external reports compiled during the audit period indicates that performance data are not being properly collected and reported.</p> <p>Vehicle service hour and service mile data were reported incorrectly in the FY 2011, 2012 & 2013 Transit Operators Financial Transactions Reports</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.		submitted to the State Controller. The City's Transportation Superintendent confirmed that the original data was erroneous and resubmitted the data. This is further discussed in the next section on progress to implement prior audit recommendations. Conclusion: Not in compliance.
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating costs at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenues to operating costs of at least equal to three-twentieths (15 percent), if so determined by the RTPA.	Public Utilities Code, Sections 99268.2, 99268.3, 99268.12, 99270.1	A&MRTS is subject to farebox requirements as an older operator, but is not subject to this specific requirement. Conclusion: Not Applicable.
If the operator serves a rural area, or provides exclusive services to elderly and disabled persons, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	Public Utilities Code, Sections 99268.2, 99268.4, 99268.5	As an older operator, A&MRTS' farebox recovery ratio for fixed route service is set at the ratio it had in FY 1978-79, which is 18.8 percent. The farebox recovery ratios for A&MRTS' fixed route service based on audited data are as follows: FY 2011: 30.7% FY 2012: 28.7% FY 2013: 30.7%

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<p>Dial-a-Ride farebox recovery ratios are reported in the HTA performance audit and have also exceeded the minimum farebox recovery ratio for specialized transit services.</p> <p>Source: Annual Fiscal and Compliance Audits.</p> <p>Conclusion: Complied.</p>
<p>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 within 40 years.</p>	<p>Public Utilities Code, Section 99271</p>	<p>The City of Arcata makes contributions to its employees' retirement funded through the California Public Employees' Retirement System (CalPERS). New CalPERS members or previous CalPERS members with a break in service of six calendar months or greater (2% @ 62). The current 6.25% employee contribution is paid by the employee. For CalPERS classic members (2% @ 55), the current 7% employee contribution is paid by the employee. For the 2% @ 62 formulas, the employee contribution will change each fiscal year to be at least 50% of the normal cost rate as determined by CalPERS.</p> <p>The City's contract operator, HTA, contributes to its employees' retirement funded through CalPERS. Participants are required to contribute 7%</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		of their annual covered salary, which HTA pays on their behalf. Conclusion: Complied.
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.	California Code of Regulations, Section 6754(a)(3)	As a recipient of State Transit Assistance Funds, A&MRTS is making full use of federal funds available under the Urban Mass Transportation Act of 1964 as amended. FY 2011: \$126,863 (Operations) \$139,949 (Capital) FY 2012: \$44,045 (Operations) FY 2013: \$86,642 (Operations) Source: Transit Operators Financial Transactions & Compensation Report Conclusion: Complied.

Findings and Observations from Operator Compliance Requirements Matrix

1. Of the compliance requirements applicable to A&MRTS, the operator fully complied with seven of out nine requirements. The transit system was in partial compliance with its submittal of the annual State Controller Report; the reports were submitted to the State but not to HCAOG. A&MRTS was not in compliance with regard to external reporting of performance data and indicators. Two additional compliance requirements did not apply to A&MRTS (e.g. urban & intermediate farebox recovery ratios).
2. Based on the Annual Fiscal and Compliance Audits, the farebox recovery ratio for A&MRTS fixed route service remained above the required 18.8 percent. The average farebox recovery attained during the audit period was 30 percent. Dial-a-Ride farebox recovery ratios are reported in the HTA performance audit and have also exceeded the minimum farebox recovery ratio for specialized transit services.

3. Through its contract operator, A&MRTS participates in the CHP Transit Operator Compliance Program and received vehicle inspections within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period.

4. The operating budget exhibited modest fluctuations for fixed route during the audit period. The budget increased 6.5 percent in FY 2011 and 2.9 percent in FY 2013. The FY 2011 increase was attributed to staff costs and departmental supplies. The FY 2013 increase was attributed to the JPA agreement and insurance costs. During FY 2012, the budget decreased 0.7 percent. For DAR, the budget increase in FY 2012 was due to increases in the JPA agreement and equipment maintenance.

Section III

Prior Triennial Performance Recommendations

A&MRTS' efforts to implement the recommendations made in the prior triennial audit are examined in this section of the report. For this purpose, each prior recommendation for the agency is described, followed by a discussion of A&MRTS' efforts to implement the recommendation. Conclusions concerning the extent to which the recommendations have been adopted by the agency are then presented.

Prior Recommendation 1

Continue effort to properly complete and check annual State Controller Report for A&MRTS.

Actions taken by A&MRTS

The prior audit noted that Transit Operators Financial Transactions Report for A&MRTS should only reflect the fixed route service financial and operational data. A reminder file was provided to the Finance Department to use to make corrections on future reports submitted to the State Controller. It was also suggested that the City select the correct use of TDA funds in the General Information page in the front of the Controller report by checking off the Article 4 box, not Article 4.5.

