

# FY 2014-2016 TRIENNIAL PERFORMANCE AUDIT OF ARCATA & MAD RIVER TRANSIT SYSTEM (A&MTS)



SUBMITTED TO  
HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS



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SUBMITTED BY

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INTERNATIONAL

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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 Michael Baker International 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, City) covering the most recent triennial period, fiscal years 2013–14 through 2015–16.

The purpose of the performance audit is to evaluate A&MRTS'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 A&MRTS's compliance with the conditions specified in the California Public Utilities Code (PUC). This task involves ascertaining whether 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

A&MRTS was established by the City of Arcata in 1975 as a means of providing alternative transportation to serve Humboldt State University (HSU) students, seniors, the disabled, and other residents lacking access to an automobile. To accomplish these objectives, the City of Arcata offers the following services:

- Fixed-route bus service
- Demand-responsive Dial-a-Ride/Dial-a-Lift service for individuals with special needs who cannot use regular public transportation
- Contribution of funds for the operation of the Redwood Transit System, a regional commuter service operated by Humboldt Transit Authority (HTA) for general public use

The primary focus of this performance audit is the local A&MRTS fixed-route service. Dial-a-Ride/Lift service is provided through an agreement with HTA, which administers the service and contracts for operations with City Ambulance of Eureka, a local transportation provider. The functional review of Dial-a-Ride service is addressed in the separate HTA performance audit.

Based on the 2010 US Census, Arcata's population is 17,231, which grew 3.3 percent since the 2000 US Census. The senior citizen population, comprising residents aged 65 and over, is 8.17 percent. The 2016 population for Arcata is estimated to be 18,169 as reported by the California Department of Finance. The city covers a 9.1-square-mile area.

The main highway serving Arcata is US 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 as well as Eureka. Major arterial streets traversing Arcata include 11<sup>th</sup> 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 A&MRTS routes as well as for other local and intercity bus services. The system is composed 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 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 operates Saturdays between the hours of 7:00 a.m. and 7:00 p.m., and combines the major timepoints of the two weekday routes.

A&MRTS does not operate on Sunday and the following major holidays: New Year's Day, Fourth of July, Labor Day, Thanksgiving Day, and Christmas Day. A&MRTS operates on 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 breaks, 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. The A&MRTS route system during the audit period is summarized in Table I-1.

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

<b>Gold Route (Weekdays)</b>	<b>Time after the hour</b>	<b>Red Route (Weekdays)</b>	<b>Time after the hour</b>	<b>Orange Route (Saturdays)</b>	<b>Time after the hour</b>
Transit Center	:05	Transit Center	:05	Transit Center	:05
10 <sup>th</sup> & G	:06	10 <sup>th</sup> & G	:06		
12 <sup>th</sup> & G	:07	11 <sup>th</sup> & H	:07		
14 <sup>th</sup> & G	:08	11 <sup>th</sup> & K (Westbound)	:08		
16 <sup>th</sup> & G	:09	11 <sup>th</sup> & Q (Westbound)	:09	Parkway Apts.	:08
18 <sup>th</sup> & G	:10	Greenview Market	:10	Bayside & Buttermilk	:10
HSU Library Circle	:11	Zehnder & S	:11	Crescent Way (North Side)	:12
L.K. Wood & California	:12	Zehnder & Q	:12	Samoa Blvd	
L.K. Wood & Ridge Road	:13	Q & 11 <sup>th</sup>	:13	V & Ariel	Flag Stop
L.K. Wood & Diamond	:14	K & 11 <sup>th</sup>	:14	Greenview Market	:18
L.K. Wood & Redwood	:15	10 <sup>th</sup> & H (Minor Theater)	:15	Zehnder & S	:19
Camp Curtis Apts.	:16	9 <sup>th</sup> & H (Arcata Plaza)	:16	Zehnder & Q	Flag Stop
Sunset Avenue & Baldwin	:17	6 <sup>th</sup> & H	:17	H & 11 <sup>th</sup>	:23
Foster & Alliance	:20	Uniontown Square	:18	Q & 11 <sup>th</sup>	:20
Alliance & Stromberg	:22	City Hall (7 <sup>th</sup> & F)	:19	11 <sup>th</sup> & K	:22
Alliance & Hilfiker Drive	:23	Transit Center	:20	6 <sup>th</sup> & H	:24
Alliance & Spear Avenue	:24	10 <sup>th</sup> & G	:21	Uniontown	:25
Mad River Hospital	:26	12 <sup>th</sup> & G	:22	City Hall (7 <sup>th</sup> & F)	:26
Lazy J. Trailer Ranch	:27	16 <sup>th</sup> & G	:24	Transit Center	:27
Valley West (McDonald's)	:31	L.K. Wood & California	:27	10 <sup>th</sup> & G	:28
Valley West South	Flag Stop	L.K. Wood & Ridge Road	:28	12 <sup>th</sup> & G	:29
Valley East	:32	L.K. Wood & Diamond	:29	16 <sup>th</sup> & G	:31
Boyd Road & Giuntoli	:35	L.K. Wood & Redwood	:30	18 <sup>th</sup> & G	:32
Renner Station	:37	Camp Curtis Apts.	:31	HSU (Library)	:33
West End & Aloha	Flag Stop	HSU (Library)	:34	Town & Country Giuntoli	:37
Spear Avenue & Alliance Road	:39			Valley West (McDonalds)	:38
Alliance & 27 <sup>th</sup>	:41			Valley West South	:39

