

FY 2008-2010 TRIENNIAL PERFORMANCE AUDIT OF ARCATA & MAD RIVER TRANSIT SYSTEM



SUBMITTED TO
HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS



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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) has engaged PMC to conduct a performance audit of the Arcata & Mad River Transit System (A&MRTS) covering the most recent triennial period, fiscal years 2007-08 through 2009-10. The purpose of the performance audit is to evaluate the city's 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 city's compliance with the conditions specified in the California Public Utilities Code (PUC). This task involves ascertaining whether the city 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.

Background

Initially founded in 1850 as Union Town or Union, the settlement became known as Arcata in 1860. Development was driven by the gold mining industry in the nearby Klamath, Salmon and Trinity mountains to the east. The redwood timber industry gradually replaced gold mining. Arcata became an incorporated city in 1858, and is home to Humboldt State University (HSU), which is the northernmost campus of the California State University system. HSU was established in 1913 and currently has an enrollment of nearly 7,800 students.

As a Mayor-council form of government, the five-member City Council serves as the main legislative body. Each member serves a four-year term and elections are held every two years. The Mayor and Vice Mayor are selected from amongst the council membership. The City Manager 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.

Arcata is located eight miles north of the county seat of Eureka along the U.S. 101 Highway corridor. The City has a total area of 11 square miles. Based on the 2010 California Department of Finance estimates, Arcata's population currently has 17,608 residents.

Overview of the Transit System

System Characteristics

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. The transit system operates on a fixed-route basis. 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 A&MRTS does not operate on Sunday and major holidays such as New Years Day, Martin Luther King Day, 4th of July, Labor Day, Thanksgiving Day & day after and Christmas Day & day after.

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 7:05 a.m. and 10:00 p.m. The Orange Route operates Saturdays between the hours of 7:05 a.m. and 7:05 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 encompasses the major timepoints of the two weekday routes.

During the fall and spring semesters at HSU, the last outbound bus leaves the Transit Center at 9:05 p.m. weekdays and 4:05 p.m. Saturdays. The first outbound bus leaves the Transit Center at 7:05 a.m. weekdays and 9:05 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.

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, 2010. 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, and A&MRTS buses, and monthly magnetic swipe passes. \$10 or \$20 magnetic media cards allow passengers to ride the four regional transit systems for the new discounted rate. The fare structure is shown in Table I-1:

**Table I-1
A&MRTS Fare Schedule**

Categories	Fares during Audit Period			Fares (Effective 7/1/2010)			
	One Ride	Multi-Ride/ Regional Pass	Monthly Pass	One Ride	Multi-Ride/ Regional Pass	Day Pass	Monthly Pass
Adult (Ages 18 to 62)	\$1.40	\$0.75	\$30.00	\$1.40	\$1.00	\$2.00	\$30.00
Youth (Ages 3 to 17)	\$0.75	\$0.60	\$25.00	\$1.00	\$0.75	\$1.50	\$25.00
Seniors (Ages 62 and up)	\$0.75	\$0.60	\$25.00	\$1.00	\$0.75	\$1.50	\$25.00
Disabled (with valid ID)	\$0.75	\$0.60	\$25.00	\$1.00	\$0.75	\$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 summarizes the vehicle fleet.

**Table I-2
A&MRTS Fleet**

Year	Make & Model	Quantity	Fuel type	Seating
2002	Gillig Phantom	2	Diesel	35
2009	Gillig Low Floor	2	Diesel	32
2010	Ford Glaval	2	Diesel	24
Total		6		

Source: A&MRTS

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.

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 updated 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 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. 30), or 110 days (Oct. 20) if filed electronically (internet).	Public Utilities Code, Section 99243	Completion/submittal dates (internet filing): FY 2008: October 8, 2008 FY 2009: September 22, 2009 FY 2010: September 28, 2010 Conclusion: Complied
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 2008: December 5, 2008 FY 2009: December 5, 2009 FY 2010: November 22, 2010 Conclusion: Complied
The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code	Public Utilities Code, Section 99251 B	A&MRTS participates in the CHP Transit Operator Compliance Program in which the CHP has conducted inspections within the 13

TABLE II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
Section 1808.1 following a CHP inspection of the operator's terminal.		<p>months prior to each TDA claim. Copies of certificates were submitted to the auditor for review.</p> <p>Inspection dates applicable to the audit period were: October 3, 2007, October 22, 2008, October 20, 2009, and November 12, 2010.</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 are submitted in compliance with 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 service urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	Public Utilities Code, Section 99270.1	<p>A&MRTS is subject to farebox requirements as an older operator, but is not subject to this specific requirement.</p> <p>Conclusion: Not Applicable</p>
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	Public Utilities Code, Sections 99266	<p>Percentage change in the A&MRTS operating budget:</p> <p>FY 2008: - 3.82% FY 2009: - 0.17% FY 2010: - 0.19%</p>

