

**Eureka Transit Service**  
***Triennial Performance Audit***  
**FY 2016-17 to FY 2018-19**

**FINAL**



**Prepared for**  
**Humboldt County Association of Governments**



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**EUREKA TRANSIT SERVICE**

**TRIENNIAL PERFORMANCE AUDIT**

**FY 2016 – 17 TO FY 2018 – 19**

*Prepared for*

Humboldt County Association of Governments  
611 I St.  
Eureka, CA 95501  
707-444-8208

*Prepared by*

LSC Transportation Consultants, Inc.  
2690 Lake Forest Road, Ste. C  
P.O. Box 5875  
Tahoe City, California 96145  
530-583-4053



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LSC # 197380

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The California Public Utilities Code requires that all transit operators that receive funding under Article 4 of the Transportation Development Act (TDA) be subject to a performance audit every three years. This document presents the findings from the performance audit of the Eureka Transit Service (ETS). As the Regional Transportation Planning Agency (RTPA) responsible for TDA funding in Humboldt County, these audits were performed under the authority of the Humboldt Association of Governments (HCAOG).

This audit report covers Fiscal Years (FY) 2016-17 through FY 2018-19, and was conducted by LSC Transportation Consultants, Inc. Data collection, initial review, and on-site interviews were conducted in early 2020. The audit process follows guidelines outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* developed by Caltrans (2008).

## BACKGROUND

The primary regional transit operator in Humboldt County is the Humboldt Transit Authority (HTA). HTA is a joint powers authority between Humboldt County and the Cities of Arcata, Eureka, Fortuna, Rio Dell and Trinidad. The City of Eureka has been providing public transit service to residents since 1976. In more recent years, the City of Eureka provided only policy direction and administration of transit service while HTA was contracted to conduct operations, maintenance and daily management of the service. As of July 1, 2018 (the last year of the audit period), HTA assumed administrative duties as well. Therefore, this is the last performance audit period in which a separate audit will be required for ETS. As such, data was not separated from HTA for the last year of the audit period. Operating cost and fare revenue data for FY 2018-19 is unaudited data obtained from internal HTA reports.

## VERIFICATION AND USE OF PERFORMANCE INDICATORS

Table 1 and Figures 1 – 5 in Chapter 2 present operating data and performance indicators for ETS fixed route services. Performance of demand response services operated within the City of Eureka are included in Dial-A-Ride performance analysis in the HTA audit. During the audit period, fixed route ridership decreased by 5 percent. Annual operating costs increased by around 15 percent during the audit from \$1,056,429 million to \$1,221,970. As result, operating cost per trip increased by 8.8 percent from \$4.93 to \$5.37. Service levels stayed consistent during this three year period. As such, cost efficiency as measured in operating cost per vehicle hour increased by 17 percent during the audit period from \$73.11 to \$85.63. Productivity on ETS fixed route services is good, at around 14 one-way passenger-trips per vehicle hour. ETS fixed route transit services generated a farebox ratio (the ratio of passenger fares to operating costs) of 26.12 percent in FY 2016-17, 21.41 percent in FY 2017-18 and 20.46 percent in FY 2018-19. This meets the required farebox ratio of 10 percent for all years of the audit period.

ETS/HTA compiled operating statistics in accordance with TDA definitions (as presented in Appendix B of the *Performance Audit Guidebook*) except for vehicle service hours and miles. As for the overall data collection and recording process, ETS/HTA employs electronic fareboxes which allow for accurate collection of detailed operating statistics. ETS/HTA produces easy to read and informative operating data reports. ETS operating statistics reported to the State Controller closely matched those found in internal HTA reports.

## REVIEW OF COMPLIANCE REQUIREMENTS

The *Performance Audit Guidebook* recommends reviewing transit operator compliance with certain TDA regulations that relate to a performance audit. Table 2 presents ETS's compliance with these requirements. ETS public transit services were found to comply on all issues except for the calculation of vehicle service hours and miles per TDA definitions.

## STATUS OF PRIOR AUDIT RECOMMENDATIONS

Michael Baker completed the previous audit in 2017. All recommendations were completed.

## DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

A crucial step in the performance audit process is to evaluate standard transit operator functions in terms of efficiency and effectiveness. This is done through interviews with transit staff. The review of transit operator functions is divided into the following categories:

- General Management and Organization
- Service Planning
- Administration
- Scheduling, Dispatch and Operations
- Marketing and Public Information
- Maintenance

Management of ETS has improved since HTA took over administration of ETS services. As noted in the HTA performance audit, the HTA organization appears to be appropriate for the size and scope of transit operations. HTA conducts effective service planning and regularly reviews operating statistics and TDA performance measures for ETS. Transit services comply with pertinent federal Americans with Disabilities Act (ADA) requirements. HTA has a robust marketing program which includes ETS services. HTA and HCAOG conducted adequate public outreach for ETS services as part of the TDP update. No service or fare changes occurred during this audit period. HTA/ETS has in place safety, operations, and training procedures which comply with applicable regulations. There appears to have been no significant issues during the audit period with respect to vehicle maintenance. Vehicle replacement plans are in place to maintain a safe and operable fleet.