Gold Route (Weekdays)	Time after the hour	Red Route (Weekdays)	Time after the hour	Orange Route (Saturdays)	Time after the hour
Alliance & Stromberg (Westwood Market)	:42			Valley East	:40
Foster & Alliance	:43	14 <sup>th</sup> & B	:35	Mad River Gardens	:41
Foster Avenue Extension		Union & 7 <sup>th</sup>	:38	Mad River Hospital	:42
HSU Library Circle	:47	Community Center (10:00 am to 2:00 pm)	:40	Spear Avenue & Alliance Road	:44
H & 18 <sup>th</sup>	:49	Parkway Apartments	:41	Humboldt Plaza Apartments.	:45
H & 16 <sup>th</sup>	:50	Beverly Drive/Buttermilk Lane	:43	Alliance & Stromberg	:46
H & 14 <sup>th</sup>	:51	Chester Avenue/Beverly Drive	:45	Alliance & Foster Avenue	:47
H & 10 <sup>th</sup> (Minor Theater)	:52	Crescent Way (Northside)	:46	Foster Extension (No Stops)	
H & 9 <sup>th</sup> (Arcata Plaza)	:53	Union Street Charter School	:48	HSU (Library)	:52
H & 6 <sup>th</sup>	:54	Union & 14 <sup>th</sup>	:50	14 <sup>th</sup> & B	:54
Uniontown Shopping Center	:55	14 <sup>th</sup> & B (Northside)	:51		
City Hall (7 <sup>th</sup> & F)	:56	HSU Library Circle	:53		
		14 <sup>th</sup> & B (Westbound)	:55		
Transit Center	:57	Transit Center	:57	Transit Center	:56

Source: A&MRTS

### Fares

A&MRTS fares are structured according to fare type and media. Free transfers are provided between A&MRTS buses to complete a single trip. HSU students ride 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. During the summer session, the JackPass is available for \$45.

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 Redwood Transit System, Eureka Transit Service, Willow Creek, Southern Humboldt-Intercity and A&MRTS buses as well as monthly magnetic swipe passes. Regional transit passes are also available in denominations of \$10 and \$20 and allow passengers to ride the four regional transit systems. The fare structure during the audit period is shown in Table I-2. It is noted that fares are proposed to increase to \$1.75 for adult one ride, and from \$0.85 to \$0.95 for the reduced fare.

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

Categories	Fares			
	One Ride	Multi-Ride/ Regional Pass	Day Pass	Monthly Pass
<b>Adult (Ages 18 to 61)</b>	\$1.50	\$1.20	\$2.50	\$30.00
<b>Youth (Ages 3 to 17)</b>	\$1.25	\$0.80	\$1.50	\$25.00
<b>Seniors (Ages 62 and up)</b>	\$1.25	\$0.80	\$1.50	\$25.00
<b>Disabled (with valid Transit ID)</b>	\$1.25	\$0.80	\$1.50	\$25.00

Source: A&MRTS

Fleet

There are six fixed-route vehicles in the A&MRTS bus fleet plus three support vehicles. All revenue vehicles are diesel-powered and equipped with wheelchair lifts and tie downs which conform to the Americans with Disabilities Act (ADA) requirements in regard to accessibility. Table I-3 summarizes the fixed route fleet.

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

Year	Make & Model	Quantity	Fuel Type	Seating
2009	Gillig Low Floor	2	Diesel	32
2010	Ford Glaval	2	Diesel	20
2015	Gillig Low Floor	2	Diesel	32
<b>Total</b>		<b>6</b>		

Source: A&MRTS

## Section II

### Operator Compliance Requirements

This section of the audit report contains the analysis of A&MRTS’s ability to comply with state requirements for continued receipt of TDA funds. The evaluation uses the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Agencies* to assess transit operators. The guidebook contains a checklist of 11 measures taken from relevant sections of the PUC 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 2014: October 14, 2014 FY 2015: September 30, 2015 FY 2016: September 12, 2016  <b>Conclusion: Complied.</b>
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 2014: November 14, 2014 FY 2015: November 23, 2015 FY 2016: December 9, 2016  <b>Conclusion: Complied.</b>
The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator’s compliance with	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 months prior to each TDA claim.



<b>Table II-1 Operator Compliance Requirements Matrix</b>		
<b>Operator Compliance Requirements</b>	<b>Reference</b>	<b>Compliance Efforts</b>
Vehicle Code Section 1808.1 following a CHP inspection of the operator’s terminal.		<p>Inspections were conducted at the Arcata Transit Center, located at 925 E Street, Arcata.</p> <p>Transit Operator Compliance Certificates and inspection dates applicable to the audit period were October 9 and 10, 2013; September 30, 2014; and September 16, 2015.</p> <p>Inspections were found to be satisfactory.</p> <p><b>Conclusion: Complied.</b></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><b>Conclusion: Complied.</b></p>
If an operator serves 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&amp;MRTS is subject to farebox requirements as an older operator, but is not subject to this specific requirement.</p> <p><b>Conclusion: Not Applicable.</b></p>
The operator’s operating budget has not increased by more than 15% over the	Public Utilities Code, Section 99266	Percentage increase in the A&MRTS operating budget:

<b>Table II-1 Operator Compliance Requirements Matrix</b>		
<b>Operator Compliance Requirements</b>	<b>Reference</b>	<b>Compliance Efforts</b>
<p>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).</p>		<p><b>Fixed Route</b> FY 2014: +7.1% FY 2015: +0.9% FY 2016: +6.4%</p> <p><b>Dial-a-Ride</b> FY 2014: -8.4% FY 2015: -28.2% FY 2016: +2.8%</p> <p>The operating budgets for both the fixed route and Dial-a-Ride exclude the City’s JPA Agreement contribution costs. The FY 2015 Dial-a-Ride budget decrease was attributed to reduced staff salary and benefits cost allocations for administration and monitoring of the program.</p> <p>Source: City of Arcata Transit Budget for FYs 2013–2016</p> <p><b>Conclusion: Complied.</b></p>
<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 vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours</p>	<p>Public Utilities Code, Section 99247</p>	<p>A review of the internal A&amp;MRTS Activity Reports and external reports compiled during the audit period indicates that performance data are being properly collected and reported. Mileage and hours data is based on predicted travel for fixed route with adjustments made for exceptions.</p> <p><b>Conclusion: Complied.</b></p>

