

FY 2014-2016 TRIENNIAL PERFORMANCE AUDIT OF FORTUNA TRANSIT



SUBMITTED TO
HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS



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SUBMITTED BY

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

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.

Overview of the Transit System

Fortuna Transit (formerly known as Fortuna Senior Transit Bus or Fortuna Senior Bus) is administered and operated by the City's Parks and Recreation Department, with the Department's interim director, also serving as deputy director of Public Works, acting as the transit manager. Transit services have been operating in the city since June 1972 and were initially provided by the Senior Citizen Center. The City assumed direct operation of the transit service in April 1984.

Based on the 2010 US Census, Fortuna's population is 11,926, which grew 13.6 percent since the 2000 US Census. The senior citizen population, comprising residents aged 65 and over, is 17.32

percent. The 2016 population for Fortuna is estimated to be 11,848 as reported by the California Department of Finance. The city covers a 4.85-square-mile area.

Fortuna was settled in 1874 and was originally known as Slide for Slide Hill. A year later the town was renamed Springville after the Springville Mill, which processed lumber from the nearby redwood forests. In 1884, the town's name was changed to Fortuna, meaning "fortune" in Spanish and "chance" in Latin. With the construction of the Eel River and Eureka Railroad that same year, Fortuna became a local rail hub for the smaller adjacent communities.

The main highway connection serving Fortuna is US Highway 101 (US 101). US 101 is the main north-south highway connecting Fortuna with Eureka located 14 miles to the north and the Bay Area to the south. The junction of State Route (SR) 36 and US 101 is located just south of Fortuna. SR 36 is an east-west highway connecting Humboldt County with Red Bluff in the Sacramento Valley. Major arterial streets traversing Fortuna include Fortuna Boulevard, Main Street, Rohnerville Road, and 12th Street.

System Characteristics

The City of Fortuna operates demand-response transit within city limits for seniors aged 50 and older or disabled persons who are unable to drive. Persons under the age of 50 are eligible to utilize the service with a physician's note. The service operates two buses per day Monday through Friday between the hours of 8:30 a.m. and 4:00 p.m. Saturday service is operated with one bus between the hours of 9:00 a.m. and 12:00 p.m. based on passenger demand. The service does not operate on Sunday and major holidays observed by the City.

Riders can make same-day arrangements or call a day prior for shopping trips, social visits, banking, and bill paying. For non-medical trips such as hair appointments, work, physical therapy, and senior lunch programs, riders can make arrangements one week in advance. For doctor appointments, reservations may be called in anytime during the previous calendar month of the scheduled appointment. Beginning at 8:00 a.m. and through 5:00 p.m., riders can contact the dispatcher to make travel arrangements, which can include up to three destinations per day. Reservations for Saturday must be made before 4:00 p.m. on Friday.

Fares

Fortuna Transit's fare structure is based upon fare media type. All cash fares are for a one-way trip. Multitrip pre-paid punch cards are also available for purchase. Punch cards are available for purchase from the driver or from the Parks and Recreation office at Rohner Park. Free trips are provided to Parks and Recreation sponsored programs and events. A fare increase for one-way trips was implemented in July 2014. The fare structure is shown in Table I-1:

**Table I-1
Fortuna Transit Fare Schedule**

| Fare Type | Fares | Fares Effective July 2014 |
|----------------------|--------------|----------------------------------|
| Regular One-Way Trip | \$1.75 | \$2.00 |

| Fare Type | Fares | Fares Effective July 2014 |
|--------------------|---------|---------------------------|
| 15-Trip Punch Card | \$20.00 | \$20.00 |

Source: City of Fortuna

Fleet

Fortuna Transit had three vehicles in its fleet during the audit period. All vehicles are lift-equipped and conform to the requirements of the Americans with Disabilities Act (ADA) of 1990 in regard to accessibility. Table I-2 shows the fleet below:

**Table I-2
Fortuna Transit Fleet**

| Year | Make & Model | Quantity | Fuel type | Seating Capacity |
|--------------|----------------|----------|--------------|------------------|
| 2006 | Ford El Dorado | 1 | Diesel | 12 (2 W/C) |
| 2011 | Ford E-350 | 1 | Unleaded Gas | 8 (2 W/C) |
| 2015 | Ford E-450 | 1 | Unleaded Gas | 12 (2 W/C) |
| Total | | 3 | | |

Source: City of Fortuna

Section II

Operator Compliance Requirements

This section of the audit report contains the analysis of Fortuna’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 requirement 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: December 8, 2014 FY 2015: September 30, 2016 FY 2016: October 14, 2016 The FYs 2014 & 2015 Transit Operators Financial Transactions Reports were submitted to the State Controller after the statutory deadline. Conclusion: Partial Compliance. |
| The operator has submitted annual fiscal and compliance audits to the RTPA and to the State Controller within 180 days following the end of the fiscal year (Dec. 27), or has received the appropriate 90-day extension by the RTPA allowed by law. | Public Utilities Code, Section 99245 | Completion/submittal dates: FY 2014: November 21, 2014 FY 2015: January 25, 2016 FY 2016: December 30, 2016 Conclusion: Complied. |
| The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the | Public Utilities Code, Section 99251 B | The City of Fortuna participates in the CHP Biennial Inspection of Terminals (BIT) in which the CHP conducts inspections every two years. |

| Table II-1 Operator Compliance Requirements Matrix | | |
|---|--|--|
| Operator Compliance Requirements | Reference | Compliance Efforts |
| operator's compliance with Vehicle Code Section 1808.1 following a CHP inspection of the operator's terminal. | | <p>An inspection was conducted at the Fortuna Department of Parks and Recreation located at 190 Dinsmore Road.</p> <p>The BIT program review certification and inspection date applicable to the audit period was March 18, 2014.</p> <p>The inspection was found to be satisfactory.</p> <p>Conclusion: Complied.</p> |
| The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims. | Public Utilities Code, Section 99261 | <p>As a condition of approval, the City of Fortuna's annual claims for Local Transportation Funds and State Transit Assistance are submitted in compliance with the rules and regulations adopted by HCAOG. HCAOG staff provides assistance to the City as needed in completing the claim.</p> <p>Conclusion: Complied.</p> |
| If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to 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>Fortuna Transit serves a nonurbanized area and is not subject to this 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 | Public Utilities Code, Section 99266 | <p>Percentage increase in Fortuna's transit operating budget:</p> <p>FY 2014: +13.5%</p> <p>FY 2015: +10.2%</p> |