The Auditor's analysis of ETS services indicates that, in terms of operations, the system was efficiently run and professionally managed during the audit period.

## FINDINGS

- Overall management of ETS services has improved since HTA took over administration of the service in July of 2018;
- Although ETS fixed route ridership declined by 5 percent during this audit period ETS is a productive transit service for a rural county, carrying approximately 14 one-way passenger-trips per vehicle service hour. Public transit ridership has been slowly declining throughout the US;



- ETS operating costs increased during the audit period but at a rate comparable to inflation and other public transit agencies.
- ETS/HTA implemented all the prior audit recommendations.
- ETS/HTA has a good data collection process in place.
- During the audit period, ETS met most of the TDA's requirements. The one exception is that HTA/ETS reports total vehicle hours and miles to the state controller instead of vehicle service hours and miles.
- ETS transit services far exceeded the required 10 percent farebox ratio for rural transit providers. During this audit period, farebox ratio ranged from 26.12 to 20.46 percent.

## **RECOMMENDATIONS**

As HTA has assumed both operation and management of ETS, a separate performance audit will no longer be required. Therefore, any recommendations regarding Eureka Transit Service are noted in the HTA audit.

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## **BACKGROUND**

The TDA, also known as the “Mills-Alquist Deddeh Act,” provides two major sources of funding for public transportation providers in California: The Local Transportation Fund (LTF) and the State Transit Assistance (STA). The LTF is derived from 1/4 cent of the 7.25 cent state sales tax collected per dollar of retail sales in Humboldt County during the audit period and can be used for a variety of transportation purposes according to a set of priorities detailed in the Act. The State Board of Equalization returns the LTF to each county in accordance with the amount of tax collected in that county. STA funds are derived from statewide sales tax on diesel fuel. The funds are allocated to each county based on the following formula: 50 percent according to population and 50 percent according to operator revenues from the prior fiscal year. STA funds can only be used to pay for transit planning, capital projects, and operations.

The PUC requires that a Triennial Performance Audit be conducted for all transit operators and RTPAs. A performance audit is a systematic process of evaluating an organization’s effectiveness, efficiency, and economy of operations under management control. The objectives of the audit are to provide a means for evaluating an organization’s performance and to enhance the performance by making recommendations for improvements. In addition, the audit evaluates the adequacy of an organization’s systems and the degree of compliance with established policies and procedures.

## **PERFORMANCE AUDIT AND REPORT ORGANIZATION**

The performance audit consists of the following elements:

- Initial review of transit operator functions
- Review of compliance requirements
- Follow-up review of prior performance audit recommendations
- Verification and use of performance indicators
- Detailed review of various transit operator functions
- Preparation of the Draft Audit report
- Preparation of the Final Audit report

## **TRANSIT PROGRAM DESCRIPTION**

The Eureka Transit Service (ETS) includes four fixed routes and demand response service in the City of Eureka Monday through Friday with limited service on Saturday. During this audit period, the City of Eureka contracted with HTA to provide operations, maintenance and daily management of the Eureka Transit Service (ETS). City staff still maintained overall administration of the service including responsibilities such as preparing transit related reports and submitting TDA claims. In July 1, 2018, the City of Eureka granted HTA the authority to take on all administration duties of ETS including the authority to submit TDA claims. As such ETS has become part of HTA services and therefore, a separate performance audit for ETS will no longer be required.

## ETS System Characteristics

ETS operates four fixed-routes within the City of Eureka.

- The *Gold Route* serves downtown Eureka, Bayview, Pine Hill, Bayshore Mall, Harris St., and E St. Hourly service is operated between 6:30 AM and 7:00 PM Monday through Friday. On Saturday's hourly service is provided between 10:00 AM and 5:00 PM.
- The *Purple Route* serves downtown, Silvercrest, General Hospital, Buhne St., Harris St., H St., I St., and West St. Hourly service is operated between 6:30 AM and 7:00 PM Monday through Friday. On Saturdays, hourly service is provided between 10:00 AM and 5:00 PM.
- The *Green Route* serves the hospitals, Silvercrest, Myrtle town, Harris St., and Bayshore Mall hourly between 7:00 AM to 7:00 PM on weekdays
- The *Red Route* serves Costco, the Forest Service, Bayshore Mall, Harris St., Campton Rd., Cutten, and California St. hourly between 7:00 AM to 7:00 PM on weekdays.
- The *Rainbow Route* is a Saturday only route which operates hourly between 10:00 AM and 5:00 PM serving Costco, the Forest Service, Bayshore Mall, Harris St., the zoo, General Hospital, Myrtle town, and I St.
- Dial-A-Ride – Demand response transportation is available to ADA eligible passengers in the greater Eureka area through HTA as the Consolidated Transportation Services Agency.