TABLE II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).		Source: FY 2007-2010 State Controller Reports. Conclusion: Complied
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 vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.	Public Utilities Code, Section 99247	A&MRTS' definition of performance measures is consistent with Public Utilities Code, Section 99247. Conclusion: Complied
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, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10	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

TABLE II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
percent).		<p>1978-79, which is 18.8 percent.</p> <p>The A&MRTS fare ratios for fixed route service using audited data are as follows:</p> <p>FY 2008: 30.1% FY 2009: 36.2% FY 2010: 29.6%</p> <p>Dial-A-Ride farebox ratios are reported in the Humboldt Transit Authority performance audit, and have also exceeded the minimum fare ratio for specialized transit services.</p> <p>Source: Annual Fiscal and Compliance Audits.</p> <p>Conclusion: Complied</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.	Public Utilities Code, Section 99271	<p>City employees represented by the International Union of Operating Engineers Local No. 3, AFL-CIO receive a retirement plan under CalPERS. For the contract that is effective through June 30, 2011, the employee receives 2.7%@55 retirement plan.</p> <p>Conclusion: Complied</p>
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	California Code of Regulations, Section 6754(a)(3)	<p>As a recipient of State Transit Assistance Funds, A&MRTS utilizes federal funds available.</p>

TABLE II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
1964 before TDA claims are granted.		FY 2008: \$0 FY 2009: \$0 FY 2010: Operating:\$155,454 Capital: \$424,242 Source: State Controller Report Conclusion: Complied

Findings and Observations from Operator Compliance Requirements Matrix

1. A&MRTS has complied with all applicable TDA compliance requirements. Two additional compliance requirements were not applicable to the transit system (urban farebox recovery ratios).
2. A&MRTS participates in the CHP Transit Operator Compliance Program in which the CHP has conducted inspections within the 13 months prior to each TDA claim. The CHP inspection reports submitted for review were found to be satisfactory.
3. The operating budget remained flat during the audit period, decreasing by a small margin each year. After subtracting for depreciation, the operations budget was relatively stable, as increases in labor costs were offset by decreases in vehicle maintenance and fuel due to the procurement of new bus vehicles. Some express bus service to HSU was also eliminated in FY 2009-10 due to lack of HSU funding support.
4. Based on the Annual Fiscal and Compliance Audits, the farebox recovery ratio for fixed route service remained well above the required 18.8 percent. The average farebox during the triennial period was 32.0 percent.

Section III

Prior Triennial Performance Recommendations

The City's 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 the agency's 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

The City of Arcata should report fixed route operating costs, rather than total transit expenses, and budget numbers in the State Controller's Transit Operators Financial Transactions Report.

Actions taken by the City of Arcata:

Communication with the City Finance Director confirmed that the information contained in the annual State Controller Report includes fixed route and dial-a-ride. Greyhound activity is shown as an adjustment to Fund Balance. As the Controller Report is intended to only show fixed route service, future adjustments to these reports are warranted. In addition, the correct use of TDA funds for fixed route (Article 4) should be checked off in the General Information page of the report.

Conclusion:

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

Prior Recommendation 2

The Employee Full-Time Equivalent (FTE) counts need to be specific to the fixed-route program.

Actions taken by the City of Arcata:

A comparison between full time equivalents listed in the FY 2011 city budget for fixed route service and the number of FTEs reported in the State Controller Report shows consistency. The budgeted FTE's for fixed route are 6.98 while the Controller Report shows 7 FTEs (Controller data rounds up). DAR is budgeted at an additional 0.4 FTEs and Greyhound is budgeted at 0.79 FTEs. Combined, all transit services would equate to 8.17 FTEs.

Conclusion:

This recommendation has been implemented.

Prior Recommendation 3

The City of Arcata should review Dial-A-Ride administrative responsibilities and charges.

Actions taken by the City of Arcata:

While the DAR/L contract between the City of Arcata, County of Humboldt, and Humboldt Transit Authority describes the duties HTA is responsible for, the Arcata Transportation Superintendent provides additional services in support of HTA in the spirit of transit partnership and better customer service. Some of the activities the Transportation Superintendent has conducted to assist the Arcata/McKinleyville DAR/L include providing ADA eligibility applications to prospective riders, fielding and responding to customer comments, making presentations, selling ride tickets at the Arcata transit center, and assisting with the grant application for procuring the Trapeze dispatch and scheduling software. The Superintendent essentially provides these types of activities as a service and convenience factor and acting as frontline staff to the DAR that operates in the city. These activities do not necessarily require a revisit of the contract provisions, and are budgeted by the City at four-tenths of a full time equivalent. The more day-to-day management and administration of Arcata/McKinleyville DAR is undertaken by HTA including communication with and oversight of the contract operator (City Ambulance), ADA certification, data processing and further customer service.

Conclusion:

This recommendation no longer applies, as the city provides a supporting role to the DAR/L operations in good faith despite these activities not being described in the contract.