<b>Table II-1 Operator Compliance Requirements Matrix</b>		
<b>Operator Compliance Requirements</b>	<b>Reference</b>	<b>Compliance Efforts</b>
per employee.		
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.  <b>Conclusion: Not Applicable.</b>
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’s 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’s fixed-route service based on audited data are as follows:  FY 2014: 30.58% FY 2015: 31.84% FY 2016: 37.16%  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.  Source: Annual fiscal and compliance audits.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<b>Conclusion: Complied.</b>
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>The City of Arcata makes contributions to its employees’ retirements funded through the California Public Employees’ Retirement System (CalPERS). For new CalPERS members or previous CalPERS members with a break in service of six calendar months or greater (2% @ 62), the current 7.75% employee contribution is paid by the employee. For CalPERS classic members (2% @ 55), the current 8.5% 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’ retirements funded through CalPERS based on the 2% @ 55 formula.</p> <p><b>Conclusion: Complied.</b></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 1964 before TDA claims are granted.	California Code of Regulations, Section 6754(a)(3)	<p>As a recipient of State Transit Assistance funds, A&amp;MRTS is making full use of available federal funds.</p> <p>FY 2014: \$90,500 (Operations)  FY 2015: \$93,800 (Operations)  FY 2016: \$140,000 (Operations)</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<p>Source: HCAOG FTA Section 5311 Annual Program of Projects Resolutions</p> <p><b>Conclusion: Complied.</b></p>

### Findings and Observations from Operator Compliance Requirements Matrix

1. Of the compliance requirements applicable to A&MRTS, the operator fully complied with all nine requirements. Two additional compliance requirements did not apply to A&MRTS (i.e., urban and 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, based on the 1978–79 farebox recovery. The average farebox recovery attained during the audit period was 33.19 percent. The TDA statute established the required farebox ratio at 10 percent in nonurbanized areas, with exception for an operator such as A&MRTS that exceeded the percentage in the 1978–79 fiscal year. During the audit period, the operator is required to maintain the higher farebox ratio to remain eligible for TDA funding. The recent change in the TDA statute with passage of Senate Bill 508 eliminates the requirement for transit operators to maintain higher farebox requirements based on the 1978–79 fiscal year. Beginning in FY 2016–17, Arcata is subject to a 10 percent farebox recovery ratio for the fixed route.
3. 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 7.1 percent in FY 2014, 0.9 percent in FY 2015, and 6.4 percent in FY 2016. In contrast, the annual Dial-a-Ride budget decreased 8.4 percent and 28.2 percent, respectively, in FYs 2014 and 2015. In FY 2016, the Dial-a-Ride budget increased 2.8 percent. The decrease in the FY 2015 Dial-a-Ride budget was attributed to reduced salary and benefits cost allocations as a result of restructuring in the Building and Engineering Department.

## Section III

### Prior Triennial Performance Recommendations

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

*Background:* 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 State Controller Report.

A review of the Transit Operators Financial Transactions Reports submitted to the State Controller during the prior 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 was also 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.

#### Actions taken by A&MRTS

A review of the Transit Operators Financial Transactions Reports prepared during the recent audit period confirmed the accuracy of the operational data reported. The operational data are consistent with that reported in the internal A&MRTS Activity Reports. In addition, the Article 4 box has been checked on the General Information page and all Transit Operators Financial Transactions Reports were submitted to the State Controller within the 90–110 day statutory timeframe. The reports are prepared by the City's Finance director with the operational data provided by the public transit superintendent.

#### Conclusion

This recommendation has been implemented.

## **Section IV**

### **TDA Performance Indicators**

This section reviews A&MRTS's performance in providing transit service in an efficient and effective manner. The 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 operating costs and fare revenues are based on audited figures.

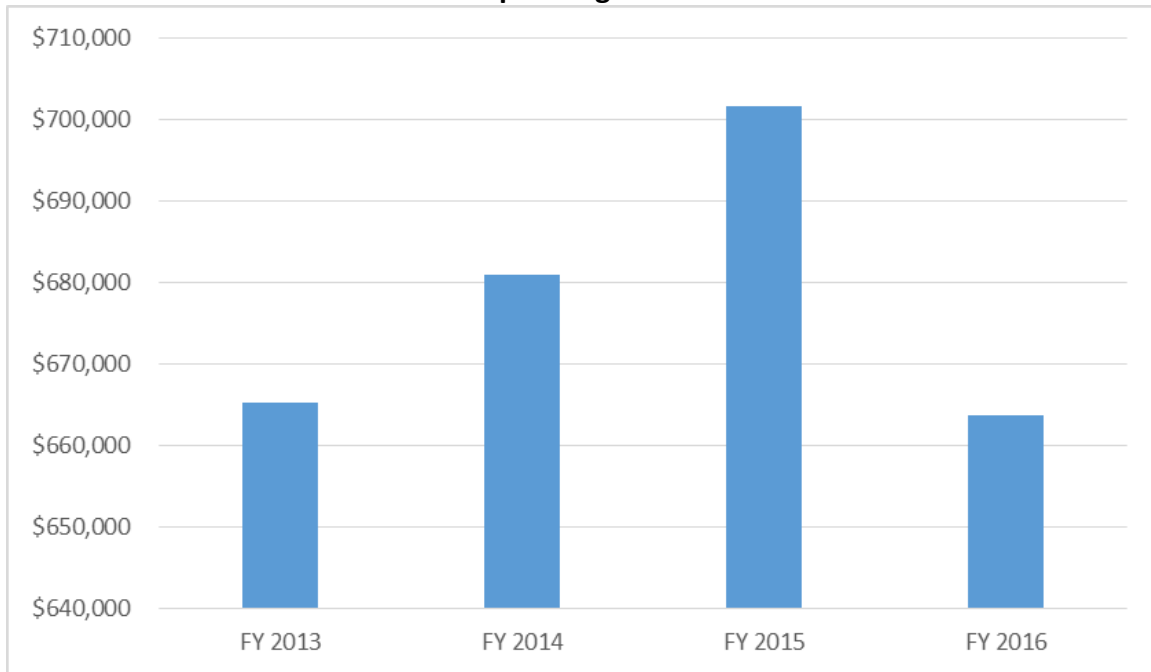
**Table IV-1  
A&MRTS TDA Performance Indicators**