## Fares

ETS's general public fare for a one way trip is \$1.70 and \$1.30 for youth, disabled and elderly passengers. Monthly pass and regional passes are available for a discounted per-ride fare.

## ETS OPERATING AND FINANCIAL STATISTICS

The operating statistics presented in Table 1 present operating statistics and performance indicators for ETS fixed route services. This information is based on data taken from internal operating spreadsheets and annual Fiscal and Compliance Audits. Operating and performance statistics for ETS demand response services are included as Dial-A-Ride in the HTA performance audit.

## Data Collection Methods

As part of the TPA process, the auditor must collect and verify the following transit operator statistics:

- Operating Cost
- Passenger Count
- Vehicle Service Hours
- Vehicle Service Miles
- Employee Hours in Full-Time Equivalent (FTE)
- Fare Revenue

**TABLE 1 : Eureka Transit Service Fixed Route Performance Measures**

	Eureka Transit Service		
	2016-17	2017-18	2018-19
<b>One-Way Passenger-Trips</b>	214,113	204,462	203,489
<i>% Change from Previous Year</i>	-9.8%	-4.5%	-0.5%
<b>Vehicle Service Hours</b>	14,449	14,353	14,271
<i>% Change from Previous Year</i>	1.1%	-0.7%	-0.6%
<b>Vehicle Service Miles</b>	159,196	158,118	157,232
<i>% Change from Previous Year</i>	1.1%	-0.7%	-0.6%
<b>Operating Costs</b>	\$1,056,429	\$1,093,020	\$1,093,020
<i>% Change from Previous Year</i>	2.8%	3.5%	0.0%
<b># Employees</b>	NA	NA	NA
<i>% Change from Previous Year</i>	--	--	--
<b>Farebox Revenues</b>	\$275,965	\$233,997	\$233,997
<i>% Change from Previous Year</i>	-7.7%	-15.2%	0.0%
<b>Operating Cost per One-Way Passenger-Trip</b>	\$4.93	\$5.35	\$5.37
<i>% Change from Previous Year</i>	14.0%	8.3%	0.5%
<b>Operating Cost per Vehicle Service Hour</b>	\$73.11	\$76.15	\$76.59
<i>% Change from Previous Year</i>	1.7%	4.2%	0.6%
<b>Passengers per Vehicle Service Hour</b>	14.82	14.25	14.26
<i>% Change from Previous Year</i>	-10.8%	-3.9%	0.1%
<b>Passengers per Vehicle Service Mile</b>	1.34	1.29	1.29
<i>% Change from Previous Year</i>	-10.8%	-3.9%	0.1%
<b>Vehicle Service Hours per Employee</b>	NA	NA	NA
<i>% Change from Previous Year</i>	--	--	--
<b>Farebox Recovery Ratio</b>	26.12%	21.41%	21.41%
<i>% Change from Previous Year</i>	-10.2%	-18.0%	0.0%

Source: HTA Internal Farebox Reports, FY's 2016-17, 2017-18, and 2018-19 and City of Eureka Fiscal Audits 2016-2019

All data collection and reporting are conducted by HTA staff.

**Operating Cost** data (Table 1) for ETS fixed route transit services for the first two years of the audit period was obtained from the annual Fiscal and Compliance Audits and include total operating expenses for each object class, minus depreciation costs. Operating cost data for FY 2018-19 was obtained from HTA internal operating reports. Over the three year period, operating costs increased by around 15 percent. This level of cost increase is in line with other rural public transit operators.

**Passenger Count** – Passenger counts represent one-way passenger trips. Total fixed route ETS ridership in FY 2018-19 was 203,489. As shown in Table 1, systemwide ridership has declined by 4.7 percent since FY 2016-17.

**Vehicle Service Hour** data (Table 1) was obtained from HTA reports. For fixed route services, HTA records and reports total vehicle hours (including deadhead). According to the Performance Audit Guidebook, transit operators should report revenue vehicle service hours (not including deadhead) to the State Controller. This is noted as a recommendation in the HTA performance audit. Vehicle hours stayed relatively steady throughout the audit period.

**Vehicle Service Mile** data (Table 1) was obtained from HTA internal reports. The definition of a vehicle service mile as currently used by ETS is not consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*, as discussed above. As with vehicle hours, vehicle miles remained relatively steady over the audit period.

The **Employee Hours in Full-Time Equivalent** (FTE) is no longer applicable to ETS, as under the current arrangement ETS is a series of fixed routes operated by HTA. All employees operating ETS services are HTA employees and HTA does not separate FTEs by route.

**Fare Revenue** data (Table 1) was obtained from annual Fiscal and Compliance Audit reports. It should be noted that PUC Section 99205.7 states that fare revenues are defined as revenue object classes 401, 402, and 403, as specified in Section 630.12 of Title 49 of the *Code of Federal Regulations*:

- Object class 401 revenues include full adult, senior, student, child, handicapped, Park-and-Ride lot revenues (must be operated by transit operator), special and reduced fares collected from passengers.
- Object class 402 revenues include guaranteed revenues collected from an organization rather than a rider for rides given along special routes.
- Object class 403 revenues include revenues collected from schools for providing service to children to and from school.