In addition, to assure the information is representative of fiscal year end, it was suggested that the Finance Department forward the completed Transit Operators Financial Transactions Report to the Transportation Superintendent to verify financial and supplemental operational data (fares, operating costs, passengers, hours, miles, etc) prior to submittal to the State Controller. This check would help provide consistency between the A&MRTS Activity Report and the Controller Report.

A review of the Transit Operators Financial Transactions Reports submitted to the State Controller during the audit period showed that the City's Finance Department continued to check the Article 4.5 box on the General Information page instead of the Article 4 box. In addition, the vehicle service hour and mileage data for FY 2011 and FY 2012 in the Supplemental Operating Data section had discrepancies and were not reflective of actual service activity. For example, the reported data to the State overestimated miles by about three-quarters. The City Transportation Superintendent confirmed that the original data was erroneous and resubmitted the data. It is suggested that further coordinated efforts between the Finance Department and the Transit Department be made to ensure the accuracy of the Transit Operators Financial Transactions Reports before submittal to the State Controller.

Conclusion

This recommendation has not been implemented and is carried forward for full implementation.

Prior Recommendation 2

Track maintenance cost trends and determine adjustment, if any, to the annual budget amount.

Actions taken by A&MRTS

The prior audit suggested that the Transportation Superintendent conduct a regular review of vehicle maintenance and fuel costs using existing sources including HTA provided documentation, CHP inspection reports, fiscal audits, and communication with HTA maintenance staff. Trends showed that maintenance costs were exceeding the annual budget adopted by the City. It was suggested that the City may need to revisit the budget allocation and make adjustments to more accurately reflect actual expenses.

According to the Transportation Superintendent, the City receives the fuel bill on a monthly basis. Fuel and maintenance are considered variable costs. In addition, the City has made modifications to its service contract with HTA with regard to fueling costs. The City is normally charged \$90,000 annually. The delivery of four new vehicles to the A&MRTS fleet during audit period has resulted in lower fuel and maintenance expenses.

Conclusion

This recommendation has been implemented.

Section IV

TDA Performance Indicators

This section reviews A&MRTS' performance in providing transit service in an efficient and effective manner. TDA requires that at least five specific performance indicators be reported, which are contained in the following tables. Farebox is not one of the five specific indicators, but is a requirement for continued TDA funding. Therefore, farebox calculation is also included. Graphs and findings from the analysis are contained in the section following the tables.

Table IV-1 provides the performance indicators for A&MRTS. Charts are also provided to depict the trends in the indicators. It is noted that the systemwide operating costs and fare revenues are based on audited figures which include all operating expenses.

**Table IV-1
A&MRTS TDA Performance Indicators**

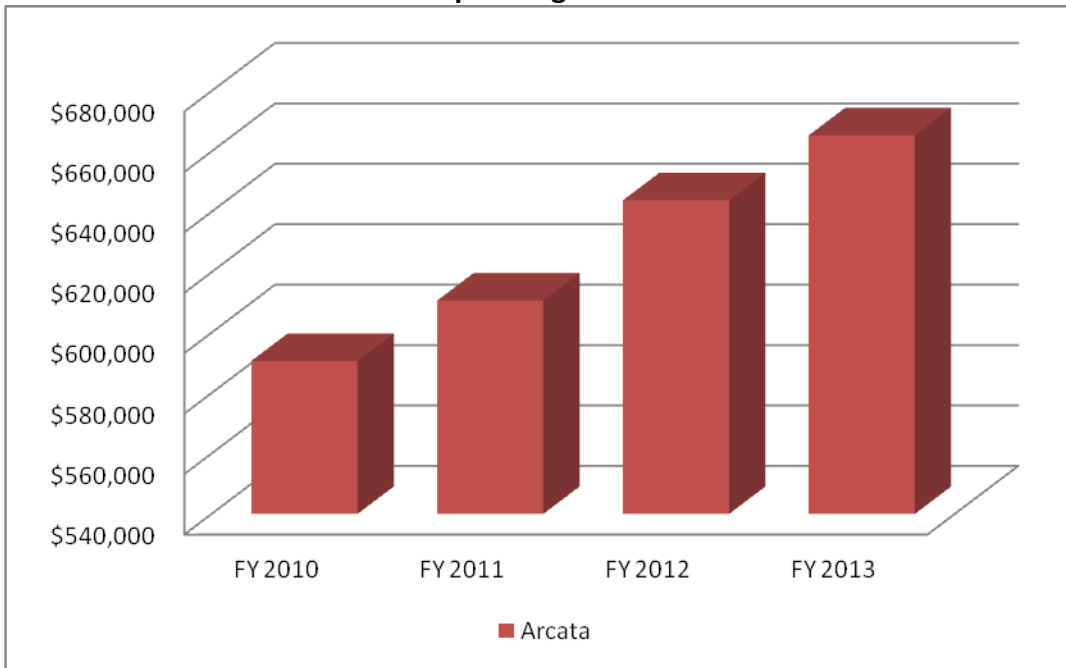
Performance Data and Indicators	FY 2010	FY 2011	FY 2012	FY 2013	% Change FY 2010-2013
Operating Cost	\$590,643	\$610,616	\$643,805	\$665,303	12.6%
Total Passengers	225,189	215,373	228,967	228,225	1.3%
Vehicle Service Hours*	7,326	7,344	7,500	7,538	2.9%
Vehicle Service Miles**	78,966	106,000	95,000	94,351	19.5%
Employee FTE's	7	8	8	8	14.3%
Passenger Fares	\$175,036	\$187,183	\$184,962	\$203,965	16.5%
Operating Cost per Passenger	\$2.62	\$2.84	\$2.81	\$2.92	11.1%
Operating Cost per Vehicle Service Hour	\$80.62	\$83.14	\$85.84	\$88.26	9.5%
Operating Cost per Vehicle Service Mile	\$7.48	\$5.76	\$6.78	\$7.05	-5.7%
Passengers per Vehicle Service Hour	30.7	29.3	30.5	30.3	-1.5%
Passengers per Vehicle Service Mile	2.85	2.03	2.41	2.42	-15.2%
Vehicle Service Hours per Employee	1,046.6	918.0	937.5	942.3	-10.0%
Average Fare per Passenger	\$0.78	\$0.87	\$0.81	\$0.89	15.0%
Fare Recovery Ratio	29.63%	30.65%	28.73%	30.66%	3.5%