Performance Data and Indicators	Audit Period				% Change FY 2013– 2016
	FY 2013	FY 2014	FY 2015	FY 2016	
Operating Cost	\$665,303	\$680,906	\$701,658	\$663,676	-0.2%
Total Passengers	228,225	241,985	243,433	265,137	16.2%
Vehicle Service Hours	7,538	7,788	7,788	7,770	3.1%
Vehicle Service Miles	94,351	96,653	97,223	97,695	3.5%
Employee FTEs	8	8	8	8	0.0%
Passenger Fares	\$203,965	\$208,245	\$223,417	\$246,624	20.9%
Operating Cost per Passenger	\$2.92	\$2.81	\$2.88	\$2.50	-14.1%
Operating Cost per Vehicle Service Hour	\$88.26	\$87.43	\$90.09	\$85.42	-3.2%
Operating Cost per Vehicle Service Mile	\$7.05	\$7.04	\$7.22	\$6.79	-3.7%
Passengers per Vehicle Service Hour	30.3	31.1	31.3	34.1	12.7%
Passengers per Vehicle Service Mile	2.42	2.50	2.50	2.71	12.2%
Vehicle Service Hours per Employee	942.3	973.5	973.5	971.3	3.1%
Average Fare per Passenger	\$0.89	\$0.86	\$0.92	\$0.93	4.1%
Fare Recovery Ratio	30.66%	30.58%	31.84%	37.16%	21.2%

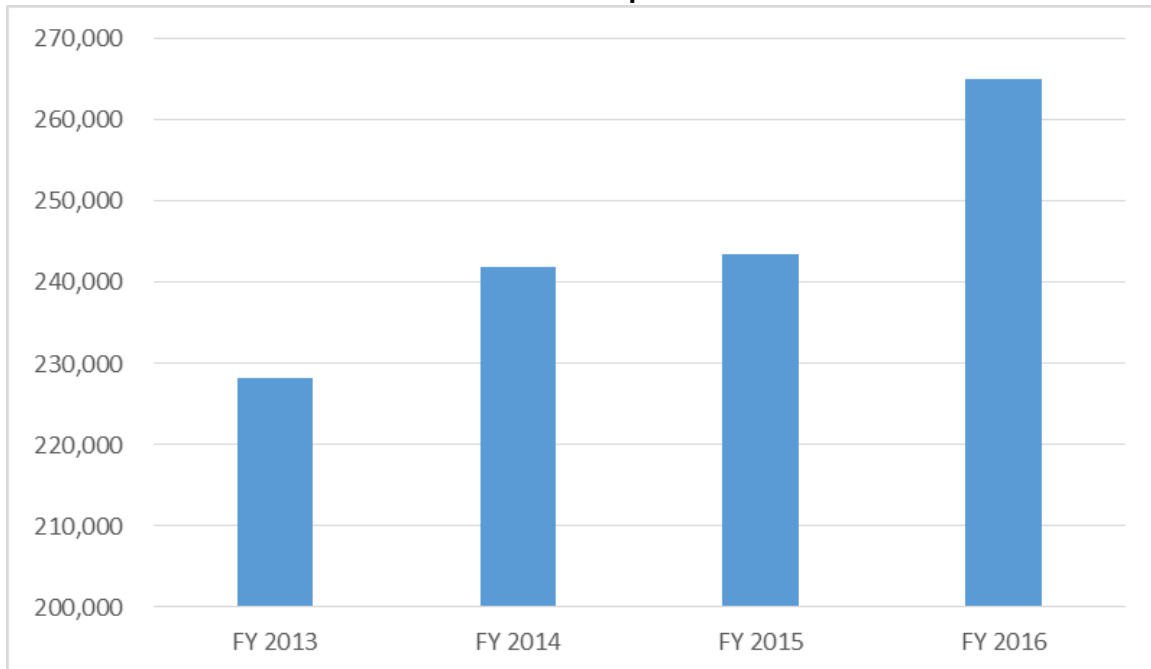
Source: Annual fiscal & compliance reports; A&MRTS Activity Reports; State Controller Reports