Fare revenue also includes the amount of revenue received by an entity under contract for transit services not yet transferred to the claimant. Additionally, the definition of fare revenues includes fares collected (1) for a specified group of employees, members, or clients, or (2) to guarantee a minimum revenue on a line operated especially for the benefit of the paying entity (e.g. an employer, shopping center, university, etc.), or (3) cash donations made by individual passengers in lieu of a prescribed fare.

ETS calculates and reports fare revenue correctly to the State Controller. ETS does not operate charter services; therefore, charter revenue is not included in fare revenue. Fixed route fare revenue decreased during this audit from \$275,965 to \$233,997 but then rebounded to \$250,065.

For the overall data collection and recording process, ETS/HTA employs GFI electronic fareboxes. With these fareboxes, HTA could accurately record each boarding by type (pass, senior, etc.). At the end of the day, the fareboxes are “probed” and boarding data is electronically transferred into a main database. HTA staff transfer operating data into Excel spreadsheets which track performance indicators by type of service. ETS data reported to the State Controller closely matches that found in internal HTA reports.

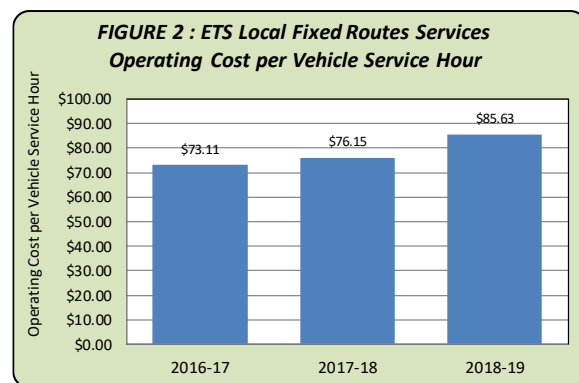
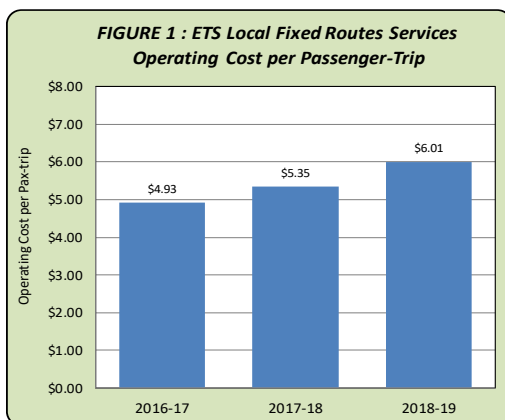
### Calculation and Evaluation of Performance Indicators

Performance indicators are frequently used to quantify and review the efficiency and effectiveness of a transit operator’s activities. Such indicators can provide insight on current operations as well as on the operator’s performance over time. Using the data described above, the following performance indicators were calculated as required in Section 99246(d) of the Public Utilities Code:

- Operating Cost per Passenger
- Operating Cost per Vehicle Revenue Hour
- Passengers per Vehicle Service Hour
- Passengers per Vehicle Service Mile

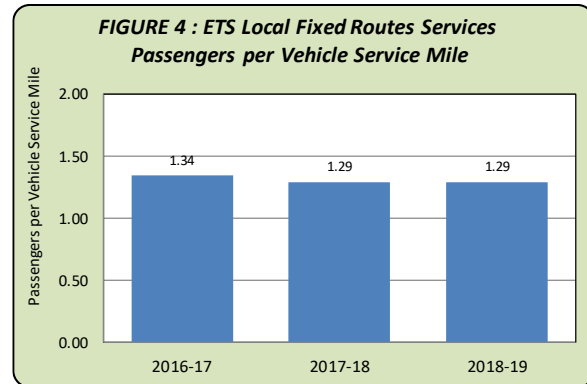
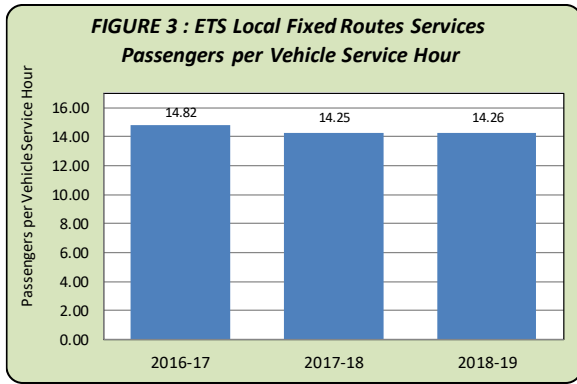
In addition, the Farebox Recovery Ratio is calculated and evaluated herein, as required in Section 99268 et seq. of the Public Utilities Code.