Source: Annual Fiscal & Compliance Reports; FY 2013 National Transit Database (RU-20); State Controller's Reports

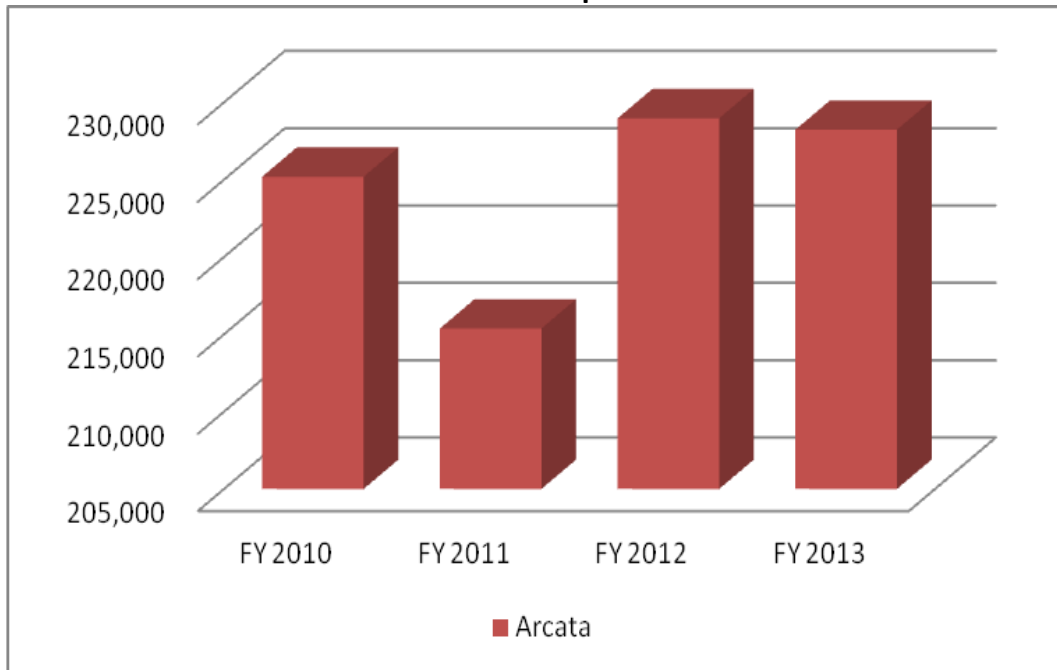
*FY 2012 Vehicle Service Hours data is an estimate due to reporting errors in the State Controller's Report