Prior Recommendation 4

The City of Arcata should consider updating the Maintenance contract with Humboldt Transit Authority to specify required monthly documentation and information required to document the needs for additional funding over the initial agreed upon amount.

Actions taken by the City of Arcata:

The vehicle maintenance contract with HTA includes an annual budget of \$86,000 plus actual expenses over this amount. The contract presumes a level of trust that the required maintenance to be conducted by HTA on Arcata transit vehicles will be completed at a budgeted amount. The maintenance software system used by HTA, Ron Turley & Associates, has capabilities to separate maintenance and repair information by transit service and by vehicle. HTA has provided this type of maintenance documentation to the auditor for review.

In the past, the maintenance budget was enough to cover both fuel and maintenance costs. Currently, fuel is billed separately on a monthly basis while actual maintenance costs have

increased above the \$86,000 amount. The City relies in part on the annual fiscal audits to determine the trends in maintenance and fuel costs. A review of the past four fiscal years shows that these expenditures have increased each year, peaking in FY 2008 at about \$190,000, but declining to \$178,000 the following year as fuel prices subsided. In addition, new vehicles introduced to the Arcata fleet should further reduce maintenance costs.

Possible updates to the maintenance contract could include a higher annual budget based on recent trends and to reflect current maintenance costs. While a monthly cost breakdown might not be necessary as recommended, the city should conduct a regular review of the maintenance cost trends and fueling costs, especially because of fuel price volatility. In addition, the annual CHP inspection of the city's vehicles reveals a third party observation of their condition.

Conclusion:

This recommendation has not been implemented, but is revised for the city to conduct routine review of maintenance and fuel costs using existing sources including HTA provided documentation, CHP inspection reports, fiscal audits, and communication with HTA maintenance staff. In addition, given that maintenance costs have exceeded the annual contract budget on a regular basis, there may be a need to review the budget amount to more accurately reflect current maintenance expenses.

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.

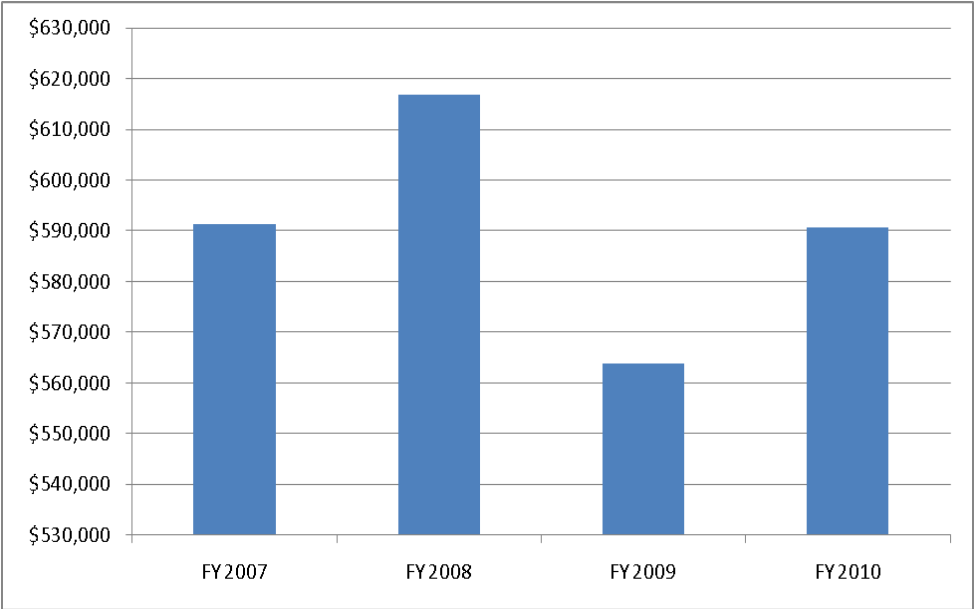
**Table IV-1
A&MRTS Fixed Route Performance Indicators**

Performance Data and Indicators	FY 2007	Audit Period			% Change FY 2007-2010
		FY 2008	FY 2009	FY 2010	
Operating Cost	\$591,318	\$616,925	\$563,768	\$590,643	-0.1%
Total Passengers	212,579	227,357	222,559	225,189	5.9%
Vehicle Service Hours	7,894	7,790	7,334	7,326	-7.2%
Vehicle Service Miles	94,298	92,786	92,284	92,315	-2.1%
Employee FTE's	7	7	7	7	0.0%
Passenger Fares	\$181,176	\$185,804	\$204,317	\$175,036	-3.4%
Operating Cost per Passenger	\$2.78	\$2.71	\$2.53	\$2.62	-5.7%
Operating Cost per Vehicle Service Hour	\$74.91	\$79.19	\$76.87	\$80.62	7.6%
Operating Cost per Vehicle Service Mile	\$6.27	\$6.65	\$6.11	\$6.40	2.0%
Passengers per Vehicle Service Hour	26.9	29.2	30.3	30.7	14.1%
Passengers per Vehicle Service Mile	2.25	2.45	2.41	2.44	8.2%
Vehicle Service Hours per Employee	1,127.7	1,112.9	1,047.7	1,046.6	-7.2%
Average Fare per Passenger	\$0.85	\$0.82	\$0.92	\$0.78	-8.8%
Fare Recovery Ratio	30.64%	30.12%	36.24%	29.63%	-3.3%