**Operating Cost per (one-way) Passenger Trip** data is presented in the Table 1 and Figure 1. This performance measure is a key indicator of a transit system’s cost effectiveness. As a result of increasing operating costs and declining ridership, operating cost per trip for ETS fixed routes increased from \$4.93 in FY 2016-17 to \$6.01 in FY 2018-19. Figure 3 demonstrates a gradual increase over the audit period.



**Operating Cost per Vehicle Service Hour** data is presented in Tables 1 and Figure 2. This performance measure is a key indicator of a transit system’s cost efficiency. Fixed route services operating cost per hour increased by 17 percent over the audit period from \$73.11 to \$85.63 because of slowly increasing operating costs due to inflation.

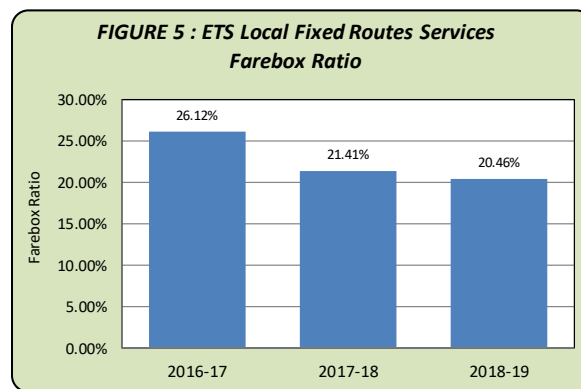
**Passengers per Vehicle Service Hour** (commonly referred to as “productivity”) is presented in Table 1 and Figure 3. As presented, ETS fixed route productivity stayed constant during the audit period (around 14 passenger-trips per hour) but decreased from the end of the prior audit period (FY 2015-16) by 10.8 percent. This is on par with a nationwide downward trend in ridership



**Passengers per Vehicle Service Mile** data is presented in Table 1 and Figure 4. As presented, passengers per vehicle service mile decreased slightly during the audit period from 1.34 to 1.29, following a similar pattern to passengers per hour.

**Vehicle Service Hours per Full-Time Equivalent (FTE) Employee** is not calculated for Eureka Transit as the service is now part of HTA operations.

The **Farebox Recovery Ratio** data is presented in Table 1 and Figure 5. As shown in the Table, ETS farebox recovery ratio is significantly higher than the 10 percent minimum required for a rural transit service. ETS fixed route services farebox ratio ranged from 26.12 percent in FY 2016-17 to 20.46 percent in FY 2018-19.



### Assessment of Internal Controls

To ensure that the information gathered as part of this audit is reliable and valid, a review of internal controls is necessary. A transit operator’s internal controls are intended to do the following:



- Provide reasonable assurance that program goals and objectives are met
- Ensure that resources are adequately safeguarded and efficiently used
- Ensure that reliable data are obtained, maintained, and fairly disclosed in reports
- Ensure that the transit operator complies with laws and regulations

ETS appears to have a reasonably well-developed system of internal controls appropriate to the size of the transit system. This statement is echoed in each of the three annual Fiscal Auditor's Reports.

## REVIEW OF COMPLIANCE REQUIREMENTS

As an entity receiving TDA funds for transit purposes, ETS is required to comply with laws and statutes set forth in the Act. Below is a discussion of ETS's compliance with sections of the Public Utilities Code which relate to transit performance, as recommended in the *Performance Audit Guidebook*. Table 2 displays the results of the compliance analysis:

1. In accordance with Public Utilities Code Section 99243, ETS has submitted annual reports to the State Controller based on the Uniform System of Accounts and Records established by the State Controller. The FY 2016-17 report was filed one and a half months after the deadline. It is unknown when the FY 2017-18 report was filed. In FY 2018-19 ETS became a part of HTA and therefore was included on HTA's State Controller report. Going forward the City of Eureka will not have to file separate State Controller Reports.
2. Per the requirements set forth in PUC Section 99245, ETS submitted annual Fiscal and Compliance audits to the HCAOG and to the State Controller within the required time period. 90 day extensions were requested for the last two years of the audit period.
3. In accordance with PUC Section 99251, ETS has submitted evidence that the California Highway Patrol has certified compliance with Vehicle Code Section 1808.1 within the 13 months prior to each TDA claim submitted.
4. In the past the City of Eureka has not submit TDA claims to HCAOG. Now that HTA has the authority to submit TDA claims on behalf of the City of Eureka, the claims process goes more smoothly.
5. PUC Section 99270.1 applies to transit operators which provide services in both rural and urbanized areas. The City of Eureka is not an urbanized area.
6. PUC Section 99266 requires that ETS's operating budgets not increase by more than 15 percent over the preceding year, and no substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities be realized unless the operator has reasonably supported and substantiated the change(s). See Table 1 for actual systemwide operating costs between FYs 2016-17 and 2018-19. Annual operating costs for ETS fixed route services did not increase by more than 11.8 percent in one year.
7. ETS's definitions of performance measures must be consistent with PUC Section 99247. A review of ETS's definitions shows that they are consistent with the requirements of the above code section