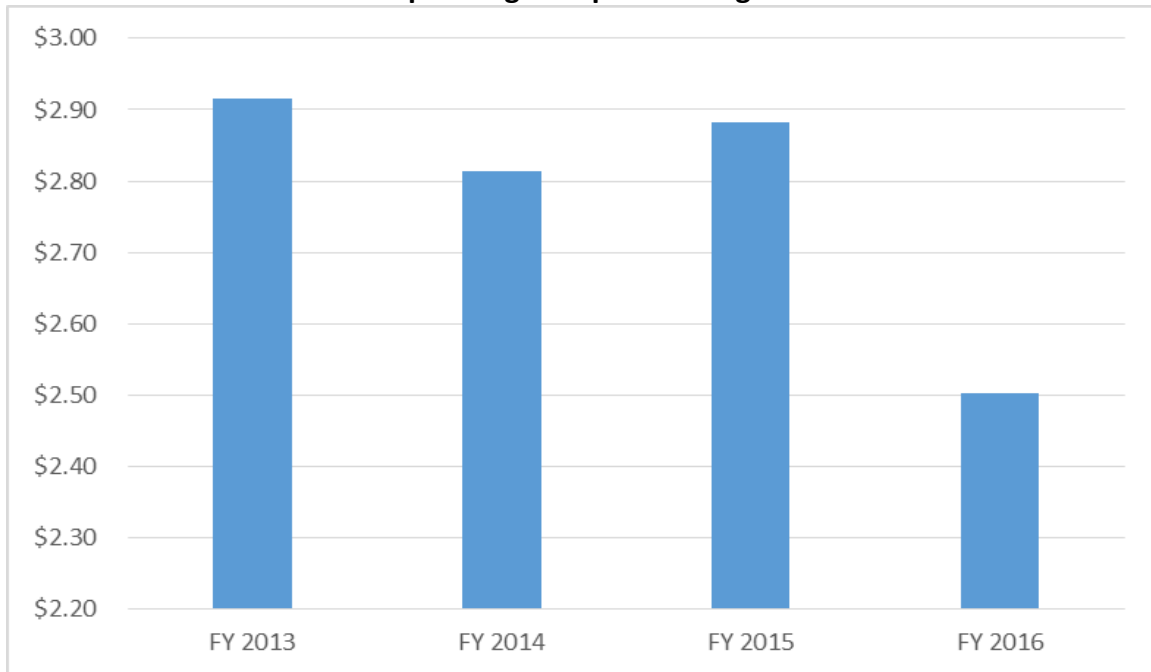
**Graph IV-1  
Operating Costs**



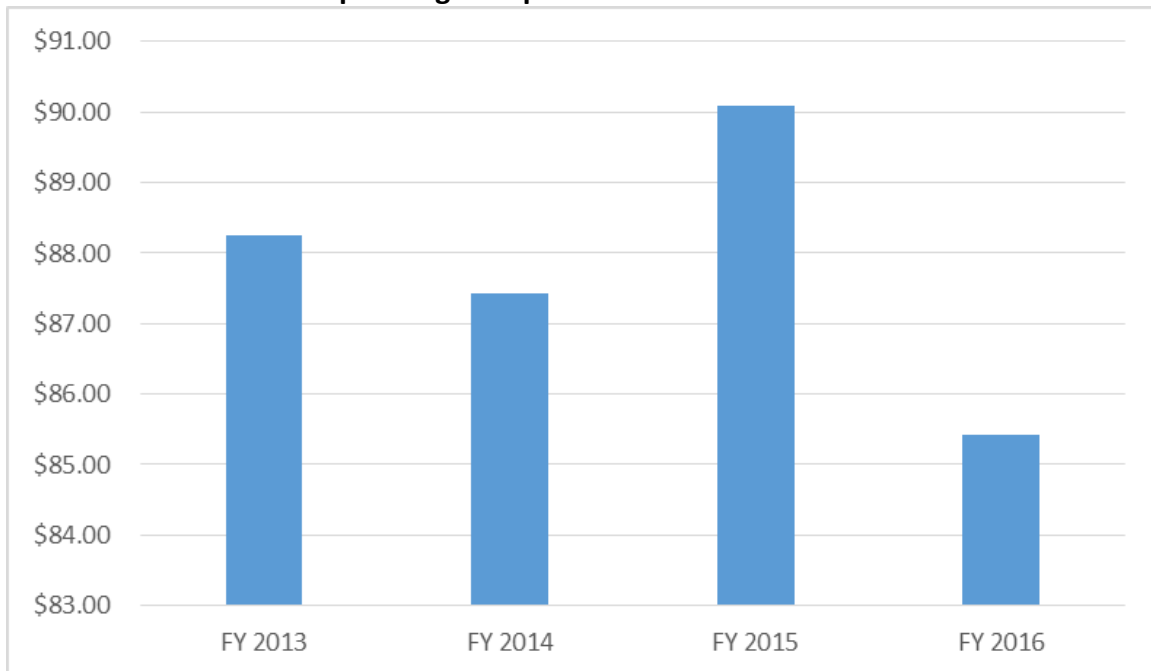
**Graph IV-2  
Ridership**



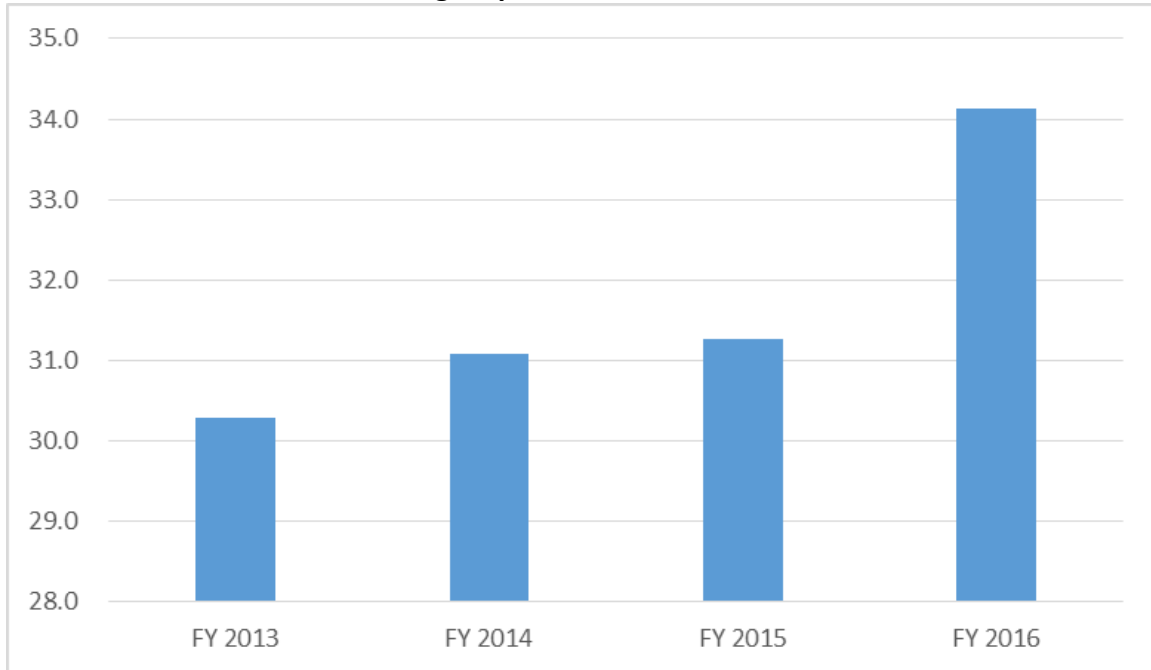
**Graph IV-3**  
**Operating Cost per Passenger**