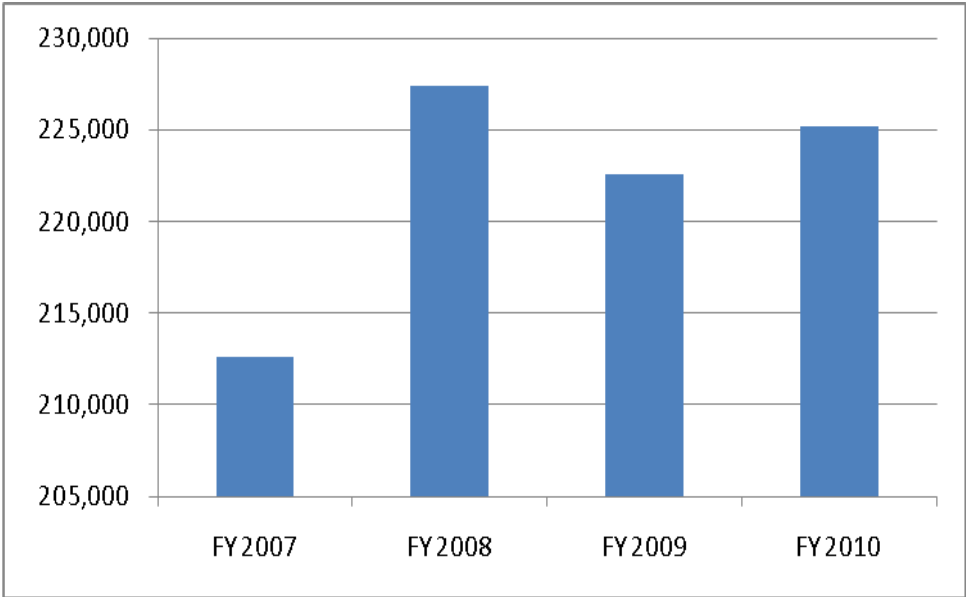
**Operating Costs & Passenger Fare figures are audited data*