**TABLE 5: Transit Operator Compliance Requirements - Eureka Transit Service**

Requirement	PUC Reference	In Compliance?	
		Yes	No
(1) The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller within the specified time period.	99243		<b>X</b>
(2) The operator has submitted annual fiscal and compliance audits to its RTPA and to the State Controller within 180 days following the end of the fiscal year, or has received the 90-day extension allowed by law.	99245	<b>X</b>	
(3) The CHP has, within the 13 months prior to each TDA claim submitted by an operator certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator's terminal.	99251 b	<b>X</b>	
(4) The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	99261	<b>X</b>	
(5) 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.	99270.1	NA	
(6) The operator's operating budget has not increased by more than 15 percent over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities.	99266	<b>X</b>	
(7) The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247.	99247		<b>X</b>
(8) If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost 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 at least three-twentieths (15 percent).	99268.2, 99268.3, and 99268.1	NA	
(9) If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	99268.2, 99268.4, and 99268.5	<b>X</b>	
(10) The current cost of 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 for 40 years.	99271	<b>X</b>	
(11) If the operator receives state transit assistance funds, the operator makes full use of funds if available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	California Code of Regulations, Section 6754 (a) (3)	<b>X</b>	

with the exception of vehicle service hours and vehicle service miles. A recommendation to correct this is identified in the HTA performance audit.

8. As the ETS service area is a rural area, ETS services are not subject to fare revenue ratio requirements as defined in PUC 99270.1.
9. As the ETS service area includes only rural areas, ETS services are subject to a 10 percent farebox ratio. As shown in Table 1, ETS fixed route service exceeded this requirement with a farebox ratio of at least 20.4 percent throughout the audit period.
10. In reference to PUC Section 99271, ETS offers a retirement plan to its transportation employees through the California Public Employees Retirement System (PERS). As of June 2018, reports show that the CalPERS fund was only around 70 percent funded. CalPERS is taking steps to increase the funded status such as shortening the amortization period and adopting new strategic asset allocation. Additionally, as referenced above, GASB 68 and 75 now requires that employers show the pension and OPEB liabilities on their balance sheets instead of in the footnotes. This is a way of forcing employers (cities/counties) to recognize their share of the state's unfunded liability in hopes that the employers take more interest in having these liabilities paid off.

Despite the changes to the balance sheets, actuarial valuations performed by CalPERS assume that the amortization period for the unfunded liability for CalPERS is 30 years or less. Therefore, the retirement system will be funded within 40 years, per PUC 99271.

11. In accordance with California Code of Regulations Section 6754(a)(3), ETS makes full use of funds available to it under the Urban Mass Transportation Act of 1964 (in particular, FTA Section 5311 Non-Urbanized Area Formula Program funds administered by Caltrans) before TDA claims are granted.

## STATUS OF PRIOR AUDIT RECOMMENDATIONS

The previous audit was completed by Michael Baker International in May 2017. The recommendations from that effort are enumerated below.

**Recommendation 1:** *Closely monitor Dial-a-Ride performance trends.*

**Implementation Complete:** The City of Eureka no longer contracts with City Ambulance of Eureka (CAE) for demand response services. As the designated Consolidated Transportation Services Agency (CTSA) for Humboldt County, HTA provides all demand response services in the county through a new contract with CAE. HTA has been working with the SSTAC and other advisory committees to improve the accuracy of reporting from CAE.

**Recommendation 2:** *Calculate full-time equivalents in the Transit Operators Financial Transactions Report according to the TDA definition.*

**Implementation Complete:** Calculating full-time equivalent employees for ETS is now the job of HTA. ETS has become a part of the HTA transit system. As such, employee hours spent operating ETS are not tracked separately for each HTA route. This is also no longer required. HTA will be calculating full-time equivalent employees for all their fixed route services.

**Recommendation 3:** *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 (SB) 508.*

**Implementation Complete:** Prior to SB 508, ETS was subject to the farebox ratio it had achieved in 1978. Now all transit services in Humboldt County are subject to the 10 percent farebox ratio for rural transit providers. Farebox ratio requirements have been updated in the HCAOG TDA Manual. Additionally, the HCAOG performance audit recommends calculating only one farebox ratio for all HTA services for TDA compliance purposes.

**Recommendation 4:** *Ensure timely submittal of TDA fund request.*

**Implementation Complete:** During the prior audit period, the City of Eureka failed to submit a TDA claim within the stipulated time period. Now HTA submits TDA claims to HCAOG on behalf of the City of Eureka. This has improved the timeliness of ETS TDA claim submittals.

## **DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS**

This section presents a review of the various functions of ETS. In general, transit operator functions can be divided into the following areas:

- General Management and Organization
- Service Planning
- Scheduling, Dispatch, and Operations
- Personnel Management and Training
- Administration
- Marketing and Public Information
- Maintenance

### **General Management and Organization**

#### Organizational Structure

The Eureka Transit Service (ETS) has been operating since January 1976. ETS was originally contracted to a private bus operator, and later to HTA in the mid-1980s. During the audit period the City of Eureka Finance Department provided oversight and management of the transit system. ETS' fixed-route system was operated under contract by HTA, while demand response service (dial-a-ride/dial-a-lift) was operated under a separate contract by City Ambulance of Eureka (CAE). As of July 2018, both fixed route and demand response services are now managed by HTA. HTA operates the ETS fixed routes and contracts with CAE to operate Dial-A-Ride. ETS services have become routes within the HTA system. So far, the new organizational structure has improved efficiency and effectiveness for ETS.