| Table II-1 Operator Compliance Requirements Matrix | | |
|---|---|--|
| Operator Compliance Requirements | Reference | Compliance Efforts |
| 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>FY 2016: +15.2%</p> <p>Increases in the operating budgets are attributed to personnel salaries and benefits, marketing, fuel and vehicle repair.</p> <p>Source: City of Fortuna Transit Budget for FYs 2013–2016</p> <p>Conclusion: Complied.</p> |
| The operator’s definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee. | Public Utilities Code, Section 99247 | <p>For most performance measures and indicators, the City of Fortuna’s definition of performance is consistent with PUC Section 99247 as shown in the Monthly Transportation Reports. However, a review of the operations data in the Transit Operators Financial Reports during the audit period found discrepancies in the vehicle service hours and miles reported.</p> <p>Conclusion: Partial Compliance.</p> |
| 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 | Public Utilities Code, Sections 99268.2, 99268.3, 99268.12, 99270.1 | <p>Fortuna Transit serves a nonurbanized area and is not subject to this requirement.</p> <p>Conclusion: Not Applicable.</p> |

| Table II-1 Operator Compliance Requirements Matrix | | |
|---|---|--|
| Operator Compliance Requirements | Reference | Compliance Efforts |
| three-twentieths (15 percent), if so determined by the RTPA. | | |
| 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 | Fortuna Transit farebox recovery ratios using audited data are shown as follows: FY 2014: 12.00% FY 2015: 10.31% FY 2016: 11.76% Source: Annual fiscal and compliance audits. Conclusion: Complied. |
| 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 | The City of Fortuna makes contributions to its employees' retirement funded through the California Public Employees' Retirement System (CalPERS) under the formula of 2.7% @ 55 for miscellaneous employees. Conclusion: Complied. |
| If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted. | California Code of Regulations, Section 6754(a)(3) | As a recipient of State Transit Assistance Funds, the City of Fortuna does not utilize federal funds for operations. However, the City does apply for federal grant funding under the Federal Transit Administration (FTA) Section 5310 program for capital expenditures, including vehicle procurement. FY 2014: \$ -0- FY 2015: \$ -0- FY 2016: \$171,281 |

| Table II-1 Operator Compliance Requirements Matrix | | |
|---|-----------|--|
| Operator Compliance Requirements | Reference | Compliance Efforts |
| | | <p>Source: Annual fiscal and compliance audits</p> <p>Conclusion: Complied.</p> |

Findings and Observations from Operator Compliance Requirements Matrix

1. Of the compliance requirements pertaining to Fortuna, the operator fully complied with seven out of nine requirements. The transit system was in partial compliance with the timely submittal of the Transit Operators Financial Transactions Report to the State Controller and the accurate reporting of performance measures. Two additional compliance requirements did not apply to Fortuna (i.e., urban and blended farebox recovery ratios).
2. Based on the annual fiscal and compliance audits, the farebox recovery ratio for Fortuna Transit remained above the required 10 percent. The farebox recovery ratios were 12 percent in FY 2014; 10.31 percent in FY 2015; and 11.76 percent in FY 2016. The average farebox recovery attained during the audit period was 11.36 percent.
3. The City of Fortuna participates in the CHP Biennial Inspection of Terminals program in which the CHP conducts inspections of Fortuna’s transit vehicles on a two-year cycle. Satisfactory ratings were made for the 2014 inspection conducted during the audit period. It is noted that the inspection program was modified by state law (Assembly Bill 529) effective January 2016. The terminal inspection requirements changed from a time-based inspection system to a performance-based inspection selection system. Terminals selected for inspection are based on the California Performance Safety Score.
4. The operating budget exhibited notable increases during the audit period attributed to personnel salaries and benefits, marketing, fuel, and vehicle repair. The FY 2014 operating budget increased 13.5 percent followed by increases of 10.2 percent in FY 2015 and 15.2 percent in FY 2016.

Section III

Prior Triennial Performance Recommendations

The City of Fortuna'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 Fortuna'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

Conduct a check of fare revenue and operations data in the State Controller Report.

Background: The prior audit cited recurring differences in annual fare revenue between the Transit Operators Financial Transactions (SCO) report prepared by the Finance Department, and the Monthly Transportation Report prepared by the Parks and Recreation Department. It was suggested that the Parks and Recreation director check the SCO Report prior to submittal to the State Controller.

A review of the SCO reports submitted during the prior audit period showed continued slight variances in the data. This has been attributed to the departure of the Finance director as well as to how multipass sale revenues are accounted for. The data compiled by the Parks and Recreation Department showed higher revenues compared to Finance Department figures due in large part to differences in recording of fare revenue by each department. Finance records fare revenue based on when deposits occur while Parks and Recreation tracks fare revenue based on when they are collected on the bus and/or when punch cards are sold. It was suggested that the Parks and Recreation Department provide oversight with regard to the accuracy of data being reported on the SCO report.

Actions taken by the City of Fortuna

Due to continued turnover and staffing changes in the Finance and Parks and Recreation Departments, there continue to be discrepancies in the reporting of operations data. The operations data section in the FYs 2015 and 2016 SCO reports submitted to the State Controller had discrepancies in the vehicle service hours and miles reported. In addition, operations cost data reported was higher than the costs reported in the FY 2016 fiscal and compliance audit. Operating costs and fare revenue data reported in the FY 2014 and FY 2016 State Controller Reports appear to be consistent with the data reported in the internal Monthly Transportation Reports. It is suggested that the Parks and Recreation Department continue to work with the Finance Department to ensure the accuracy of the data being reported.

Conclusion

This recommendation has been partially implemented and is carried forward for full implementation.

Prior Recommendation 2

Consider other service provision options that will ensure farebox recovery attainment.

Background: Fortuna Transit operates within the city limits as a demand-response service to seniors 50 years of age and older and persons with disabilities. The FY 2011/12–2015/16 Transit Development Plan (TDP) for Humboldt County recommended that Fortuna Transit evolve into a general public Dial-a-Ride service that would capture a larger transit market. Also, the City could accommodate higher demand without increasing total annual operating hours above current service levels. This could be achieved through modifying current service to allow the bus to pick up passengers at predetermined locations and times, similar to fixed route, then functioning as a Dial-a-Ride and dropping off the passengers at their homes. This would require City staff to review trip patterns from the driver manifests including location of pickup/drop-off, and date and time.

In addition, it was suggested that the City consider operating a shuttle service once a week to major shopping centers in Eureka such as the Bayshore Mall as another means to boost farebox recovery and expand market share. The shuttle could be offered using savings in vehicle service hours from enforcement of a cancellation and no-show policy for Dial-a-Ride.