Source: State Controller Report, Annual Fiscal Audit, and A&MRTS Activity Report

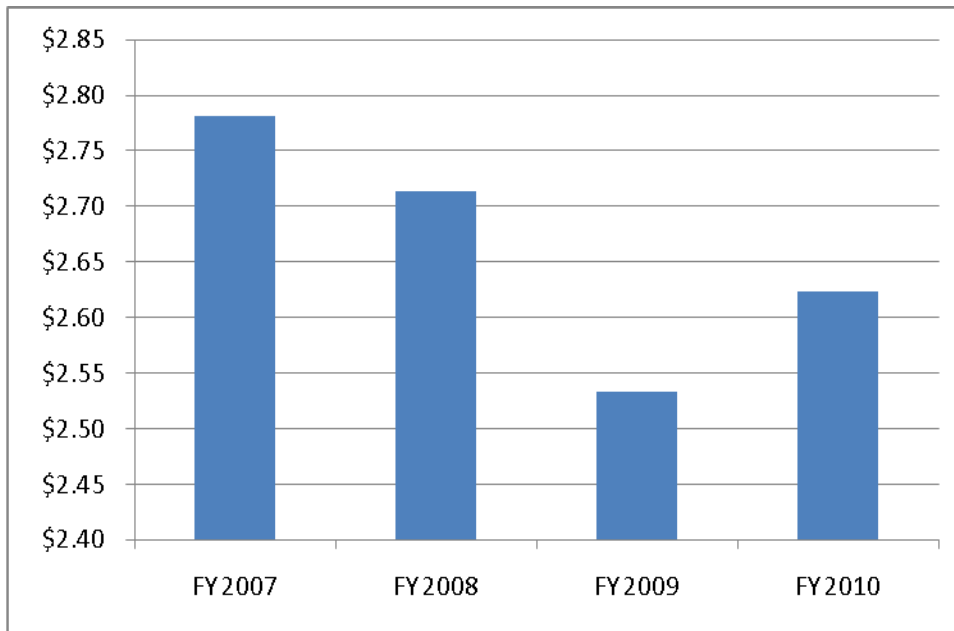
**Graph IV-1
Operating Costs**



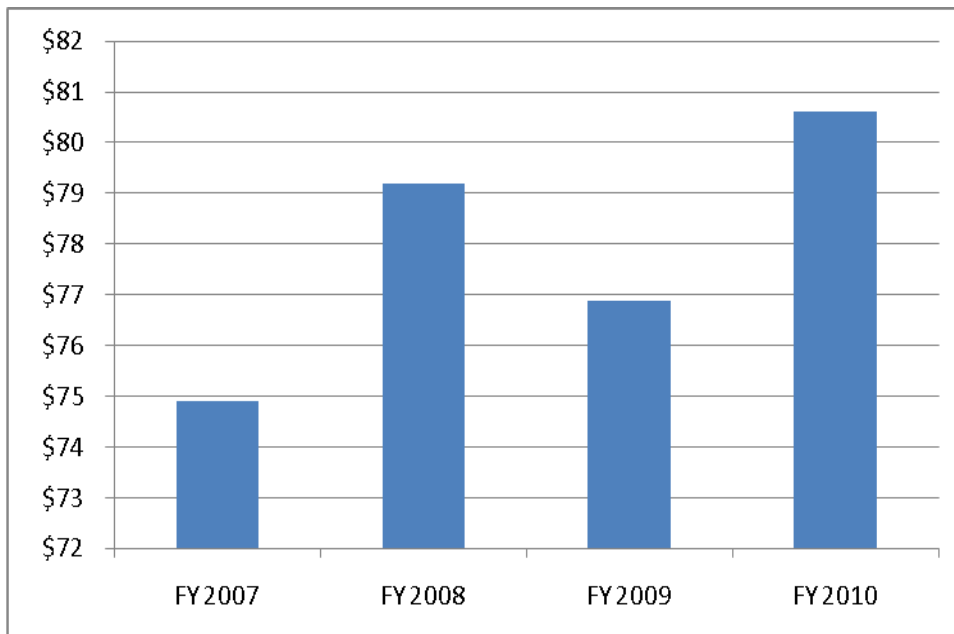
**Graph IV-2
Ridership**



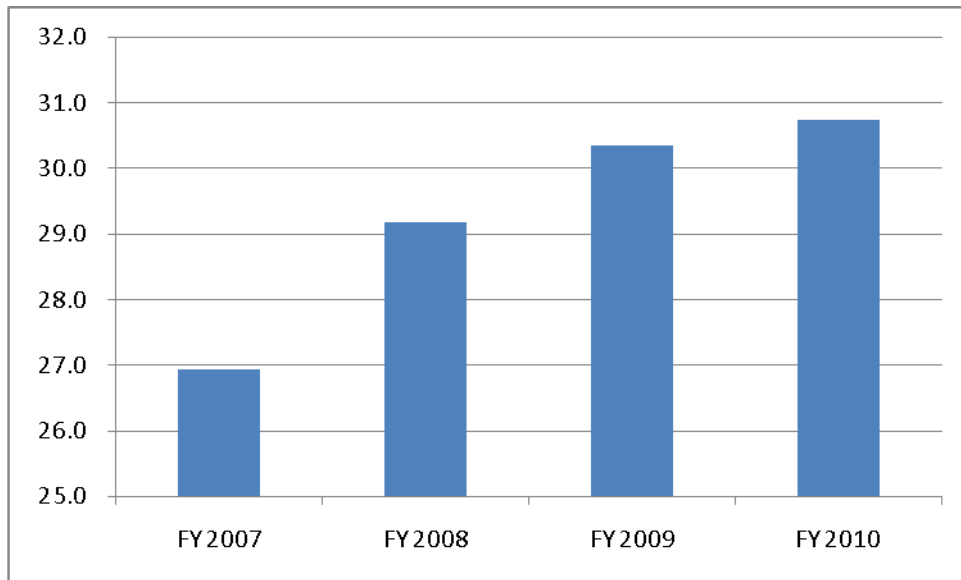
**Graph IV-3
Operating Cost per Passenger**



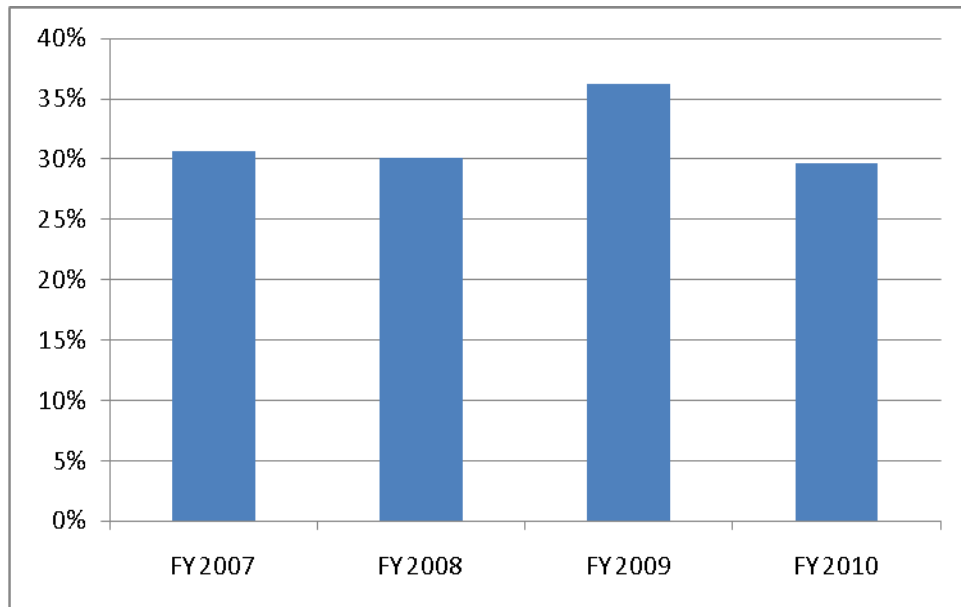
**Graph IV-4
Operating Cost per Vehicle Service Hour**