#### Administrative Oversight

In the past the City staff have not been involved in the oversight and operation of public transit. This has improved with HTA management of ETS. HTA staff reviews and acts on performance and financial information compiled internally and monthly. HTA administrative staff meet twice a week while

managers meet weekly. Safety meetings with the drivers occur four to five times per year. The General Manager reports operating statistics and performance indicators to the board monthly. These reports are posted on the HTA website. ETS operating data and performance are not sent directly to City of Eureka staff or council; however, the HTA board includes one representative from the City of Eureka.

#### Recent Program Changes and Innovations

There were no significant fare or service changes to ETS during this audit period.

#### Communications with Other Government Agencies

The HTA Transit Manager is the primary point of contact with respect to all ETS public transit matters.

### **Service Planning**

#### Strategic Planning

The effectiveness of a transit system is highly dependent on the continued development of short- and long-range transit plans. The HCAOG commissioned the Humboldt County Transit Development Plan (TDP), which was completed by LSC Transportation Consultants in 2017. This document provides financially constrained and unconstrained alternative scenarios for improving mobility throughout Humboldt County and was adopted by the HCAOG in November 2017. Plan elements relevant to the City of Eureka included:

- Provide Redwood Transit System Mainline Eureka to Arcata express services
- Earlier Weekday Service on Eureka Transit Service

#### Evaluation of Existing Fixed Routes

The operator regularly reviews ridership and fare data in order to evaluate existing fixed-route services. The most recent TDP effort included regional demographics, commuter patterns, fixed route boarding and alighting, and on-time performance. Stakeholder interviews, an online community survey, and onboard passenger surveys were also conducted to gain perspective on local transportation strengths and weaknesses.

#### Planning For and Serving Special Transportation Needs

ETS's services meet the federal and state requirements, such as ADA policies, to serve persons with disabilities. In conjunction with the ETS fixed routes, HTA operates complimentary public transit service. Service is available within the City of Eureka during the hours and days of fixed route service. All HTA vehicles are wheelchair accessible.

#### Public Participation

Both HTA and HCAOG meetings are open to the public and are conducted in an accessible facility per the requirements of the ADA. As there were no major service changes for ETS, no public meetings specific to ETS were conducted during the audit period. However, significant public outreach took place as part of the TDP update for Humboldt County.

## **Scheduling, Dispatch, and Operations**

This functional area concerns the short-term scheduling of routes, drivers, and vehicles, the daily coordination and assurance that each customer is served, and the specific function of providing transportation service. As HTA operates and maintains all ETS vehicles. This section reflects HTA practices and processes.

### Assignment of Drivers to Routes

The driver shift selection process is based on seniority and has not changes since the prior audit period. All the HTA drivers are appropriately certified for the types of vehicles operated for HTA.

### Assignment of Passengers to Demand Responsive Routes

CAE is the contracted operator for all demand response services. CAE's call center and dispatch center is located at 135 W 7th St Eureka, CA. The DAR contractor utilizes Route Match software to schedule trips. The program allows passenger trip requests to be sorted geographically; thereby minimizing deadhead travel. HTA reports that reservations taken through the Call Center go smoothly and the process improved this audit period. Same day DAR reservations are not possible. This makes DAR scheduling easier and more efficient.

HTA has established a no-show/ late cancellation policy which is available on the HTA website. The DAR contractor does not include a list of cancellations and no-shows in their monthly report.

Only ADA eligible passengers may use the DAR service. The DAR application is available on the HTA website and requires healthcare verification.

### Part-Time and Cover Drivers

HTA currently employs both full-time (4) and part-time drivers (34) as well as extra board employees to help cover shifts, such as when other drivers are sick or on vacation.

## **Personnel Management and Training**

### Recruiting

During this audit period, HTA generally was able to recruit new drivers or staff as needed, although finding qualified individuals can sometimes be a challenge. In an effort to attract new drivers, HTA increased wages, increased the incremental raise potential and eliminated contribution amounts for medical benefits. The employee turnover rate during the audit period was around 10 percent. Due to employees quitting, retiring or being terminated. HTA recruits through Craig's List, HTA vehicles, Facebook and the Employment Development Department. If needed, HTA will train drivers with no experience.

### Motivation

While no monetary incentive programs are in place, salaries are based on designated step increases. Job performance evaluations are performed annually for all employees.

## Training and Safety

HTA has a full-time driver trainer as well as another driver who is a certified trainer. Drivers must spend at least 40 hours training on each one of the four different types of buses. The Safety Coordinator ensures that all training has completed and up to standards and regulations. HTA conducts quarterly safety meetings.