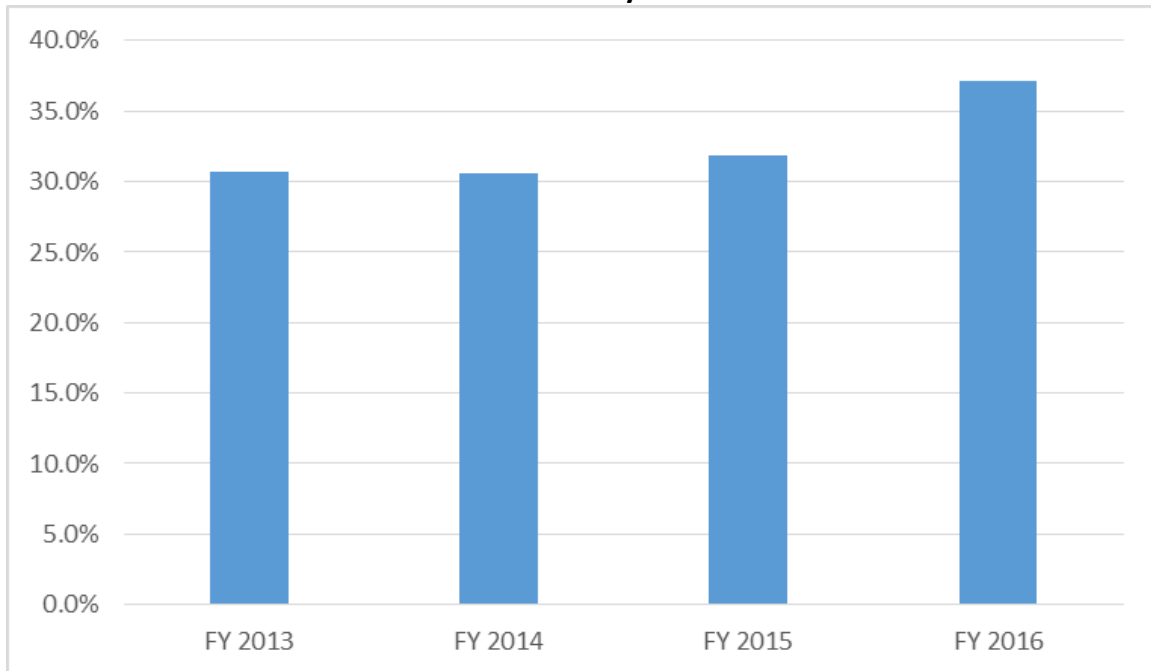
**Graph IV-4**  
**Operating Cost per Vehicle Service Hour**



**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, decreased 3.2 percent from \$88.26 in the FY 2013 base year to \$85.42 in FY 2016. This trend is consistent with the slight 0.2 percent decrease in A&MRTS's operating costs during the audit period (based on audited data), coupled with an increase in vehicle service hours of 3.1 percent over the same period.
2. **Operating cost per passenger**, an indicator of cost effectiveness, decreased 14.1 percent from \$2.92 in FY 2013 to \$2.50 in FY 2016. As noted above, A&MRTS's operating costs decreased 0.2 percent during the period; however, A&MRTS ridership system-wide increased 16.2 percent during the period from 228,225 passengers in FY 2013 to 265,137 passengers in FY 2016, resulting in a positive trend.
3. **Passengers per vehicle service hour**, which measures the effectiveness of the service delivered, increased 12.7 percent on fixed route from 30.3 passengers per hour to 34.1 passengers per hour for the audit period. The trend in this indicator reflects the notable increase in ridership on A&MRTS while vehicle service hours increased slightly.
4. **Passengers per vehicle service mile**, another indicator of service effectiveness, increased 12.2 percent during the audit period from 2.42 in FY 2013 to 2.71 in FY 2016. Both factors increased for the time period, with ridership growing at a faster rate than vehicle service miles, which increased 3.5 percent from 94,351 to 97,695 vehicle service miles.
5. **Vehicle service hours per employee** increased 3.1 percent system-wide between FY 2013 and FY 2016. This increase was attributed to the 3.1 percent increase in vehicle service hours while the number of full-time employee equivalents (FTEs) remained constant at 8 employees throughout the period. There are 10 part-time drivers and 3 full-time administrative personnel. This measure is based on the number of employee FTEs 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 21.2 percent between FY 2013 and FY 2016, from 30.66 percent to 37.16 percent, respectively, based on audited data. A sizable jump in farebox recovery occurred between FY 2015 and FY 2016 as annual operating costs decreased 5.4 percent while passenger fare revenue increased 10.4 percent, resulting in a farebox increase of 16.7 percent. Passenger fare revenues have increased consistently with an average annual increase of 6.6 percent. Fare revenue are recorded when buses are probed and fares counted during vehicle maintenance by HTA.

### **Conclusion from the Verification of TDA Performance Indicators**

A&MRTS's performance indicators reflect growth in passenger trips and revenues. Passenger trips grew at an average annual rate of 5.2 percent with the highest increase of 8.9 percent in FY 2016. Operating costs remained relatively flat overall during the audit period, exhibiting increases in FY 2014 and FY 2015 of 2.3 and 3.0 percent, respectively, followed by a 5.4 percent decrease in FY 2016. Vehicle revenue hours and miles exhibited modest annual increases of 1.0 and 1.2 percent, respectively. Overall, service provision remained relatively unchanged with only a few minor changes in routing to improve service to HSU.

## 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 and City Engineer 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

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. City transit management has expressed concern about rising homelessness and loitering at the transit center. While no significant adverse incidents have been reported involving transients, the issue remains which could have some level of impact on the general operations of the transit center and transit services that stop there.

There were no fare increases implemented during the audit period. The JackPass program agreement between Arcata and HSU allows HSU students to ride free using their student identification card. The program is paid for through a mandatory student fee combined with each student's registration, securing a steady fare revenue source for the transit system. HSU students generate 76 percent of the system's ridership.

The contract amount for FY 2015-16 was \$183,197 and is reviewed annually. The agreement with HSU is based on prior year's ridership multiplied by a factor of \$0.86 per rider. On occasion the ridership figures differ between the City's estimates and HSU's. To address this, the City made a clarification in the contract about the ridership methodology and may rely more heavily on the ridership figures pulled from HTA's probing of the fareboxes. The JackPass fee was increased

during the audit period, to \$60.00 per semester. The limited parking availability on campus also provides incentives to use A&MRTS, thereby maintaining demand for the service. These additional factors help to drive the farebox recovery to levels that have regularly exceeded the required minimum.

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.

The City receives a detailed report from HTA that shows how much cash was collected on behalf of A&MRTS. HSU submits student data for the JackPass program to HTA for uploading to the GFI-Genfare farebox database. City transit management has historically not conducted detailed analysis of the performance data provided by HTA, such as developing trends with the revenue and cost information or verifying the information. City transit management and HTA have maintained a good working relationship.