**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, showed an increase of 7.6 percent for A&MRTS from \$74.91 in FY 2007 to \$80.62 in FY 2010. This rate of growth exceeded the rate of inflation of 4.2 percent over the last three years, albeit still showing a cost efficient service. Operating costs was relatively stable while operating hours decreased by 7.2 percent.
2. **Operating cost per passenger**, an indicator of cost effectiveness, decreased 5.7 percent from \$2.78 in FY 2007 to \$2.62 in FY 2010. The decrease shows a cost effective service as ridership grew 6 percent while costs were flat.
3. **Passengers per vehicle service hour**, which measures the effectiveness of the service delivered, increased 14 percent between FY 2007 and FY 2010 from 26.9 passengers per hour to 30.7 passengers per hour. While revenue hours on fixed route slightly declined by FY 2010, ridership grew during the audit period as the majority of riders are HSU students.
4. **Passengers per vehicle service mile**, another indicator of service effectiveness, increased 8.2 percent between FY 2007 and FY 2010 from 2.25 to 2.44. Despite a slight decrease in miles of service in part from the elimination of the HSU express shuttle bus in 2009, the increase in overall ridership on A&MRTS resulted in more effective service.
5. **Vehicle service hours per employee** declined 7.2 percent between FY 2007 and FY 2010 from 1,128 to 1,047 hours. The number of full time equivalent for fixed route has remained relatively constant at between 6 and 7 during the audit period, although this figure has been more constant at 6 FTEs for all of FY 2009-10. The decline in FTEs follows the decline in revenue hours for the same fiscal year.
6. **Farebox recovery** for fixed route continued to exhibit strong trends, surpassing the TDA farebox recovery of 18.8 percent by a significant margin on an annual basis. The farebox ratios during the months when HSU is not in session generally decline to below the TDA required ratio. However, when HSU is in session, which is about 8 months of the year, the farebox ratio increases to maintain the annual farebox well above the standard. The installation of electronic fareboxes has also helped to increase the fares collected through less fare evasion and advance sales of prepaid fare value cards.

Conclusion from the Verification of TDA Performance Indicators

A&MRTS' performance indicators reflect a stable transit system that has a strong ridership market in HSU and which serves a relatively compact area. As there are two intra-city routes that operate throughout the city on weekdays and one intra-city route on Saturdays, operating costs can be held more constant. The new vehicles acquired over the last two years will also help with reducing maintenance expenses. During summer and winter breaks at HSU, the hours of operations are reduced by three hours at night, further keeping costs in check.

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 has ranged between \$135,000 and \$153,000 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. 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 TDA requirement.

Data Consistency

In a review of consistency among data reporting for A&MRTS, fiscal year-end performance data was compared between various sources including the annual State Controller Report, the annual Fiscal and Compliance Audit, and the A&MRTS Activity Report. Performance data reviewed included operating costs, fare revenue, ridership, vehicle revenue service hours, and vehicle revenue service miles. Only those sources that contain the specific information are shown. Table IV-2 shows the side-by-side comparison during the audit period (FYs 2008, 2009, and 2010).

Some discrepancies exist between the data sources. For example, operating costs and fare revenues are consistently higher in the State Controller Report in comparison to the fiscal audit reports for the fixed route service. This is explained by that the State Controller Report uses unaudited data, but also that revenue and cost for dial-a-ride are included in the Controller Report. Future State Controller Reports will report only the fixed route service.

Operating statistics including unlinked passengers and vehicle miles are largely consistent between the A&MRTS Activity Report and the State Controller Report. However, vehicle hours were higher in the State Controller Report for two of the three audit years. Discrepancies occurred due to changes in the City's financial accounting systems that resulted in statistical data not being available and input in time during FY 2009-10 reporting. The data in the activity report has since been updated by the Transportation Superintendent. As a means to verify the operating data that is submitted to the State, it is recommended that the Transportation Superintendent conduct a review of the State Controller's Report prepared by the Finance Department before it is submitted to the State to assure that all required operations data is documented and consistent with the Activity Report.