** FY 2012 Vehicle Service Miles data is an estimate due to reporting errors in the State Controller's Report

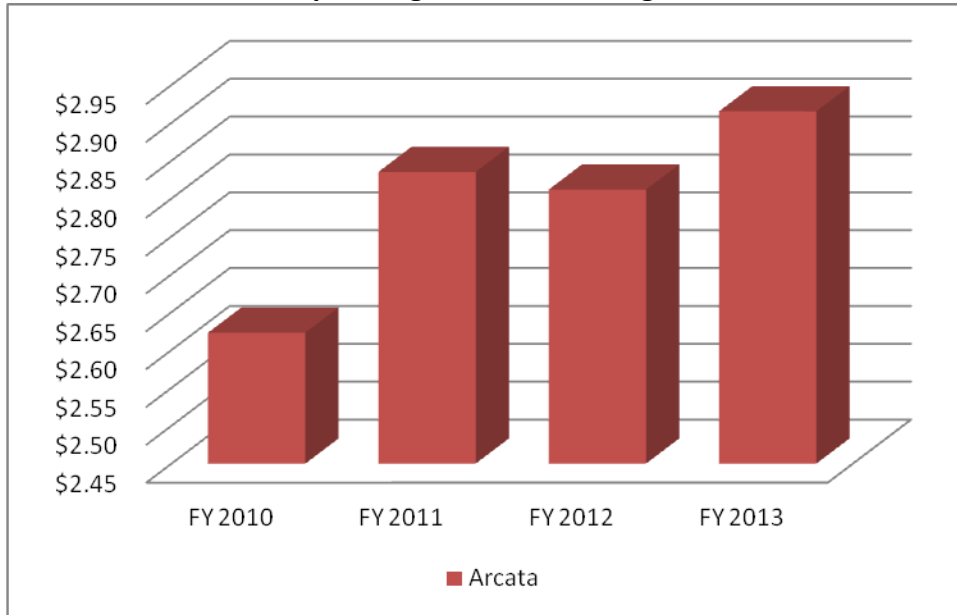
**Graph IV-1
Operating Costs**



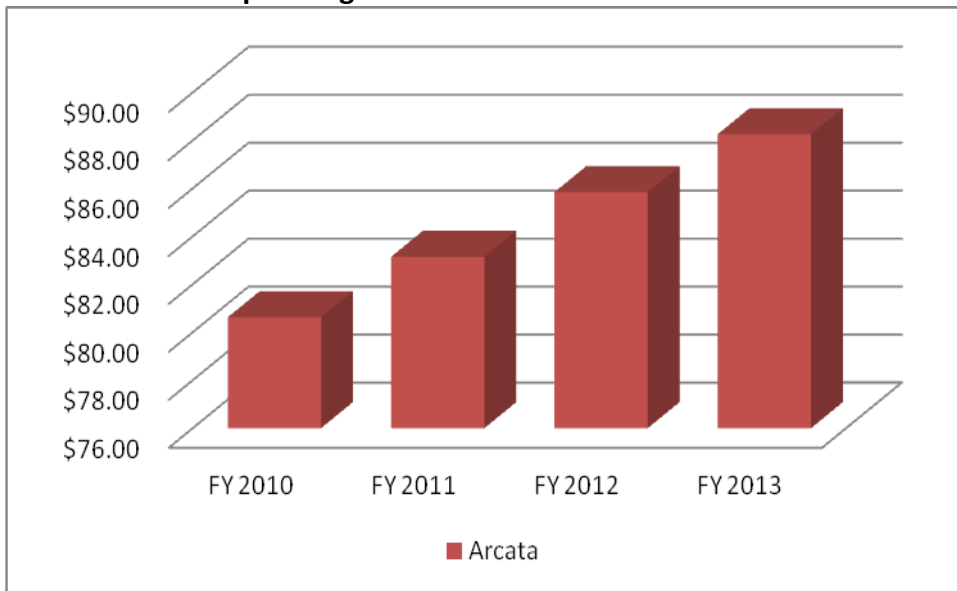
**Graph IV-2
Ridership**



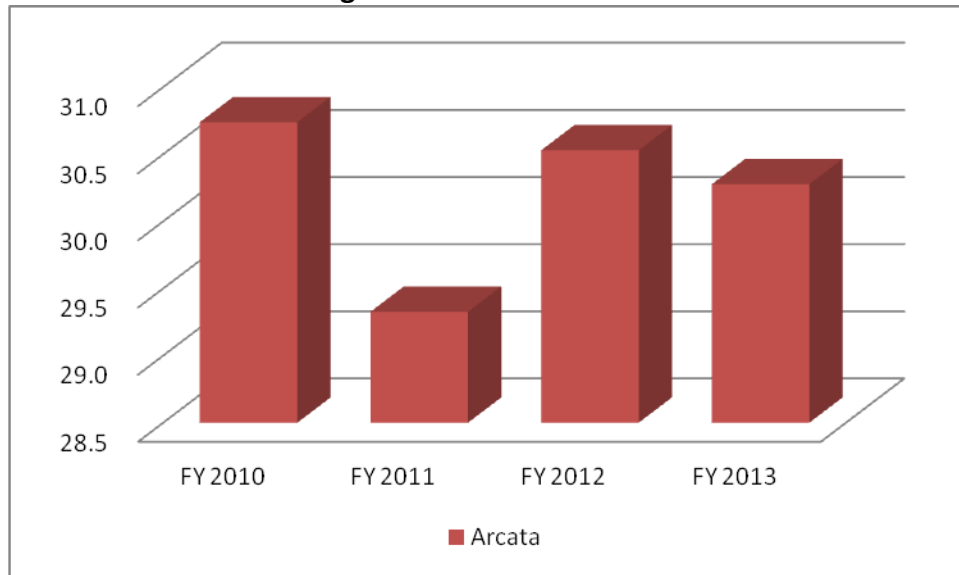
Graph IV-3
Operating Cost Per Passenger



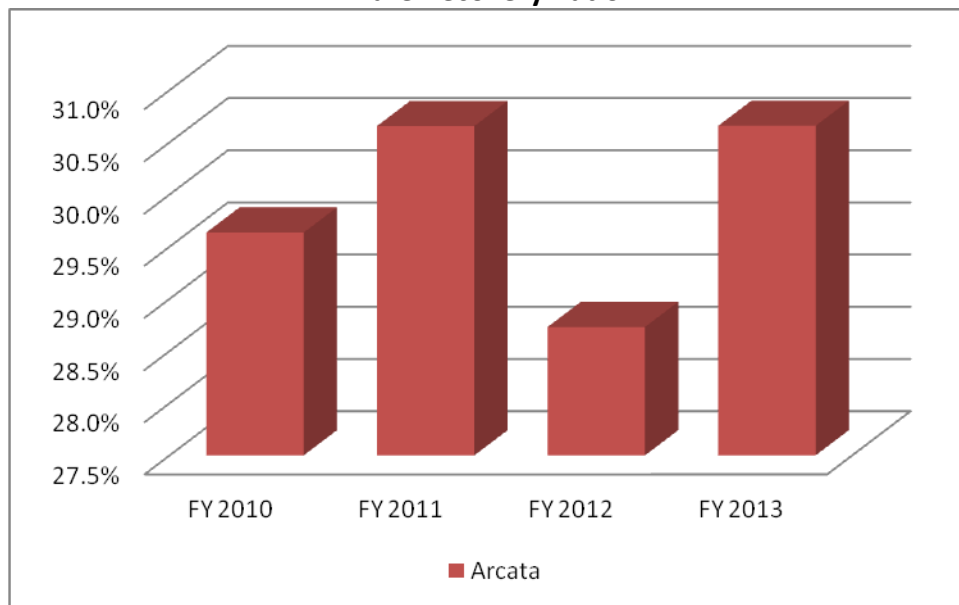
Graph IV-4
Operating Cost Per Vehicle Service Hour



Graph IV-5
Passengers Per Vehicle Service Hour



Graph IV-6
Fare Recovery Ratio



Findings from Verification of TDA Performance Indicators

1. **Operating cost per vehicle service hour**, an indicator of cost efficiency, increased 9.5 percent systemwide from \$80.62 in FY 2010 to \$88.26 in FY 2013. This trend is consistent with the increase of A&MRTS' operating costs of 12.6 percent during the period (based on audited data), and the slight increase in vehicle service hours of 2.9 percent between FY 2010 and FY 2013.
2. **Operating cost per passenger**, an indicator of cost effectiveness, increased 11.1 percent systemwide from \$2.62 in FY 2010 to \$2.92 in FY 2013. As noted above, A&MRTS' operating costs increased 12.6 percent during the period; however, A&MRTS ridership systemwide increased 1.3 percent during the period from 225,189 passengers in FY 2010 to 228,225 passengers in FY 2013.
3. **Passengers per vehicle service hour**, which measures the effectiveness of the service delivered, decreased 1.5 percent between FY 2010 and FY 2013 systemwide from 30.7 passengers per hour to 30.3 passengers per hour. The trend in this indicator reflects a slight change in ridership on the fixed route services while vehicle service hours increased slightly.
4. **Passengers per vehicle service mile**, another indicator of service effectiveness, decreased 15.2 percent between FY 2010 and FY 2013 from 2.85 in FY 2010 to 2.42 in FY 2013. From the FY 2010 base year to FY 2013, total vehicle service miles increased 19.5 percent from 78,966 vehicle service miles to 94,351 vehicle service miles.