Actions taken by the City of Fortuna

Fortuna Transit continues to operate as a specialized demand-response service for seniors 50 years of age and older and persons with disabilities. While the City has considered expansion of service to general public riders, current federal funding for the transit vehicles precludes general public service. In spite of this limitation, the system still has been able to attain the minimum 10 percent farebox recovery. In an effort to promote more of a community-wide identity, the service underwent rebranding in November 2015 from Fortuna Senior Bus to Fortuna Transit. In addition, Fortuna Transit did implement a monthly service to Eureka that serves major shopping centers such as the Bayshore Mall and other commercial hubs.

Conclusion

This recommendation has been partially implemented. Further action to expand service to the general public is constrained due to federal funding provisions of the transit vehicles.

Prior Recommendation 3

Formalize and implement no-show and cancellation policies.

Background: The City tracks cancellations, trip denials, and no-shows on the Monthly Transportation Report. Data trends are provided for the month and year-to-date along with prior year data. The number of cancellations and no-shows had increased significantly during the prior audit period, with the number of cancellations showing the most significant increase. The City currently does not have a formal cancellation policy, but will send a follow-up letter to customers whose incidences of canceled trips are excessive. No-shows and cancellations pose challenges to on-time performance and overall system efficiency. It is suggested that the City formalize and implement no-show and cancellation policies that will clearly spell out steps of enforcement for those passengers who are habitual offenders with an eye toward further educating riders of the detriments and service inefficiencies caused by late cancellations and no-shows.

Actions taken by the City of Fortuna

In response to this recommendation, the City has taken concrete steps to formalize its no-show and trip cancellation policies. The Transit Policy Manual, which was developed in November 2015, contains cancellation and no-show policy guidelines. The policy stipulates that in the event the driver arrives at an agreed-upon location for pickup, and the rider is not waiting to board the bus, the driver may attempt to contact the rider by knocking on the door; if no response, the driver is to inform the dispatcher of a “no-show.” Failure to cancel the trip by the rider would trigger a series of measured responses by the City starting with a courtesy call, to a warning letter, to a potential suspension of service. A comparison of no-shows, cancellations, and trip denials compiled during the audit period reveals decreases in these performance measures.

Conclusion

This recommendation has been implemented.

Prior Recommendation 4

Conduct regular passenger surveys to gauge customer satisfaction and service needs.

Background: The prior audit found that the City did not conduct any passenger surveys. A survey conducted annually or biannually would allow the City to gauge passenger needs and sentiments with regard to the transit service. The survey could capture valuable demographic information on riders as well as trip patterns, thoughts on bus amenities, new service areas, and marketing feedback.

Actions taken by the City of Fortuna

The City did not conduct any passenger surveys during the audit period. In light of the declining number of passenger trips, reinstatement of Saturday service, and the recent service rebranding, a passenger survey would assist Fortuna Transit in better meeting the needs of its passengers as well as implement new services or coordinated service with the regional Redwood Transit System’s fixed-route service through Fortuna.

Conclusion

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

Section IV

TDA Performance Indicators

This section reviews Fortuna Transit'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.

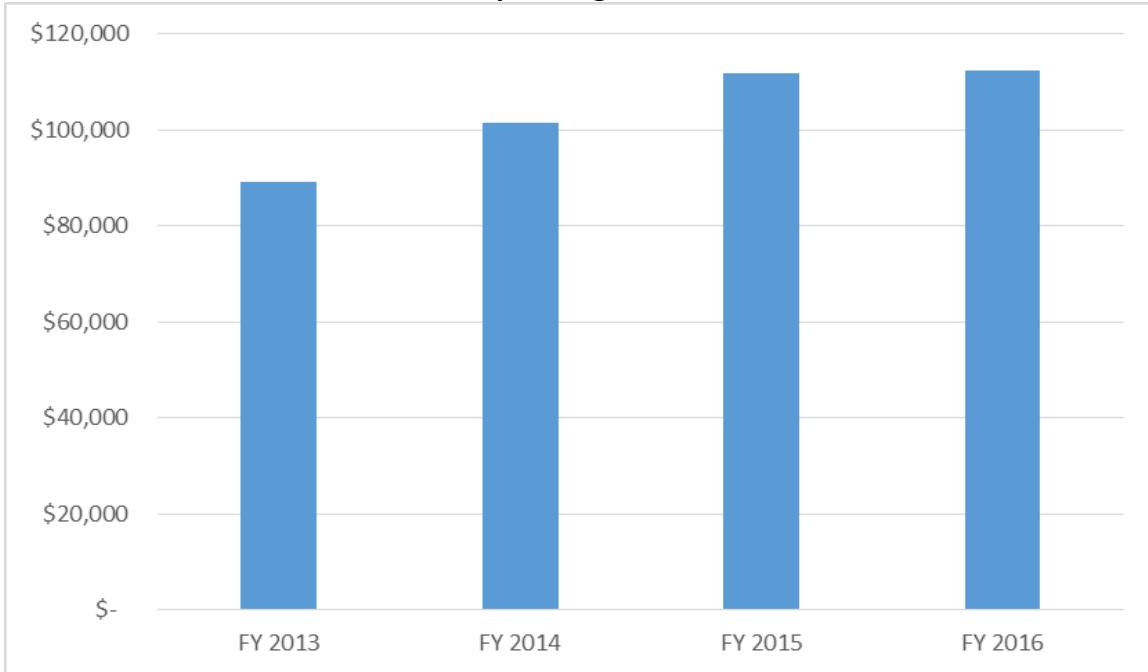
Table IV-1 provides the performance indicators for Fortuna Transit. Charts are also provided to depict the trends in the indicators. It is noted that operating costs and fare revenues are based on audited figures which include all operating expenses.