**Table IV-2
Data Consistency Review**

TDA Statistic	Source	Audit Review Period		
		FY 2008	FY 2009	FY 2010
Operating Costs	A&MRTS Activity Report*	\$548,160	\$633,774	\$617,677
	Annual Fiscal Audit	\$616,925	\$563,768	\$590,643
	State Controller Report	\$787,582	\$787,831	\$793,592
Unlinked Passengers	A&MRTS Activity Report	227,357	222,559	225,189
	State Controller Report	227,357	222,559	225,189
Vehicle Service Hours	A&MRTS Activity Report	7,374	7,334	7,326
	State Controller Report	7,790	7,790	7,326
Vehicle Service Miles	A&MRTS Activity Report	92,786	92,284	92,315
	State Controller Report	92,786	92,284	78,966
Passenger Fares	A&MRTS Activity Report*	\$186,275	\$196,932	\$191,215
	Annual Fiscal Audit	\$185,804	\$204,317	\$175,036
	State Controller Report	\$193,570	\$212,375	\$184,623

*Cost and fare data in the Activity Report from April to June 2010 was not available as the City was transitioning to a new accounting system. An average cost from the prior 7 months was derived for each of the last three months. For fares, data from April to June 2009 was used as a proxy for the last quarter of FY 2010.

Section V

Review of Operator Functions

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

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

Operations and Planning

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.

Helping to make the transit center a major hub is the JackPass program that has been a successful partnership between the City of Arcata and HSU. The annual revenues generated for A&MRTS from the program relative to total fares equates to the same percentage of passengers that use this program, which is about 75 percent. The installation of electronic GFI fareboxes in 2009 enables value cards and student cards to be easily and quickly swiped through the farebox upon boarding the bus. This increases productivity in passenger loading and reduces the need to handle cash and fare evasion issues. Prior to the electronic farebox, students flashed their identification card to the driver. The ridership and fare revenue gains during the audit period are attributed in part to these fare media advances.

Humboldt Transit Authority serves as the central depository of fare revenues from all public transit fixed route services, including for HTA intercity service, Eureka Transit and A&MRTS. As the buses are all parked and maintained at HTA facilities after service, the vaults are taken off the buses at night during refueling and probing of the fareboxes. HTA conducts the fare counting and then distributes the fare revenue to the appropriate agency. Arcata will also send a check to HTA for transit passes sold at the Arcata Transit Center.

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.

In 2007, an express bus service was offered to carry HSU bound passengers from both the north and south of the city. Paid for by HSU, a cutaway vehicle would pick up riders from a park and ride area under half-hour headways and transport them to HSU. Once the JackPass program was implemented in Fall 2007, however, students were able to ride any transit bus for free including Eureka Transit, A&MRTS and RTS, thus offering more choices to travel to HSU. The state university eliminated the express bus service by the middle of 2008, resulting in a limited decline in ridership for the A&MRTS systems.

The last 5-Year Transit Development Plan for A&MRTS was developed in June 2006. Among the service recommendations was to increase frequency for Saturday service. During the audit period, headways for Saturday service were reduced to 60-minutes from 120-minutes. The one vehicle used for Saturday service runs a modified alternating loop each half hour, one each for the Red and Gold Routes. At the end of each half hour, the vehicle stops at the Transit Center to begin the next alternating loop.

Maintenance

Maintenance of the fleet is contracted to HTA and is conducted at its administrative facility in Eureka. The department is staffed by the Director of Maintenance, two mechanics (three during the audit period), two technicians, a bus washer, and a cleaner. Maintenance occurs during the hours of 4:30 am and 7:30 pm, with fueling taking place through midnight. During fueling, the GFI boxes are probed for electronic mileage reading and other downloaded data. Although maintenance around the clock is possible from a financial standpoint, there is no proper supervision available to handle night work issues. The hiring of qualified mechanics that have the skill to work with large vehicles is difficult in the local market.

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 review of maintenance service statistics conducted on A&MRTS vehicles shows that over the three year audit period, only seven roadcalls were recorded. When compared to the total revenue miles traveled by the A&MRTS fleet for the three years (over 277,000 miles), a performance ratio that measures roadcalls per given level of miles traveled is calculated at about 2.5 roadcalls per every 100,000 miles, a positive indicator of maintenance practice. This ratio is comparable to the one derived for the HTA fleet.

Marketing

On December 3, 2010, A&MRTS and HSU recognized the one-millionth rider using the JackPass program with the arrival of the 2:24 p.m. Red Route. The passenger was greeted at the campus's Library Circle bus stop with the Marching Lumberjacks band and a group of representatives from Humboldt State, the Arcata City Council and the Humboldt Transit Authority. The recognition and publicity provides increased visibility to the program and provides good measure for continuing the program through the student registration fees. As the JackPass is good for unlimited rides on all Humboldt County buses, the program provides service continuity and ease of use to the students, faculty and administrators.

Funding for the JackPass comes from the Instructionally Related Activities fee, which students approved with a vote in 2006. The IRA fee was up for another vote in December 2010. The vote included a proposal to redistribute IRA funds between four programs; the Humboldt Energy Independence Fund, the JackPass, the student-lead IRA Committee, and Athletics. A boost in funding would ensure the long-term viability of the JackPass, but also potentially bring wireless internet and assistive technology such as a global positioning system based announcement system that would offer audible alerts to passengers as the bus makes each stop. However, two-thirds of the 1,464 voting students voted against raising the IRA Fee. HSU administrators have continued to review the fee policy and any potential fee increases in light of the budget crisis within the CSU system.