5. **Vehicle service hours per employee** declined by 10 percent systemwide between FY 2010 and FY 2010. This decline was associated with the 2.9 percent increase in vehicle service hours while the number of employees remained steady at 8 employees throughout the period. There are 10 part-time drivers and three office support personnel. This measure is based on the number of employee Full-Time Equivalents (FTE) using employee pay hours from the State Controller's Report and dividing by 2,000 hours per employee.
6. **Farebox recovery** exhibited an overall increase of 3.5 percent between FY 2010 and FY 2013 systemwide from 29.63 percent in FY 2010 to 30.66 percent based on audited data. Farebox recovery declined by 6.3 percent between FY 2011 and FY 2012 as annual operating costs increased 5.4 percent and passenger fares declined 1.2 percent. From FY 2011 through FY 2012, trends in annual changes in operating costs and passenger fares were fairly consistent with an increase of 10.3 percent in passenger fares.

Conclusion from the Verification of TDA Performance Indicators

A&MRTS' performance indicators reflect the consistency in ridership of its fixed route services. Systemwide operating costs grew modestly during the triennial period exhibiting an average annual increase of 4.1 percent. Vehicle revenue hours and miles data for FY 2012 are estimates due to the inaccuracy of the data reported in the Transit Operators Financial Transactions Report submitted to the State Controller. The City of Arcata indicated that the FY 2012 performance data should be consistent with the FY 2013 data.

Section V

Review of Operator Functions

This section provides an in-depth review of various functions within the A&MRTS. The review highlights accomplishments, issues and/or challenges that were determined during the audit period. The following functions were reviewed with the Transportation Superintendent at the Arcata Transit Center:

- Operations
- Maintenance
- Planning
- Marketing
- General Administration and Management

Within some departments are sub-functions that require review as well, such as Grants Administration that falls under General Administration.