**Table IV-1
Fortuna Transit TDA Performance Indicators**

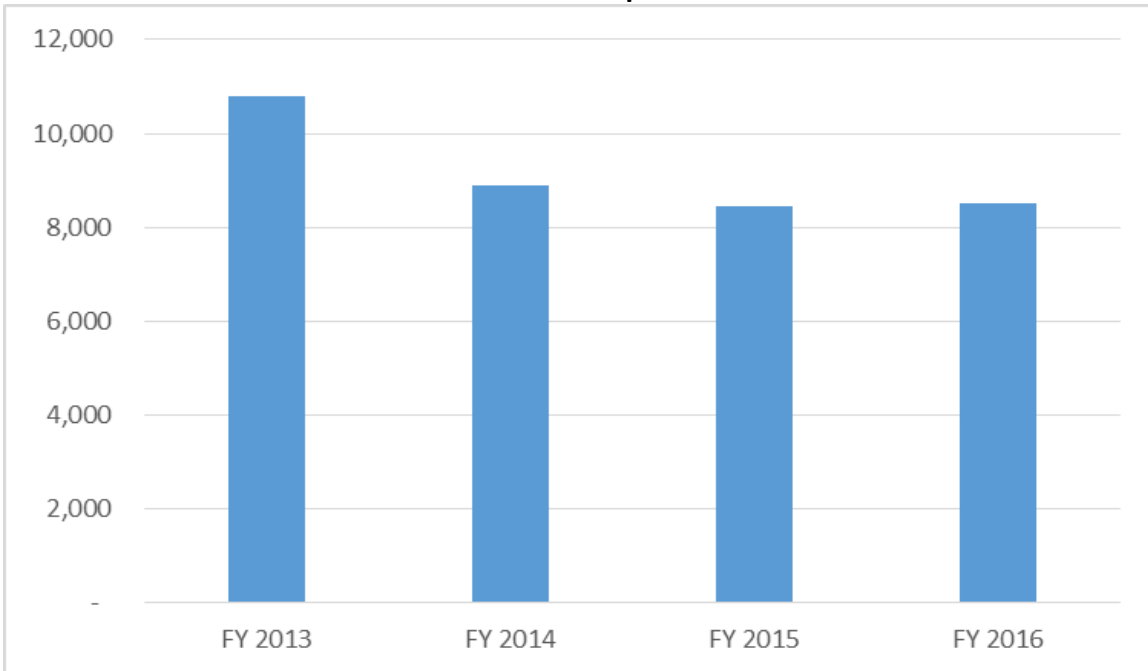
| Performance Data and Indicators | Audit Period | | | | % Change FY 2013– 2016 |
|---|--------------|-----------|-----------|-----------|------------------------------|
| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | |
| Operating Cost | \$89,306 | \$101,392 | \$111,722 | \$112,454 | 25.9% |
| Total Passengers | 10,785 | 8,892 | 8,457 | 8,515 | -21.0% |
| Vehicle Service Hours | 2,674 | 2,540 | 2,779 | 2,905 | 8.6% |
| Vehicle Service Miles | 25,834 | 21,244 | 24,258 | 22,384 | -13.4% |
| Employee FTEs | 3 | 3 | 3 | 3 | 0.0% |
| Passenger Fares | \$12,787 | \$12,167 | \$11,516 | \$13,225 | 3.4% |
| Operating Cost per Passenger | \$8.28 | \$11.40 | \$13.21 | \$13.21 | 59.5% |
| Operating Cost per Vehicle Service Hour | \$33.40 | \$39.92 | \$40.20 | \$38.71 | 15.9% |
| Operating Cost per Vehicle Service Mile | \$3.46 | \$4.77 | \$4.61 | \$5.02 | 45.3% |
| Passengers per Vehicle Service Hour | 4.0 | 3.5 | 3.0 | 2.9 | -27.3% |
| Passengers per Vehicle Service Mile | 0.42 | 0.42 | 0.35 | 0.38 | -8.9% |
| Vehicle Service Hours per Employee | 891.3 | 846.7 | 926.3 | 968.3 | 8.6% |
| Average Fare per Passenger | \$1.19 | \$1.37 | \$1.36 | \$1.55 | 31.0% |
| Fare Recovery Ratio | 14.32% | 12.00% | 10.31% | 11.76% | -17.9% |

Source: Annual fiscal and compliance audits; State Controller Reports; Senior Bus Monthly Transportation Report