## **Administration**

Personnel policies regarding vacation, sick leave, benefits, and discipline are well defined in the Memorandum of Understanding (MOU) with the American Federation of State, County and Municipal Employees (AFSCME) Local 1684 Humboldt County Public Employees Association.

## Budgeting and Management Information Systems

The Finance Manager prepares the budget. HTA has a well-developed budget and reporting system that is appropriate to the size and scope of the transit program. If substantial excesses over the approved budget were to occur, they would require approval by the Board. Monthly ridership and performance reports are generated for review by the HTA board.

## Financial and Grants Management

HTA prepares grants for ETS services. During the audit period the HTA General Manager had primary oversight of grants management duties. During the audit period, ETS or HTA had not lost any grants or neglected grant opportunities. HTA has applied for and received a variety of grant funding, including FTA 5311, 5311(f), 5310 and State of Good Repair.

## Risk Management and Insurance

Humboldt County is insured through California Transit Indemnity Pool (Cal TIP) insurance pool for public liability, injuries to employees, natural disasters and property damage up to \$40 million with a deductible of \$50,000 per occurrence. As part of the emergency response team for Humboldt County, HTA/ETS buses are available for use in an emergency.

## Contract Management

City of Eureka staff provide little oversight of the contract with HTA to operate ETS services.

## Revenue Collection and Cash Management

On-vehicle fare collection mechanisms are appropriately secure on HTA/ETS buses. All buses use electronic GFI fareboxes. Cash boxes can only be removed when locked. After each shift, the farebox is "probed" which opens the door to the farebox and allows for removal of the cash box. The money is dumped into a secure vault. Once a week, fare revenue is sorted and bagged by the HTA Finance Manager and General Manager. Brinks Security Company takes the bagged money and counts it at their own secure facility and deposits the money. Brinks prepares reports for HTA which are compared to internal reports of estimated revenue based on actual ridership.

The process is different for pass sales. Front desk personnel hand writes a sales receipt. These transactions are entered into QuickBooks twice a week. A separate staff person deposits the cash at the bank and a third staff person reconciles the transaction.

### Procurement

All ETS vehicles are owned by HTA. HTA competitively procures vehicles and other large capital items.

### **Marketing and Public Information**

#### Public Information

Schedules and service information for public transit in Eureka are available to current and potential riders through the HTA website, on vehicles and at the Chamber of Commerce. HTA has a process for logging customer complaints and compliments. These will be reported to the board in the future. In addition to transit brochures, HTA has developed refrigerator magnets as advertising material.

#### Marketing

HTA has a diverse marketing program. In addition to traditional marketing such as television commercials and radio ads, staff attend community events such as the annual parade and Electric Vehicle Expo. HTA circulates a newsletter and has offered free bus service on weekends and holidays. HTA staff are always promoting transit in the community including public outreach to schools. The HTA website is well-organized and informative and includes schedules and information for all regional services including those operated in the City of Eureka.

### **Maintenance**

Maintenance of vehicles used for ETS is conducted on-site at the HTA administrative facility located at 2nd and V Streets in Eureka. The maintenance facility includes five bus bays plus a bus wash station. There are two pit lifts, one portable lift and one above ground lift. There is a storage bay and a parts room that stocks vehicle spare parts. The Maintenance Department is staffed by the Director of Maintenance, Shop Supervisor and ten shop personnel. Mechanics are available until 7:00 PM.

HTA has a good preventative maintenance process in place. During the audit period no runs were missed due to vehicle maintenance issues.

#### Vehicle Condition

Seven vehicles in the HTA fleet are used for ETS services. Two of these vehicles are currently due for replacement. On average, ETS fleet vehicles have a mileage of 250,600 miles and an average age of 10 years.



The Auditor's analysis of ETS services indicates that, in terms of operations, the system was efficiently run and well-managed during the audit period.

#### **FINDINGS**

- Overall management of ETS services has improved since HTA took over administration of the service in July of 2018.
- Although ETS fixed route ridership declined by 5 percent during this audit period ETS is a productive transit service for a rural county, carrying 14 one-way passenger-trips per vehicle service hour. Public transit ridership has been slowly declining throughout the US.
- ETS operating costs increased during the audit period but at a rate comparable to inflation and that observed at other public transit agencies.
- ETS/HTA implemented all the prior audit recommendations.
- ETS/HTA has a good data collection process in place.
- During the audit period, ETS met most of the TDA requirements. The one exception is that HTA/ETS reports total vehicle hours and miles to the state controller instead of vehicle service hours and miles.
- ETS transit services far exceeded the required 10 percent farebox ratio for rural transit providers. During this audit period, farebox ratio ranged from 26.12 to 20.46 percent.

#### **RECOMMENDATIONS**

As HTA has taken over both operation and management of ETS, a separate performance audit will no longer be required. Therefore, any recommendations regarding Eureka Transit Service are noted in the HTA audit.

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