Operations

Arcata and Mad River Transit System (A&MRTS) provides public transportation within the City of Arcata. There are two fixed routes that operate between the hours of 7:00 a.m. and 10:00 p.m. while HSU is in session, Monday through Friday. During the summer (mid-May through mid-August) and winter breaks (mid-December through mid-January) the buses run from 7:00 a.m. until 7:00 p.m. weekdays. The Gold Route services the downtown area, Northtown, HSU, Mad River Hospital and Valley West. The Red Route services the downtown area, Greenview Market, HSU, Union Street and Sunny Brae. The Saturday Orange Route operates as a hybrid of the Gold and Red Routes from 7:00 a.m. until 7:00 p.m.

The Arcata Transit Center serves as a major regional hub for local, regional and intercity travel along the north coast. Many services begin, end and traverse their routes through the transit center. In addition to countywide services that make stops at the transit center, Redwood Coast Transit from Del Norte County operates a route between Smith River, Crescent City and Arcata for connections to Amtrak bus, Greyhound and Humboldt County transit.

A fare increase was implemented for regular adult fares effective July 1, 2012. Fares increased from \$1.40 to \$1.50. The fare increase also encompassed the value cards and monthly passes. The JackPass program enabling HSU students to ride free using their student identification card is paid for through a mandatory fee with each student's registration, securing a steady fare revenue source for the transit system. According to the city transit budget, the fare revenue provided by HSU, which is fixed, has averaged \$130,000 over the last three years based on an

annual forecast of riders. These amounts comprised approximately 75 percent of the fixed route's annual total fare revenues. The contract amount is generally fixed at \$130,000 per year and is reviewed annually. The limited parking availability on campus also provides incentives to use A&MRTS and thereby maintaining demand for the service. These additional factors help to drive the farebox recovery to levels that have regularly exceeded the required minimum.

During the audit period, the City installed 17 bus shelters. In partnership with CalTIP, a bus stop audit was conducted along the A&MRTS routes. Bus stops were scored based on a series of four criteria: identification and location; design; amenities; and condition. The audit took into consideration adjacent land uses, lighting, distance between the bench and the curb, accessibility to the bus stop, signage and ADA compliance.

The A&MRTS Activity Report is compiled as an internal performance tracking tool for fixed route service. Each month, key statistics and performance measures are reported and calculated in the activity report, including fares, costs, ridership, hours, miles and employees. A series of seven performance indicators are developed from these data such as farebox recovery, cost per passenger, cost per hour, and passengers per hour.

Each year, Arcata and the other local member jurisdictions of HTA are assessed with a share of the HTA Redwood Transit System projected cost. Arcata files a TDA claim with HCAOG for this assessment plus operating funds for A&MRTS and dial-a-ride. Any excess funds remaining from the claim for the HTA assessment are then reclassified as capital reserve funds for HTA. The excess funds are not returned to Arcata to use for A&MRTS but rather are used for future investment in HTA. The Arcata Transportation Superintendent monitors HTA activities as an active participant in local transit and works with HTA and other transit providers through the HCAOG Service Coordination Committee to further coordinate transit service.

Personnel

Fixed-route transit operations are provided by 10 part-time drivers equal to five FTEs. There are two shift changes during the day for the drivers who are non-union and work 1,040 hours or less annually. Driver safety training is provided by the Transportation Superintendent and Transit Coordinator, and comprises a minimum of 8 hours per year to maintain Verification of Transit Training (VTT) certification from the California Department of Motor Vehicles. A survey conducted by CalTIP, the insurer of the transit system, helps to identify and manage risk to the city. The part-time status offered to drivers is designed with the intent to plan for high turnover of student drivers from HSU, and others such as HTA coach operators seeking additional employment.

Maintenance

Maintenance of the fleet is contracted to HTA and is conducted at its administrative facility located at 133 V Street in Eureka. The City of Arcata covers the costs of vehicle maintenance including fuel. The City cites greater cost and operational efficiencies with this arrangement.

Expenditures for vehicle maintenance and fuel have ranged from \$150,000 to \$176,000 annually based on audited data.

Fleet maintenance is staffed by the Equipment and Facilities Manager, one shop supervisor/lead mechanic, two mechanics, three technicians, a vehicle service worker, and a cleaner/janitor. Maintenance occurs during the hours of 4:30 a.m. and 7:30 p.m., with fueling taking place through midnight. During fueling, the GFI boxes are probed for electronic mileage reading and other downloaded data.

The maintenance facility includes three bus bays plus an extra lane if needed. There is a storage bay and a separate parts room containing vehicle spare parts that are tracked via barcodes. The barcodes feed into the fleet maintenance software provided by Ron Turley and Associates. The Maintenance director indicated that the software is quite adequate for HTA's purpose, and that the vendor provides good support. Minor vehicle roadcalls are typically identified and handled without compromising service by the mechanic's coordination to address the problem.

A&MRTS vehicles undergo annual inspections as part of the CHP Transit Operator Compliance Program. All inspections conducted during the audit period were rated satisfactory.