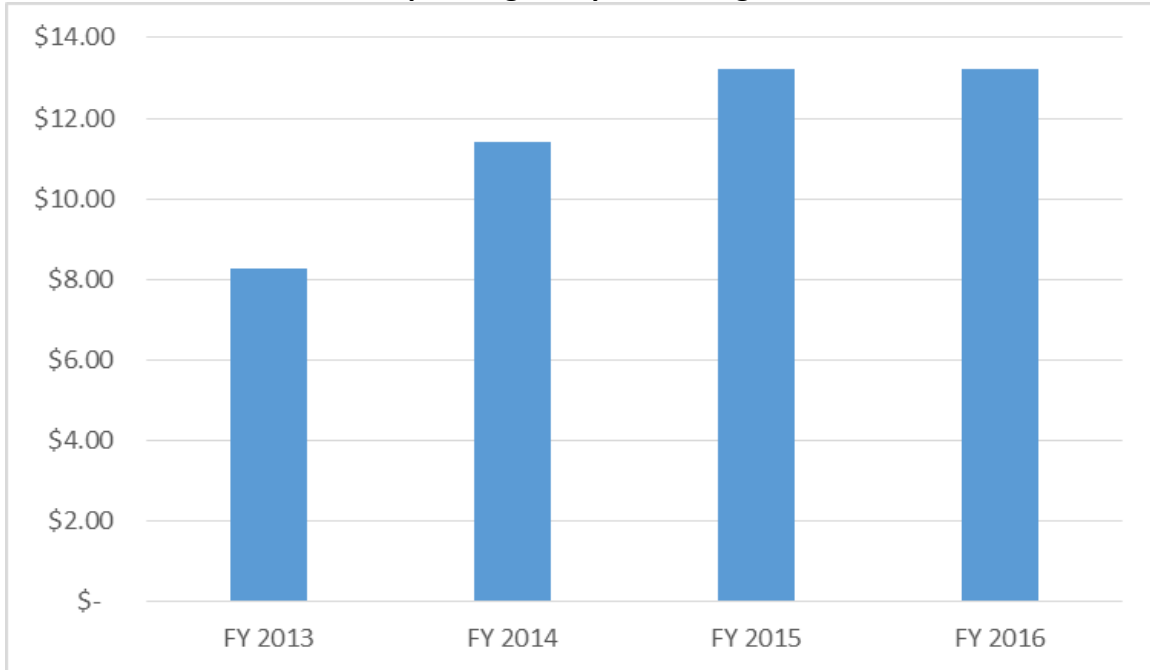
**Graph IV-1
Operating Costs**



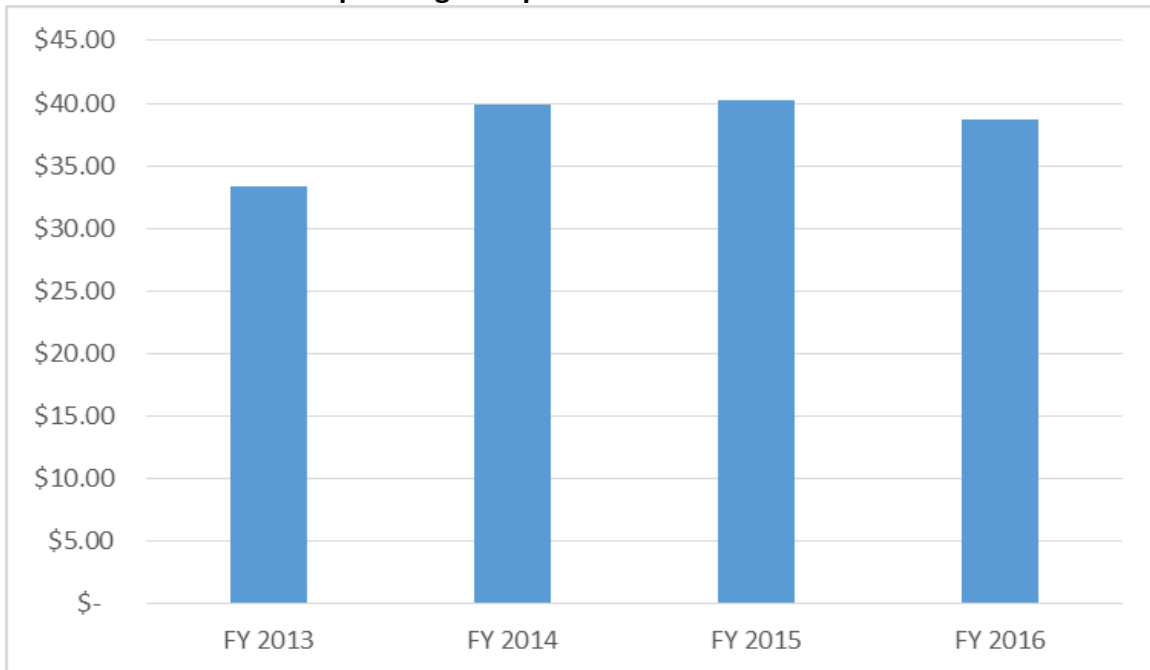
**Graph IV-2
Ridership**



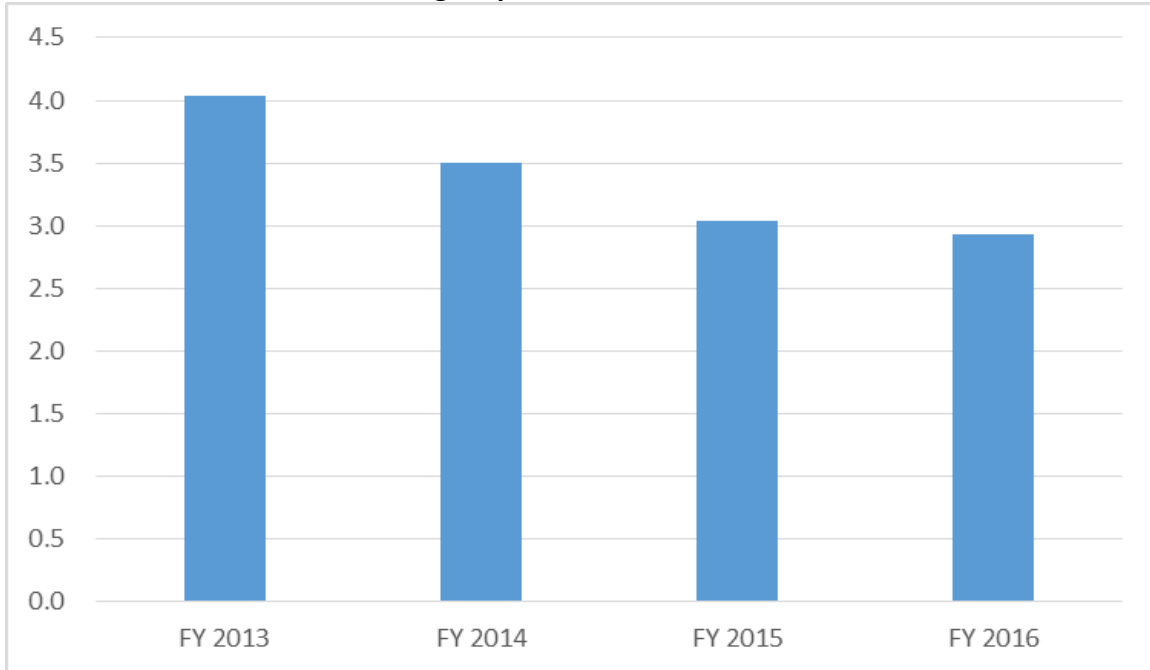
**Graph IV-3
Operating Cost per Passenger**



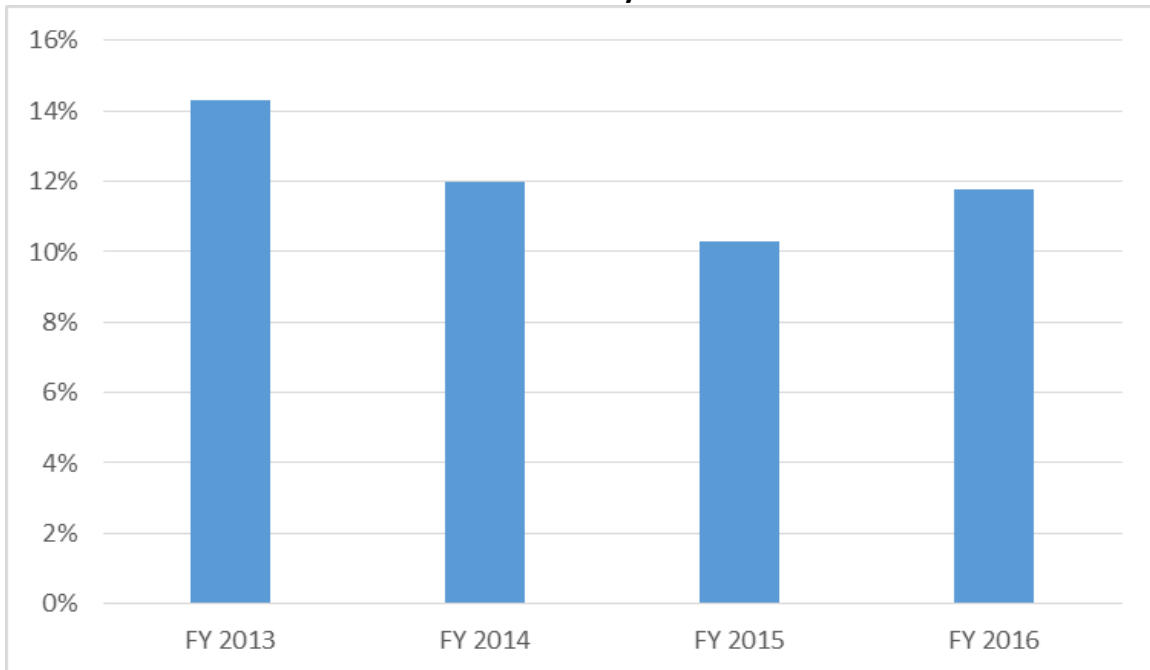
**Graph IV-4
Operating Cost per Vehicle Service Hour**