The City provides transit information on a dedicated Web site (<http://arcatatransit.org/>) which mirrors the format and Google trip planning capabilities as the RTS and Eureka Transit 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 is 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.

General Administration and Management

Transportation staffing levels within the Public Works Department remained relatively stable during the three year audit period. According to the FY 2011 city budget, transportation staff is currently comprised of three full time employees including the Transportation Superintendent, Transit Coordinator, and Driver/Transit Assistant, plus 10 part-time drivers (equivalent to 5 FTEs). The 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.

Part time bus drivers are not offered benefits and are not to exceed 1,040 work hours per year (half of a full time employee). New drivers tend to already be trained to operator a large vehicle, whether they arrive from a school district, HSU or HTA. Several part time drivers are older drivers with experience from another transportation service. As described earlier, staff's time is allocated among the three transportation services including fixed route, dial-a-ride, and Greyhound, although the fixed route comprises the largest staffing needs.

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 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. Most of these constitute the TDA performance indicators that are used in the performance audit.

Grant Administration and Funding

The Transportation Superintendent supported DAR operations through administrating the grant process and procuring the Trapeze software that is currently installed at the contract operator's location (City Ambulance of Eureka). State Transit Assistance Funds were used to pay for the estimated \$75,000 software product. CAE has added additional modules at its own cost to benefit its overall business.

Other capital transit projects undertaken by the City over the last several years include the paving of the Transit Center, installing street curb cuts and ramps for enhanced ADA accessibility at bus stops, and shelter installation at every bus stop where the City owns the right-of-way or received approval from the property owner. The new bus purchases were through a Cal ACT bid and piggybacking on the Morongo Basin Transit Authority procurement process. The City used funding sources including a FTA Section 5311 grant and State Proposition 1B PTMISEA funds for the bus purchases.

Section VI

Findings and Recommendations

The following material summarizes the major findings obtained from this Triennial Audit covering FY's 2008 through 2010. A set of recommendations is then provided.

Triennial Audit Findings

1. A&MRTS has complied with all applicable TDA compliance requirements. Two additional compliance requirements were not applicable to the transit system (urban farebox recovery ratios).
2. A&MRTS participates in the CHP Transit Operator Compliance Program in which the CHP has conducted inspections within the 13 months prior to each TDA claim. The CHP inspection reports submitted for review were found to be satisfactory.
3. Based on the Annual Fiscal and Compliance Audits, the farebox recovery ratio for fixed route service remained well above the required 18.8 percent. The average farebox during the triennial period was 32.0 percent. The installation of electronic fareboxes has helped to increase the fares collected through less fare evasion and advance sales of prepaid fare value cards. The HSU JackPass program also provides a large stable fare revenue source for the transit system.
4. The City has implemented one of four prior performance audit recommendations. Two prior recommendations were not implemented, while the fourth no longer warrants implementation. The two recommendations not yet implemented include properly reporting data in the annual State Controller Report for A&MRTS fixed route, and updating the maintenance contract with Humboldt Transit Authority.
5. While HTA is contracted to administer and manage the Arcata/McKinleyville dial-a-ride/dial-a-lift, the Arcata Transportation Superintendent provides a variety of support functions as a service and convenience factor and acting as frontline staff to the DAR that operates in the city.
6. The JackPass program has been a successful partnership between the City of Arcata and HSU. On December 3, 2010, A&MRTS and HSU recognized the one-millionth rider using the JackPass. The recognition and publicity provides increased visibility to the program and provides good measure for continuing the program through the student registration fees.
7. Several capital projects were completed during the audit period including the procurement of dispatching software for dial-a-ride, the purchase of four new bus vehicles, and enhancement of ADA accessibility at bus stops through installing street curb cuts and ramps.

Triennial Audit Recommendations

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

The State Controller Report for A&MRTS should only reflect the fixed route service financial and operational data. A reminder file has been provided to the Finance Department which will make corrections for future Controller Reports. The City should also 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, the Finance Department should forward the completed Controller Report to the Transportation Superintendant for a check of financial and supplemental operational data (fares, operating costs, passengers, hours, miles, etc) prior to submittal to the State Controller. This check should help provide consistency between the A&MRTS Activity Report and the Controller Report.

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

This recommendation revises a prior recommendation and suggests that the Transportation Superintendant conduct 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. Should trends continue to show that maintenance costs typically exceeds the annual budget prescribed by the City, there may be a need to revisit the budget amount and make adjustment to more accurately reflect actual expenses. This exercise could reduce the potential for shock in costs to the transit system, albeit the vehicle fleet is fairly new and leading to assumptions that maintenance costs should be kept a relative minimum for the next several years.