Planning

Transit planning has involved in-depth analysis and monitoring of ridership trends over a multi-year period. The FY 2011/12-2015/16 Transit Development Plan (TDP) Update for Humboldt County Transit Systems, adopted in May 2012, covers a five-year planning horizon and contains a series of operational recommendations for A&MRTS. A&MRTS service recommendations focused on service monitoring, the potential need to increase peak hour capacity and a strategy to provide public transportation service between HSU and the Arcata downtown later on Friday and Saturday nights.

The TDP Update recommended that A&MRTS increase capacity at the peak of the peak – eliminating the need to operate additional tripper overlays to handle peak loads (operate higher capacity buses). In addition the following service recommendations specific to A&MRTS were made:

- Formalize bus stops at HSU Library Circle.
- Move current bus stops and time points at 14th and B Streets west on 14th Street closer to planned Willow Walk HSU pedestrian access.
- Specify 40-foot transit coaches in future bus replacement capital plans.
- Arcata and HSU should partner and explore a shared ride taxi jitney service operating on a full cost recovery basis between HSU and the Arcata Downtown on Friday and Saturday nights outside of A&MRTS coverage hours.

- Establish a quarterly system-wide monitoring and evaluation program on a trip-by-trip basis.

Marketing

A&MRTS utilizes a combination of printed and electronic methods in marketing its services to the community. One the principal marketing tools is the A&MRTS Web site (<http://arcatatransit.org/>). The Web site mirrors the format and Google trip planning capabilities as the RTS and Eureka Transit Service websites. These electronic formats are developed by the same private firm, Trillium Solutions, and provide further evidence of the level of collaboration between the agencies in delivering public transit. A&MRTS also issues its printed color transit schedule and fares in a pocket sized foldout.

Arcata bus information was also provided in the recently published *Humboldt County Transportation Services Guide*. The guide was developed by HTA and printed in January 2010 for public transit and human service transportation. The large newspaper style guide provides maps and bus schedules for all public transportation operations in the county including for both fixed route and demand response systems. The guide is also available online.

As an added passenger amenity, A&MRTS installed wireless Internet (Wi-Fi) access on its buses. The service costs the City \$100 monthly or \$40 per bus. In January 2014, HTA released another comprehensive route map and schedule brochure that includes transit information for all the major services in Humboldt County including A&MRTS.

General Administration and Management

The City of Arcata was incorporated 1858 as a General Law City and has a Council-Manager form of government. The Arcata City Council serves as the City's main legislative body and is comprised of five elected members. Council members serve staggered four-year terms and municipal elections are held during even-numbered years. The Mayor and Vice Mayor are selected from amongst the council membership. The City Council meets on the first and third Wednesday of the month at 6:00 p.m. in the Arcata City Council Chambers located at 736 F Street.

The City Manager as the chief administrative officer oversees the operations of City departments and services. The A&MRTS is administered by the Public Transportation Superintendent within the Transportation Division of the Public Works Department. Transportation staffing levels within the Public Works Department remained relatively stable during the three year audit period. According to the FY 2013 City budget, the public transportation staff is currently comprised of three full-time employees classified as the Public Transportation Superintendent, Public Transportation Coordinator, and Bus Driver/Transit Assistant.

The Bus Driver/Transit Assistant position was elevated from a three-quarter part time position to a full time to lend special skills to the management of the complex Greyhound program. The Transit Assistant is also a certified school bus driver and conducts driver evaluations.

Grants Management

The City of Arcata relies on a variety of grants and other funding mechanisms to support its transit system. These grant sources are derived from state and federal programs. Pursuant to TDA, the City receives Local Transportation Fund (LTF) proceeds and the State Transit Assistance (STA) funds. TDA funding is used for both operating and capital expenses. LTF revenues claimed during the audit period were \$511,000 in FY 2011; \$450,595 in FY 2012; and \$559,845 in FY 2013. The STA funds claimed were \$93,461 in FY 2011; \$121,957 in FY 2012; and \$76,065 in FY 2013.

Arcata received \$225,758 in funding through the State Proposition 1B Public Transportation Modernization, Improvement & Service Enhancement Account (PTMISEA) to purchase new transit vehicles in FY 2010. Grants awarded by the Federal Transit Administration (FTA) have been derived from the FTA Section 5311 program for operations and some capital expenditures. Arcata received \$126,863 for operations and \$139,949 for capital in FY 2011; \$44,045 in FY 2011; and \$86,642 in FY 2013.

Section VI

Findings

The following summarizes the major findings obtained from this Triennial Audit covering fiscal years 2011 through 2013. A set of recommendations is then provided.