Graph IV-5
Passengers per Vehicle Service Hour



Graph IV-6
Fare Recovery Ratio



Findings from Verification of TDA Performance Indicators

1. **Operating cost per vehicle service hour**, an indicator of cost efficiency, increased 15.9 percent from \$33.40 in the FY 2013 base year to \$38.71 in FY 2016. This trend is consistent with the increase of Fortuna Transit's operating costs of 25.9 percent during the period (based on audited data), and the smaller increase in vehicle service hours of 8.6 percent between FY 2013 and FY 2016.
2. **Operating cost per passenger**, an indicator of cost effectiveness, increased 59.5 percent from \$8.28 in FY 2013 to \$13.21 in FY 2016. As noted above, Fortuna's operating costs increased 25.9 percent during the period; however, Fortuna Transit's ridership decreased 21 percent during the period, from 10,785 passengers in FY 2013 to 8,515 passengers in FY 2016.
3. **Passengers per vehicle service hour**, which measures the effectiveness of the service delivered, decreased 27.3 percent between FY 2013 and FY 2016 from 4 passengers per hour to 2.9 passengers per hour. The trend in this indicator reflects the decrease in ridership on Fortuna Transit for the three-year period while vehicle service hours increased.
4. **Passengers per vehicle service mile**, another indicator of service effectiveness, decreased 8.9 percent, from 0.42 in FY 2013 to 0.38 in FY 2016. From the FY 2013 base year to FY 2016, total vehicle service miles decreased 13.4 percent, from 25,834 to 22,384 vehicle service miles, likely due to the decline in ridership.
5. **Vehicle service hours per employee** increased by 8.6 percent between FY 2013 and FY 2016. This increase was partly attributed to the 8.6 percent increase in vehicle service hours while the number of employees involved in service operations remained relatively unchanged. This measure is based on the number of employee full-time equivalents (FTE) using employee pay hours from the Transit Operators Financial Transactions Report submitted to the State Controller and dividing by 2,000 hours per employee.
6. **Farebox recovery** exhibited an overall decrease of 17.9 percent in the audit period, from 14.32 percent in FY 2013 to 11.76 percent in FY 2016 based on audited data. However, farebox recovery increased 14.1 percent in FY 2016, which was attributed to the July 2014 fare increase. From FY 2013 through FY 2016, there was a 3.4 percent increase in passenger fare revenue.

Conclusion from the Verification of TDA Performance Indicators

Fortuna Transit's performance indicators reflect rising operating costs and declining ridership during the first two years of the audit period followed by improved trends in FY 2016. System operating costs increased during the triennial period, exhibiting an average annual increase of 8.1 percent. Operating cost increases were attributed to higher personnel salaries and benefits, marketing, fuel, and vehicle repair. The decline in passengers trips averaged 7.3 percent annually, with the highest decrease of 17.6 percent exhibited in FY 2014. Toward the end of the audit period, operating costs increased by under 1 percent which mirrored a similar increase in ridership. The slight increase in ridership reversed the downward trend during the prior years. Also, passenger fare revenue increased 14.8 percent in FY 2016 due to the fare increase implemented in July 2014.

Section V

Review of Operator Functions

This section provides an in-depth review of various functions within Fortuna Transit. The review highlights accomplishments, issues, and/or challenges that were determined during the audit period. The following functions were reviewed at the Fortuna Parks and Recreation Department:

- 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

Fortuna Transit operates demand-response curb-to-curb public transportation within the Fortuna city limits for persons aged 50 and older and persons with disabilities. The City maintains a database of between 300 and 400 passenger names; however, the list has not been validated or names purged to reveal a more accurate list of passengers. During the audit period, the City took steps to raise the profile and visibility of the transit service in the community as well as formalize internal operational policies.

One of the first measures involved rebranding the service from the Fortuna Senior Transit Bus Program to Fortuna Transit. This was done to promote more of a community-wide identity for the transit service. Fortuna Transit added a monthly shopping trip to Eureka including to the Bayshore Mall and other shopping centers. Riders pay the same fare to Eureka as the local fare. To enable this longer distance trip, the City acquired a 2015 Ford E-450 vehicle through the FTA Section 5310 grant program.

Several actions were taken to formalize Fortuna Transit's policies and procedures. In November 2015, the Fortuna Transit Policy Manual was developed by the Parks and Recreation Department. The policy manual contains rules and protocols for both City staff and passengers. In particular, the policy manual includes formal and clear cancellation and no-show policy guidelines. The no-show policy stipulates that in the event the passenger is not at the pickup location when the driver arrives, and knocking on the front door receives no response, the driver notifies the dispatcher of a no-show. Proactive measures are stipulated in the manual to address a passenger's repeated failure to show at the pickup location or properly cancel the trip.

Dispatching is conducted on a manual basis and the dispatcher takes reservation requests by hand. The dispatcher is on duty from 8:00 a.m. to 3:00 p.m. The dispatcher generally allows 30 minutes travel time for the driver to maintain an on-time arrival, while also enabling the driver to batch other riders en route. A maximum of three trips may be scheduled by the passenger the same day, although the driver and dispatcher have discretion whether the additional requested trips are feasible. The driver is required to notify dispatch of any schedule changes. Trips are scheduled and assigned on a geographical basis with one driver assigned trips on the north side of town and the other driver assigned to the south side of town.

Performance data are tracked on the Senior Citizens Bus Monthly Transportation Report. The report monitors the number and types of passenger trips, fare media, wheelchairs, lifts, no-shows, cancellations, trip denials, employee work hours, fuel consumed, vehicle service hours, and mileage. Total hours and mileage are also reported. A summary of no-shows, cancellations, and trip denials is presented in Table V-1:

**Table V-1
Fortuna Senior Bus No-Shows, Cancellations, and Trip Denials**

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|----------------------|---------|---------|---------|---------|
| No-Shows | 84 | 29 | 24 | 10 |
| Cancellations | 1,783 | 1,620 | 1,174 | 586 |
| Trip Denials | 270 | 121 | 41 | 6 |

Source: Fortuna Transit – Monthly Transportation Report, Year-to-Date Totals

Based on the data summarized in the table, efforts by the City to reduce the number of no-shows, cancellations, and trip denials during the audit period have been quite effective. Since the implementation of the cancellation and no-show policy, the number of no-shows decreased 88 percent from the FY 2013 base year to FY 2016. The number of trip cancellations decreased 67 percent from FY 2013 to FY 2016 and the number of trip denials decreased 98 percent over the same period. These trends are positive indicators in the provision of a more efficient and effective service.