### Personnel

Fixed-route transit operations personnel are composed of 10 part-time drivers equal to five FTEs. There are two shift changes during the day for the drivers who are nonunion and work 1,040 hours or less annually. The City has seen an increase in personnel costs due to the increase in the minimum wage. Drivers are nonbenefited employees and many are composed of older retired drivers with experience in the transportation industry.

Driver safety training is provided by the public transportation superintendent and transit coordinator, and comprises a minimum of 8 hours per year to maintain Verification of Transit Training 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 HTA's administrative facility located at 133 V Street in Eureka. The City of Arcata covers the costs of vehicle maintenance including fuel. The City cites favorable cost and operational efficiencies with this arrangement. Expenditures for vehicle maintenance and fuel have ranged from \$103,000 to \$177,000 annually based on audited data. The cost for routine maintenance is separated from fuel charges which fluctuate more readily.

Fleet maintenance is staffed by the HTA 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, passenger counts, fare recording, 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 road calls 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.

Road calls are recorded onto a vehicle repair history report maintained for each vehicle, which also serves as a work order for the maintenance department. Table V-1 provides a breakdown of road calls reported during the audit period:

**Table V-1  
A&MRTS Road calls**

	FY 2014	FY 2015	FY 2016
<b>A&amp;MRTS Road calls</b>	2	4	3

Source: HTA

### **Planning**

Transit planning and oversight are engaged through various approaches in a coordinated effort between Arcata and HCAOG, including the annual unmet transit needs process. Transit planning has involved in-depth analysis and monitoring of ridership trends over a multiyear period. The FY 2011/12–2015/16 Transit Development Plan (TDP) update for Humboldt County Transit Systems, adopted in May 2012, covered a five-year planning horizon and contained 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). Some of the service options included formalizing bus stops at HSU Library Circle; current bus stops and time points at 14<sup>th</sup> and B Streets west on 14<sup>th</sup> Street closer to planned Willow Walk HSU pedestrian access; partnering and exploring with HSU in a shared-ride jitney service on a full-cost recovery basis between HSU and the Arcata downtown on Friday and Saturday nights outside of A&MRTS coverage hours; and establishing a quarterly system-wide monitoring and evaluation program on a trip-by-trip basis.



In response to the TDP service recommendations, the City and HSU have proposed infrastructure improvements that would better accommodate transit buses and passengers at the HSU Library Circle and at 14<sup>th</sup> and B Streets. HSU is pursuing grant funding for these projects. Separately, a potential service being considered by the City has been a shuttle operating between HSU and the Arcata Marsh and Wildlife Sanctuary. This would be a city initiated project.

In November 2016, HCAOG released a Request for Proposals for the next TDP update. The Five-Year TDP and Transit Marketing Plan will cover FY 2017–18 through FY 2021–22 and encompass the five transit operators/nine transit services, including A&MRTS. The TDP update's goals are to reconfirm or redevelop shared goals and policies, relevant data, and useful short-term plans for capital investment, financing, and operational changes. The Transit Marketing Plan component would identify concepts and implementation steps for building a unified regional transit brand (from nine distinct existing service brands), and analyze the feasibility of upgrading to a regional transit website.

### **Marketing**

A&MRTS uses a combination of printed and electronic methods in marketing its services to the community. One of the principal marketing tools is the A&MRTS website (<http://arcatatransit.org/>). The website mirrors the format and Google trip planning capabilities of the Redwood Transit System 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 provided in the published *Humboldt County Transportation Services Guide*. The guide was developed by HTA and printed in January 2010 for public transit and human service transportation. While dated, 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 continues to be available online. 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. HTA's website also provides updated links to each of the transit systems in the county.

As an added passenger amenity, A&MRTS provides Wi-Fi access on its buses. The service costs the City \$100 monthly or \$40 per bus. This passenger benefit helps promote the convenience and user-friendly aspects of the system.

Pursuant to the federal Civil Rights Act of 1964, A&MRTS has an adopted Title VI Program. Title VI of the Civil Rights Act of 1964 requires that no person in the United States, on the grounds of race, color, or national origin, be excluded from, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. Program

compliance includes Title VI notices and complaint procedures are posted in English and Spanish on the A&MRTS website ([http://www.arcatatransit.org/title\\_vi/](http://www.arcatatransit.org/title_vi/)).

### **General Administration and Management**

The City of Arcata was incorporated in 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 composed 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 Council is very supportive of the transit program and two members serve on the HCAOG and HTA Boards. The City Council is kept apprised on the performance of the transit system during the annual budget and unmet transit needs process.

The City manager oversees the operations of City departments and services. A&MRTS is currently administered by the City Engineer with the retirement of the public transportation superintendent in the Transportation Division of the Building and Engineering Department. Transportation staffing levels in the department remained relatively stable during the three-year audit period. According to the FY 2016 City budget, the following staff were allocated personnel time to A&MRTS: the City engineer, public transportation superintendent, transportation coordinator, bus driver/transportation assistant, traffic technician, property manager, administrative assistant, and the 10 part-time drivers. A restructuring of the department in FY 2015 had minimal effect on staffing levels.

The public transportation superintendent has been an advocate for smaller transit systems in the state through his service on the boards of CalACT and CalTIP. Although slightly beyond the audit period, the public transportation superintendent retired from the City at the end of December 2016. The City Engineer has assumed oversight of the transit program, with the transportation coordinator assuming greater responsibilities in the interim.

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. The City negotiates the maintenance and services contract with HTA in May, which then take effect in July. The City has monitored 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.

Pursuant to TDA, the City receives Local Transportation Fund proceeds and the State Transit Assistance funds. TDA funding is used for both operating and capital expenses. Local Transportation Fund revenues claimed during the audit period were \$389,773 in FY 2014; \$331,857 in FY 2015; and \$577,240 in FY 2016. The State Transit Assistance funds claimed were \$50,686 in FY 2014; \$79,239 in FY 2015; and \$21,016 in FY 2016.

### 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. Arcata received state Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) funds as a part of the Proposition 1B bond act. PTMISEA funds have been applied toward capital projects such as bus procurement. Based on annual audited financial statements, PTMISEA funding received was \$800,000 in FY 2014, \$219,006 in FY 2015, and \$172,737 in FY 2016. Arcata expended \$1,191,743 in PTMISEA funds during the audit period, resulting in no unexpended proceeds at the end of FY 2016.