Triennial Audit Findings

1. Of the compliance requirements applicable to A&MRTS, the operator fully complied with seven of out nine requirements. The transit system was in partial compliance with its submittal of the annual State Controller Report; the reports were submitted to the State but not to HCAOG. A&MRTS was not in compliance with regard to external reporting of performance data and indicators. Two additional compliance requirements did not apply to A&MRTS (e.g. urban & blended farebox recovery ratios).
2. Based on the Annual Fiscal and Compliance Audits, the farebox recovery ratio for A&MRTS fixed route service remained above the required 18.8 percent. The average farebox recovery attained during the audit period was 30 percent. Dial-a-Ride farebox recovery ratios are reported in the HTA performance audit and have also exceeded the minimum farebox recovery ratio for specialized transit services.
3. Through its contract operator, A&MRTS participates in the CHP Transit Operator Compliance Program and received vehicle inspections within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period.
4. The operating budget exhibited modest fluctuations during the audit period. The budget increased 6.5 percent in FY 2011 and 2.9 percent in FY 2013. The FY 2011 increase was attributed to staff costs and departmental supplies. The FY 2013 increase was attributed to the JPA agreement and insurance costs. During FY 2012, the budget decreased 0.7 percent. For DAR, the budget increase in FY 2012 was due to increases in the JPA agreement and equipment maintenance.
5. Arcata implemented one out of the two prior audit recommendations, which involved the tracking of maintenance cost trends. The recommendation not implemented concerns data discrepancies and omissions in the Transit Operators Financial Transaction Report submitted to the State Controller.
6. Operating cost per vehicle service hour, an indicator of cost efficiency, increased 9.5 percent systemwide from \$80.62 in FY 2010 to \$88.26 in FY 2013. This trend is consistent with the increase of A&MRTS' operating costs of 12.6 percent during the period (based on audited data), and the slight increase in vehicle service hours of 2.9 percent between FY 2010 and FY 2013.

7. Operating cost per passenger, an indicator of cost effectiveness, increased 11.1 percent systemwide from \$2.62 in FY 2010 to \$2.92 in FY 2013. As noted above, A&MRTS' operating costs increased 12.6 percent during the period; however, A&MRTS ridership systemwide increased 1.3 percent during the period from 225,189 passengers in FY 2010 to 228,225 passengers in FY 2013.
8. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, decreased 1.5 percent between FY 2010 and FY 2013 systemwide from 30.7 passengers per hour to 30.3 passengers per hour. The trend in this indicator reflects a slight change in ridership on the fixed route services while vehicle service hours increased slightly.
9. Farebox recovery exhibited an overall increase of 3.5 percent between FY 2010 and FY 2013 systemwide from 29.63 percent in FY 2010 to 30.66 percent based on audited data. Farebox recovery declined by 6.3 percent between FY 2011 and FY 2012 as annual operating costs increased 5.4 percent and passenger fares declined 1.2 percent. From FY 2011 through FY 2012, trends in annual changes in operating costs and passenger fares were fairly consistent with an increase of 10.3 percent in passenger fares.
10. A fare increase was implemented for regular adult fares effective July 1, 2012. Fares increased from \$1.40 to \$1.50. The fare increase also encompassed the value cards and monthly passes.
11. During the audit period, the City installed 17 bus shelters. In partnership with CalTIP, a bus stop audit was conducted along the A&MRTS routes. Bus stops were scored based on a series of four criteria: identification and location; design; amenities; and condition.
12. Maintenance of the fleet is contracted to HTA and is conducted at its administrative facility located at 133 V Street in Eureka. The City of Arcata covers the costs of vehicle maintenance including fuel. The City cites greater cost and operational efficiencies with this arrangement. Expenditures for vehicle maintenance and fuel have ranged from \$150,000 to \$176,000 annually.
13. As an added passenger amenity, A&MRTS installed wireless Internet (Wi-Fi) access on its buses. The service costs the City \$100 monthly or \$40 per bus.
14. The FY 2011/12-2015/16 Transit Development Plan (TDP) Update for Humboldt County Transit Systems, adopted in May 2012, covers a five-year planning horizon and contains a series of operational recommendations for A&MRTS. A&MRTS service recommendations focused on service monitoring, the potential need to increase peak hour capacity and a strategy to provide public transportation service between HSU and the Arcata downtown later on Friday and Saturday nights.

15. Transportation staffing levels within the Public Works Department remained relatively stable during the three year audit period. According to the FY 2013 City budget, the public transportation staff is currently comprised of three full-time employees classified as the Public Transportation Superintendent, Public Transportation Coordinator, and Bus Driver/Transit Assistant.

Recommendations

1. Continue effort to properly complete and check annual State Controller Report for A&MRTS.

This recommendation is carried over from the prior audit. It was suggested that the Finance Department forward the completed Transit Operators Financial Transactions Report to the Transportation Superintendent to verify financial and supplemental operational data (fares, operating costs, passengers, hours, miles, etc) prior to submittal to the State Controller. This check would help provide consistency between the A&MRTS Activity Report and the Controller Report.

A review of the Transit Operators Financial Transactions Reports submitted to the State Controller during the audit period showed that the City's Finance Department continued to check the Article 4.5 box on the General Information page instead of the Article 4 box. In addition, the vehicle service hour and mileage data for FY 2011 and FY 2012 in the Supplemental Operating Data section had discrepancies and were not reflective of actual service activity. It is suggested that further coordinated efforts between the Finance Department and the Transit Department be made to ensure the accuracy of the Transit Operators Financial Transactions Reports before submittal to the State Controller.