Transit vehicles are equipped with manual fareboxes. Farebox handling procedures involve the completion of daily fare revenue deposit forms by the driver, which are checked by other City personnel for accuracy. Since prepaid punch cards are typically used, the amount of cash exchanging hands is kept to a minimum. Fare proceeds are dropped into a locked canister overnight and counted by the dispatcher the following day at the beginning of the shift. Fares are doubled counted and checked by the transit supervisor before being transported to City Hall for depositing.

Personnel

Daily operations for Fortuna Transit are supported by the Recreation and Transportation Administrative supervisor; one full-time driver; two part-time drivers; and one part-time dispatcher. One part-time driver is employed 24 hours per week and the other part-time driver is

employed 16 hours per week. The second part-time driver was hired during the audit period. Additional operational and administrative support is provided by the interim Parks and Recreation director, and through the City manager's office.

Driver candidates are required to hold a Class B license with a passenger endorsement. Drug and alcohol testing are conducted through the City's Human Resources Department. There is a driver safety meeting and training held every Monday morning. Drivers undergo first aid and CPR training every other year.

Employees are represented by the Fortuna Employees Association. The City provides medical, dental, vision, and life insurance for employees represented by the association. As an incentive for employees to live in Fortuna, all employees represented by the association who reside within city limits receive \$35.00 per month as additional compensation. The accrual rate for sick leave is eight hours for each calendar month of service. Vacation accruals consist of 10 days annually for 1–6 years of service; 15 days annually for 7–11 years of service; and 20 days annually for 12 years or more years of service.

Maintenance

Vehicle maintenance is conducted at the City's Corporation Yard located at 190 Dinsmore Road. The facility contains two service bays and one lift, and is staffed by two mechanics. One mechanic is assigned to maintain the three Fortuna Transit vehicles. Vehicles undergo maintenance inspections every 90 days and are washed on Sundays. Fortuna received a satisfactory rating for the CHP's Biennial Inspection of Terminals Program that was conducted in 2014.

Daily inspections are also conducted by the bus drivers using a list of items to check and sign off in the daily inspection report. The daily inspection sheet was updated through use of an externally created report that lists more items to check than the prior in-house inspection sheet. Fueling is provided by Renner Petroleum located at 2435 Newburg Road in Fortuna through a County of Humboldt procurement program that the City participates in. Pumps are accessed by a card lock system.

Planning

Transit planning and oversight are engaged through various approaches in a coordinated effort between Fortuna 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 TDP update for Humboldt County Transit Systems, adopted in May 2012, covers a five-year planning horizon and contains service monitoring recommendations for Fortuna. The TDP update noted that Fortuna was meeting minimum farebox recovery ratio requirements, but recommended that productivity be increased to accommodate higher demand without increasing total annual operating hours above the FY 2011–12 base year. Some of the service options included allowing the bus to pick up passengers at predetermined locations and times, similar to fixed route, then functioning as a Dial-a-Ride and dropping off the passengers at

their homes and to allow Fortuna Transit to operate as a general public Dial-a-Ride. The TDP is currently being updated for the next planning period.

In February 2015, Fortuna's City manager submitted a request to the HCAOG executive director to have the City's interim Parks and Recreation director, who oversees transit, participate on the HCAOG Technical Advisory Committee (TAC). The City manager cited Section 4.01 of the HCAOG by-laws, which allows the TAC membership to include three representatives from public transit providers such as Fortuna Transit. The position of Parks and Recreation director represented the City of Fortuna on the TAC in the past and has been familiar with federal, state, and local funding for both transportation and transit projects.

Marketing

Fortuna utilizes several methods and collateral to market its transit services within the community. Printed collateral includes the Fortuna Transit Ride Guide, which contains general information about the service, rider etiquette, fares, days and hours of operation, and the cancellation and no-show policy. Other printed marketing collateral include flyers and posters on the vehicles.

Transit information is also accessed online through the City's website (<http://ca-fortuna.civicplus.com/index.aspx?nid=98>). The website contains general information about the service including eligibility requirements, hours of operations, reservation protocol, and fares. The web page also contains links to PDF files that contain additional information about the service, including the Fortuna Transit Riders Guide, a letter to riders, an emergency information form, and the City's Title VI policy.

Additional marketing and advertising is conducted through local newspaper ads and Park and Recreation Department news releases. During lunch breaks, drivers park the vehicles in a visible spot in public view. There is no exterior or interior advertising on Fortuna Transit vehicles pursuant to the Transit Policy Manual. The City did not conduct any passenger surveys during the audit period. As indicated earlier, the City rebranded the transit service to raise the profile of the service, including repainting and relabeling the buses from Fortuna Senior Transit Bus to Fortuna Transit.

Pursuant to the federal Civil Rights Act of 1964, Fortuna Transit 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 on the City's website (<http://ca-fortuna.civicplus.com/index.aspx?nid=592>).

General Administration and Management

The City of Fortuna was incorporated as a city in 1906 and governed by the City Council. In 1977, the current council-manager form of government was established. Fortuna is a charter city and

the City Council is the City's main legislative body, composed of five elected members. The City Council is vested with all the regulatory and corporate powers of a municipal corporation provided for by state law governing charter cities. 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 and serve for two-year terms. The City Council meets on the first and third Monday of the month at 6:00 p.m. in the Fortuna City Council Chambers located at 621 11th Street. The Senior Citizens Bus Monthly Transportation Report is generated and included in the Parks and Recreation Department's monthly report to the City Council.

Pursuant to the TDA, the City receives Local Transportation Fund proceeds and State Transit Assistance funds. TDA revenues are used primarily for operating expenses. Based on data from the annual fiscal and compliance audits for Fortuna Transit, Local Transportation Fund revenues received during the audit period were \$230,912 in FY 2014, \$249,663 in FY 2015, and \$245,180 in FY 2016. State Transit Assistance funds received were \$1,287 in FY 2014 and \$691 in FY 2016.

Grants Management

Apart from the TDA, the City of Fortuna relies on a few grants and other funding mechanisms to support its transit system. These grant sources are derived from state and federal programs. Federal grants are primarily derived from the Elderly and Disabled Specialized Transit Program - FTA Section 5310 administered by Caltrans. All successful applicants enter into a project agreement with Caltrans that stipulates the terms and conditions for the equipment use.