Grants awarded by the Federal Transit Administration (FTA) have been derived from the FTA Section 5311 program for operations and some capital expenditures. Based on HCOAG's annual Program of Projects resolutions, Arcata was awarded \$90,000 for operations in Federal Fiscal Year (FFY) 2014; \$93,800 for operations in FFY 2015; and \$140,000 for operations in FFY 2016. Precipitated by the retirement of the transportation superintendent, the City would benefit from another assigned staff person, whether in the Building and Engineering Department or Finance Department, to coordinate and work on transit grants. The City Engineer presently provides grants administration.

## Section VI

### Findings

The following summarizes the major findings obtained from this triennial audit covering fiscal years 2014 through 2016. A set of recommendations is then provided.

#### **Triennial Audit Findings**

1. Of the compliance requirements applicable to A&MRTS, the operator fully complied with all nine requirements. Two additional compliance requirements did not apply to A&MRTS (i.e., 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, based on the 1978–79 farebox recovery. The average farebox recovery attained during the audit period was 33.19 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. To note, the minimum required farebox ratio is reduced to 10 percent beginning in FY 2016–17 from passage of Senate Bill 508.
3. 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 7.1 percent in FY 2014, 0.9 percent in FY 2015, and 6.4 percent in FY 2016. The operating budget excludes the City's JPA Agreement contribution costs toward HTA.
5. Arcata satisfactorily implemented the prior audit recommendation that pertained to the proper and timely completion of the Transit Operators Financial Transactions Reports to the State Controller.
6. Operating cost per vehicle service hour, an indicator of cost efficiency, decreased 3.2 percent for the audit period. This trend is consistent with the slight 0.2 percent decrease in A&MRTS's operating costs during the period (based on audited data), coupled with an increase in vehicle service hours of 3.1 percent over the same period.
7. Operating cost per passenger, an indicator of cost effectiveness, decreased 14.1 percent for the three-year period. As noted above, A&MRTS's operating costs decreased 0.2 percent; however, A&MRTS ridership system-wide increased 16.2 percent during the period from 228,225 passengers in FY 2013 to 265,137 passengers in FY 2016, resulting in a positive trend.

8. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, increased 12.7 percent on fixed route from 30.3 passengers per hour to 34.1 passengers per hour. The trend in this indicator reflects the notable increase in ridership on A&MRTS while vehicle service hours increased slightly.
9. The transit revenue agreement between the City and HSU for the JackPass program is generally fixed at about \$183,000 per year and is reviewed annually. The agreement with HSU is based on the prior year's ridership multiplied by a factor of \$0.86 per rider.
10. As an added passenger amenity, A&MRTS provides Wi-Fi access on its buses. 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.
11. The former public transportation superintendent had been an advocate for smaller transit systems in the state through his service on the boards of CalACT and CalTIP. Although slightly beyond the audit period, the public transportation superintendent retired from the City at the end of December 2016. The City Engineer has assumed oversight of the transit program, with the transportation coordinator assuming greater responsibilities in the interim.

## Recommendations

### **1. Ensure that the TDA fiscal audit reflects farebox recovery standard changes, and include additional locally generated revenue in the farebox recovery pursuant to Senate Bill 508.**

A&MRTS has sustained an adequate farebox recovery ratio that meets the revised state TDA farebox standard under state Senate Bill (SB) 508, passed in October 2015. A&MRTS was previously required to meet a higher standard under old rules based on the 1978–79 fiscal year, but now has a lower standard to meet. As an internal goal, however, A&MRTS will strive to meet its higher farebox standard as a measure of good practice and operational control.

In addition, SB 508 allows for other locally generated revenues in the farebox ratio. Examples of possible other local support revenues may include gains on the sale of capital assets, lease revenues generated by transit-owned property, and advertising revenues. Although the system-wide farebox recovery ratio for A&MRTS exceeds the new 10 percent minimum standard, supplemental revenues would serve in providing a local match for state and federal grants to fund transit expansion. Both revenues and operating costs are modified under the new law in deriving the farebox ratio for TDA eligibility purposes, and Arcata should work with the fiscal auditor to accurately reflect the updated farebox ratio.

### **2. Engage in further collaboration with HSU on supplemental service options.**

A&MRTS operations have benefited greatly from its partnership with HSU. Through use of the JackPass program, HSU students generate 76 percent of the system's ridership. This sustained ridership has spawned discussion for expanded service options beyond the current fixed-route structure. The FY 2011/12–2015/16 TDP update presented several service considerations, which included partnering and exploring with HSU a shared-ride jitney service on a full-cost recovery basis between HSU and the Arcata downtown on Friday and Saturday nights outside of A&MRTS coverage hours. There have also been requests for service between HSU and the Arcata Marsh and Wildlife Sanctuary. It is suggested that the City and HSU pursue further collaboration in expanding service options.

### **3. Review interagency contracts with HTA.**

Arcata has had a maintenance and repair agreement with HTA since November 2001, which was amended in 2004 and 2006. The agreement provides for regular preventive maintenance services and inspections, repairs, fuel, and other lubricants as needed for all A&MRTS buses. In addition, HTA provides collision and component repairs, road call response, daily cleaning services, maintenance recordkeeping, secured fleet parking, annual CHP inspections, and farebox probing and data reporting. Since the agreement was last amended in 2006, the City should consider a timely review of the contract and whether new oversight or monitoring provisions should be added. For example, an amendment could include language for the City to conduct spot audits of the performance data reported by HTA such as fare revenue and

maintenance costs. The City should regularly analyze the data and create trends to better evaluate the operational health of the system.

**4. Ensure the assignment of a transit grants coordinator.**

Transit programs are, to a large extent, reliant on grant funding. A&MRTS is no exception and requires grant funding to sustain service. With recent changes to high-level transit management, the City should ensure a staff person is assigned to be aware of transit grant opportunities, prepare grant applications pertinent to A&MRTS needs, monitor and report on grant activity, and coordinate with funding partners. Such an assignment could be made to current A&MRTS staff and/or the Finance Department, or a joint assignment. With increased competition for grants, the City should remain on the forefront of these opportunities.