In FY 2016, Fortuna received \$67,000 in FTA Section 5310 grant funds toward the procurement of a Ford E-450 transit vehicle. Pursuant to the contract agreement, FTA subrecipients are required to file biannual reports on the use of the vehicle and/or equipment acquired under the grant. Caltrans also performs triennial inspections of FTA Section 5310 funded projects to verify the condition and appropriate use of the vehicles or equipment.

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 pertaining to Fortuna, the operator fully complied with seven out of nine requirements. The transit system was in partial compliance with the timely submittal of the Transit Operators Financial Transactions Report to the State Controller and the accurate reporting of performance measures. Two additional compliance requirements did not apply to Fortuna (i.e., urban and blended farebox recovery ratios).
2. Based on the annual fiscal and compliance audits, the farebox recovery ratio for Fortuna Transit remained above the required 10 percent. The farebox recovery ratios were 12 percent in FY 2014; 10.31 percent in FY 2015; and 11.76 percent in FY 2016. The average farebox recovery attained during the audit period was 11.36 percent.
3. The City of Fortuna participates in the CHP Biennial Inspection of Terminals program in which the CHP conducts inspections of Fortuna's transit vehicles on a two-year cycle. Satisfactory ratings were made for the 2014 inspection conducted during the audit period.
4. The operating budget exhibited notable increases during the audit period attributed to personnel salaries and benefits, marketing, fuel, and vehicle repair. The FY 2014 operating budget increased 13.5 percent followed by increases of 10.2 percent in FY 2015 and 15.2 percent in FY 2016.
5. Fortuna satisfactorily implemented one out of the four prior audit recommendations, which pertained to the formalization and implementation of no-show and cancellation policies. Two recommendations were partially implemented while another was not implemented and carried forward in this audit for full implementation.
6. Operating cost per vehicle service hour, an indicator of cost efficiency, increased 15.9 percent from \$33.40 in the FY 2013 base year to \$38.71 in FY 2016. This trend is consistent with the increase of Fortuna Transit's operating costs of 25.9 percent during the period (based on audited data), and the smaller increase in vehicle service hours of 8.6 percent between FY 2013 and FY 2016.
7. Operating cost per passenger, an indicator of cost effectiveness, increased 59.5 percent from \$8.28 in FY 2013 to \$13.21 in FY 2016. As noted above, Fortuna's operating costs increased 25.9 percent during the period; however, Fortuna Transit's ridership decreased 21 percent during the period, from 10,785 passengers in FY 2013 to 8,515 passengers in FY 2016.

8. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, decreased 27.3 percent between FY 2013 and FY 2016 from 4 passengers per hour to 2.9 passengers per hour. The trend in this indicator reflects the decrease in ridership on Fortuna Transit for the audit period while vehicle service hours increased.
9. Farebox recovery exhibited an overall decrease of 17.9 percent in the audit period, from 14.32 percent in FY 2013 to 11.76 percent in FY 2016 based on audited data. However, farebox recovery increased 14.1 percent in FY 2016, which was attributed to the July 2014 fare increase. From FY 2013 through FY 2016, there was a 3.4 percent increase in passenger fares.
10. During the audit period, the City took steps to raise the profile and visibility of the transit service in the community as well as formalize internal operational policies. One of the first measures involved rebranding the service from the Fortuna Senior Transit Bus Program to Fortuna Transit.
11. In November 2015, the Fortuna Transit Policy Manual was developed by the Parks and Recreation Department. The policy manual contains rules and protocols for both City staff and passengers. In particular, the policy manual includes cancellation and no-show policy guidelines.
12. Since the implementation of the cancellations and no-show policy, the number of no-shows decreased 88 percent from the FY 2013 base year to FY 2016. The number of trip cancellations decreased 67 percent from FY 2013 to FY 2016 and the number of trip denials decreased 98 percent over the same period.

Recommendations

1. Continue efforts to check fare revenue and operations data in the State Controller Report.

This recommendation has been carried forward from the prior audit. Due to continued turnover and staffing changes in the Finance and Parks and Recreation Departments, there are ongoing discrepancies in the reporting of operations data. The operations data section in the FYs 2015 and 2016 Transit Operators Financial Transactions Reports submitted to the State Controller had discrepancies in the vehicle service hours and miles reported. In addition, operations cost data reported was higher than the costs reported in the FY 2016 fiscal and compliance audit. It is suggested that the Parks and Recreation Department continue to work with the Finance Department in ensuring the accuracy of the data being reported. Steps include conducting a review of the completed State Controller Report by the Parks and Recreation Department prior to its submittal to the state.

2. Conduct regular passenger surveys to gauge customer satisfaction and service needs.

This recommendation has been carried forward from the prior audit. In light of the declining number of passenger trips, reinstatement of Saturday service, and the recent service rebranding, a passenger survey would assist Fortuna Transit in better meeting the needs of its passengers as well as implement new services or coordinated service with the regional Redwood Transit System's fixed-route service through Fortuna. The survey should also gauge public perceptions regarding Dial-a-Ride service for the general public, although current federal funding for the transit vehicles precludes general public service. Such a survey could be coordinated with the TDP update that was recently commissioned by HCAOG.

3. Validate transit passenger database.

The City's database of several hundred passenger names should be cleaned and validated for accuracy. Actions that should be memorialized in the Transit Policy Manual include regularly (e.g., annually) reviewing and eliminating redundant names and purging passengers who no longer ride. An updated list enables the City to better understand its ridership base and particular trip-making habits for enhanced service planning. Further outreach and targeted marketing might also be conducted based on the updated list and number of actual riders. A more manageable and useful database provides another tool for City staff to continue being responsive and raising the profile of the transit system.

4. Review opportunities for increasing local revenue to boost farebox recovery.

State Senate Bill (SB) 508, passed in October 2015, makes changes to how farebox recovery is calculated. Consistent with current practice, transit systems are able to boost their farebox recovery through inclusion of local revenues generated by the transit service. Although the system-wide farebox recovery ratio for Fortuna Transit exceeds the 10 percent minimum standard, supplemental revenues would serve in providing a local match for state and federal

grants to fund transit expansion. Other local fund revenues used by transit operators include advertisement on buses and bus shelters, gains on the sale of capital assets, lease revenues generated by transit-owned property, and fare revenue agreements in lieu of individual fare payment with entities that have regular riders. Both revenues and operating costs are modified in deriving the farebox ratio for TDA eligibility purposes, and Fortuna should work with the fiscal auditor to accurately reflect the farebox ratio allowed under new state law.